CHAPTER I

THE ORIGINS OF FIRE INSURANCE

Although there is evidence to suggest that fire insurance existed in the period before the 17th century in Europe, it was the Great Fire of London (1666) which forcibly alerted the public to the value of such protection. The London fire began in the King's Bakery on Pudding Lane, a narrow street lined with oak framed houses. Soon after the outbreak of the fire, neighbours quickly formed a bucket brigade in an attempt to extinguish the blaze. Despite their valiant efforts, the fire quickly spread to an inn with a large supply of straw and fodder in its livery stable. Fuelled by the abundance of dry materials and fanned by a strong breeze, the inferno soon raged out of control.

One of the first casualties of the fire was the wooden waterwheel that lifted water out of the Thames River and into the pipes which supplied the city. The rudimentary water system was soon completely dry and of no use to the firefighters. The fire raged for four days, consuming 436 acres of the city and 13,200 houses. The fire was finally halted when the Lord Mayor ordered that houses in its path be pulled down to create a fire break. Remarkably, only six people perished in a disaster that caused between \$8 and \$12 million damage. There is, however, no accurate estimate of the number of people who died from exposure the following winter in shanty towns erected in the ruins of the city.

London engulfed by the Great Fire, 1666.

Shortly after the reconstruction of the city began, Dr. Nicholas Barbon, a physician and leading builder, proposed the idea of distributing the losses incurred during a fire among a larger group of people. Despite ridicule from many of his colleagues, Barbon decided to offer personal underwriting on houses and other buildings. Heeding the harsh lesson imposed on them by the fire, many customers flocked to his firm, known as "The Fire Office", to take advantage of his new service. Barbon offered rates at 2.5 percent of the value of brick buildings and five percent for those constructed of wood.

Barbon's success in the fire insurance business encouraged the establishment of rival companies. In an effort to stifle the competition, Barbon appealed to the Privy Council to grant him a monopoly on his service. His request was denied. Failing to secure legislative aid, Barbon turned to economic tactics and attempted to undercut his rivals. He also pioneered the idea of sponsoring his own fire brigade, thus achieving two goals. First, the fire brigade would protect the buildings he insured, thereby minimizing his losses and, second, its highly visible presence promoted his business at fires, which were well attended public events. This represents the first venture of a fire insurance company into the firefighting field.

During the late 17th century, the insurance business expanded, as did company fire brigades. The drills for these rudimentary firefighting units were often carried out in public to allow people to assess their respective efficiency and place their insurance with what they judged to be the most impressive company.

When the news of a fire spread, all companies dispatched their firefighting units. At the scene, there was an immediate search for a fire mark, a leaden plate attached to the facade of a house which bore the symbol of the insuring company. Once the identity of the insuring company was established, its fire unit set to work extinguishing the blaze while the other units idly made jokes at the expense of their colleagues. This service, provided by the insurance companies, was vital as the city did not offer municipal fire protection until 1866.

The idea of fire insurance which found expression through Nicholas Barbon proved to be a great success. By 1680, he wrote business on over 5,500 buildings. At his death in 1698, he headed a large insurance empire that dominated the early years of fire insurance in England.

Fire insurance also gained popularity throughout Europe and, later, in the United States. In the 1670s the German guilds in Hamburg were united into a 'Generale Feuer Casse' or municipal insurance company. This organization set standards that were subsequently adopted by the business: classification of risks, annual premiums based on the amounts insured and a maximum insurable. Fire insurance in the United States, as in England, began as personal or partnership underwriting. Most of the early operations wrote both fire and marine risks, which were crucial to leading merchants of the Eastern seaboard. The Philadelphia Contributorship, founded in 1752 with the assistance of Benjamin Franklin, was the first fire insurance company in the United States. Growth of fire insurance was slow; by 1820 there were 28 stock companies, and most of these firms were strictly local in their operations.

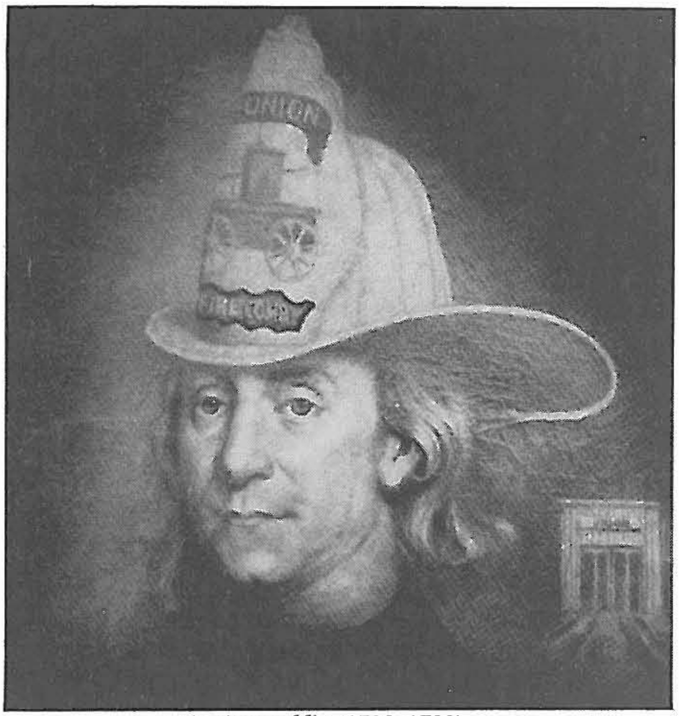
The early years of business in North America were difficult for fire insurance companies. Problems confronted by these fledgling firms included a limited demand for fire insurance coverage which in turn prevented the accumulation of the large capital reserves necessary for proper protection against the threat of serious conflagration. The businesses suffered from a number of serious fires arising from the prevalence of wooden construction in 18th and 19th century America. Companies that lacked adequate reserves or overextended themselves in insuring a single area were forced out of business by major fires. The New York fire of 1835 caused over $15 million damage and wiped out most of that city's insurance companies. This disaster forced the leading companies to define

Fire fighting in England, 1762, as seen by the great caricaturist, William Hogarth.

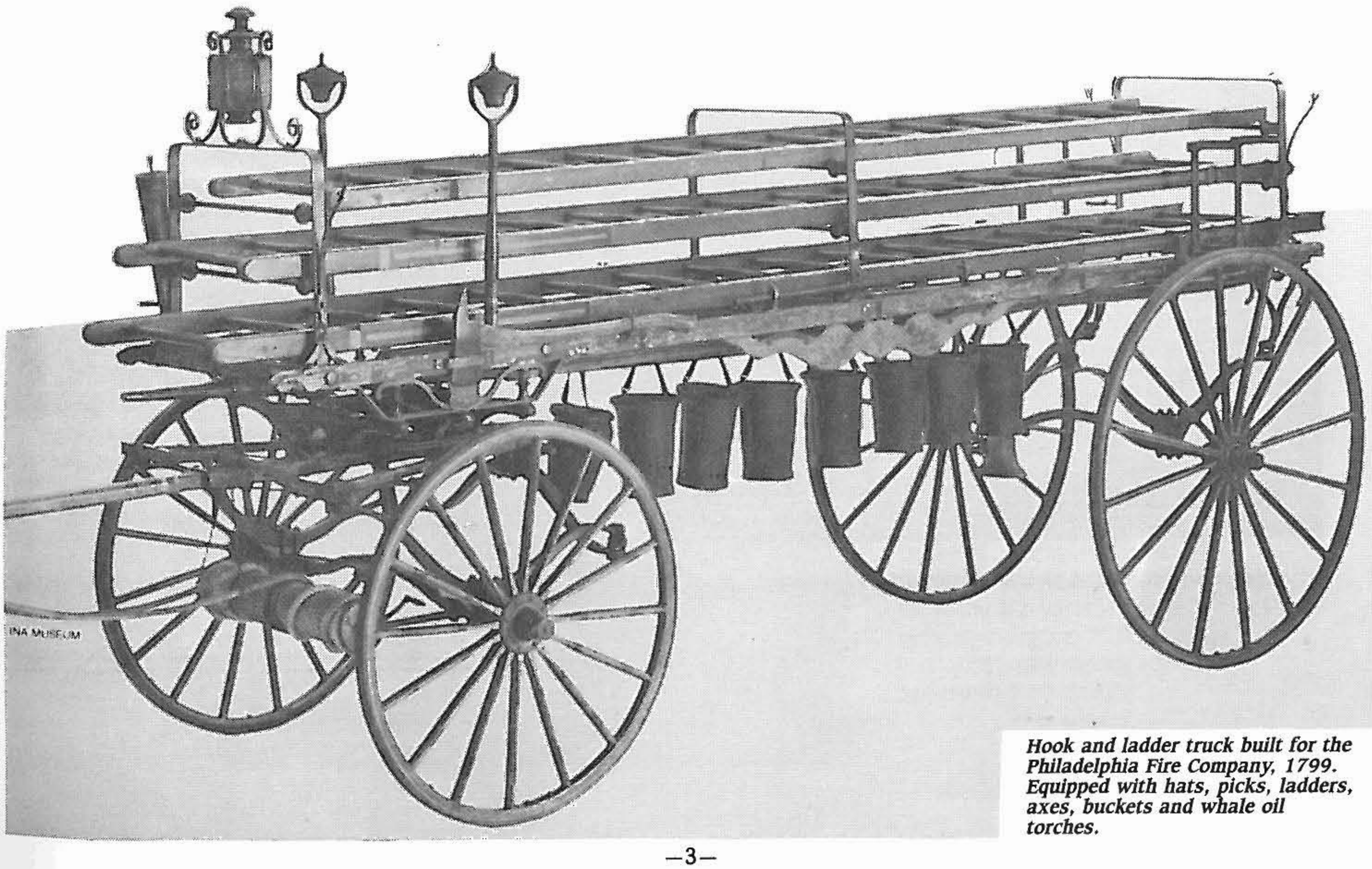
risks more clearly and to recognize the necessity of improving their financial stability. Failed companies could at best pay only a fraction of the insured's claim and the credibility of the insurance business was being severely undermined.

In an attempt to protect the public interests state governments passed reserve acts, stipulating that companies must maintain an adequate reserve out of which to pay claims. But companies persisted in a policy of paying out dividends to their stockholders at the expense of developing a surplus fund and continued to function with insufficient capital to meet emergencies.

