

# TORONTO, OLD AND NEW.

*Toronto viewed from the Lake Ontario harbour front, 1880's.*

## THE FORMATION AND THE EARLY YEARS OF THE CFUA (1883-1900)

### CHAPTER II

In 1883, Robert McLean of the British America Company decided to take action against the grave problems confronting the fire insurance industry. He sent circulars to all stock fire companies conducting business in Ontario, inviting them to a meeting in Toronto on June 26 to discuss the dangerous conditions created by the multiplicity of companies and their diverse methods of operation. The circular proposed that companies associate and devise a system of equitable rates to halt the serious downward trend. McLean's proposal met with a favourable reception and all the stock companies contacted agreed to assemble in Toronto.

Shortly after the start of the meeting, McLean reported the unanimous vote of all 30 companies

present to participate in the proposed association. These companies included:

1. Aetna Insurance Company of Hartford, Connecticut
2. British America Fire Assurance Company, Toronto, Canada.
3. Caledonia Fire Insurance Company of Edinburgh, Scotland.
4. Citizens Insurance Company, Montreal, Canada.
5. City of London Fire Insurance Company, London, England.
6. Commercial Union Assurance Company, London, England.
7. Fire Insurance Association, London, England.
8. Guardian Fire and Life Assurance Company, London, England.
9. Hartford Fire Insurance Company, Hartford, Connecticut
10. Imperial Insurance Company, London, England.
11. Lancashire Insurance Company, Manchester, England.
12. Liverpool and London and Globe Insurance Company, Liverpool, England.
13. London and Lancashire Fire Insurance Company, Liverpool, England.
14. London Assurance Corporation, of London, England.
15. Mercantile of Waterloo, Canada.
16. North British and Mercantile Insurance Company, Edinburgh and London.
17. Northern Assurance Company, Aberdeen and London.
18. Norwich Union Fire Insurance Society, Norwich, England.
19. National Assurance Company of Ireland.
20. Phenix Fire Insurance, Brooklyn, United States.
21. Phoenix Fire Assurance Company of London, England.
22. Quebec Fire Assurance Company, Quebec, Canada.
23. Queen Insurance Company, Liverpool, England.

24. Queen City Fire Insurance Company, Toronto, Canada.
25. Royal Canadian Insurance Company, Montreal, Canada.
26. Royal Insurance Company, Liverpool, England.
27. Sovereign Fire Insurance Company of Canada.
28. Scottish Union and National Insurance Company, Edinburgh, Scotland.
29. Standard Fire Insurance Company, Hamilton, Canada.
30. Western Assurance Company, Toronto, Canada.

Thomas Davidson (North British and Mercantile) followed McLean's general opening remarks with a resolution outlining the need for an insurance association:

That the present unsatisfactory condition of the insurance business in Ontario, outside of places where tariff organizations now exist, renders it most desirable that an Association should at once be formed, to include all Stock Companies doing business in the said Province, the Association to establish tariffs of rates for all the cities, towns and villages, making due allowance for construction and the fire appliances of each, and to make rules for the due regulation of business generally; that Companies represented at this meeting do now pledge themselves to form an Association, and strictly to observe the rules and rates which shall be decided on.

On June 28, G.F.C. Smith (Liverpool and London and Globe) was named president of the new association, William Tatley (The Royal) having declined for personal reasons. J.J. Kenny (Western) and James W. Taylor (Northern and Caledonia) were nominated as vice-presidents. The driving force behind the association, Robert McLean, became executive officer. On the

evening of June 28, McLean met with representatives of five companies to discuss the basis for formulation of tariffs or schedule rates for Ontario in places where none yet existed. A spirit of cooperation facilitated the discussions, and the next day, the committee reported it had drawn up tariffs based on five classes of towns, ranked according to their fire protection, as follows:

- A-Preferred.
- B-(Or No. 1).....With first class appliances and waterworks.
- C-(Or No. 2).....With waterworks.
- D-(Or No. 3).....With steamers but no waterworks.
- E-(Or No. 4).....Hand engines or no fire protection.

It was further resolved that the managers of head offices and the representatives of American fire companies in the province of Quebec establish a Montreal committee and that a Toronto committee be formed on the same basis.

On June 29, this new and long-awaited institution was named the Canadian Fire Underwriters' Association.

Later discussions focussed on the classification of cities and towns in Ontario according to building construction and firefighting equipment. They were rated as follows:

**Class A**  
-Guelph, London, Ottawa, Hamilton, St. Catharines.

**Class B**  
-Brantford, Kingston, Samia, St. Thomas, Windsor.

**Class C**  
-Brampton, Lindsay, Mitchell, Niagara Falls, Orangeville, Owen Sound, Orillia, Port Hope, Seaforth, Gananoque, Tillsonburg, Wingham and Woodstock.

