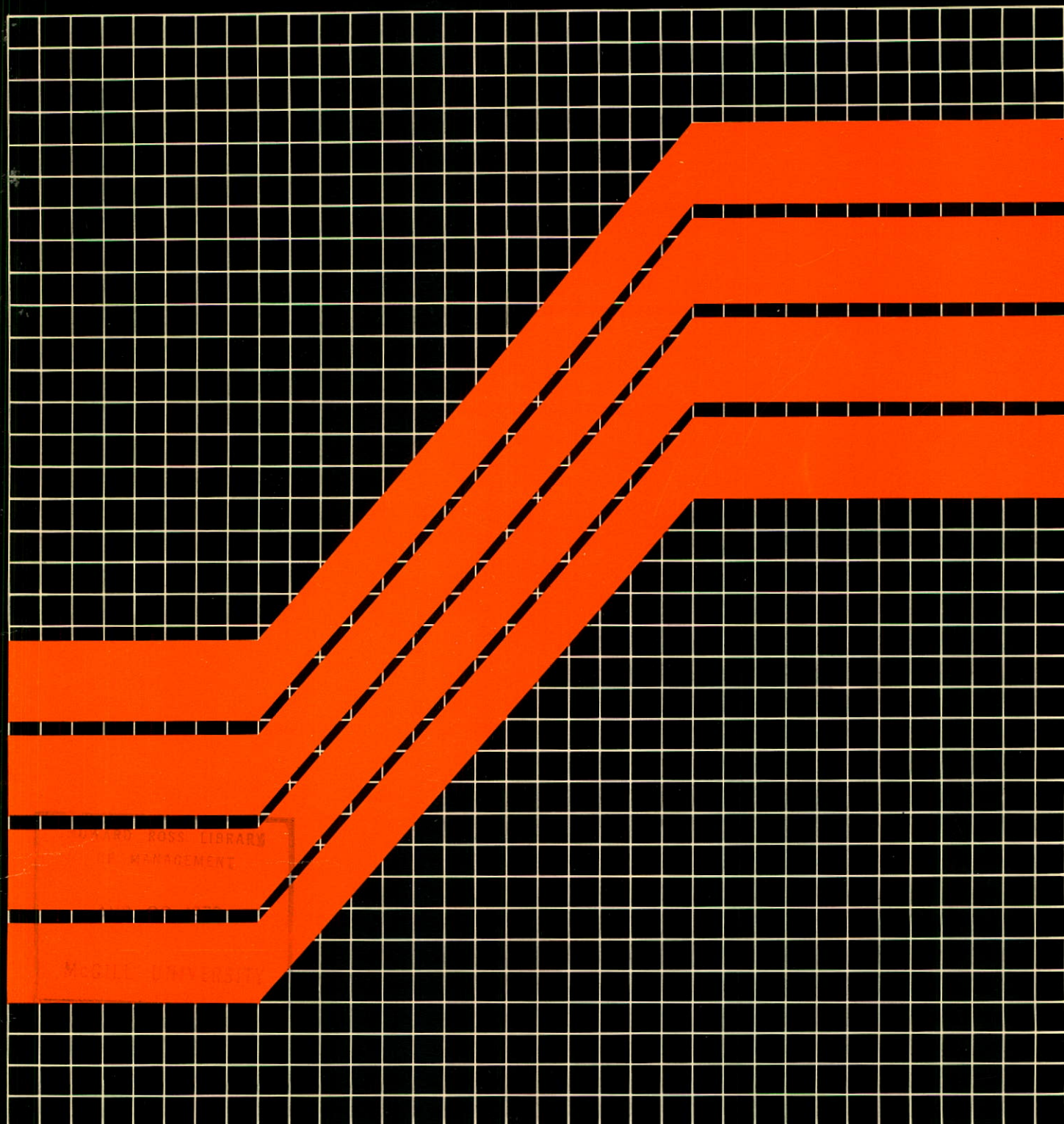




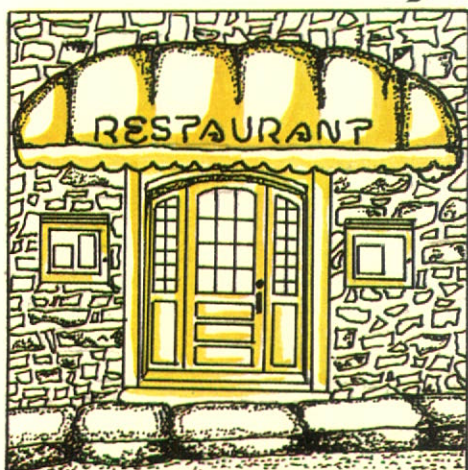
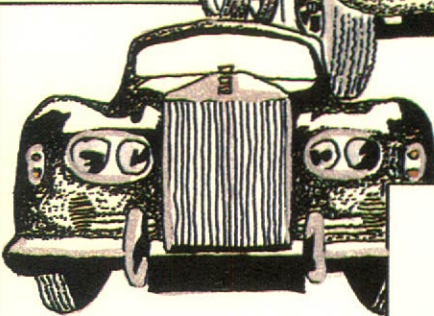
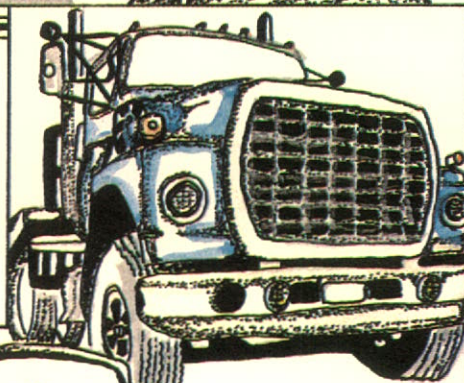
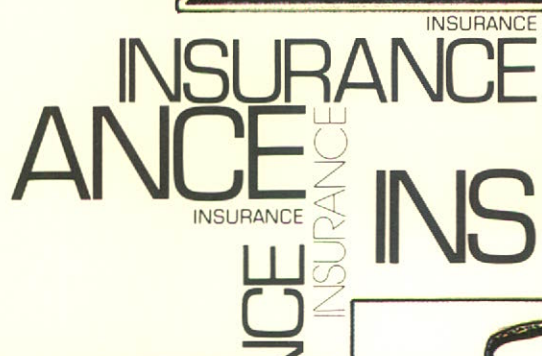