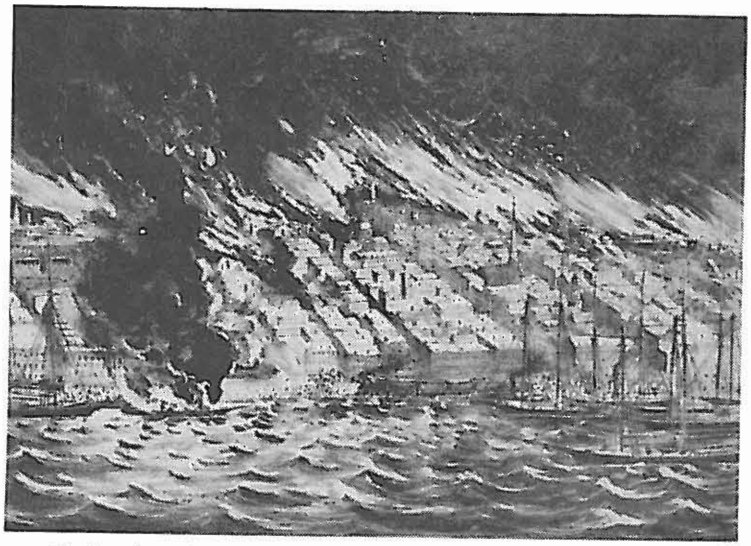
Following the Civil War in the United States, a spirit of cooperation replaced the competitive attitude that had characterized the insurance industry and often driven premiums below cost. In 1866, the leading American companies formed the National Board of Underwriters in an effort to introduce some uniformity into the industry. The organization assumed a scientific approach toward the classification of risks and granted local representatives more duties to carry out closer inspections of the important risks. Fire maps came into use at this time.



Benjamin Franklin (1706–1790) portrayed as a fireman. He founded the first volunteer company at Philadelphia in 1736.



Hook and ladder truck built for the Philadelphia Fire Company, 1799. Equipped with hats, picks, ladders, axes, buckets and whale oil torches.



The burning of Chicago, 1871, from a Currier & Ives engraving.

The Boston fire, 1872, from a Currier & Ives engraving.

This new-found cooperation was short-lived. Serious fires in Chicago and Boston in 1871 and 1872, respectively, destroyed numerous companies and weakened many more. It is hardly surprising that the fire insurance industry fell on hard times during the decade. This period witnessed the growth of many irresponsible companies that sacrificed integrity for quick profit. The National Board of Fire Underwriters ceased to formulate rates, relinquishing this task to local boards. Intense competition again became the order of the day, as companies slashed premiums to dangerously low levels in an effort to attract business. These rate wars drove numerous companies into bankruptcy. The surviving firms recognized the shortsightedness and impracticality of undercutting one another, and the spirit of cooperation was revitalized. At this time larger regional boards appeared, giving some stability to the American fire insurance industry.

The development of fire insurance in Canada followed a pattern similar to that in the United States. While no fire insurance companies are known to have operated during the French regime, the Phoenix Company of London began to advertise its services in British North America shortly after the Conquest (1763). A 1782 policy in St. John's, Newfoundland was the first risk assumed by the Phoenix Company in North America. Two years later, the company issued a policy in London for $2,000 for a Halifax firm. Within a few years, the Phoenix commissioned fire plans of St. John's and Quebec City in order to issue policies in these two cities. In 1804, the company established an agency in Montreal, the first in Canada, and the following year a second in Halifax.

The first Canadian company, the Nova Scotia Fire Insurance Association, was founded in 1809 by a group of businessmen in Halifax. In 1819, it was incorporated as the Halifax Fire Assurance Company. A second indigenous operation, the Quebec Fire Insurance Company, was launched unsuccessfully as a mutual organization in 1816 and later reorganized as a joint stock company. Ontario entered the field in 1833 with the British Assurance Company. Prior to 1840, at least six Canadian companies carried on business: the Halifax, Globe, British America, Central of Fredericton, Home District Mutual and the Gore District Mutual. Colonial competition notwithstanding, the long-established British firms continued to control a lion's share of the market.

Fire insurance companies in Canada shared with American firms the problems of organization and standardization. In the second half of the 19th century, the Canadian fire insurance industry responded to the wild fluctuations in business by initiating wider associative movements. The first such organization began in Halifax when representatives of the Halifax, Alliance, Phoenix, American, Liverpool and London and The Royal met on January 5, 1857. This meeting, designed to establish tariffs for the City of Halifax, was called after a major fire alerted the companies to the need for cooperation. During the meeting, it was decided that "in order to better serve the interests of the community and the participating companies, a joint body or association called the Halifax Insurance Board be formed". The board, composed of representatives of the above named companies resolved that:

> ...the benefits of such a Board shall be confined to forming Rules and Regulations for the guidance of the members of this association, the establishment of a Tariff of Rates for the City, and generally adopting such measures as may lend to the mutual benefit of all concerned.

A Sun Company fireman of the eighteenth century.

The new board faced its first major test on September 9, 1859, following a disastrous fire which destroyed two blocks of buildings on Granville Street in downtown Halifax. The total settlement amounted to £128,075 and resulted in a five shilling increase to Halifax tariff rates. After a careful investigation, the board attributed the fire's rapid spread to "the want of sufficient supply of water at the commencement and to a general want of management", and requested the city to launch its own investigation into the causes. The board made a number of recommendations, including an improved water supply for the city, the hiring of more firemen, and the laying of pipes not less than 12 inches along the entire length of Barrack Street with branch lines leading down the hill to be used exclusively for fires. Failing the implementation of these protective measures, the board faced no alternative but to increase tariffs.

A number of emergencies arose requiring action by the insurance board. In May 1861, the resignation of the Union Fire Engine Company rendered Halifax defenceless against fire. The board hastily called a meeting to discuss the dangerous situation with the city council which, in turn, summoned all available able-bodied men to form a volunteer fire brigade.

The efforts of the Halifax Insurance Board demonstrated to Nova Scotian companies the value of larger associations and inspired the formation in 1864 of the Nova Scotia Board of Fire Underwriters, the first province-wide association in Canada. The board was empowered to set tariffs to which all participating companies were bound to adhere. Failure of companies to comply resulted in a vote of censure by the board and an order for the violating company "to cancel the insurance so improperly effected and return the premium".

One year after the formation of the Nova Scotia Board, neighbouring fire insurance companies followed suit and formed the New Brunswick Board of Fire Underwriters.

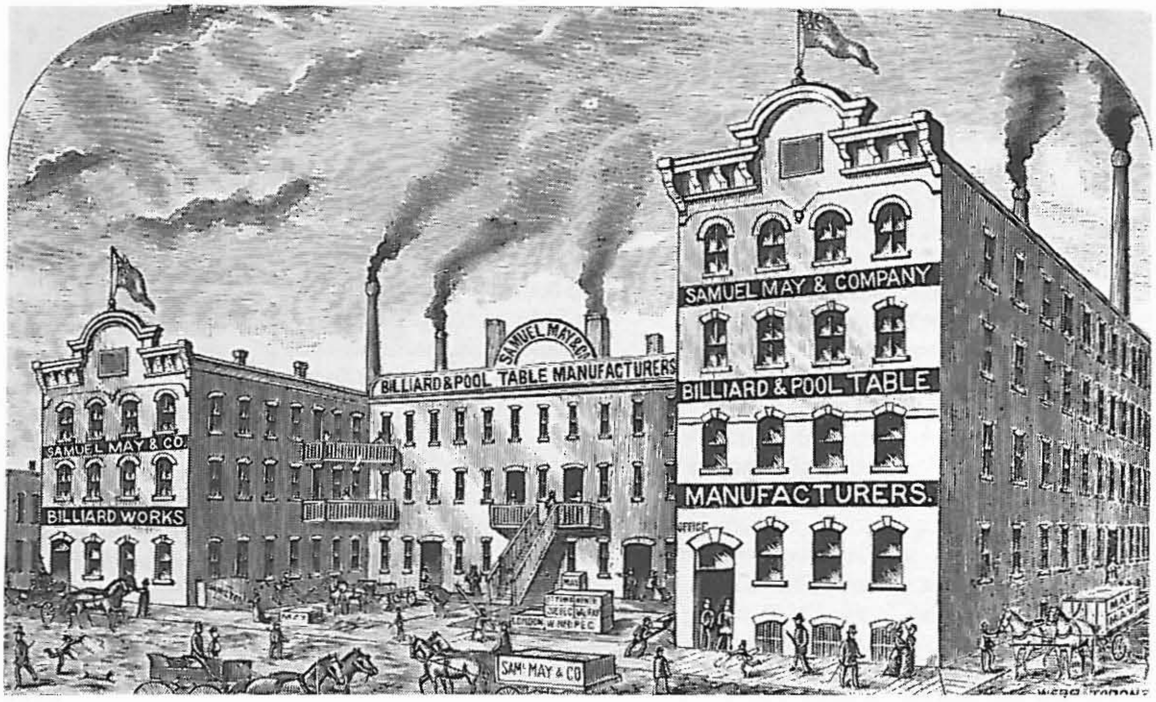
The high incidence of large fires in 19th century Canadian cities had the inevitable consequence of driving numerous fire insurance companies into bankruptcy. In an effort to lend some stability to the struggling industry, the new Canadian government passed the Insurance Company Act in 1868. This act, loosely based on American legislation, required that all companies operating in more than one province had to acquire a license from the Minister of Finance. Under the terms of the legislation, each company was required to deposit $50,000 with the government. The influence of the Act was immediate as the number of fire insurance companies dropped dramatically (In 1868: British 26, American 29, Canadian 6. In 1869: British 12, American 4, Canadian 5). These companies were also required to file a detailed schedule of financial statements each year. Failure to comply with the provisions of the Insurance Act resulted in a $1,000 fine for each infraction.

Despite the example provided in the eastern provinces, movement toward an association in central Canada was slowed by the fierce competition and petty rivalries that existed between fire insurance companies. Fire underwriters in Ontario and Quebec suffered during 1870. That year, the percentage of losses to premiums ran at 85 percent, compared with 57 percent in 1869. In 1869, the premiums collected amounted to $1,785,539 and the losses paid to $1,027,720. In 1870, however, many companies suffered — the Quebec Company lost $2 for every $1 collected, the Phoenix $1.50 for every $1 and the Aetna $1 for $1.

The cause most often cited for the poor showing of fire insurance companies was inadequate income driven dangerously low by stiff competition:

There are radical errors at work which must be eradicated — a reckless cutting of rates is one of these. Closer scrutiny and more vigilant supervision are required to prevent the operator of that ever fruitful source of loss and fraud — over-insurance. A thorough and frequent inspection of the risks by competent men would be the means of holding agents in check, and would take and keep off companies books many a bad risk. Something must be done to prevent the increase of such a general holocaust as that which will make 1870 a remarkable year in the annals of Canadian fire insurance.
(Monetary Times, March 31, 1871.)

A typical executive suite of the mid-19th century.



Samuel May's billiard table manufactory, a typical large Toronto industrial risk.