**Class D**  
-Amherstburg, Barrie, Berlin, Belleville, Bowmanville, Brockville, Brussels, Chatham, Clinton, Cobourg, Collingwood, Cornwall, Desoronto, Dundas, Dunnville, Dresden, Galt, Goderich, Harriston, Ingersoll, Kemptville, Listowel, Napanee, Oshawa, Paris, Pembroke, Petrolia, Point Edward, Prescott, Peterborough, Ridgetown, Stayner, St. Mary's, Smiths Falls, Stratford, Trenton, Thorold, Welland, Whitby, Strathroy.



*G.F.C. Smith of the Liverpool and London and Globe Insurance Company; First President, 1883-1887, of the CFUA.*

**Class E**

-All places having hand engines only or no fire protection. These rates applied to mercantile risks only and did not extend to private dwellings.

The city of Toronto was not classified because it remained under the jurisdiction of the Toronto Board of Fire Underwriters. This board operated as a separate entity, and it was not long before it came into conflict with the new association.

On November 29, 1883, Sidney Crocker resigned as secretary of the TBFU and the members proceeded to discuss his replacement. Much to their irritation and anger, they found that the Ontario Board (as they somewhat contemptuously called the new association) had already made an appointment, Robert McLean. Alfred W. Hadrill of the Montreal office of the CFUA, wrote, quoting an extract from the minutes of the last meeting to the effect that, "it was thought desirable to combine the secretaryships of the Toronto local Board and the Canadian Association; and from this position the Montreal Committee was not prepared to recede".

The objections of the Toronto board were made in response to the threat to its autonomy and did not reflect reservations about McLean. The board passed a resolution stating that it did not recognize the right of the CFUA to interfere with its affairs, point-

ing out it had been in existence for a number of years prior to the organization of the CFUA.

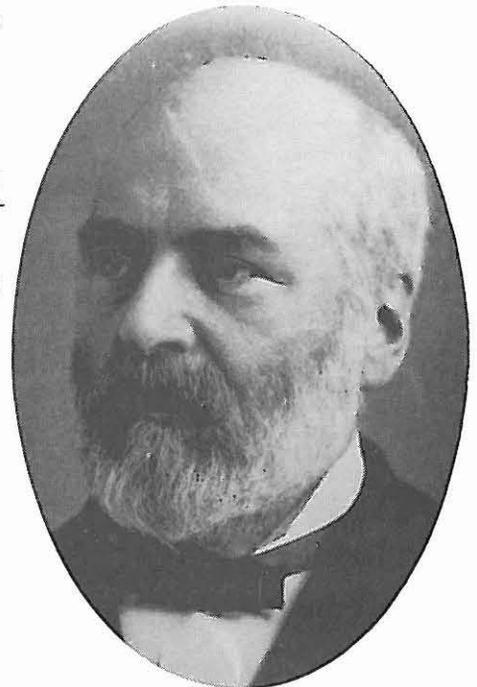
Nevertheless, members were aware that the decision of the chief agents of the companies must ultimately govern the action of the TBFU and on receipt of a letter from Mr. Hadrill stating that each head office would instruct its representatives in Toronto to vote for McLean, they gave in gracefully. McLean was appointed secretary of both boards and remained so until his death in October 1896.

Early actions of the Canadian Fire Underwriters' Association held out the promise of solving many of the problems plaguing the fire insurance industry. The August 1883 issue of the *Insurance and Financial Chronicle* applauded the efforts of participating companies, and offered an optimistic outlook for the future:

Being purely voluntary, its existence will depend entirely upon the loyal and good faith of its members. With the results of past experience before them, it is hoped that there will be no backsliders found among the membership of this organization, so that this period of good-will and manifestation of friendly confidence and harmony following so closely upon mutual distrust and bitter rivalry, will need no other or more binding obligation than this voluntary agreement among the companies to work for the common good, which cannot but result in the benefit of each. (*Insurance and Financial Chronicle*, August, 1883.)

At the association's first annual meeting, held in Toronto January 25 and 26, 1884, members adopted a constitution and a set of rules. It was resolved unani- mously that the Montreal commit- tee arrange for the immediate formulation of tariffs for the whole province of Quebec in order that "new and renewal business may be brought under their operation, if possible by the first of March next".

By September 1884 the associa- tion was well established. A special meeting held in Montreal on the 24th was attended by representatives of 29 companies and the president, | Smith, commented on the highly satisfac- tory working of the associa- tion. Standard requirements for electrical lighting, as set by the New York Board of Fire Under- writers (12 January, 1882) were adopted at this meeting. The Toronto committee subsequently engaged the services of A.B. Smith, an electrical inspector,



**James W. Taylor, CFUA  
Vice-President, 1883.**

**The Liverpool and London and Globe**  
FIRE \*\* INSURANCE COMPANY \*\* LIFE

Invested Funds, \$40,000,000      Invested in Canada, \$900,000

Total Losses Paid by the Company since commencement, \$119,395,000

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Corner of St. James St., opposite Bank of Montreal and General Post Office.