ANNUAL REPORT 1977

the general security
insurance company of canada

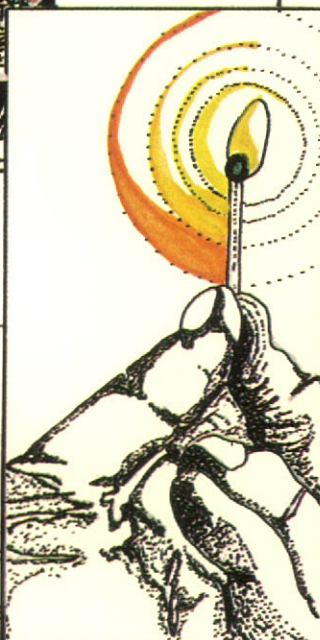
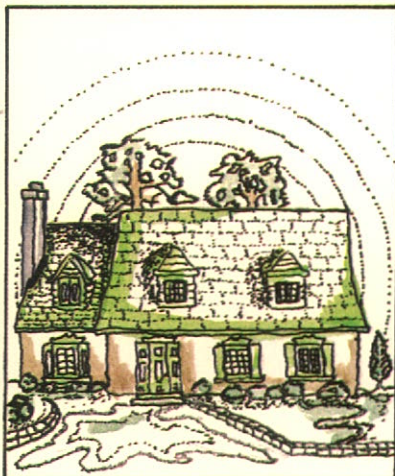
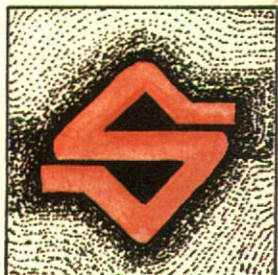