The Chicago fire of 1871 taught a valuable lesson. It revealed that the interests of the insured and the insuring companies were quite similar. In Chicago, fierce competition had driven down the premiums and the city was insured at a cheaper rate than anywhere else in the United States. With inadequate cash reserves to meet the cost of the 1871 conflagration, 53 companies were forced to close. This situation pointed out the need to establish fair rates that would provide companies with adequate capital to meet all costs of a serious fire. The formation of an association was still not viewed as a possible solution. The **Monetary Times** reported in 1871 that: "Combinations among the companies are generally regarded as unworkable".

During this period, some companies or 'Cheap Jacks' as they were called, sold insurance at rates below the cost at which adequate protection could be provided. The irresponsible practices of these companies drove premiums down low throughout the industry. The companies offering these 'bargain' rates were often forced to settle with their unfortunate creditors by paying only a small percentage of the claim. Many people failed to realize these insurance companies operated on the same principles as other businesses and, like merchants who sold their goods below cost, could not long continue to function.

One of the chief contributors to low rates was a class of insurance middlemen known as 'drummers' or 'runners', an outgrowth of the American insurance industry that found its way into Canada. The drummer claimed to represent all insurance companies and received a commission for all business he placed. In reality, he hawked the customers' insurance from office to office, placing it at the lowest premium.

The following represents a typical exchange between a drummer and an agent:

"What will you take a line on Mr_______'s drug stock at?" Agent or officer (behind the counter) – "Two and one half per cent." Drummer – "Nonsense! I can place it at one." Officer (astonished) "With what Company?" Drummer – "Oh at a half dozen offices." This adroit attack is followed by a further series of fibs concocted on the spot to suit the circumstances, told with unblushing usage, asseverated with dauntless cheek, and reiterated with an assumed air of sincerity, that might deceive even the very elect, until our weak-kneed officer imagines his only safety lies in succumbing to the inevitable, and doing "as others do".
(**Monetary Times**, November 10, 1871.)

This undercutting of rates presented problems not only to insurance companies but also to insureds, as it created needless delays, or even worse, non-payment of claims.

While general conditions in the fire insurance business improved the following year, the problems of inadequate premiums continued to trouble the industry. This prompted a call for insurance reform and gave rise to a circular that was sent to all fire insurance companies on June 18, 1872. The communique called for joint action to be undertaken by the companies "whereby more satisfactory results may be obtained".

In light of the serious conditions within the industry, most companies expressed interest in the proposed association. Company representatives met in Montreal in September to lay the groundwork for an organization that would plan the future of the industry and increase insurance rates to an adequate level. Intermittent discussions continued over the next few months, but disagreement about the hazard risk of certain businesses emerged, making any attempt to establish rates difficult. The companies eventually agreed on two scales of minimum rates based on firefighting ability. The first class included rates for Montreal, Toronto, Quebec, Brantford, Kingston, Brockville, Belleville, Guelph, Hamilton, London and Napanee. Other municipalities that lacked proper firefighting equipment would be placed on the second scale at a higher rate.

The joint stock fire insurance companies met again in Toronto and on December 20, 1872, agreed to form a general association and signed an agreement that bound them to adhere to rates established by that body. Two boards, one in Toronto and one in Montreal, were to meet regularly to discuss fire insurance issues. The power of the fledgling association was limited by the refusal of four companies to participate – the Phoenix, Lancashire, Provincial and Citizen's. On January 1, 1873, the new scale of rates adopted earlier by the general association went into effect.

General dissatisfaction with the working of the tariff association arose in a lamentably short time. Companies that declined to join the association were not bound to its restrictions and were therefore at liberty to 'cut' rates and write risks as they pleased. A second factor that may have contributed to the downfall of the association was an improved financial climate in the insurance industry in 1873. From 1872 to 1873, the premiums paid to companies rose from $2,628,710 to $2,968,416, while the losses paid dropped from $1,909,975 to $1,682,184. With the improved situation, many companies began to question the need for any form of association. The Western and the British American Companies were the first of several to withdraw from the general association. These companies apparently didn't realize that premiums had increased because of the association's influence, nor did they take into account the abnormally low number of fires in 1873. By June 1875, the Monetary Times

The great fire at St. John, New Brunswick, 1877.

London's First Attempt to Legislate Against the Fire King

IN THE early days of London as a village, and later as a town, from 1848 to 1850, the village and town councils governed the municipality largely by resolution, and by-law, but seventy-eight years ago it was decided to take advantage of increased powers granted by the Legislature of Upper Canada, and old resolutions and by-laws were discarded for newer and more stringent enactments. Thus it was that in 1850, when Simeon Morrill was mayor, and Murray Anderson, first Mayor of London as a City five years later, was chairman of a committee of the Council, by-laws were adopted establishing fire limits, and providing for additional safeguards for the municipality against the ravages of fire. Again in 1855, the City Fathers added to their fire safeguards by passing a by-law which regulated the construction of wooden buildings. Extracts from these by-laws follow:

WHEREAS it is necessary, by a By-Law, to enact certain regulations and laws for the general government of the Town of London, the several By-Laws now in force being deemed insufficient and in some respects inapplicable to the wants and conditions of the inhabitants.

Now be it therefore enacted by the Town Council of the Town of London, in Council assembled, under and by virtue of the act of the Parliament of this Province, entitled "An Act to provide by one general law, for the erection of Muni- "cipal Corporations and the establishment of regulations of Police in and for the "several Counties, Cities, Towns, Townships and Villages in Upper Canada."

I. That from and after the passing of this By-law, all and every the By-Law and By-Laws of the former Mayor and Town Council of the Town of London, and all other By-Law and By-Laws of the said town in the month of January now last past, excepting the By-Law regulating the Markets, shall be and the same are hereby repealed.

II. *And be it further enacted* that for the good government of the said town, and other purposes herein intended, the following enactments, provisions, rules and regulations shall, from and after the passing of this By-Law, be in force within the said Town of London, that is to say—

1. That every owner or occupier of any dwelling-house, building or shop, or any owner or occupier of any part of any dwelling-house, building or shop, using therein a stove, or stoves, shall have, place and keep under such stove and stoves a brick or metal hearth; and the bottom of such stove or stoves shall not be less than eight inches from such hearth, and the sides or ends not less than eighteen inches from any wooden partition; and above such stove or stoves no stove pipe shall be nearer to the ceiling than twelve inches; and when stoves are used to heat other rooms than that in which the stove is placed, by an aperture in any wall or partition, such aperture shall extend at least nine inches round each stove on the top, and two sides thereof, which aperture shall be filled up with brick and mortar, or stone, and when any stove-pipe shall be passed through a wooden partition, it shall not pass nearer than six inches to such partition, or to any ceiling; and such space shall be filled with brick and mortar, or stone, and every stove-pipe whatever shall be conducted into a proper brick-built flue or chimney, safely and securely constructed.

2. That no ashes shall be placed or left in any wooden receptacle, in or near any dwelling-house, nor within twenty-five feet of the same, by any person or persons whatsoever, unless in some safe brick, metal or stone depository therefor.

3. That no stove-pipe shall be carried through the roof or side of any building, and that all stove-pipes passing through any floor, ceiling or partition, shall be so secured as to have no wood or combustible substance within six inches of such stove-pipe; and that the manner of securing such stove-pipes shall also be subject to the approval of the town inspectors, or either of the Fire Wardens or their assistants, and that all chimneys shall be carried up at least three feet above the roof.

reported that the Montreal Board had not met regularly for some time and was assumed to be defunct. In Toronto, the board continued to provide a forum for the interchange of ideas but possessed little real power. Smaller boards continued to operate in Hamilton and London.

After the dissolution of the general association, fire insurance companies slowly drifted back to their old practices, characterized by renewed fierce competition and falling rates. Following a year of intensive rate cutting, the industry was brought to its knees by a disastrous fire in Saint John in 1877. This fire, which destroyed two-thirds of the city, prompted the failure of three companies and severely hindered the operation of many others. The total losses paid in 1877 were \$8,490,919, while the premiums collected amounted to only \$3,764,005 (representing a loss ratio of 225 percent). Again there was discussion about forming another association to combat falling rates. This time it was acknowledged that in order to succeed, such an organization must involve all fire insurance companies operating in Ontario and Quebec.

The aim of association was not achieved immediately. Although the Manitoba and North West Association was formed on January 21, 1880, Central Canada did not follow suit for a few years. Companies continued to complain that premiums were insufficient to meet costs of carrying a risk, and even the stronger firms cut rates to increase business with

By-law of London, Ontario which enacted stringent fire regulations and banned wooden construction in the commercial core area.

little regard for increased liability to loss. The Monetary Times of April 1882 reported: "The state of the fire insurance business, we are told upon all sides, is disheartening; rates inadequate, competition unreasoning, agents easy-going and managers weak in the back". Another publication grimly described the unsound and unethical manner in which insurance business was practised:

Rates have been reduced with a recklessness unequalled in any other class of business, and risks have been completed with a rapacity hitherto unknown, without regard to the moral or any other attendant hazard, until the whole business of Fire Underwriting has been completed demoralized...."
(Insurance and Financial Chronicle, November, 1883.)

The future of fire insurance in Canada appeared anything but promising.

The Western Assurance Company's head office, on Wellington Street, the "Insurance Row" of an earlier era in Toronto.

4. That the town inspectors, or either of them or the Fire Wardens, shall have authority at any time between the hours of nine and six in the day time, to enter any building or private residence, for the purpose of examining the stove-pipes, chimneys, or fire-places, in order that they may report thereon to the Town Council, and that no person shall refuse to admit either or any of the said officers, for the purpose aforesaid.

5. That every chimney or flue in which fire is commonly made shall, from the first day of November to the first day of April in every year, be swept at least once in every eight weeks, and when the same is daily used for kitchens and manufactories, once in every eight weeks throughout the year, in the same manner, by the tenant or person occupying.

6. That every person residing in said town shall find and provide a good and sufficient ladder, or ladders, to be appended to the houses they shall respectively inhabit, and to be of sufficient length to reach the roof, and a ladder or ladders of sufficient length to reach the chimney.

7. That in the event of the chimney of any house in the said town taking fire, from any cause whatever, unless it shall have been swept by the person appointed by the council within the time specified in section No. 5, of this By-Law, the person or persons occupying the house to which such chimney is attached shall forfeit the sum not less than five shillings, or more than twenty shillings.

8. That each and every tenant or occupant of a dwelling shall provide himself with a good leather bucket, containing not less than two and a half gallons, having the initials of the owner's name thereon, which bucket shall be placed in some conspicuous place near the entrance of such dwelling; and that each merchant's shop, public inn, or grocery, shall in like manner be provided with two such buckets, to be kept in some conspicuous place within such merchant's shop, public inn or grocery.

