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**Decision expanding family
protection endorsement in
Ontario auto policies to
areas outside North America
going to Appeal Court**

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A decision which could mean increased claims costs for Ontario auto insurers is going to the province's Appeal Court.

A Superior Court judge ruled against Pilot in the case of a man left a quadriplegic in a motor vehicle accident in Jamaica.

This is outside the territorial limits of the province's automobile policies.

Mdm. Justice Margaret Eberhard said the absence of clear and express language as to the territory of the optional family protection endorsement has left the question in a state of ambiguity.

"As such, the issue is to be resolved in favour of the insured."

The endorsement provides additional funds if the other driver is underinsured.

Insurance Bureau of Canada federal and Ontario vp Mark Yakabuski said the decision is peculiar.

"There is certainly no doubt that the policy endorsement in question is designed quite intentionally to be limited to accidents in North America."

When the government was looking at the auto reforms in the past the bureau had suggested that there be a clear reinforcement of the fact that the policy provided coverage in North America only.

If this case waters things down further, it will recommend the intention be reinforced.

It will also seek intervenor status if Pilot wishes.

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Brokers have to stay on top on banks and insurance issue despite PM's promise, their national president says

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New Insurance Brokers of Canada president Larry Kozakevitch doesn't think the recent C.D. Howe Institute paper on banks and retailing insurance (*Thompson's daily insurance news service*, Nov. 8) will change the federal government's mind.

Prime Minister Stephen Harper has assured brokers there will be no changes on the issue in the current Bank Act review.

Mr. Kozakevitch thinks "brokers have to be conscious of the environment at all times . . . banks are already in insurance, retailing it outside of branches."

The Institute paper, written by former Canadian Life and Health Insurance Association president Mark Daniels, said there is no longer a reasonable case for keeping the banks out of the market.

With the review now not due for completion until the spring, brokers need to continue raising their profile with elected officials, Mr. Kozakevitch said.

"Until it goes through the maze of Parliament and is adopted and passed we still have to be on top of the issue."

The Canadian Bankers' Association's Maura Drew-Lytle said the C.D. Howe report is interesting.

But since the government has said it won't be changing anything in the banks' favour this time round the association doesn't have further plans regarding the review.

"We're taking a wait-and-see approach at this time."

Alberta auto rate board — ING:

**Insurers should not be
subject to limits on their
return on equity, company
says: competition controls it**

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Auto insurers in the province should not be subject to limits on their return on equity, the board has been told by ING's western region.

But if there must be limits, they should allow a return on equity of 13% to 17%, it said at its hearings on profit levels.

Its actuary Bill Premdas suggested a return on basic auto of 17%.

This, combined with a premium to surplus ratio of 1.31 to 1 and a projected investment yield of 5.5%, would yield a profit provision of 15.4% — more than three times the board's current limit of 5%.

ING agreed its suggestion is significantly different from the present yardstick.

But the 5% profit cap, when combined with a 2-1 premium-surplus ratio for basic auto, produces a minimum capital test ratio of about 130%.

This is well below the 170% to 200% required by the federal Office of the Superintendent of Financial Institutions.

Company personal lines snr. vp Martin Beaulieu urged the board to assign the return on a "line of business" approach and to let insurers operate within a range for a given time period to absorb market fluctuations.

The number doesn't need to be cast in stone. Competition controls this.

Briefly . . .

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Enhanced disclosure of financial reinsurance agreements is among

changes included with updated guidelines and requirements for actuaries preparing annual returns for p&c insurers. The Office of the Superintendent of Financial Institutions updates the guidelines with a 'Memorandum' each year. This year's also includes changes to the 'commentary' and 'databases and exhibits' sections as well as disclosure requirements for external reviews and others. The complete update is available at www.osfi-bsif.gc.ca.

Christmas is coming and so is **Operation Red Nose** across the country, with support from private and public insurers. The **Insurance Bureau of Canada**, which has previously sponsored it in Ontario and Alberta, is adding the Maritimes this year. Manitoba's annual program, run by **MPI**, a swim club and the province's Safety Council, will start Dec.1. In B.C. where communities opt individually for the program, **ICBC's** Autoplan brokers are among the sponsors.

Western Financial Group is getting another \$23.1m gross for future acquisitions and general corporate purposes. It is coming from the underwriters of its previously announced equity financing exercising their option to purchase more shares. WFG said they have agreed to buy an additional 2.025m common shares at \$3.50 a share.