ROSS LIBRARY
MANAGEMENT

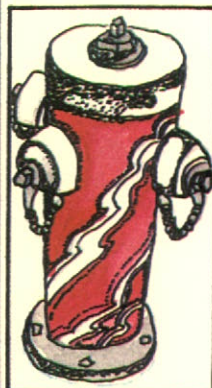
McGILL UNIVERSITY



General Security

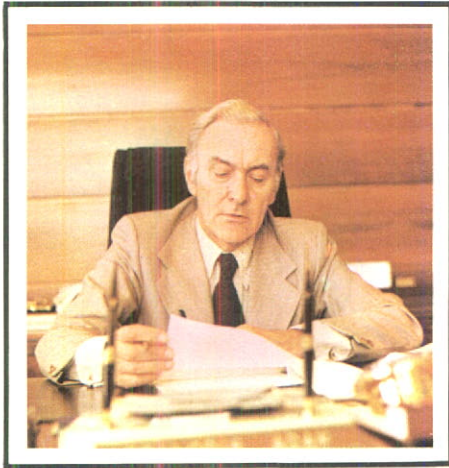


1977



board of directors

department's managers



FRANÇOIS ADAM, Lévis
Chairman of the board

Executive committee

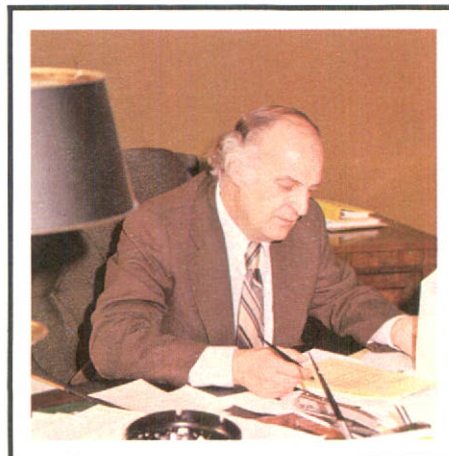
FRANÇOIS ADAM
President

J. GAUDIOSE HAMELIN
1st vice-president

J. ROLAND DION
2nd vice-president

Directors

FRANÇOIS ADAM, Lévis
RAYMOND AUDET, Maria
ROLLAND BISSON, Windsor
GILLES BOULIANE, Hull
JEAN-ROGER BRODEUR, Chicoutimi
J. ROLAND DION, Québec
GABRIEL J. FOREST, St-Boniface
JEAN-YVES GAUTHIER, Matane
J. GAUDIOSE HAMELIN, Montréal
CLAUDE LEPINE, St-Jacques
PAUL-YVON LESAGE, Ste-Thérèse-
d'en-Haut
JACQUES L'HEUREUX, Ottawa
LUCIEN MAYNARD, Edmonton
OSCAR MERCURE, Lévis
LUCIEN PILON, St-Hyacinthe
ANDRÉ POIRIER, Shawinigan-Sud
LÉONARD ROBITAILLE, Dupuy
MARCEL VALIQUETTE, Montréal



General management

* **FRANÇOIS ADAM**
President

* **ANDRÉ CHAMBERLAND**
Managing director

Management

MICHEL ARCHAMBAULT, F.I.A.C.
Agency

PIERRE ARCHAMBAULT, A.I.A.C.
Casualty

MICHEL BÉDARD
Garantee

MARCEL CÔTÉ, A.I.A.C.
Property

PAUL DÉSY
Claims

JEAN GAGNON
Secretary-treasurer

JACQUES GOUIN
Automobile

J. MARCEL LORD
Personnel

* Member of the executive committee

annual report of the president for 1977

In spite of a rather weak national economic growth, a high unemployment rate and a government anti-inflation programme creating restrictions and uncertainty, the General Security Insurance Company of Canada, nevertheless, has had an exceptional year, in fact the best year since its existence.

In view of the important factors of the Company's financial standing in its 38th fiscal year indicating net gains in assets of over \$2,000,000, the following points can be outlined:

- assets increased by more than 20% to an amount of \$41,085,573, in which investments and liquid assets account for more than 50%, that is to say \$29,141,476;

- liabilities consist chiefly of appropriations in the amount of \$22,745,389, namely sums for claims and expenses incurred which total \$13,528,697, and for unearned premiums of \$9,216,692. These reserves are established in the interest of our policyholders.

Taking into account other factors of assets and liabilities and considering the capital and contributed surplus in 1977, the shareholders' equity has increased by \$5,595,066, bringing the total of capital and surplus to \$9,523,161.

The financial standing of the General Security Insurance Company of Canada which has improved appreciably in its last fiscal year, has also increased its solvency proportionately and this will enable it to increase its sales figure.

It is interesting to note that its volume of premiums marks an increase of 16.86% totalling nearly \$50,000,000. As to the volume of net premiums earned, the additional contribution in capital and surplus, as well as its acquired experience making it possible, the General Security has been able to more than maintain its own reserves. This explains the increase of 43.96% over the previous year, leaving a net volume earned of nearly \$24,000,000.

The cost of net claims and relevant expenses for the overall branches of underwritten transactions amount to \$13,102,414 which represents a loss ratio of 54.74% in the net premium earned for the fiscal year 1976; that ratio was 64.79%.

The overall management expenses, including commissions and taxes, in the amount of \$7,364,312 in 1976, namely a rate of 44.29% for the net premium earned, increased to \$10,625,029 in 1977. This represents a rate of 44.40%, or merely 0.11% more in relation to the volume of net premiums earned.

All revenues and expenses taken into account, it is interesting to note also that the insurance transactions as such mark a functional gain of \$206,933 as opposed to a loss of \$1,500,000 in 1976, that is to say an improvement of 114%. In adding the yield from investments to this functional gain, the General Security Insurance Company of Canada indicates a net profit of \$2,015,474. In 1976, it had faced a net loss of \$314,575, or a return of 21.16% on its capital surplus.

We are satisfied that the favourable results presented now, but also foreseen by the administration, have been consistent with our set objectives and, in short, that the necessary measures taken to correct the adverse debit position with which we had to contend for a time have finally proved entirely successful.