9. That no kiln or building for the purpose of seasoning or drying lumber of any description, by the application of fire, shall be erected within the distance of two hundred feet of any other building within the limits of the town; nor shall any person or persons burn, or cause to be burned, any shavings or rubbisn in the public streets, private yards, or lots, nearer than one hundred feet to any building, nor shall any person leave in his or their yard any heap of hay or straw within one hundred feet of any building.

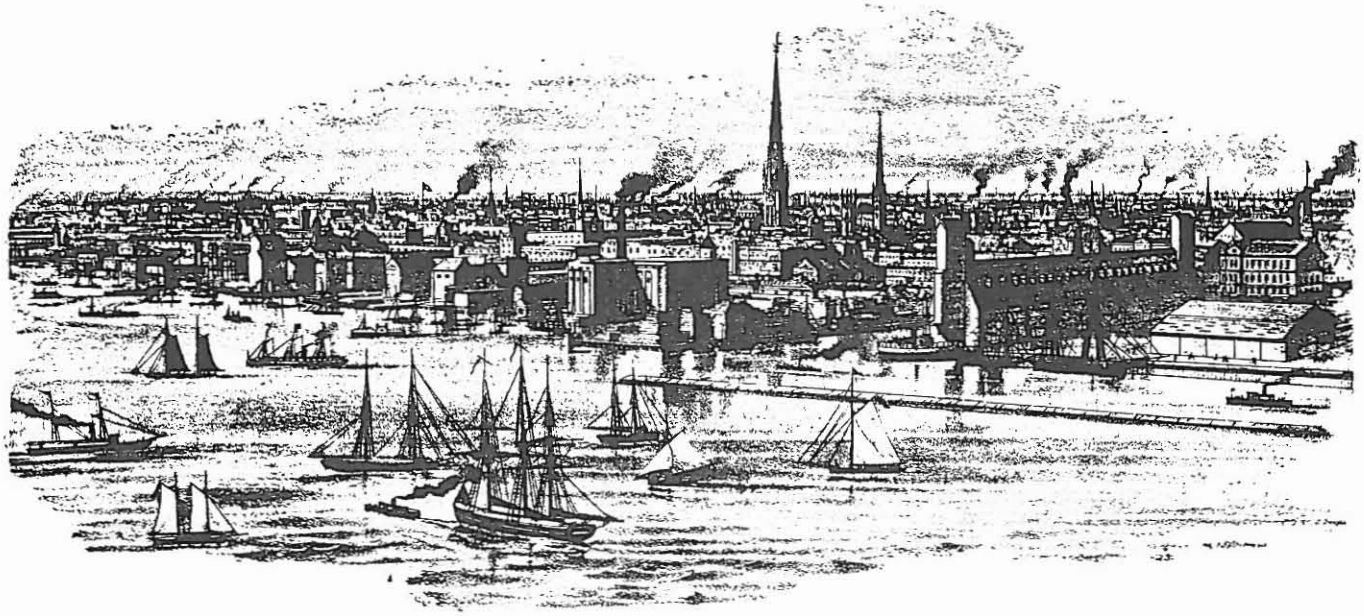
10. That no gunpowder above ten pounds in quantity shall be kept in any but a separate building, and such building shall not be nearer than three hundred feet to any other building, and that all gunpowder under such quantity kept for sale, shall be deposited in a fire-proof box or safe, in or on the roof of such house or shop from which it shall be sold; and that no person shall ascend to such place with a lighted candle, lantern or lamp.

It Is Hereby Enacted, by the Town Council of the Town of London, in Council assembled, under and by virtue of the Act of the Parliament of this Province, intituled: "An Act to provide, by one general law, for the erection of Municipal "Corporations, and the establishment of regulations of Police in and for the several "counties, cities, towns, townships and villages in Upper Canada." That it shall not be lawful for any person or persons to erect, build or remove any wooden building, whatever, upon the land in the said Town of London, contained within the following limits, that is to say, commencing on the north side of Dundas Street, on the west side of the Western Hotel (now occupied by the Dennis Wire Co.), from thence north to the south side of North Street (Carling Street), from thence easterly, along the south side of North Street to the corner of North and Clarence Streets, from thence southerly along the west side of Clarence Street to the corner of Clarence and King Streets, from thence westerly, along the north side of King Street to the corner of King and Ridout Streets, from thence northerly, along the east side of Ridout St., to the corner of Ridout and Dundas Streets, and from thence westerly, along Dundas Street, to the west side of the said Western Hotel, the place of beginning.

Passed the 10th day of June, 1850.

S. MORRILL, *Mayor.*

JAMES FARLEY, *Town Clerk.*



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.

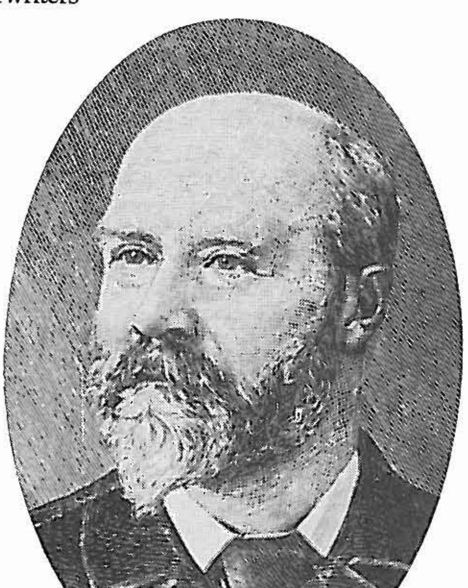
Later discussions focussed on the classification of cities and towns in Ontario according to building construction and firefighting equipment. They were rated as follows:

Class A
–Guelph, London, Ottawa, Hamilton, St. Catharines.

Class B
–Brantford, Kingston, Sarnia, 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, pointing out it had been in existence for a number of years prior to the organization of the CFUA.

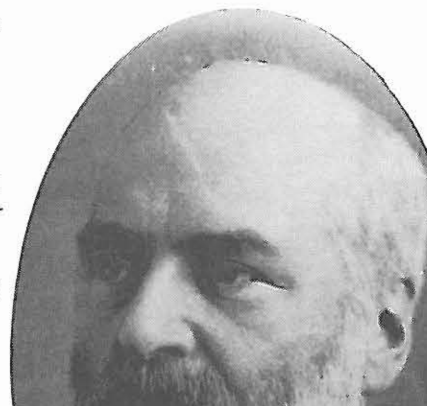
Nevertheless, members were aware that the decision of the chief agents of the companies must ultimately govern the action of the TBFU and on receipt of a letter from Mr. Hadrill stating that each head office would instruct its representatives in Toronto to vote for McLean, they gave in gracefully. McLean 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 unanimously that the Montreal committee 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 association 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 satisfactory working of the association. Standard requirements for electrical lighting, as set by the New York Board of Fire Underwriters (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.

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

Published by the Grip Printing and Publishing Company of Toronto. Subscription, $2 00 per ann. in advance. All *business* communications to be addressed to

S. J. Moore, *Manager.*

J. W. Bengough *Editor.*
Fred. Swire, B.A. *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.

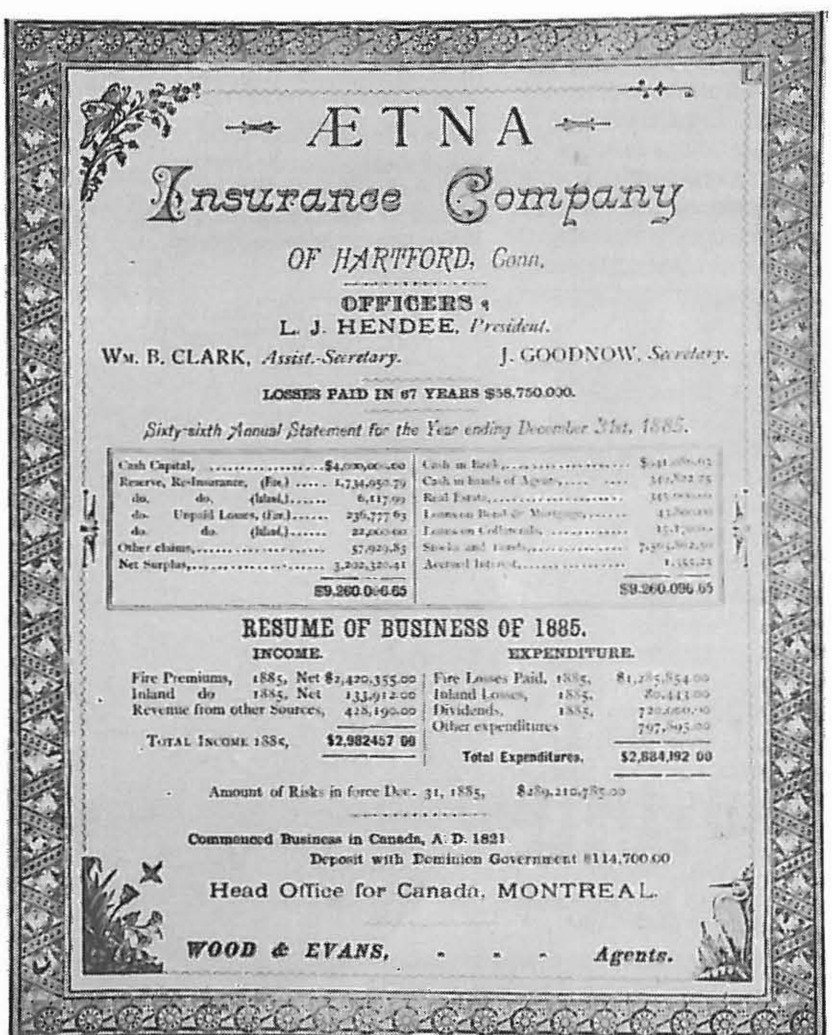
and how to facilitate and improve the working of the system has received your attention. The benefits and advantages of the new system to companies over the old minimum rate tariff, in adjusting the rate in accordance with the physical hazard of each risk, and its tendency to generally improve risks 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