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AGENT      Chief Agent and Resident Secretary.  
Goderich, Ont.

*Traveller's card from the company managed by the CFUA's first president.*

and also approved a set scale of fees. Smith was empowered to grant certificates signifying that appliances conformed with association requirements. With electricity barely out of the experimental stage, it is interesting to note how quickly the association adopted protective measures.

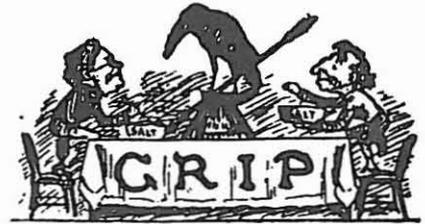
This service was of immeasurable value to the public, particularly when the country was vulnerable to fly-by-night operators doing faulty installations with poor materials. For many years, the inspections sponsored by the association were the only protection available to the general public.

From the outset, it was clear the association had not been formed just to maintain exorbitant rates, as some historians have suggested. Electrical inspection was only one of many beneficial works carried out in the public interest. Other services included inspection of municipal waterworks, protective appliances and

individual risks (with a systematic reduction of rates for good features, and an increase in rates for dangerous ones). The overall objective was improvement of conditions for the general public, regardless of who was or was not insured.

The association boasted great progress during the second half of the 1880s. The CFUA held a special meeting in Ottawa on October 13, 1885 — a change in the policy of holding their meetings in either Toronto or Montreal. Numerous reports were made by committees examining various aspects of the fire insurance industry, and the CFUA considered several suggestions and passed resolutions taking this new information into account.

*GRIP, Canada's best known humour magazine, suffered a major fire in 1883. Some of the insurance men featured in this drawing were active in the start of the CFUA. Small figures flanking the raven and ink bottle are Edward Blake, Liberal leader, and Sir John A. Macdonald, Prime Minister of Canada.*



**AN INDEPENDENT POLITICAL AND SATIRICAL JOURNAL**  
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**S. J. MOORE, Manager.**

**J. W. BENGOUGH**  
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*Editor.*  
*Associate Editor.*

**EIGHTH PAGE.**—Mr. GRIP is aware that Insurance men have long been in the list of victims of that awful fiend, the modern humorist, and that they have been painted as the embodiment of everything that is unlovely. But when Insurance men come forward promptly, pleasantly, and in a thoroughly business fashion, and hand in their checks in settlement of a claim—as the gentlemen in our picture did in the case of GRIP'S fire—we sweep aside the calumnies of the would-be funny man, and declare boldly that Insurance Agents are bricks; and, what is more, we do our best to make pretty pictures of them.



**GRIP'S LEVEE.**

**FORMAL RECEPTION OF SYMPATHETIC INSURANCE MEN (WITH CHEQUES) BY THE SINGED RAVEN.**

First, it was moved that the classification of special risks be refined. Special risks included operations especially susceptible to fire, such as foundries and planing mills. Until this time, all special risks, whether in Class A or Class E (ranked according to the fire-fighting capabilities of towns or villages) were similarly rated. This caused great consternation among factory owners in the special risk class who operated in towns with adequate fire protection, but were forced to pay the same rates as their counterparts in towns with no firefighting equipment. The association decided to bring special risks under the schedule rating system and thus make allowances for every improvement in risk.

Second, the rating schedule committee suggested that a body should be established at each branch (Toronto and Montreal) to consider complaints on an individual level brought by those who felt their rates to be out of line. (Schedule rating had not yet been fully implemented and some observed that the rating system failed to do justice to specific risks whose merits were above the average of their class.)

Third, the committee studying electric lighting recommended more thorough and frequent inspection of installations. One member pointed out an instance where a light had cleared original inspection, but later, for lack of proper protection, the droppings from the carbon burned numerous holes in goods stored below.

The annual meetings of the CFUA were valuable for transacting business, exchanging ideas, relaxing in a comfortable setting

while renewing old acquaintances. In many cases, representatives of the host city tried to outdo the hospitality extended at previous meetings – a notable example being the 1886 meeting in Montreal. Following a thoughtfully-planned and exquisitely-prepared meal, members settled back into their chairs, restful and contented. The smoke of expensive cigars mingled in the air with the strains of music played by the hired band. Familiar songs were occasionally punctuated by jovial cheers as some of the insurance men waxed eloquent in their toasts to God and Country. Robert McLean, a well-known temperance man, mistook the rum punch sherbet for ice cream, and before discovering his dessert was in fact laced with alcohol, returned to his place at the table. When the truth was revealed, McLean was highly affronted and proclaimed that “the cleverly disguised dessert was but an insidious device of the evil one to ensnare him”. The banquet continued until one a.m. when the reluctantly-departing representatives made enthusiastic plans for next year’s meeting and festivities.