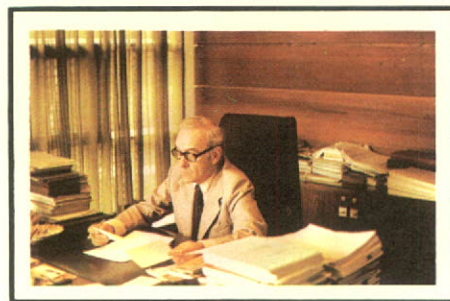
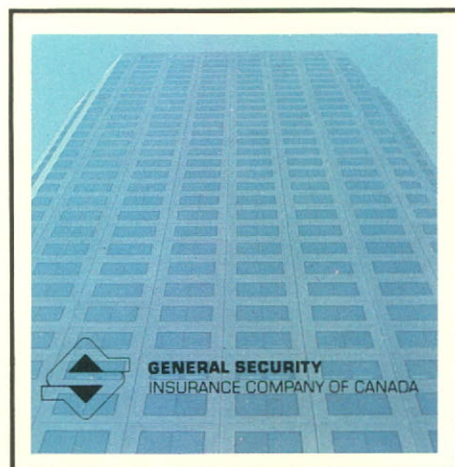
Although we may be certain that for some time yet we will have to face overly high rates of both inflation and unemployment, an economic expansion on the decline, as well as political instability, we remain confident that with these sustained operating measures, the General Security Insurance Company of Canada will continue to mark new improvements, with perhaps the possible exception of an increase in the volume of premiums, questionable at this time in view of the nationalization of the sector of personal liability automobile insurance in Quebec. Such nationalization, for the General Security alone, will amount to a loss of \$2,500,000.

In conclusion, we believe there is reason to be satisfied with the results recorded herein. The General Security's continued progress is due in large part to the very valuable contribution from its agents, from the "Caisse populaires" and all those who from near or far have been instrumental in the upward trend of our Company. It is an unquestionable fact that without their cooperation we would not be able to report our present success. In return for this support, you may rest assured that we shall continue to provide our full collaboration for the effective of our policyholders and to use every possible means to obtain an adequate return on the invested capital.

We are particularly grateful also to all the officers and employees of the Company for their devotion, loyalty and close cooperation in the performance of their tasks. The sense of duty they have displayed is a precious asset to the Company and it is their team work which has enabled us to achieve the profitable results reported herein.

J. Adam

President



1977 annual report from management

As General Manager I am particularly pleased this year to submit on behalf of the Board of Directors the Annual Report of our Company for the fiscal year 1977.

First, may I be allowed to remind you that the general insurance industry has experienced very negative results in its business transactions during the last few years for all the reasons stated in the preceding reports. On those occasions, and particularly in 1976, we informed you of our optimism in spite of the difficulties we had to face; we were convinced that the measures we were taking to stem the disastrous influence that inflationary factors had on our industry would contribute to the considerable improvement of those results on the medium term. In the light of results obtained during the year in review, you will note that we had reason to be optimistic.

Since the subject of automobile insurance in Quebec with its major changes has already been dealt with at great lengths, I shall not linger over it needlessly. However, you are undoubtedly well aware of all the work that this change has and is still creating for us, particularly when it has been brought into effect with such speed. This condition in itself compels us to exceed ourselves, if only in the calculation and mailing of some tens of thousands of cheques to our policyholders. Although the effect will be felt in our transactions, we have used every possible means to adapt to this new reality.

I venture therefore to comment on the fiscal year ended December 31, 1977.

The assets of our Company amount to \$41,086,000, namely an increase of \$6,919,000 or 20% over the previous year. It consists of some \$27,651,000 in investments (stocks, bonds, mortgage loans, guaranteed deposit certificates). Our securities in portfolio are recorded in the statements at the statutory value.

Under the item debtors you will note that the sum to be collected from our agents amounts to \$6,974,000 for which we have provided \$100,000 in consideration of losses which might be due to bad debts.

As to investments on behalf of the reinsured, namely bonds, these are recorded at the statutory value and "Note 3" on the financial statements being most explicit it needs no further comment.

We have made provisions for claims in the process of settlement, as well as for fees of adjustment, in the amount of \$13,529,000. In establishing this reserve, we have taken all the necessary precautionary measures to honour our

obligations. Furthermore, this provision established for claims in process of settlement reveals once again sufficient funds of more than 3% over claims of previous years.

As to unearned premiums the amount of \$9,217,000 indicates an increase of \$2,643,000 over the last fiscal year.

In the case of provisions for taxes payable and charges incurred, the amount of \$605,000 includes a provision of \$200,000 for the proportionate commission payable to some of our agents for revenue we have realized from transactions they entrusted to us. The amount of \$68,000 showing as due to brokers and to policyholders represents collateral provisions following the issue of surety to business contractors, a current practice in underwriting this particular category of transactions.

We have underwritten \$49,991,000 in gross premiums and this represents an increase of \$7,211,000 over the preceding year, or 16.9%.