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

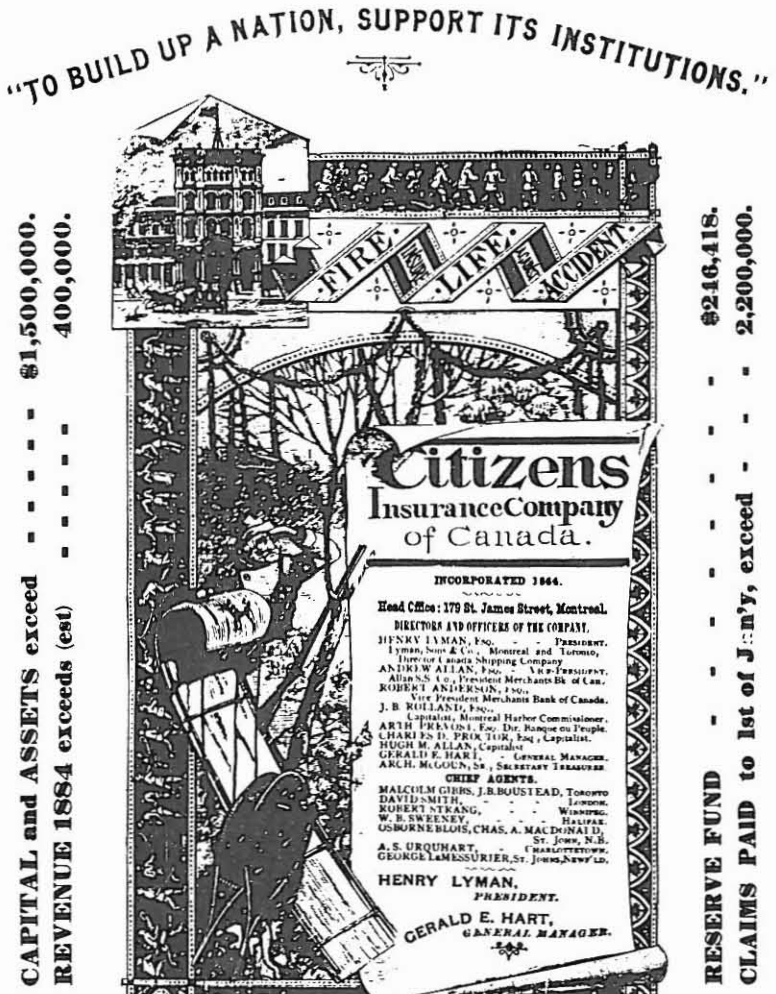
reason this plan was repealed by the general association, but was again adopted by the Toronto Board, which is still in force. No re-insurance will be accepted from any non-tariff company, nor placed with such company, unless it is found impossible to place it within the association. The effects upon 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, ie., 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 amenable 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 misleading 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



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 showing 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 investigation 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 firemen'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.

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.

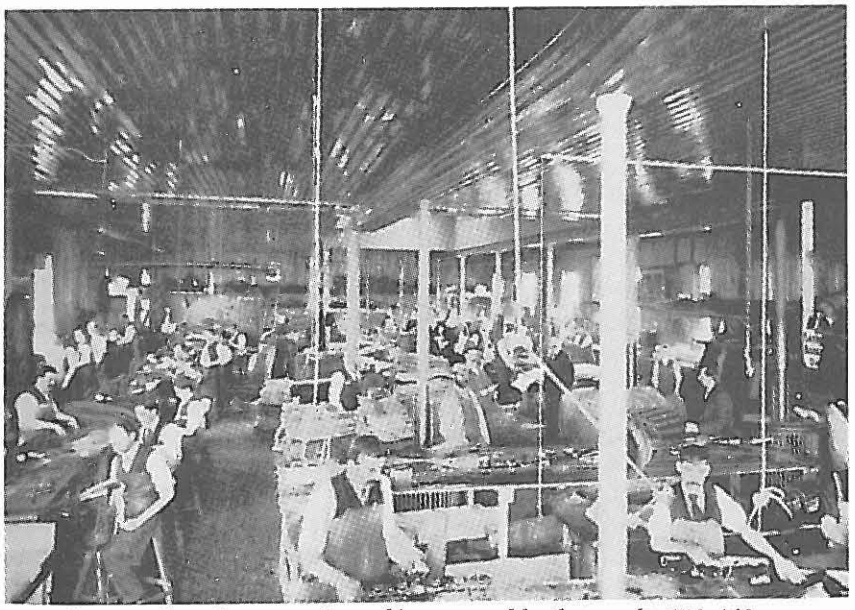
Schedule rating inspectors of individual risks worked out of Montreal and Toronto. Louis H. Boult, the Montreal inspector and one time general agent for the Atlas and National of Ireland, entered association service in January 1893. He reported to the annual meeting held only nine months later that he 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.)

CHAPTER III

GROWING PAINS (1900-1910)

In the closing years of the 19th century, Canada enjoyed an economic boom unparalleled in its history. The turn of the century brought with it promise so great that Prime Minister Wilfrid Laurier remarked that "the twentieth century belongs to Canada". The future of the fire insurance industry in this country was, however, less than optimistic as the Canadian Fire Underwriters' Association faced new external and internal threats.

At the regular quarterly meeting in 1900, association representatives reported the industry was losing money, and decisive action had to be taken quickly in order to reverse the trend. Fire losses rose from $3,905,000 in 1891 to $4,701,000 by 1897. This figure almost doubled in 1900, when losses reached $7,774,000, exhausting an astonishing 93.31 percent of the total revenues collected.

Despite the CFUA's best efforts in encouraging municipalities to increase firefighting equipment, its suggestions often fell on deaf ears. As a last resort, the association increased the rates charged to cities that failed to act on its recommendations. The rate increases were invariably met with bitter resentment and loud protests. In 1896, the association decided to increase Hamilton's rate after the city neglected to put recommended fire apparatus improvements in force. Hamilton merchants and the city council felt their city was adequately protected, and balked at the idea of allocating large sums of money for improvements. In opposition to the rate increase, they unsuccessfully sought to have the provincial government intervene in the rate-setting process.

Petrolia, Ontario's Andes Fire Company, seen about 1890. Fire horses were trained to run from the stable to the fire hall unattended and to back themselves into harness. The steam water pumper weighed six tons.

About the same time, the association dropped Guelph from Class A to Class C as its firefighting equipment no longer provided adequate protection. As in Hamilton, the citizens of Guelph were infuriated. A local paper condemned the action of the "dictatorial insurance companies".

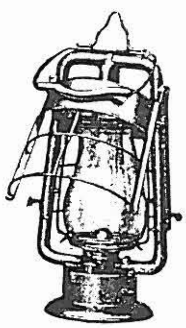
Complaints over the association's rate-setting practices were numerous, ranging from monopolism to undemocratic business practices. In both Hamilton and Guelph, the association took extreme measures because it felt those cities were wide open to the threat of serious fire. This increased risk had to be accompanied by a corresponding increase in the insurance rates. The association's aim was to protect cities from the threat of fires such as the three which struck Toronto in 1895. Toronto merchants and city council had also believed their protection was adequate, but the 1895 fires had made the dangerous conditions created by inadequate water pressure obvious. The Toronto fires were not isolated incidents, but part of a trend toward major disasters in the growing urban centres.

In an effort to remedy a deteriorating situation, the Canadian Fire Underwriters' Association decided to concentrate its efforts on districts where fires broke out as a result of congestion. A revised rating system had to be implemented to accomplish this, and premiums were raised on hazardous risks.

Under the old system of minimum tariff, in effect since the founding of the association in 1883, towns were rated in accordance with the adequacy of their firefighting equipment. While it worked well in the beginning, this practice provided no incentive to improve the level of safety in individual risks. For example, under minimum tariff there was no distinction in rating a building that was two storeys tall with ample self-contained fire protection, or a second that stood five storeys tall with no protection. In addition, there was the problem of insuring risks of differing values.

In response to the problems arising out of the outmoded system, the Canadian Fire Underwriters' Association decided to move toward a more exacting, scientific form of rating. In 1901, the association decided to employ specific rating based on the Universal Mercantile Schedule in the United States. This system judged risks on an individual basis as described below:

> ...the fixing of a basis rate adequate to the hazards of a standard structure of each class and adding thereto for any deficiencies that may present themselves in the inspections of risks. In this case each risk stands upon its own merit and is rated as it approximates to or departs from the standards of its class. As deficiencies are charged for in making up the rate, so credit is given when such deficiency is removed until the basis rate is reached.
> (Insurance and Financial Chronicle, January 23, 1903.)



Dietz Fire Department Lantern

Strongly built and altogether the most dependable lantern for use by fire departments, watchmen and others having need of a lantern.

This new system encouraged the risk owner to improve the level of safety of his building. By bringing his risk up to a higher standard, he could save money on his insurance premium.

The CFUA was generally congratulated for this major achievement as the following excerpt from the Insurance and Financial Chronicle indicates:

The Association is to be heartily commended in making the change, it is true of a somewhat radical nature, but one which evidences that the Canadian Fire Underwriters' Association is keeping pace with the times, and striving to improve the character of the business and the results to the companies members thereof. In addition to the correctness and adequacy of the ratings, an equally if not more important point of advantage is that under such a system as outlined, improvements in risk are met by commensurate reductions in rates, but such reductions are dependent upon the physical improvement of the risks themselves.

(Insurance and Financial Chronicle, April 19, 1901.)

The introduction of the new rating system in 1901 did not immediately reverse the critical situation that menaced the entire industry. Nagging problems persisted. The city of Quebec had been a source of concern for some time, suffering from numerous fires in the nineteenth century. Frequent breaks in the water mains left the city without water for extended periods and municipal authorities were unwilling to take corrective measures. A committee, accompanied by Mr. Howe, the association inspector, was dispatched to meet with the mayor and council of Quebec. Although the delegation had the support of the Board of Trade, and it was obvious to all that the water system might fail during a fire (as happened in the Quebec fire of 1899), the mayor stubbornly refused to allocate funds to improve the water supply. This decision left the association with no alternative but to substantially increase the city's insurance rate to cover the increased risk.

Prodded into action by the association's penalty, Quebec City did take some steps, claiming to have spent over $100,000 in 1904. The improvements were, however, largely superficial, and rates remained at the same level. In fact, the association's treatment of Quebec was lenient, as

The breeding ground of a conflagration: wooden dwellings and shacks standing huddled together on the outskirts of every large Canadian city and forming the entire residential areas of less important towns, circa 1900.

Ruins of a Toronto fire.

demonstrated in 1904 when two district warehouses were destroyed by fire arising directly from mismanagement of the city fire brigade. This resulted in another general increase which amounted to 20 percent in some sections.

The Quebec fire was not the worst incident of the year. In the spring of 1904, a disastrous fire broke out that would have the dubious distinction of being the worst in Canada up to that time.

On April 19 and 20 a major conflagration swept through downtown Toronto. Historian Frederick Armstrong, in his analysis of the Second Great Fire of Toronto (the first had occurred in 1849) blamed construction innovations. These allowed the size of downtown buildings to increase while improvements in fire safety lagged behind. Architectural changes had made roofs easy prey for burning brands scattered by gusting winds. The lack of internal fire walls allowed the fire to spread almost unimpeded. In addition to architectural flaws, the proliferation of overhead wires presented great problems. Telegraph, telephone, electrical and trolley wires criss-crossed the downtown streets. These wires prevented firemen from raising their ladders quickly, and they conducted flames from building to building as the insulation burned. The fire, aided by bad weather, poor building construction and some unfortunate decisions by the fire department, raged for two days before it could be extinguished.

