

Poultry Insurance Exchange Reciprocal of Canada (PIE)
Fonds d'échange d'assurance avicole réciproque du Canada

July 1, 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 l'étage
Québec, (Québec) G1R 0A4

Dear Mr. Boivin,

**Re: Proposal 49 of the Report on the Application of the Act Respecting Insurance
and the Act respecting Trust Companies and Savings Companies**

This submission addresses Proposal 49 of the above noted report and opposes the elimination licensing for reciprocals from the insurance act.

I am the General Manager for The Poultry Insurance Exchange Reciprocal of Canada. It comes as no surprise that there is a proposal to eliminate the licensing of reciprocals in Quebec. We have been had the opportunity to be victimized by the Autorite Des Marche Financiers in the past.

It is a fact that the insurance act in Québec provides for the licensing of reciprocals under certain conditions. Despite that fact, the Autorité des Marchés Financiers has unilaterally decided that reciprocals should not be issued licenses as insurers in Québec. A license was never issued to PIE, even though the Autorite received a legal opinion from their lawyers that a license can be issued.

For over four years, the Autorité has systemically placed roadblocks in front of the Poultry Insurance Exchange to forestall the issuance of a license. Thousands of dollars were expended to get a license so that we could bring the specific benefits associated with our product to the poultry farmers of Quebec.

No license was issued and there were no explanations given. Again there is no rational or supportable explanation given as to why there should not be reciprocals allowed in Quebec in this proposal. You will find that reciprocals fail less often than insurance companies. There is no downside to allowing for the responsible licensing of reciprocals.

There is an upside. Reciprocals have grown over the years to fill a void in the insurance market for specific risks related to specific groups. The strength of a reciprocal is the long-term commitment made by its subscribers through a subscribers' agreement to pay premiums and to support the reciprocal in the event of catastrophic losses. They reduce the likelihood of a further assessment by entering into reinsurance contracts to protect the interests of the reciprocal and its subscribers.

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The reciprocal movement is now a significant part of the insurance industry in Canada. It has saved millions of premium dollars for its subscribers. It is relevant for near public institutions and fills a niche in the market not adequately served by the traditional insurance market.

While there is a public insurance plan for the agricultural sector in Québec, it may not provide for all types of losses. However, more importantly, that plan is absolutely of no value to non-agricultural sectors such as school boards, universities, etc. etc. This reinforces the benefit and need for a reciprocal..

There are different capital requirements and considerations with a reciprocal. Sound business practices and actuarial assumptions means that the subscribers must provide a substantial capital fund to protect the reciprocal in the event of a major operating loss. A reciprocal can react more quickly to funding requirements due to its subscriber based structure. Its cooperative structure is consutive to Quebec policy and culture.

There appears to be no obvious motive to remove the clause permitting the licensing of reciprocals in Québec. Their history would show positive benefits economically. They provide protection and insure risks where the normal market has no interest or expertise. They are by their structure and governance more effective than many insurance companies and they save their subscribers from financial catastrophe.

At the risk of being a cynic there would appear to be no reason to ban the licensing of a reciprocal. There must be another motivation. I submit that the licensing of reciprocals not be removed from the insurance act. The Authorite needs to be seen supporting creative and economically sound reciprocals and not eliminating them without sound facts and analysis.

Yours truly,



David Bethune CPA,CA
General Manager and Attorney