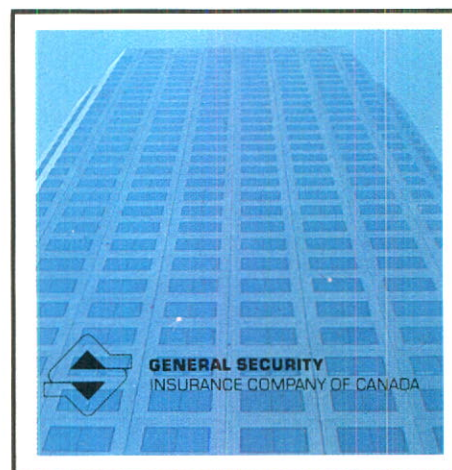
As to premiums assigned to reinsurers, the amount is set at \$23,414,000, namely a decrease of \$1,058,000 leaving us net premiums underwritten in the amount of \$26,577,000, an increase of 45.2% due to having maintained more transactions for our own account, namely an amount of \$8,269,000.

The increase of unearned premiums is \$2,643,000, leaving net premiums earned of \$23,934,000; an increase of \$7,309,000 or 44%.

Claims and gross expenses of settlement number \$24,641,000 and the sum of \$11,539,000 has been recovered for our reinsurers, leaving us claims and net expenses of settlement in the amount of \$13,102,000 for a ratio of 54.7% on the net premium earned as compared to 64.8% last year. These results therefore represent gross revenue of \$10,832,000 as compared to \$5,853,000.

As to net commissions paid, they number \$2,951,000, plus administration costs \$7,102,000, plus inevitable taxes on the premium \$572,000, representing expenditures of administration in the amount of \$10,625,000, namely an increase of \$3,261,000. It evidently means an increase of 44% which seems quite considerable. On the other hand, having maintained a great deal more transactions for our own account, such revenue necessarily creates a higher expenditure in commissions and our administration costs are always in relation to the volume of premiums underwritten, such as for that matter, the item "taxes on premium". Moreover, a special expenditure is included in the administration costs, namely the purchase of office furniture and disbursements for fixtures and fittings when we moved into the premises we presently occupy at Complexe Desjardins, namely an amount of \$355,000.

Our fiscal year ended therefore with an operating surplus of \$207,000 as compared to



an operating deficit of \$1,511,000, that is to say an improvement of 114% plus net yield from investments of \$1,808,000, allowing us a net revenue of \$2,015,000 in relation to a net loss of \$315,000. No tax expenditure for the year has been recorded owing to the loss balance brought forward from preceding statements. The balance of tax losses to be brought forward and liable to reduce future taxes amounts to approximately \$1,285,000.

The deficit of \$3,515,000 at the beginning to 1977 has been reduced due to the net income of \$2,015,000 in our fiscal year and to an increase in the statutory value of our investments, namely \$1,080,000, leaving a deficit at the end of 1977 of \$420,000 in relation to \$3,515,000 at the end of the preceding year.

In past years I always mentioned that Articles 103 and 104 of the Law on Insurance in Canada demand that we conform to its requirements of establishing reserves for the security of our policyholders. We have therefore made the necessary calculations, later verified, and we are particularly pleased to inform you that we are complying with these regulations as we have sufficient funds of more than \$4,432,000.

You will surely be interested to know in more detail the functional results we have achieved during the year in review in the various branches of services we offer.

In property insurance, which includes fire protection and allied services, the net premiums earned amount to \$7,528,000, and disbursements for claims and costs are \$3,819,000 representing a ratio of 50.7% as compared to 66.4% last year, which indicates a net profit over the previous fiscal year, namely a margin of 15.7%.

The anticipated results have materialized following the measures that were mentioned to you at the last Annual Meeting and which have been put into operation.

In automobile insurance the net premiums earned amount to \$10,076,000 and our disbursements for claims is \$5,758,000, for a ratio of 57.1% in comparison with 66.7%, or an improvement of more than 9% over last year.

It is much too soon for us obviously to evaluate exactly the impact that the government's automobile insurance will have on our operation as it relates to bodily injury on a no-fault basis, while we continue to offer indemnity for bodily injury outside Quebec as well as inside of it, and for damage to property; moreover, we

will continue to protect our insured travelling outside the province for liability according to the law for bodily injury as well as damage to property. As a matter of fact, you are undoubtedly aware that in many areas or provinces other than Quebec, liability for either bodily injury or damage to property remains in effect.

In liability insurance the net premiums earned amounted to \$3,562,000, namely an increase of 28.6% and the claims totalled \$2,265,000, for a ratio of 63.6%. The ratio of losses is not as low as last year: 63.6% as compared to 54%.

In the case of indemnity the net premiums earned were \$517,000, a slight decrease of 2.5% and net claims were \$82,000, for a ratio of losses at 15.8% against 34%. I must point out that although the field of construction during the year in review has suffered an appreciable decline in projects of all kinds, and although economic conditions have been particularly difficult for building contractors, we have been successful nevertheless in maintaining first place in this field in the Province of Quebec, besides acquiring most positive results where experience is concerned.

In reinsurance undertaken the net premiums earned which we have underwritten amount to \$2,156,000 and claim disbursements with costs are \$1,058,000, for a ratio on net premium earned of 41.9%. These transactions obviously have been the most profitable this year.