The disaster prompted a special meeting of the association on April 21, when members voted to increase the rates for Toronto, London, Hamilton and Winnipeg immediately. The members simply felt that they could no longer afford half-measures. The Winnipeg board, which had wired word of its intention to send a delegate to discuss rates, was directed to forego discussion and to implement the higher rates at once.

While this may seem reactionary, it must be realized that the 1904 fire caused property losses of $12,000,000 (of which $8,500,000 was covered by insurance), against an annual Toronto premium income of $600,000. In other words, this one fire consumed over fourteen years of premium receipts.

The problems encountered by the association continued to arise chiefly from the unwillingness of municipalities to put improvements in place. In March 1901, Mr. Howe had travelled to Montreal where he laid out recommendations to bring the city up to an acceptable standard. In the spring of 1903, the city requested a rate reduction on the basis of improvements that had been carried out and others that were proposed. Association representatives replied that because only a small number of Mr. Howe's requirements had actually been fulfilled, they regarded the situation with much uneasiness, especially since proposals for future improvements remained vague.

The president of the association, James McGregor (Commercial Union), explained that, as citizens, the members regretted the heavy tax that present rates placed on the mercantile community. But the continuing apathy of the council and the general public left the association with no other choice: "Not only had the Companies suffered severely through the numerous fires in the city, but facilities for insurance arrangements had been seriously restricted owing to the city's record and a general distrust as to the adequacy of its appliances and the capabilities of the Fire Department".

In 1904 the mayor and aldermen tried a new strategy, this time by means of a lengthy memorandum addressed to the Board of Trade detailing improvements that had been carried out. Having heard only one side of the story, the Board of Trade was impressed, and urged the association to undertake immediate action to reduce the insurance rates of the city. Mr. Howe and a committee of members prepared an extensive reply to the memorandum presented to the Board of Trade. The committee dealt with each statement in turn and concluded by promising that if, after reading the report, the city council still wished for a conference, the association would gladly meet the request. Two of Mr. Howe's replies exemplify the tough line assumed by the association.

When the mayor said that fire brigade personnel had been greatly improved, Mr. Howe responded, "It is not our desire to enter upon any criticism as to the personnel of the department, but it is to be questioned whether the brigade is to be congratulated on the handling of some of the larger fires which have occurred during the current year."

The mayor suggested there would soon be two water towers instead of one, to which Howe replied: "The first water tower had been damaged six years ago and though the money was voted for repairs and the new parts purchased, it had been allowed to remain in its useless condition since. It is hoped that the new arrangements to sell the old tower and purchase a new one will have a more prompt fruition."

Three years later, the CFUA secretary wrote to the city council of Montreal. His correspondence was prompted by a serious breakdown in the waterworks following numerous fires that caused aggregate losses between two and three million dollars in a six

(Left) Living quarters at the rear of a Toronto block of business structures; (Right), Fire breeding conditions in a Canadian village. These pictures were taken by fire inspectors circa 1900.

months period. He outlined the work to be completed and asked the council to pledge itself to complete improvements by the dates specified or face the consequences. A non-committal reply issued by the council lulled the association into a false sense of security, and the surcharge was removed.

There were other – more encouraging – examples. In London, following implementation of recommended improvements, the key rate was reduced in 1910. Sault St. Marie's surcharge was removed in 1905 and Ottawa's reduced in 1903 and again in 1906.

The association provided every incentive in its power to encourage municipalities to improve their conditions. Copies of applicable key rates were sent to them with suggestions about how rates could be reduced and, whenever possible, an inspector was sent to a town that had been re-rated to provide explanations and correct errors. It was only through the united action of the associated companies that anything could be done to determine a realistic rate on a "cause and effect" basis and to protect all citizens (insured or not), by forcing municipalities to provide better protection.

This was much the same message delivered in a 1905 editorial:

Rates must be governed by results, and these results are affected by unforeseen calamities, such as the recent conflagrations at Hull, Toronto and many other cities. By consultation with the Underwriters' Association, these calamities are largely minimized; the exposure hazard has been lessened, and the public finds today that they are working in their own best interest in carrying out the recommendations of the association. Profits in fire insurance are not necessarily dependent upon either high or low rates, but by the rates being commensurate with the hazard, and if, as we are inclined to think, this is beginning to be clearly understood, the life of the association, so far, has not been in vain, and is well worthy of the most loyal support of every fire insurance company, as well as of the public generally.
(Insurance and Financial Chronicle, June 23, 1905.)

The movement toward specific rating was only one of the changes the Canadian Fire Underwriters' Association had to make in the first decade of the 20th century to ensure its survival. During this period there was some concern that while the number of attractive sprinklered risks increased, tariff companies were not receiving their share.

A sprinklered risk was a building equipped with an automatic sprinkler system consisting of a network of pipes suspended from the ceiling with sprinkler heads placed at regular intervals. The system often had two water sources – one was attached to the city water main and the other to two or more large tanks in the building. When exposed to heat, the sprinklers opened automatically to extinguish fires, and their value in fire prevention made any building so equipped an excellent risk.

After a careful study of the problem in 1902, the Eastern Committee found that rates established by the association precluded both attraction of newly-equipped risks and retention of existing

T. L. Morissey, outspoken Manager of the Union of London, became CFUA President in 1908.

business. In order to counteract this problem, the secretary was instructed "to fix such rates as will, in his judgement, secure the business for member companies when, in his judgement it is desirable to do so". In 1904, the Montreal secretary reported that certain risks south of Notre Dame Street could not be retained unless he provided rates that would affect those on similar risks in the district. During the ensuing association meeting, some members moved that "the Secretary is to rate them at such a rate and form that will secure the risks for members". Other members feared the ramifications of such preferential treatment and the motion was lost.

In 1905, some association companies formed themselves into a Sprinklered Risks Investigation Bureau with a formal constitution. The rates were, however, still formulated by the secretary. In 1907, the bureau formally gave way to a separate department within the association. During the summer of that year, C.L. Schofield was appointed manager of the new department, a position he retained until his retirement in 1935. He was based in Montreal where two inspectors assisted him, while in Toronto there was one chief inspector and an assistant.

The work carried out under the auspices of this department came under three general headings: engineering, rating and inspection. The department inspected unsprinklered risks, drew up plans and laid out specifications for the installation of sprinklers and other protective measures. Under this system, estimates of sprinklered companies included

everything required by the underwriters, whereas before many omissions were charged to insureds at a later date as 'extras'. This, combined with the inspection service of sprinklered risks, issuance of advisory circulars and rating carried out by specially-trained and experienced men, had an immediate effect. Not only did member companies secure the insurance on most newly-sprinklered risks, but others previously lost were recovered.

Despite these victories, the fire insurance industry still fought an uphill battle. In 1909, the gravity of mutual problems prompted differences to be laid aside. That year, most insurance companies

conducting business in Canada joined together to form the All Canadian Insurance Federation. The real impetus to federate had arisen from the government's proposed changes to the Insurance Act (1868). The most serious amendment involved a clause which, under certain circumstances, would allow companies not complying with legal requirements for deposits, reserves and supervision to conduct business in Canada. This measure would have effectively legalized 'underground underwriting', a longtime enemy of the association.

As the name implied, the All Canadian Insurance Federation was an organization of insurance companies from across the country that joined together to "make a unified effort to obtain fair legislation at Ottawa". A contemporary description shows its membership to have included:

...all licensed companies, whether tariff, non-tariff or mutual, their agents, stockholders and all persons who take an active interest in the maintenance and upbuilding of sound, strong and solvent institutions, whose indemnity is a necessary requirement for the carrying on of Canadian trade and commerce. (**Monetary Times**, November 6, 1909.)

The basic aims of the newly-formed federation were threefold:

(1)
To endeavour to have the Insurance Act of Canada so amended to make it workable, while at the same time protecting the interests of capital invested in the business against the competition of unlicensed foreign companies and individuals.

(2)
To form a committee, whose duty it shall be to watch closely the introduction, from time to time of legislation, prejudicial to insurance rates.

Reid's Crystal Hall collapsed at London, Ontario July 16, 1907; eight persons were crushed to death.

(3)
To use every legitimate effort to secure and preserve the insurance business of Canada for the regularly licensed companies.

Federation spokesmen complained there was no limit to rate undercutting by unlicensed foreign companies. Some manufacturers, who had lobbied for freedom to place insurance with whatever company they pleased, were blinded by the low premiums offered, failing to understand the long-term consequences. Because of cut-rate premiums, irresponsible foreign companies could not expect to remain in business very long. But because they fell outside government jurisdiction and had no Canadian reserves, there could be no guarantees that they would be able or willing to pay major claims.

The companies in the federation, many also members of the Canadian Fire Underwriters' Association, protested they could not afford to lose policies that were being placed outside the country. In fact, during the first decade of the 20th century, fire insurance companies operating in Canada reported little or no profit. The federation further argued that placing insurance with Canadian companies would yield additional benefits to the domestic economy. Licensed Canadian companies paid taxes on their income to the provincial governments, taxes to municipalities, made contributions for the maintenance of the Insurance Department in Ottawa and employed many Canadians in their offices. The underground underwriters returned nothing to this country.

The federation also argued that regulations of the 1868 Insurance Act were not applied equally to all companies. The government's decision to regulate the industry had been made in the public interest. The government therefore had a responsibility to enforce the regulations of the act and not turn a blind eye to American operations. This view was expressed in the Monetary Times:

...it should be applied to all absolutely alike, and that if a company declines to come to Canada through the front door, refuses to submit itself for examination, refuses to make the required deposit, it should be made impossible for anyone to act as an agent or in any other capacity for that company.
(Monetary Times, November 6, 1909.)

The federation, with its strong contingent of tariff companies, continued for many years to look out for the interests of the indigenous insurance firms.

At the turn of the century T.L. Morissey, a colourful and forceful man, was manager of the Union of London. Convinced that adherence to association's rules was lax, he took startling and unorthodox steps to bring this fact to the attention of his colleagues. When called on to cancel the insurance on a risk at Kingston which was written below tariff levels, Morissey refused and wrote a lengthy report admitting the infraction, justifying his behaviour on grounds that the rules were being blatantly violated by others. Morissey's charge was not without foundation. Several companies were yielding to the temptation to offer policies below tariff prices to compete with non-tariff companies. Enforcement of rules presented obvious difficulties in a voluntary organization.

A small committee appointed to discuss the matter with Morissey reported it was satisfied he had acted on a sincere motive, and another committee was struck to investigate the irregularities immediately. At the same time, the association also insisted the questionable policies written by Morissey be cancelled at once.