The fourth annual meeting of the CFUA was not so convivial. Following the discussion of the usual business, “irrefutable evidence was brought forward to show that large lines had been placed below tariff rates by a member of the association”. As proof of each irregularity was produced, the attack on the unnamed company intensified. This posed a serious problem because any movement away from the tariffs formulated by the association threatened its existence.

The *Insurance and Financial Chronicle*, in commenting on the situation, expressed hope that “all those who joined in administering, we presume justly, reproof and admonition to the erring brother, have themselves records so clean, and ‘oversights’ in ratings, if any, so few as to justify them in condemning another’s illegal practice”. After the ‘heated discussion’, the members of the association had a cold lunch which prompted one man to quip that, “having so effectively basted and roasted a member that morning, they were in no humour for anything beyond a cold collation”.

President G.F.C. Smith declined re-election at the 1887 meeting, having piloted the CFUA through its first four years of existence. During his final address he remarked on the system of schedule rating, as applied by the rules of the association:

That the introduction of such a radical change (from the minimum rates to schedule rating) was to be effected without a little difficulty and friction was hardly to be expected,



*J. J. Kenny, Second President  
(1887-88) of the CFUA.*

and how to facilitate and improve the working of the system has received your attention. The benefits and advantages of the new system to companies over the old minimum rate tariff, in adjusting the rate in accordance with the physical hazard of each risk, and its tendency to generally improve risks by inducing the insured to remove dangerous features with a view of obtaining a reduction in rate, cannot but prove satisfactory evidence of the wisdom of adopting the system. Its fairness to the assured recommends the system to the public. The adoption of schedule rating afforded an opportunity to introduce the practice of requiring the assured to maintain a certain portion of insurance to the value of the risk, 75 percent, being the percentage required, for which a reduction of 15 percent, from the schedule rate was allowed; this allowance is also now granted to

other special hazards not scheduled. J.J. Kenny (Western) became the second president of the association, and he held that office until 1890.

The year 1888 witnessed a serious attack on the CFUA. It came not in the form of renewed competition from companies outside the association, but rather from the federal government through a committee established to investigate combines in Canada. The Combines Committee also scrutinized other industries including the sugar and grocery business, watch and case manufacturers, and producers of coal, binder twine, barbed wire, oatmeal, stoves and coffin makers.

The committee adopted a negative attitude toward the CFUA as

is evident in the following observation:

The evidence discloses the existence of a powerful association for the purpose of raising and maintaining rates of insurance. The combination was formed in 1883, and includes nearly all the stock companies, English, American and Canadian, doing business in Canada. Sums varying from six hundred to a thousand dollars are paid annually by the individual companies in the association. The individual companies are pledged to maintain rates, and if any cutting is discovered the offending company is compelled to cancel the policy. No schedule of rates is fixed for farm or isolated risks. Owing to the competition of the mutual companies it was found impossible to control this line of business. Agents were required to sign an agreement not to do business for companies outside the association, but for some

# ÆTNA

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**Wm. B. CLARK, Assist.-Secretary.**      **J. GOODNOW, Secretary.**

**LOSSES PAID IN 67 YEARS \$38,750,000.**

*Sixty-sixth Annual Statement for the Year ending December 31st, 1885.*

Cash Capital, .....\$4,000,000.00	Cash in bank, .....\$341,000.00
Reserve, Re-insurance, (Fid.) ..... 1,734,650.79	Cash in hands of Agents, ..... 347,822.75
do. (bank), ..... 6,417.99	Real Estate, ..... 145,000.00
do. Unpaid Losses, (Fid.) ..... 236,777.63	Loans on Bond & Mortgage, ..... 412,000.00
do. do. (bank), ..... 22,000.00	Loans on Collaterals, ..... 154,000.00
Other claims, ..... 57,020.85	Stocks and Bonds, ..... 720,000.00
Net Surplus, ..... 3,200,320.41	Accrued Interest, ..... 1,155.24
<b>\$9,260,000.65</b>	<b>\$9,260,000.65</b>

**RESUME OF BUSINESS OF 1885.**

INCOME.	EXPENDITURE.
Fire Premiums, 1885, Net \$2,420,355.00	Fire Losses Paid, 1885, \$1,275,054.00
Inland do 1885, Net 133,912.00	Inland Losses, 1885, 70,443.00
Revenue from other Sources, 428,190.00	Dividends, 1885, 720,000.00
<b>Total Income 1885, \$2,982,457.00</b>	Other expenditures, 797,095.00
	<b>Total Expenditures, \$2,884,192.00</b>

Amount of Risks in force Dec. 31, 1885, \$209,210,785.00

Commenced Business in Canada, A. D. 1821.  
Deposit with Dominion Government \$114,700.00

**Head Office for Canada, MONTREAL.**

**WOOD & EVANS, Agents.**

An early advertisement for the Aetna Company, a CFUA participant.

