

## Internationalism: A way to survival

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# Internationalism: A way to survival

*by*

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As society changes, insurance needs change and insurance companies modify their roles to remain abreast of current developments. Or we hope they do. For many years insurance companies have been accused of failing to keep up with the times, of ultra-conservatism, of, almost, acting with indifference towards their most vital component — the insured.

Today we are in a period of questioning, probing and a massive awareness of the consumers' rights and/or desires. Government policies and actions are shaped, often, in terms of expediency and short-term popularity. Threats of nationalisation become "faits accomplis" and, slowly but surely people are being conditioned to seeing the vast net of Government-run automobile insurance being cast across the entire nation.

This has happened in Saskatchewan, in Manitoba and in British Columbia — with what results? Some companies have withdrawn from those provinces, some threaten to withdraw from Canada. Everywhere is heard the complaint of business being irretrievably lost, of expense ratios climbing and of too little business left to be shared among the remaining companies.

In few cases do we hear of innovation, of determination not to use nationalisation as an excuse for retrenchment but as a reason for experimenting, for expansion. It is for almost too long that many insurers operating in Canada have been introspective, seeing only their world of ten provinces, oblivious almost of happenings in the rest of the world. And yet

here is the very means by which a great deal of nationalised premium income can be replaced. But before taking a look at this vast storehouse of premiums, let us first take a look at the Canada of today.

In 1972, automobile insurance represented just over 46% of the total general branch premium income in Canada. If this vast sum, a little under 1¼ billion dollars, were suddenly wrested from the private insurance sector by the various provincial governments, what would happen? In all probability a number of companies would cease writing business, others would merge or be taken over and the "giants" would be best able to continue, albeit with reduced income. Competition for the remaining property/casualty/marine/aviation business would be cut-throat and further companies would fall by the wayside as victims of rate-wars.

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Who would survive? It is doubtful that many true Canadian companies (by which I mean the ultimate holding company is Canadian owned or controlled) would be listed among the living. A study of the larger companies (those writing over 10 million dollars premium in 1972) shows, of the 62 that qualify, only 13, or 21 p.c., are Canadian. These 62 companies wrote about 75 p.c. of the total business in Canada, the Canadians' share being 16.1 p.c. of the total business — in line with their representation. However, when automobile premiums are deducted, the picture changes radically. The Canadians lost 68.4 p.c. of their premium income while the non-Canadians lost only 48.1 p.c. The logical conclusion to be drawn from these figures is that among the larger companies (and hence those who would be more likely to survive wholesale automobile nationalisation) the non-Canadians are in the stronger position of already holding the more diversified accounts.

But this is not an essay on nationalism for in the ultimate carnage it is companies of all nationalities that would suffer. I am merely pointing out the precarious position in which the true national companies would find themselves should the not altogether unlikely event of nationalisation come about. Yet all companies are employing Canadians and it is to the country in general that the damage would be done.

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Canada, in terms of trade and commerce, is still a young country, not yet living up to its full potential. Each month we read the balance of payments figures in the newspapers and relate these to tangible goods bought and sold. However, below the surface are the so-called "invisible" imports and exports which include insurance and reinsurance earnings. The importance of these figures to the economic well-being of a nation cannot be overestimated. In 1971 Great Britain, which so often shows a deficit on its visible trade balance, made an "invisible" profit of £381 million (or \$952.5 millions at current rates of exchange) on its overseas insurance and reinsurance transactions. And Canada in the same year? It is a sad fact to relate that Canada does not have separate statistics on the subject and it required a special study by the Department of Statistics to come up with the following figures for 1969.<sup>1</sup>

*Insurance Premiums* (in millions of dollars)

<u>Payments</u>		<u>Receipts</u>	
18.2	to U. S.	8.9	from U. S.
19.5	to U. K.	7.7	from U. K.
3.1	to other European	1.6	from other European
0.2	to others		
<u>41.0</u>		<u>18.2</u>	

<sup>1</sup> Figures courtesy of Statistics Canada.

## A S S U R A N C E S

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### Other Payments

23.6	to U. S.
15.3	to U. K.
1.4	to other European
1.5	to others
<u>41.8</u>	

### Other Receipts

23.6	from U. S.
7.8	from U. K.
2.0	from other European
2.0	from others
<u>35.4</u>	

Total Deficit 29.2million.