He declined to do this, stating his "understanding to be that as soon as all companies expressed their willingness to cancel all business accepted contrary to tariff, then we would cancel." He later added, "Since writing you such further evidence of perfidy on the part of members of the association has come under our notice that to carry out the will of these same members who sat in judgement would seem nothing short of ridiculous."

The matter was finally referred to a committee (under the chairmanship of George Foster, K.C.) that agreed Morissey had sufficient grounds for his accusations. Feeling he had made his point, he cancelled his policies. But it wasn't long before he again raised a crusading banner and did battle in another field.

Unrelenting in his criticisms of lax rule observance, Morissey returned to the fray in 1909. He charged at one meeting that association rules were being broken freely and, in support, one member cited examples in Berlin, (Kitchener), Ontario and Rimouski, Quebec. The secretaries were instructed to have all business at both places examined. Berlin was found to be very bad. The Mercantile had 35 infractions out of 50 risks; the North America 49 out of 58; and the Union 38 out of 42. In Rimouski, there were fewer risks but about one quarter of them were written contrary to the tariff. The members must have been shocked by the report because a special committee was appointed to consider the feasibility of a stamping system for both provinces. Cancellation of all irregular policies was ordered, but two months later a special meeting was called because the Union had still not complied with the directive.

The president waited to hear what the members had to say. Everyone expected to hear from Morissey but he sat in silence, waiting for those who called the meeting to do the talking. Later, when asked if he would care to explain his position, he blandly answered "no." The following resolution was subsequently passed: "That in view of the failure of the Union Assurance Society to comply with the ruling of the association...the Board now adjourns until called together by the President".

Nearly three months later, on August 24 another special meeting was called as there had been many complaints "of the fact that no meetings could be held, and that the work of the association was being seriously impeded by this condition of affairs". A long letter from Morissey summarizing the investigation of Berlin and Rimouski was read and printed in the minutes.

"What," he asked, "does the association do about it? Order that the risks written at Berlin and Rimouski at less than tariff be cancelled! In vain did I protest that if it was desirable...that risks written at less than tariff at Berlin and Rimouski be cancelled, it was equally desirable...that risks written anywhere at less than tariff be cancelled."

A committee was ordered to look into the correspondence and report at the afternoon session. This was done. Morissey's statements were considered one by one, but cancellation was still required. The report ended as follows:

In any association such as ours something of individual independence must be given up for the general good, and unless this is recognized by all members the usefulness of the association must be seriously injured, and its continued existence made impossible.

Morissey felt he had made his point and, to the relief of the committee, agreed to cancel his policies. This persistent and willful individual employed radical methods to focus attention on unacceptable practices. While prepared to go to great lengths to press for his goals, he stopped short of action that might shatter the CFUA.

Another problem the association addressed itself to was the non-intercourse ruling, prohibiting members from dealing with agents who also placed business with non-tariff companies. The need to draft such a rule grew out of increased competition from non-tariff companies late in the 1890s. An association inspector pinpointed the problem when he observed that as soon as a factory had followed his recommendations for the improvement of the risk, some non-tariff company, doing nothing to promote improvements, would go after the business. Non-tariff companies were securing excellent risks without the expense of inspecting and establishing programs for upgrading.

In 1899, the Toronto schedule rating inspector provided a list of Ontario towns where no tariff insurance had been carried for several years adding, "It really seems a waste of time and useless expense in inspecting them year after year solely for the benefit of the non-tariff companies." The following resolution was passed at the 16th annual meeting:

That from and after the second day of October next, no agent of any Company, a member of this Association, shall be permitted to represent any Non-tariff Office, nor to be interested, directly or indirectly, in the business of the agency of any such company, Mutual Companies only excluded.

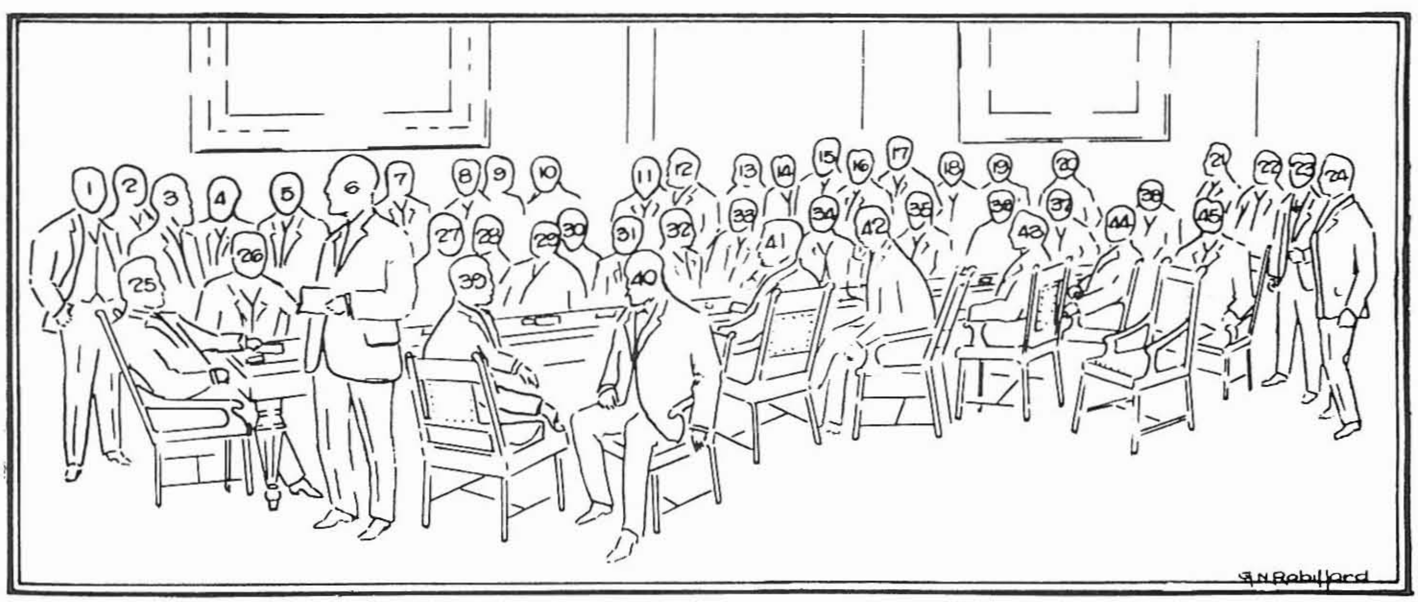
The experiment started out well and a proposal from the Hamilton agents suggested it be extended to mutuals. In 1900 only a few agencies had not been brought into line. Problems then began to emerge, when companies once more accepted non-tariff business through their agents. In 1901 the western secretary made a personal investigation of some cases and actually saw non-tariff receipts issued by agents. But when companies were asked to withdraw from the agency, they flatly refused. In October, further complaints were made about the observance of the rule and "the reluctance of Companies to individually censure or discipline an agent was very marked". That was the crux of the matter. With half-a-dozen companies in an agency, which one was going to risk its position by taking a firm stand? The rule remained on the books for some years and sporadic attempts were made to enforce it. In February 1909, a committee was established to discuss formulation of a new and workable non-intercourse rule.

The issue of agents' commissions had never been satisfactorily resolved, and by 1901, it was clear that the 1899 compromise would no longer work. That year the Law Union and Crown officially requested permission to appoint a special agent with no restrictions on commissions. Although this proposal met with some support, the majority of the Montreal committee opposed it and the request was refused. Two years later, the general manager

TORONTO BOARD OF FIRE UNDERWRITERS, 1905.

1 A.F. Jones ..... North America
2 G.H. Muntz ..... Queen
3 John Maughan .. Hartford
4 Wm Adamson ... British America
5 T.C. Blogg ..... Commercial Union
6 J.J. Kenny ..... Western
7 G.B. Shaw ..... Liverpool London & Globe
8 I.W. Smith ..... Atlas
9 C.B. McNaught ... Liverpool London & Globe
10 Geo. S. Lyon ... Sun
11 Geo. F. Marter ... London & Lancashire
12 John Kay ..... Royal
13 Geo. W. Banks ... Royal
14 Jos. Murphy ... New York Underwriters
15 J.N. Mackenzie ... Atlas
16 E.P. Beatty ..... Queen
17 H.A. Sherrard ... Western
18 F.H. Gooch ..... North British & Merc.
19 M.G. Thompson . Quebec
20 R.H. Butt ..... Phoenix of Hartford
21 W.D.E. Strickland . Phoenix of London
22 D.K. Ridout ..... Phoenix of London
23 J.A. Shaw ..... Norwich Union
24 T.H. Mason ... Norwich Union
25 Geo. R. Hargraft ... Commercial Union
26 John A. Robertson .. Secretary
27 G.M. Higginbotham .. Sun
28 T.R. Wood ..... Aetna
29 H.M. Blackburn ... Sun
30 Jos. B. Reed ..... Liverpool London & Globe
31 W.A. Medland ..... Scottish Union & National
32 A.M.M. Kirkpatrick ... Home
33 G.T. McMurrich .. Alliance
34 T.D. Richardson .. New York Underwriters
35 John B. Laidlaw ... Norwich Union
36 S. Bruce Harman ... London Assurance
37 P. Von Szeliski ..... Liverpool-Manitoba
38 H.W. Evans ..... North British & Mercantile
39 J.H. Ewart ..... Phoenix of London
40 A.W. Smith ..... Alliance
41 H.D.P. Armstrong .. Guardian
42 P.H. Sims ..... British America
43 Alfred Wright ... London & Lancashire
44 E.P. Pearson ..... Northern
45 E.A. Badenach ... Union of London


J. Bruce Phot.
1906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G.N. Robillard

in London wrote to say that he was instructing his Canadian manager, J.E.E. Dickson, "to withdraw from the Montreal Board in order that we may have the liberty to prosecute our business in Montreal free from the disabilities under which we now labour because of the peculiar legislation which has the practical effect of excluding us from participating in city business".

The committee striving to find a solution to this problem consulted with Mr. Dickson, who defined his position as follows: "Owing to the conservative policy of the Law Union and Crown and the small lines accepted by it, and because the Montreal Commission Rules limit the amount of commission, having the effect of putting all Companies on an equal footing in this respect, the Law Union and Crown has been unable to secure City Agents in competition with other companies pursuing a more liberal policy and writing larger lines." Dickson requested his company "be permitted to appoint not more than three Special Agents in the City of Montreal to whom he might pay any rate of commission so as to enable him to induce three men to leave other Companies and come to the Law Union and Crown".