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reason this plan was repealed by the general association, but was again adopted by the Toronto Board, which is still in force. No re-insurance will be accepted from any non-tariff company, nor placed with such company, unless it is found impossible to place it within the association. The effects upon the insuring public have been decidedly injurious. It extends its operations to every portion of the Dominion, and higher rates have been the rule in nearly every instance. Owing to the arbitrary character of the tariff and the rules adopted, little account can be taken of the moral hazard, i.e., the circumstances, necessities or reputation of the applicants. In consequence of these conditions a large number of first class risks in Canada and involving large amounts are placed with companies in the United States not having offices in Canada nor amena-

ble to Canadian laws. Another tangible effect of a combination for the regulation of rates is that the rates being equal in all companies, the tendency is for the insurers to place their risks either abroad or with foreign companies doing business in Canada, and possessed of a large capital and of longer standing than the native companies. This is rapidly tending towards the freezing-out of the purely Canadian insurance companies, and opens up no very bright prospect for the shareholders, whose money is invested in Canadian joint stock insurance.

(Insurance and Financial Chronicle, June, 1888.)

The Canadian Fire Underwriters' Association quickly responded to the charges, claiming that many of the statements issued by the Combines Committee were mis-

leading or simply untrue.

The association first answered the charge that the organization was formed solely for the purpose of "raising and maintaining rates of insurance". The CFUA argued that its major aim was the improvement of the fire insurance business generally, and, far from raising rates, they were actually lower than before on the best class of risks.

The committee had reported "that sums varying from \$600 to \$1,000 are paid annually by each of the 32 companies". A spokesman for the association questioned the source of this evidence and suggested the estimates were grossly exaggerated. The committee also stated there was no

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INCORPORATED 1864.

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RESERVE FUND . . . . . \$246,418.  
CLAIMS PAID to 1st of Jan'y, exceed . . . . . 2,200,000.

Elegant early advertisement for the Citizens' company, a CFUA participant.

schedule of rates for farm or isolated property, when in fact there was a tariff for all classes throughout the province and in Quebec, with the exception of the western portion of Ontario.

The Combines Committee charged that "the association extends its operations to every portion of the Dominion". This was obviously erroneous as CFUA's jurisdiction covered only the provinces of Quebec and Ontario. Another point of grievance was that the association took no note of the 'moral' hazard, that is the reputation of the applicants for insurance. This suggested that the association, after fixing rates according to the physical hazard of the risk, should have made a deduction to 'A' because he, in the opinion of the association was more moral and honest a man than 'B'. This would have undoubtedly brought the association within the true meaning of 'conspiracy', had it not been libelous. The character of the insured was properly left to the judgement of the individual office.

The final charge levelled by the Combines Committee of "freezing-out purely Canadian companies" was also untrue. While prior to the formation of the CFUA, several Canadian companies (including the Stadacona, Canadian Fire and Marine, Dominion, National Fire, Provincial, Ottawa Agricultural, Canada Agricultural, Sovereign) were forced to close their doors because of the unprofitable nature of the business, since 1883 no Canadian nor other member company had failed.

The Combines Committee wrote its report with inaccurate information and from a biased position. It chose to ignore the advances made by the association in the rating of risks and the resulting benefits for the public:

...while the average rate of premiums previous to 1883, in which year the Association was formed, was about \$1.07 per \$1,000 with losses show-

ing a ratio from 1869, of over 79 percent, while the average rate in 1884 was only \$1.15 percent, and in 1887, \$1.10 percent, being .05¢ less than in 1884, but only .03¢ over that of 1883, the average loss having fallen to between 74 and 75 percent.

Far from fixing extortionate rates, the association had actually put business on a sounder basis while providing some return to those whose money is risked for "the security of the insured".

The association survived the largely unfounded attack by the Combines Committee, and by 1890 boasted 36 member companies. Of the original 30, all remained except the Queen City, Sovereign and Standard. The newcomers were Agricultural Atlas, Connecticut, Eastern, Glasgow and London, Manchester, North America, Quebec and Waterloo.

The 1890 annual meeting was held in London, Ontario, to allow members of the host companies freedom from interruption by their offices. J.J. Kenny's two year term was up and S.C. Duncan-Clark (Lancashire) took the president's chair. Agendas of the association's annual meetings became somewhat lighter during this period, indicating that established resolutions were governing efficiently enough to require only occasional amendments.

There was little doubt about the progress made by the association. The average loss ratio of 63.12 percent in 1869 had been lowered by 1889 to 51.4 percent. The standards and inspection service of the association were directly responsible for significant improvements in firefighting appliances in the two provinces. The Toronto Fire Appliance Committee provided a list of 13 towns where classifications had been raised (with reduced premiums) and only one, Trenton, where increased premiums had been necessary.

