



## Current Articles 2001 – October

### Unlicensed Insurers

During the summer there have been several articles in the newspapers of people buying insurance, possibly through the Internet and finding out after a loss that there is no coverage. The first was a couple in St George, Ontario who bought insurance for their business through a barter club newspaper. The coverage was arranged by a Robert Brown who had previously been barred by FSCO from selling insurance without a license. A fire claim amounting to \$150,000. was denied with very "shaky" reasons for the denial.

The second and more recent article involves a local restaurant and a local tow truck operator. The restaurant has an uninsured liability claim approaching \$300,000! The tow truck operator is being sued for \$2,000,000. He was operating an employer's vehicle and was at fault in the accident. The newspaper article states that the Insurance Act permits an insurance company to sue the driver if the employer/owner is uninsured. There are a number of legal actions pending and his employer is out of business. Both these "policies" were effected by the same person as above and who operates out of the Bahamas.

These unlicensed vendors of insurance issue policies that may not be legitimate. The names are similar to legitimate Ontario Insurance companies. For example, Globe Indemnity and Casualty Co. , which is similar to Globe Indemnity Co. - a legitimate company. And Citadel General Surety Ltd. which is close to the legitimate Citadel Insurance Co. of Canada.

I have personally been involved with three situations with non-existing insurers. The first was with a sailboat that was lost and insured by LFB Insurance & Reinsurance and out of Wichita, Kansas. The coverage was placed with an Ontario broker and through an American wholesaler. The company was a scam! It did not exist! The other cases involved coverage being placed with a company identified as the Global General. -not licensed and not associated with an Ontario insurer. In fact it is believed that this company originated in Uruguay. And the other was with an unlicensed insurer from Africa!

It would be prudent for a broker who may lose a client or be in competition to do your client a favour and have him inquire as to who the carrier that the competition may be using. Clients do not know the regulations as regard to insurer licensing, nor do they know who is legitimate or not. An ounce of prevention before a loss may solidify the client for many years.

If a broker uses an unlicensed insurer, they must do so in compliance with the RIBO regulations. RIBO, under section Section 10 of Regulation 991 require the broker to obtain a Client Consent and Acknowledgment of Risk form (available from RIBO) signed by the client. This form advises the client of the problems that may be encountered and the lack of assistance from the Superintendent of Insurance. It also requires the broker to collect Provincial Premium tax and Federal Excise tax and file a form with the remittance of tax every three months. Is it really worth the aggravation???? Even with this authorization, if the unlicensed insurer is a scam or unable or unwilling to meet their obligations, the broker who has dealt directly with the public in Ontario and has placed the coverage may be held responsible. Wholesalers, both in Ontario or elsewhere, are

not regulated and therefor the broker placing such coverage may be held liable for any deficiencies. An E & O waiting to happen ! ! !

**James E. Bonnay,**  
C.I.P., C.C.I.B.  
Insurance Consultant

Phone 905-333-1727  
Fax 905-333-0683  
E-mail - [jamesbonnay@cogeco.ca](mailto:jamesbonnay@cogeco.ca)