The allotment of our transactions portfolio throughout Canada is as follows: on a total volume of \$49,991,000 we have underwritten in Quebec \$36,536,000, or 73%; in the other provinces, with respect to ratio of losses as compared to premiums underwritten, we have experienced results as satisfactory as in Quebec, namely \$13,455,000, or 27%.

In closing I wish to thank all staff members for their cooperation and sustained efforts. The results I have submitted herein would not have been possible without the valuable contribution of one and all.



Managing director



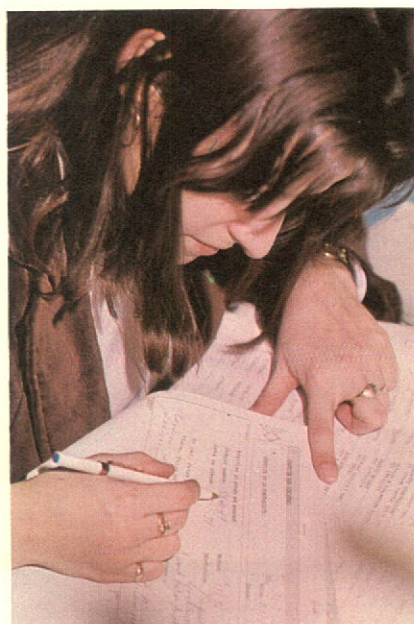
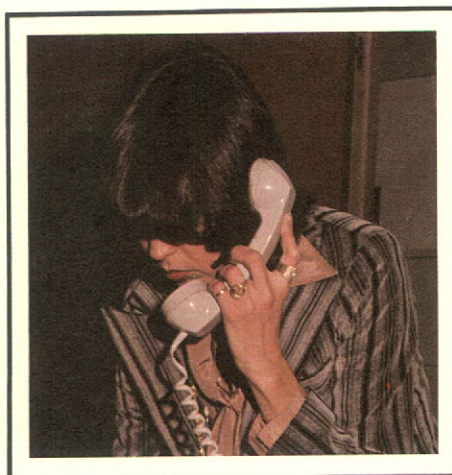
auditors' report

To the shareholders
General Security Insurance Company
of Canada

We have examined the balance sheet of General Security Insurance Company of Canada as at December 31, 1977 and the statements of income and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the accounting practices which do not comply with the annual statement submitted to the Department of Insurance of Canada as referred to in note 1, these financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations for the year then ended, in accordance with accounting practices prescribed or permitted by the Canadian and British Insurance Companies Act, applied on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré &
Associés
Chartered Accountants



Montreal
February 28, 1978

BALANCE

sheet as at December 31st

ASSETS

	1977	1976
Investments: (note 2)		
Stocks	\$ 2,337,412	1,846,797
Bonds	18,014,117	9,254,766
Mortgages	2,000,000	1,000,000
Secured deposits	5,300,000	3,650,000
	<hr/> 27,651,529	<hr/> 15,751,563
Cash	1,026,001	1,349,298
Accrued interest on investments	463,946	357,613
Accounts payable:		
Brokers	6,973,685	6,472,024
Reinsurers	681,137	506,221
Reinsured Companies	269,361	446,490
Others	130,464	121,313
Investments for Reinsurers (note 3)	3,745,436	9,067,426
Reinsurance deposits	144,013	95,095
Furniture and fixtures	1	1
	<hr/> \$41,085,573	<hr/> 34,167,044

On behalf of the board

François Adam, director
J. Gaudiose Hamelin, director

LIABILITIES

1977

1976

Outstanding claims and adjustment expenses
Unearned premiums
Accrued expenses and taxes

\$13,528,697
9,216,692
604,663

10,746,980
6,573,589
573,686

Accounts payable:
Brokers and insurers
Reinsurers
Reinsured companies
Others
Reinsurers' deposits

68,200
2,288,105
145,714
953,707
4,756,634
31,562,412

96,120
1,919,606
563,529
110,703
9,654,736
30,238,949

SHAREHOLDERS' EQUITY

Capital stock: (note 4)
Issued and fully paid:
38,575 common shares
Contributed surplus (note 5)
Deficit

3,857,500
6,086,041
(420,380)
9,523,161

2,857,500
4,586,041
(3,515,446)
3,928,095

\$41,085,573

34,167,044

statement of income

income

	1977	1976
Gross premiums written	\$49,991,301	42,779,808
Reinsurance on premium written	23,413,821	24,471,375
Net premiums written	26,577,480	18,308,433
Increase in unearned premiums	2,643,103	1,682,862
Net premiums earned	23,934,377	16,625,571
CLAIMS AND ADJUSTMENT EXPENSES		
Gross claims and adjustment expenses	24,641,011	25,221,450
Recovery from reinsurers	11,538,597	14,448,925
Net claims and adjustment expenses (note 7)	13,102,414	10,772,525
GROSS INCOME	10,831,963	5,853,046

expenses

Net commissions	2,950,789	1,134,020
Administrative expenses	7,101,945	5,786,242
Premiums taxes	572,296	444,049
	10,625,030	7,364,311
UNDERWRITING GAIN (LOSS)	206,933	(1,511,265)
Net income from investments	1,808,541	1,196,691
NET INCOME (LOSS)	\$ 2,015,474	(314,574)