In Ontario, electric light inspectors

worked out of Toronto and Ottawa. These inspectors possessed no real authority, but as one stated: "I have never openly conceded this point and have, in a number of places, been able to insist on a number of important changes." He said that he also found it necessary to prohibit the sale and use of two different makes of insulated wire that did not meet the required standard. In view of this, it seems strange that Montreal did not favour hiring an inspector unless he could be given some specific authority by the city.

The association did, however, face some problems, one being the contentious issue of commissions. Large commissions presented an increasing expense and encouraged the practice of rebating to the insured, which disturbed both companies and agents. This problem, which would plague the association for many years to come, generated such antagonism that the cohesion of the organization was periodically threatened.

Another difficulty was the invasion of American companies into Canadian territory. The reduction of fire hazards made central Canada an attractive prospect for unlicensed American insurers, and they gradually gained a foothold here. American companies not having an office in Canada were exempt from paying the government deposit and from acquiring an operating license. Because these firms paid no Canadian taxes, they were able to offer cut-rate premiums. While this practice of placing policies with American companies, known as 'underground insurance', found favour with the public because of low rates, they offered few guarantees to the insured.

During the final decade of the 19th century, the increase in serious fires corresponded with urban growth. In 1895, three large fires in Toronto destroyed

the Globe, the Osgoodby and the Simpson Buildings. Montreal also had its share of fires, and the details of these are worth recounting because they illustrate the kind of incompetence which often frustrated the association. Although the story reads like fiction, the events are documented in the CFUA minutes and in newspaper reports.

In February of 1893, a serious Montreal fire destroyed the buildings where it originated and, meeting little resistance, spread to adjacent buildings. Steamers had arrived at the scene without their fires lit and more than half an hour elapsed before one was able to throw water. When all the steamers finally went into action, the result was pathetic. Pressure was so weak and the fear of bursting hoses so great that feeble streams of water barely reached the second storeys. A fireman who had climbed to the roof of a burning building found himself stranded and, in order to escape the flames, was obliged to drop to the ground. And where was the chief all this time? His firemen and the owners of burning properties weren't sure he showed up at all.

The city fire committee announced an immediate investigation into the fire. But as this committee was itself responsible for the total inefficiency of the fire department, the president and members of the association thought that sending representatives to the meeting simply would lend countenance to a travesty. They obtained a transcript of the proceedings and appointed a committee to assess and report on the city's investigation: A more futile attempt at an investiga-

tion can scarcely be imagined. The Committee held four sessions at which were examined some fourteen witnesses. Nearly four hundred questions were asked, but not one of them was directed as to water supply, pressure, arrival of reels, engines, steams thrown, efforts to combat fires, prevention of extension of fires or absence of Chief....

Toward the end of April, the president, A. T. Paterson, (Phoenix of London) and a delegation appeared at the request of the city council and pointed out very plainly that rates were based on experience and that the Montreal firefighters were indubitably negligent. Paterson cited instances of supposedly-extinguished fires rekindling and causing further damage because inept firemen had left the scene prematurely and without proper precautions. Later in the year, it was disclosed that the loss ratio in Montreal for the five years and four months ending April 30th, 1893 was 74.98 percent.

The distance between the city and the underwriters in their assessment of the adequacy of the fire department may be gauged by an incident a few years later. A city alderman and the fire chief approached the association with a suggestion that they and 10 men be sent to England to participate in a fire-

men's congress. The board viewed this proposed depletion of an already undermanned force with alarm exceeded only by their indignation on learning that they were expected to pay for the junket.

In addition to fires caused by carelessness and incompetence, there were many cases of arson. In 1893, the association offered a \$500 reward for the conviction of the men who set fire to Mr. Benny's farm house on the Upper Lachine Road. The incidence of deliberately-set fires was particularly high in 1895, and several rewards for conviction were offered, one being paid in Ontario "to Constable Shouldice of Owen Sound for his plucky capture of a notorious incendiary named Spencer". Spencer was caught in the act and sentenced to 14 years in the Kingston Penitentiary. At about the same time, the Eastern Committee on Incendiarism reported they had tracked down an organized gang, thereby aiding in the conviction of nine men. In 1896, the idea of creating an Underwriters' Investigation Bureau was debated, although the concept was not realized for many years.



*A. T. Paterson, CFUA President, 1892-93.*

*The Temple Building, Richmond at Bay Streets, Toronto. This famous landmark was the first major structural construction in Toronto, and was home to many insurance and professional offices.*



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*F. W. Evans, CFUA President,  
1896-97.*

At CFUA's thirteenth annual meeting, held in Niagara Falls in October, 1896, Mr. F.W. Evans (Aetna and London & Lancashire) stated that:

The general attitude of the Public has changed for the better. The antagonistic feeling that we are a combine, charging exorbitant rates, has gradually given way to the conviction that what we really aim at is the diminution of the fire hazard.