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But these figures do not show the complete picture of, especially, reinsurance transactions. Within the licensed reinsurance figures are included, in many instances, internal transfers from a subsidiary to an external parent who is licensed in Canada yet these amounts would not appear as external transfers, which in fact they may well be.

Let us turn back to our top companies for 1972 and look at the latest "Blue Book" figures we have for the top ten.<sup>2</sup> The statistics are in respect of the year ending 31st of december 1971. Eight of these top ten appear in the book, but we can add in the Lloyd's figures too for these are totally foreign earnings. These nine companies ceded \$94,040,882 to unregistered reinsurers and \$310,348,358 to licensed markets, all in respect of business in Canada. Whilst there is in all probability a degree of duplication in respect of groups of companies, these figures do give, nevertheless, an indication of the vastness of the transactions which are taking place. If only 50 p.c. of the unregistered premiums go overseas and only 10 p.c. of the licenced reinsurances take the same route, then over \$78 million will have left the country — and this is from nine sources writing just under 26.4 p.c. of the net Canada total. The Canadian companies and subsidiaries of groups in those nine wrote net premiums of \$20,398,442 in respect of business

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<sup>2</sup> The listings of top companies for 1972 were taken from the *Statistical Issue of Canadian Insurance Magazine*.

from out of Canada. So we are looking here at very much a one-way trade which is not in Canada's favour.

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There are several routes for gaining access to this premium :

1) by reciprocal exchange with foreign companies, which carries the hazard of possibly exchanging your profitable business for what turns out to be unprofitable business;

2) by soliciting business directly from foreign companies, which entails the costs of setting up what amounts to a professional reinsurance company;

3) by writing a broker-produced account, necessitating the hiring of a competent underwriter and amending systems to cope with the difference in procedures found in an international account;

4) by joining other companies in a pool with a common underwriter and shared expenses or by accepting a share in the account of an established international writer.

Traditionally the reinsurance specialists have been found in Britain, in Europe and, more recently, in the U.S.A. There is no reason why, in the long run, Canada could not develop its own specialists, its own strong international reinsurance market and bring in the foreign earnings so vital to its balance of payments.

In this article I have put forward reasons why, in my opinion, companies in Canada should take a more international approach. There is a growing number who do, but for those who lag behind the ultimate decision will be made by looking at their portfolios and asking, "If all automobile insurance were nationalised, would I have a way to survival?"

**Deux livres récents : CORNELIUS KRIEGHOFF (1815-1872) par Raymond Vézina et PHILIPPE HÉBERT (1850-1917) par Bruno Hébert. Aux éditions du Pelican et aux éditions Fides, respectivement —**

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Deux livres qui sont à garder sur ses rayons, non pour les lire avec plaisir (sauf peut-être celui de M. Bruno Hébert), mais pour les renseignements qu'ils contiennent: l'un sur un petit bourgeois hollandais, venu au Canada comme ouvrier et qui se révèle peintre une fois rendu dans la colonie. Comme Wilhem Von Berczy (Allemand) et Louis Dulongpré (Français), Krieghoff peint, grave, assaye de vendre ses œuvres, mange de la vache enragée, puis flotte la tête hors de l'eau (à peine), et meurt. Longtemps plus tard, ses toiles passent d'un collectionneur à un autre, puis se retrouvent dans des collections publiques ou privées à Québec, à Ottawa, à Vancouver et à Washington. Elles ont une grosse cote.

Dans son livre, M. Raymond Vézina s'attache au détail. Il faudrait que quelqu'un dégage la valeur de l'œuvre de Krieghoff au point de vue social. Il me semble, en effet, que dans ses toiles il y a autre chose que ce qu'y voit M. Vézina.

Philippe Hébert, lui, est déclaré « gosseux de bois » par son oncle qui ne demande qu'à s'en débarrasser. Plus tard, il est zouave pontifical. Il va à Rome, revient au Canada, travaille avec Napoléon Bourassa. Autodidacte, il se forme et devient le grand sculpteur de la fin du XIXe et du début du XXe siècle au Canada. L'auteur de la biographie ignore totalement ce que mon père avait réuni sur lui: un médaillon de bronze qui le représente en 1892 à Paris, « La nature tressaille au baiser du printemps », « Cadieux » (œuvre unique dont j'ai raconté ailleurs l'origine), le « Massacre de Lachine », etc.

Les reproductions sont bien mauvaises, mais le livre de M. Bruno Hébert est à lire et à garder sur ses rayons à cause des renseignements et des détails biographiques qu'il nous apporte.