The notes to financial statements are an integral part of the financial statements.

statement of deficit

	1977	1976
Deficit at beginning	\$3,515,446	3,111,342
Net loss (income)	(2,015,474)	314,574
Decrease (increase) in statutory value of investments (note 2)	(1,079,592)	89,530
DEFICIT AT END	<u>\$ 420,380</u>	<u>3,515,446</u>
SOURCES OF DEFICIT:		
Operations	\$ 336,054	2,351,528
Excess of cost over statutory value of investments (note 2)	84,326	1,163,918
	<u>\$ 420,380</u>	<u>3,515,446</u>

The notes to financial statements are an integral part of the financial statements.

notes to financial statement

1 – Accounting Practices

The financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Canadian and British Insurance Companies Act. The Department's requirements emphasize liquidity and solvency, and accordingly provide that:

- a) Certain assets, such as office furniture and other non-admitted assets are written off as expenses in the year acquired;
- b) The income taxes are determined by using the "taxes payable" method;
- c) The investments are reflected at statutory value when it is lower than cost.

The Company's financial statements comply with the annual statement submitted to the Department of Insurance of Canada, except for the following:

- The accounts receivable from brokers, shown in the balance sheet, include balances receivable prior to October 1, 1977 for an amount of \$678,719 (\$375,541 – 1976); these balances are not admitted by the Department of Insurance;
- Certain assets aggregating \$9,384 (\$16,907 – 1976) are not admitted by the Department of Insurance;
- The reserve for reinsurance ceded to unlicensed companies aggregating \$685,805 (\$591,796 – 1976) was not accounted for as December 31, 1977;
- Unearned premiums are \$930,955 lower than as compiled in the annual statement after deducting the deferred charges pertaining to the acquisition of new policies. This difference is the result of the year's operations.

Nevertheless, the total value of the Company's assets as at December 31, 1977 is sufficient to cover liabilities as required under sections 103 and 104 of Canadian Insurance and British Companies Act.

2 – Investments

The securities are shown at statutory value determined approximately as at November 1, as authorized by the Department of Insurance. The cost of investments amounts to \$27,735,855 as at December 31, 1977 (\$16,915,481 – 1976) and the excess of cost over statutory value of the securities is included in the statement of deficit.

3 – Investments for Reinsurers

The investments made for reinsurers are as follows:

	1977	1976
Bonds	\$3,641,920	8,860,280
Cash	103,516	207,146
	<u>\$3,745,436</u>	<u>9,067,426</u>

The bonds are valued at their market value, as at November 1, approximately.

4 - Capital Stock

Authorized:

30,000 4½% cumulative, preferred shares, redeemable at par value of \$100 each.

100,000 common shares with a par value of \$100 each.

During the year, 10,000 common shares have been issued for a price of \$250 each and paid cash. The excess of \$1,500,000 of the price of the shares over the par value has been credited to contributed surplus.

5 - Contributed Surplus

	1977	1976
Premium received at issuance of capital stock	\$5,297,386	3,797,386
Voluntary contributions of shareholders	788,655	788,655
	<u>\$6,086,041</u>	<u>4,586,041</u>

6 - Long-Term Leases

The Company is committed under long-term leases maturing from April 30, 1981 through April 30, 2005 to pay an annual rent of \$228,462 for the rental of office premises plus an additional amount for annual tax and maintenance expenses.

7 - Net Claims and Adjustment Expenses

The net claims and adjustment expenses in 1977 include an amount of \$307,691 (\$236,997 - 1976) paid to the highway victims indemnity fund.