Steps taken toward expanding the public role of the association included the appointment in 1892 of a Montreal mercantile inspector. Qualifications for the position stated that he did not have to be an expert but "an intelligent artisan" who could use his common sense to see that ashes were properly disposed of, basements kept free from rubbish,

fires and lights properly controlled and so forth. In less than a year, he had inspected every mercantile risk in Montreal. On the whole he was fairly well received, though in 1894 he reported:

In making re-inspections, instead of getting assistance in getting the defects remedied from those I would expect, I have found that a number of insurance canvassers and others have told the insured not to mind the inspector.

The situation improved, as the next year he reported that, "With two exceptions your inspector has not had an unkind word." This was the origin of what became colloquially known in the Montreal board office as the "Ash-can Department". The three or four elderly men who last staffed this department left it

in 1935-36, when they won about \$8,000 each on a jointly-purchased Irish Sweepstakes ticket.

Another decision to help reduce fire hazards was the hiring of Robert Howe as inspector of municipal appliances in 1893. Trained as a civil engineer, Howe started at a salary of \$75 a month, quite a respectable sum considering a stenographer earned a mere \$25 a month. By October of the following year, he had inspected 44 waterworks and fire appliances in Ontario and 28 in the province of Quebec. He was generally well received except in Quebec City, where city representatives would not permit him to test water pressure or hoses.

Robert Howe proved to be a man

of exceptional ability and energy. His reports, as printed in the minutes, are models for those who came after him, and he could more than hold his own with the various municipal engineers and politicians who were hoping to replace deeds with specious words. By the fall of 1895, he had inspected every place in Ontario and had made much progress in the city of Winnipeg. Later, copies of the minutes contained long and detailed reports of inspections as far west as Calgary, and Halifax and St. Pierre and Miquelon in the east.

In 1894, a new "Schedule for Classification of Towns and Standard of Fire Preventive Appliances" was adopted. Towns not meeting the amended standard did not necessarily forfeit their present classification but the fire appliances committee would endeavour, within a reasonable time, "to have them conform thereto". CFUA's priority was to stimulate improvements to be made, and increase rates only as a last resort. For example, Sarnia's epidemic of incendiary fires was viewed by the civic authorities

with apathy until the association reduced the classification from "B" to "F". This prompted action. Public opinion was aroused, extra watchmen were hired and detectives conducted investigations with the result that the arson cases ceased and in less than three months a Class "B" rating was restored.

An ultimatum issued to Ottawa in 1897 threatened a re-classification unless improvements were made. It was reported at the annual meeting that all recommendations made by Mr. Howe to the city had been followed and an increase in rates was thereby avoided. A committee of the association, accompanied by Mr. Howe, met in June the same year with the council of the Hamilton Board of Trade, and by the following February, reported that the suggested changes had been implemented. These examples demonstrate how the association was able to promote fire safety and education and to provide technical information that reduced fire hazards, while cutting rates. Schedule rating inspectors of individual risks worked out of

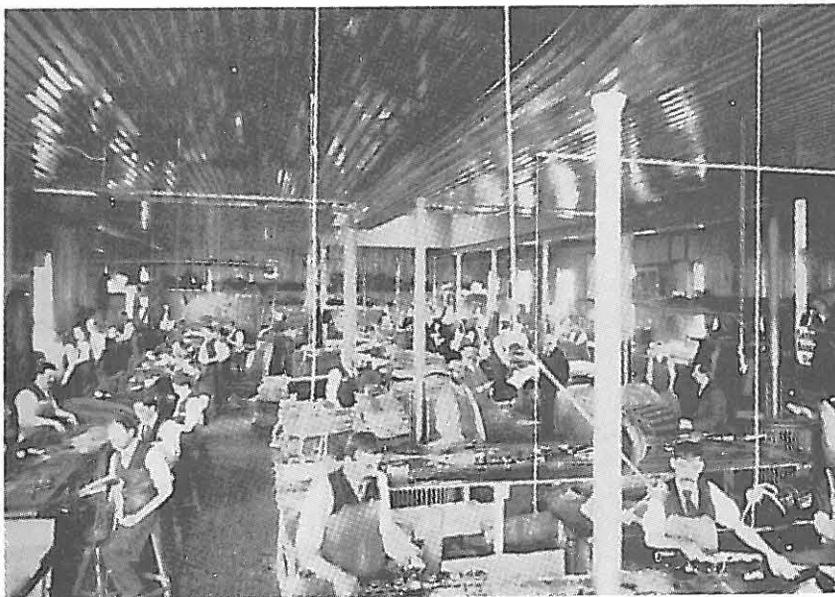
Montreal and Toronto. Louis H. Boulton, the Montreal inspector and one time general agent for the Atlas and National of Ireland, entered association service in January 1893. He reported to the annual meeting held only nine months later that he had inspected 977 risks at 80 places — no mean achievement, especially considering the travelling conditions in those days. Inspectors were usually well received by the insureds who were grateful for advice on how to qualify for lower rates by making certain improvements.

