IFIGS
Success Stories

Featured Insolvency

- ***Company*** **Les Coopérants, société mutualle d'assurance-vie**
- ***Insurance*** **Life & Health (L&H)**
- ***Country*** **Canada**
- ***IGS*** **Assuris – Canadian Life and Health Insurance Compensation Corporation**

About Les Coopérants, société mutualle d'assurance-vie

Les Coopérants, société mutualle d'assurance-vie (Les Coopérants) was a mutual life insurance company headquartered in Montréal, Québec, with approximately $1 billion in assets prior to its liquidation in 1992. The company had approximately 220,000 individual policyholders and 600,000 group insurance certificate holders.

This was the first life insurance insolvency in Canada, occurring only two years after the creation of Assuris, Canada's life insurance compensation arrangement.

Causes of Failure

The failure of Les Coopérants was driven by an expansion beyond its core business, combined with concentrated exposure to high-risk assets and reliance on optimistic valuation assumptions:

- *Expansion beyond core expertise* – The company created a financial conglomerate through acquisitions in trust, mutual fund, and brokerage businesses
- *Leveraged capital structure* – A downstream holding structure relied on subsidiary profits to support policyholder obligations
- *High exposure to commercial real estate* – Significant investments in Québec real estate created concentration and valuation risk
- *Decline in asset values* – A downturn in real estate markets in the early 1990s significantly eroded capital
- *Valuation uncertainty* – Actuarial assumptions regarding asset returns were overly optimistic and masked insolvency

Attempts to sell the company or raise capital were unsuccessful. When asset assumptions were reassessed by an external party, the company was determined to be insolvent.

Impact on Policyholders

Les Coopérants had a large and concentrated policyholder base, making continuity of coverage a critical priority. As the first insolvency of its kind in Canada, the case also carried broader implications for public confidence in the life insurance sector.

Ensuring uninterrupted coverage and demonstrating the effectiveness of the newly established policyholder protection framework were central objectives.

Role of Assuris

Following supervisory intervention, Les Coopérants was placed into liquidation under Canada's *Winding-up and Restructuring Act (WURA)*, a court-supervised insolvency process. Assuris worked closely with the supervisor and the court-appointed liquidator to design and execute the resolution.

The preferred strategy was to transfer insurance business from liquidation to a solvent insurer, rather than terminate policies. The majority of the company's insurance business was transferred to a large Quebec-based insurer through assumption arrangements, ensuring continuity of coverage for policyholders.

Given the concentration of illiquid real estate assets, additional structures were required to preserve value. Assuris supported the resolution by:

- Providing funding to facilitate the liquidation and policy transfers
- Supporting asset management strategies to avoid forced sales
- Establishing a dedicated entity owned by Assuris (SIAP Realty Inc.) to hold and manage real estate assets to improve recovery

This approach allowed assets to be realized over time while maintaining policyholder protection.

Recovery Efforts and Outcomes

The resolution of Les Coopérants achieved a stable outcome in a highly uncertain environment and established key precedents for future insurance insolvencies in Canada. The total recovery for the estate was approximately 80%. There was no loss to policyholders as Assuris did not apply protection limits to policyholders. The total cost to Assuris was $180 million, which was post-funded through industry assessments.

As the first life insurance insolvency in Canada, the case served as a foundational learning experience and shaped the development of resolution practices.

Key lessons include:

- Expansion beyond core business and leveraged structures can create hidden vulnerabilities
- Asset concentration and illiquidity can drive losses, particularly in downturns
- Valuation assumptions require independent challenge and early risk identification
- Sale of business from liquidation can preserve policyholder value
- Flexible tools (e.g., funding—including pre-liquidation support—and asset management structures) and avoiding fire-sale liquidation improve recoveries

This case highlights the importance of establishing effective resolution frameworks early and adapting tools to manage complex asset structures in times of stress.

About Assuris

Assuris is an independent, not for profit, industry-funded compensation organization founded in 1990. Our mission is to protect Canadian policyholders if their life and health insurance company fails.

Every life and health insurance company authorized to sell insurance in Canada is required, by the federal, provincial, and territorial regulators, to become a member of Assuris under the Insurance Companies Act of Canada. Fraternal benefit societies and prepaid medical services companies can opt to become a member of Assuris. Member companies cannot terminate their membership as long as they have active business in Canada.

Assuris is designated by the federal Minister of Finance under the Insurance Companies Act of Canada. Assuris is recognized by the Autorité des marchés financiers (AMF) as the compensation body whose members are Quebec-chartered life insurers.

Assuris acts independently in the public interest and balances the interests of the life and health industry and government/regulators with our resolution objectives:

- *Protect policyholders and support the transfer of benefits*
- *Minimize the cost of failure to the industry*
- *Contribute to public confidence in the insurance sector and Canadian financial stability*

Experience with past failures and current work with restructuring professionals ensures that Assuris maintains the resolution expertise to develop tailored solutions to life and health insurance industry-specific issues.