

August 8, 2013

Richard Boivin
Assistant Deputy Minister, Policy Pertaining to
Financial Institutions and Corporate Law
Ministère des Finances et de l'Économie
8, rue Cook, 4e étage
Québec (Québec) G1R 0A4

Dear Mr. Boivin:

Re: Report on the Application of the Act Respecting insurance and the
Act respecting trust companies and savings companies (Report)

We discovered the notice too late to respond to your deadline for submissions but thought we would write to you anyway hoping that you will consider this brief. Our response deals specifically with Chapter 10.4, Proposal 49, which suggests reciprocal insurance exchanges should no longer be licensed in Quebec.

The Canadian Association of Insurance Reciprocal (CAIR), formed in 2010, represents its member reciprocals across the country. CAIR members constitute a variety of industry sectors (lawyers, school boards, universities, healthcare, airports, electric utilities, etc) that sought insurance protection where none existed, coverage was too restrictive and/or premium levels rose to unprecedented levels.

Mission Statement – Advance the common interests of insurance reciprocals.

Vision Statement – To be the trusted source of expertise and the voice for insurance reciprocals in Canada.

Strategic Goals:

- 1) Strengthening relationships with regulators
- 2) Sharing of best practices
- 3) Networking and relationship building

CAIR disagrees with Proposal 49 of the Report and requests the Minister reconsider the recommendation for the following reasons:

1. Reciprocals are financially responsible organizations that have evolved from the organizations that first appeared in Canada over 25 years ago. Reciprocals are required to report on their financial well-being to their respective provincial insurance regulator(s). Most jurisdictions request that reciprocals submit Minimum Capital Test reports. Some jurisdictions require that reciprocals meet the MCT standards as a condition of licensing.



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2. Reciprocal, although not members of PACIC, have the ability to retro-assess members should there be a need for additional capital. With the financial reporting and requirements stated in #1 above and through the purchase of reinsurance, retro-assessments are not a common occurrence or a financial hardship when they do occur. Reciprocal are thriving in Canada, with at least 25 licensed in the country.
3. Financial difficulties occur with all types of insurance organizations – reciprocal should not be singled out.
4. Where conventional insurers failed, reciprocal have prospered, and have become a significant source as alternative insurance mechanisms.
5. Reciprocal provide a competitive option for the benefit of all Québec consumers.

Again, I hope you will consider the recommendations of CAIR and that we would welcome the opportunity to dialogue with you about our concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P. Flattery". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Peter Flattery
Chair