A sprinkler risk inspector was the next appointment made by CFUA. Between 1896 and March of the following year, he had visited 60 risks, all that member companies were interested in. The New England Mutuals accepted many of these risks and in 1898 one member stated that "very little success had attended our efforts to retain and control these risks." Concern over the issue led to agitation that the companies be given a freer hand.

During this period, electric lighting in dwellings and in all commercial risks became much more common. The inspection service kept pace with developments, and so dependent was the public on this service, that most power companies in Ontario would not activate the current until the installation had been approved by the underwriters.

Throughout the 1890s, member companies, particularly in Montreal and Quebec, voiced dissatisfaction with the commission rules. The rules were criticized as "unworkable" and some members threatened to leave the association rather than comply with them. In 1894, a notice of motion was given containing an agreement to be signed by all members. It contained the following clause:

It being understood that this is simply an honorable compact between companies, and no penalty attaches for violation, but it is admitted that



*Adams Brothers factory, makers of harness and leather goods, 136-140 King Street East, Toronto, a typical inner-city industrial risk.*

the slightest deviation from the terms of this agreement should be considered a dishonorable action, and worthy of the contempt of all honorable men.

The matter was not laid to rest there. At a committee meeting in 1899, the discussion became so heated that the assembly broke up in disorder. A compromise was finally agreed on and the president, P.H. Sims (British America) stated at the sixteenth annual meeting (1899) that "the most important work of the year was the rearrangement of these rules, rendered necessary by the abuses which had crept in under the old rules."

Other internal dissension challenged the unity of the association. A recalcitrant company refused to submit business for stamping or to permit the secretary to examine its books, and failed to follow through on commitments. An official of this company wrote a less than gracious letter to the association which elicited a strong response incorporated in the minutes:

...this Association desires to express its surprise and regret that one of its members should address its associates in such offensive terms...the Association declines to take any action whatever at present upon a communication of such an insulting nature.

Another maverick member proposed to sign an agreement with the reservation that he would hold himself free to meet infractions by taking the law into his own hands. The association wisely refused to be party to any such scheme. The general agent in question was soon involved in an infraction and tried airily to dismiss the charge, maintaining he was only doing what others were doing with the same risk. A thorough investigation convinced

the committee that he was the sole violator, and the following statement appeared in the minutes: "Your Committee is therefore compelled to state that Mr. K....'s statement is without any foundation."

Occasionally a member of unquestioned integrity would find himself involved in an infraction through the action of one of his agents or general agents. John B. Laidlaw of the Norwich Union met with such misfortune in the fall of 1899. The Western charged that the Grain Rules were not being observed and that grain firms were being appointed as agents. In reply to a telephone call from the secretary, the manager of the Western stated he had already wired his agents to disregard all rules and he refused to cancel his order. Mr. Laidlaw realized that his was the chief company against which the complaint was directed and he volunteered to immediately cancel anything that was wrong or even questionable. This he did, although there was reasonable doubt about his guilt, owing to different interpretations of the rules. The Western responded by withdrawing its instructions and cancelling any risk taken in the interim that was contrary to the tariff. Responsible behaviour by a member obviated the need for investigations and upheld the credibility of the association.

As the century drew to a close, two changes were made that underscored the fact that CFUA had substantiated its position as a force to be reckoned with in the insurance world. By 1893, the Montreal board office had so outgrown its quarters that it moved to the Board of Trade Building which, observed Alfred Hadrill, "with its commodious

Board Room and comfortable offices for the staff, is fit to impress the public with the importance of the Institution."

The Toronto board — previously independent — was sufficiently impressed with CFUA that it finally placed itself under the authority of the association. In 1897, the jurisdiction of the association was further widened when the Manitoba board elected to join.

On October 13th, 1896, the Canadian Fire Underwriters' Association lost one of its most important members with the death of Robert McLean.

McLean, the pioneer of the associative movement in central Canada, had suffered through a lengthy illness, never having quite recovered from the death of his wife the previous year.

McLean was unrelenting in his role of secretary of the CFUA and had exhibited great aplomb and diplomacy in his handling of association's business. In a fitting tribute to his achievements, the *Insurance and Financial Chronicle* wrote of Robert McLean:

To his untiring energy, pluck and endurance, to his perseverance and industry are due the fact that the foundations of this Association were so 'well and truly laid', and an excellent superstructure reared thereon, of permanent use and benefit to the Insurance Companies, its members, and the public of this Dominion. Interwoven with the incipient years of the Association were the later years of his life; to the last, his business faculties were employed on its behalf; his desire was ever for its perpetuation; and in its service he died. Let it be his fit memorial — his enduring monument. (*Insurance and Financial Chronicle*, November 1, 1896.)