8 - Income Taxes

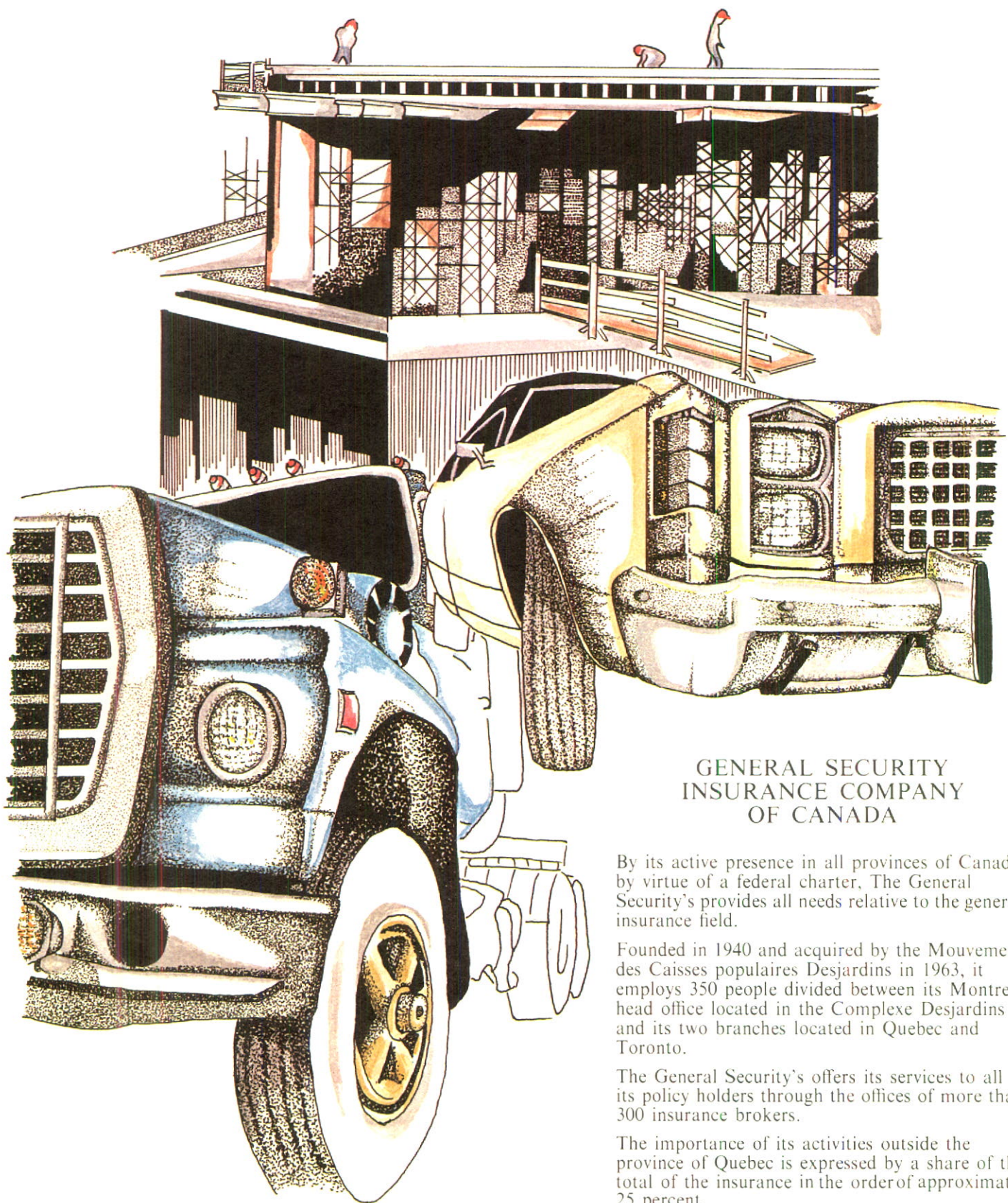
No provision for current income taxes has been provided for in accounts due to the application of prior years' losses.

The loss carry-forwards available to reduce future income taxes aggregate \$1,285,000. The Company will be able to take advantage of the tax benefits resulting from the loss carry-forwards within the following years:

1980 —	\$ 561,000
1981 —	724,000
	<u>\$1,285,000</u>

9 - Anti-Inflation Program

The Company is subject to controls on prices, profits, dividends and compensation instituted by the Federal Government in the Anti-Inflation Act effective October 14, 1975. The Company is of the opinion that it has complied with this legislation.



GENERAL SECURITY INSURANCE COMPANY OF CANADA

By its active presence in all provinces of Canada by virtue of a federal charter, The General Security's provides all needs relative to the general insurance field.

Founded in 1940 and acquired by the Mouvement des Caisses populaires Desjardins in 1963, it employs 350 people divided between its Montreal head office located in the Complexe Desjardins and its two branches located in Quebec and Toronto.

The General Security's offers its services to all its policy holders through the offices of more than 300 insurance brokers.

The importance of its activities outside the province of Quebec is expressed by a share of the total of the insurance in the order of approximately 25 percent.

STATISTICS



\$18,497,351.



\$ 7,952,438.



\$17,657,524.

\$41,085,573.



\$22,745,389.



\$49,991,301.



PREMIUMS WRITTEN

UNEARNED PREMIUMS AND OUTSTANDING CLAIMS

ASSETS

1973

1977

QUALIFIED PERSONNEL

fellow

Michel Archambault
René Bannon
Réal Baron
Pierre Bernier
Benoît Bisaillon
Léo Brault

associate

Pierre Archambault
Yves Chabot
Louise Desrosiers
Michel Dionne
Gilles Doray
Danielle L. Lavoie
Serge Lefebvre
Jean-Pierre Provost
* René Rodrigue 77
Robert Saulnier



GENERAL SECURITY
INSURANCE COMPANY OF CANADA

desjardins



**mouvement
des caisses populaires
desjardins**