It is unlikely the committee spent much time considering this proposal to raid their business. It was rejected and Dickson was reminded a company could not withdraw from a local board and still remain a member of the association. To this the general manager replied:

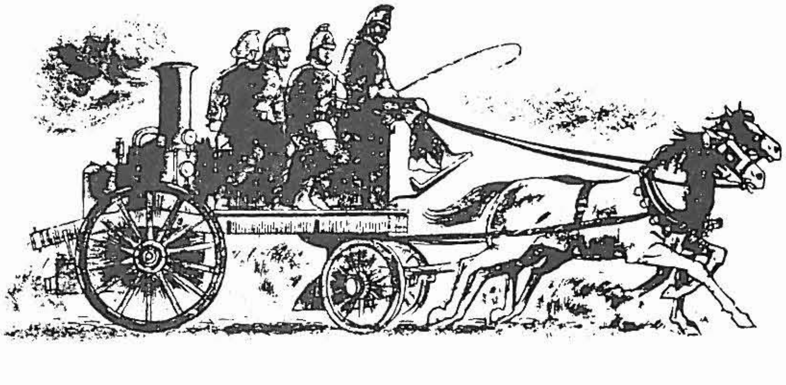
> If for the exercise of reasonable freedom to do business in a particular and important centre we are to be Ishmalite...I shall consider this as a hostile act...If we are to be driven out of the Tariff, those who put us outside should not blame us for whatever consequences may ensue.

The matter remained unresolved for 13 years and caused the association considerable inconvenience. Changes in commission rules were suggested, but it was felt this was not feasible while the Law Union and Crown claimed exemption from them. The association displayed remarkable patience under repeated acts of defiance from a company which, on its own admission, was at the time a small one. The matter was brought up repeatedly only to be deferred. The company would not attend and usually neglected to reply to correspondence. When, at a later date, the company became the Law Union and Rock it became a strong supporter of the association and Dickson was in line for the presidency of the association when he transferred to another field. The problems of commissions were to become critical in the next decade.

The expenses of the association for the year 1903 were $32,845. In those days the members expected – and received – a great deal for a dollar. They had respect for it. Their lavish treatment of the Western Union, an American insurance conference that came to Toronto for its annual meeting, marked a departure from their usual conservative behaviour – $1,390 was allocated to show the Americans a good time. The insurance business was not all wrangles and dissension. It is only a failure of imagination that makes it difficult to appreciate the individual personalities and vitality behind the formally-posed photographs of the period. Beneath the whiskers, under the top hats, were fellows every bit as prepared as we are today to regard an annual meeting as a well-deserved junket. It is nice to know that they too had their moments of relaxation!

During this American insurance conference, one representative drew a rather interesting analogy to the role of the fire underwriter. J.H. Washburn stated that:

> Their office is to collect small, in fact almost inappreciable, sums from unnumbered sources and to retain these amounts, trifling in themselves but immense in their aggregate, until the time of need, and then from the accumulated store to distribute what is required to relieve those who by the contribution of premiums have become entitled to such help. As the bee gathers the particles of honey from the flowers, which suffer no appreciable loss from such contribution, and stores the collection in the hive until the time of need arrives, so the insurance companies accumulate these trifling sums, received from one and another who do not feel the loss until disaster comes and sufferers are relieved from the treasury where their small contributions have been stored.
> (Monetary Times, September 11, 1903.)



The Canadian Fire Underwriters' Association bid farewell the next year to one of the pioneers in the formation and early operation of the organization. At the annual meeting held at Murray Bay, a leading Quebec resort of the era, on June 21, 1904, the association paid tribute to the retiring George Frederick Charles Smith. After a dinner given in his honour, F.W. Evans paid tribute to Smith's illustrious career. His address read in part:

We recall the early days of our Association when as its first president, you skillfully guided it through many difficulties, laboured with untiring zeal to smooth its ways, and reconciled conflicting interests which threatened its existence. Indeed that we are here today is due, we feel, in large measure to you, to your calm judgement, to your wise counsels, we offer you our gratitude...We beg you to accept this Loving Cup, as a token of our feelings we have tried to express, and we hope that you will always retain a kindly remembrance of your old associates.

A.M.M. Kirkpatrick, CFUA President, 1909.

In 1905, the Toronto board dissolved itself and was replaced by the Toronto committee of the CFUA.

In 1908, the association attempted to reach an agreement with the Charles E. Goad Company for the exclusive use of its insurance plans. Fire insurance plans grew out of the need to readily determine all those factors which affected an insurance risk. The history of the fire insurance plans dates back to 18th century England, while plans first appeared in Canada early in the 19th century. These first Canadian insurance plans, drawn for the London-based Phoenix Assurance, included Montreal (1808), Quebec (1808), Halifax (1808), and Saint John, N.B. (1809). These plans were little more than hand-drawn diagrams until advances in the printing process about mid-century allowed for a wider distribution.

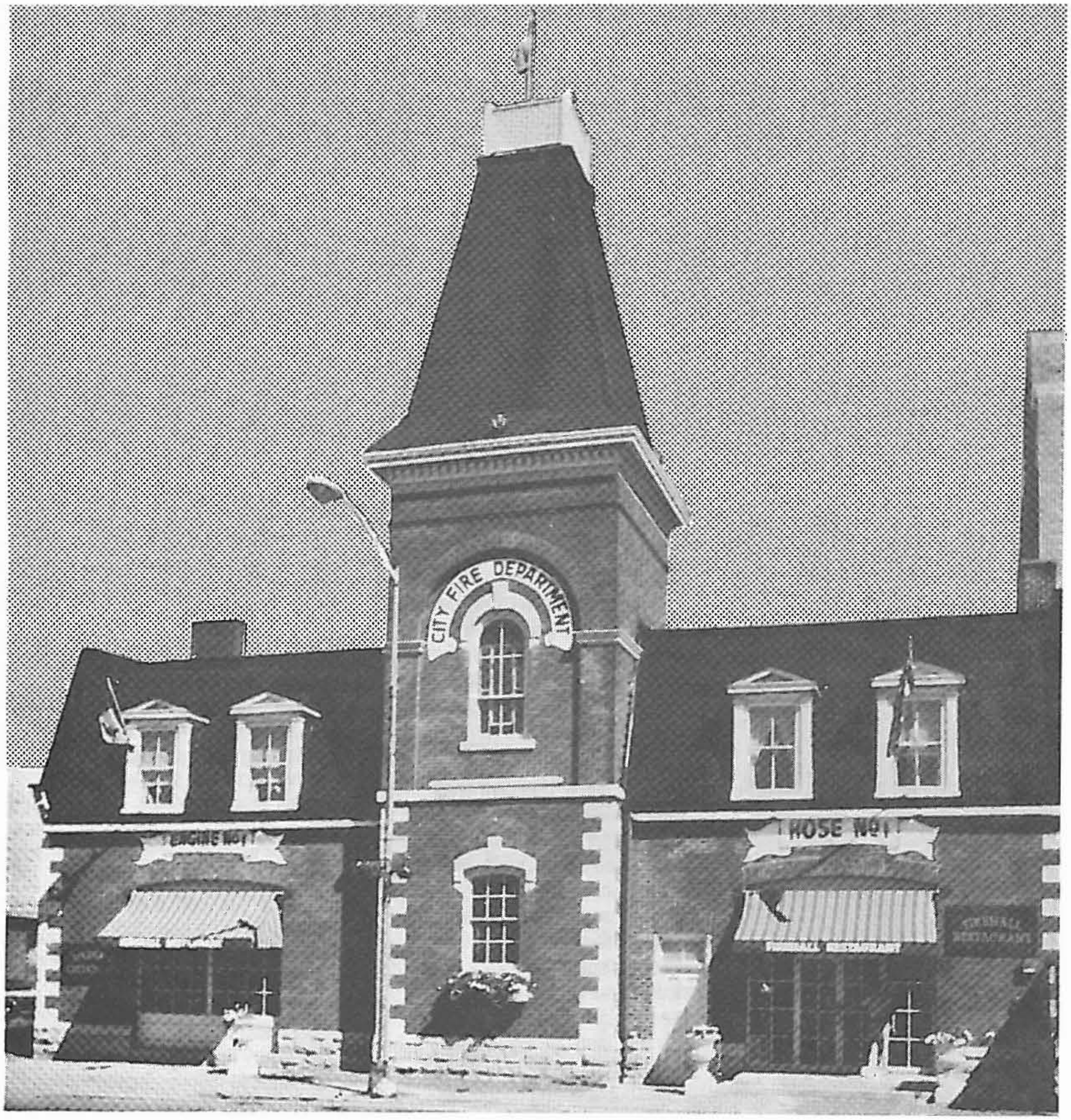
The pioneer in the production of fire insurance plans in Canada was Charles E. Goad. Born in England in 1848, this civil engineer opened a Toronto office in 1875. Prior to this each insurance company had drawn up its own plans. Reasoning that one company could supply the demand and reduce the cost to individual insurance companies, Goad carried out surveys and composed insurance plans which he then sold to any insurance company, whether tariff members or not. By 1910, Goad had produced 1,300 plans of Canadian communities of all sizes.

Goad's insurance plans showed such underwriting requirements as the outline of buildings, roof coverings, wall and floor openings, windows, stairs, fire alarm boxes, hydrants and other protective devices and sometimes included a cross-sectional view. The shading used for buildings indicated the building material (red–brick, blue–stone, grey–metal clad, yellow-frame). These insurance plans were quickly recognized as an essential tool for fire insurance underwriters. Their importance was assessed by A.W. Goddard (former Secretary of the CFUA):

According to the general construction, exposures of any block indicated by the plan, the Company limits its total liability in the block to a certain figure, according to the conditions indicated by the plan, it might be willing to accept up to a total liability of say, $100,000 on the property in any one block, while under better conditions, it might be willing to accept up to $500,000. When the individual risk is offered therefore, the plan not only enables it to figure the amount it will retain of that risk, but it also enables the Company to check up to see that the total liability, as previously determined, is not exceeded, otherwise the risk must be reinsured or declined.

Goad's maps were protected by copyright and duplicating them was unlawful. Besides, copying the maps could be accomplished only with tremendous amounts of both time and money, either of which made the task prohibitive. The negotiations between the Goad Company and the CFUA (which sought to gain exclusive use of the plans) failed and an agreement did not emerge until the next decade.

In February 1909, the Manitoba board was recognized as a branch of the CFUA and became known as the Western Canada Fire Underwriters' Association, with jurisdiction over Manitoba, Saskatchewan, Alberta and the North West Territories.



Kingston, Ontario's elegant Victorian fire hall was preserved and survives as the "Firehall Restaurant."

TRIALS AND TRIBULATIONS

(1910-1920)

CHAPTER IV

Sir Wilfrid Laurier, Prime Minister of Canada, 1896–1911.

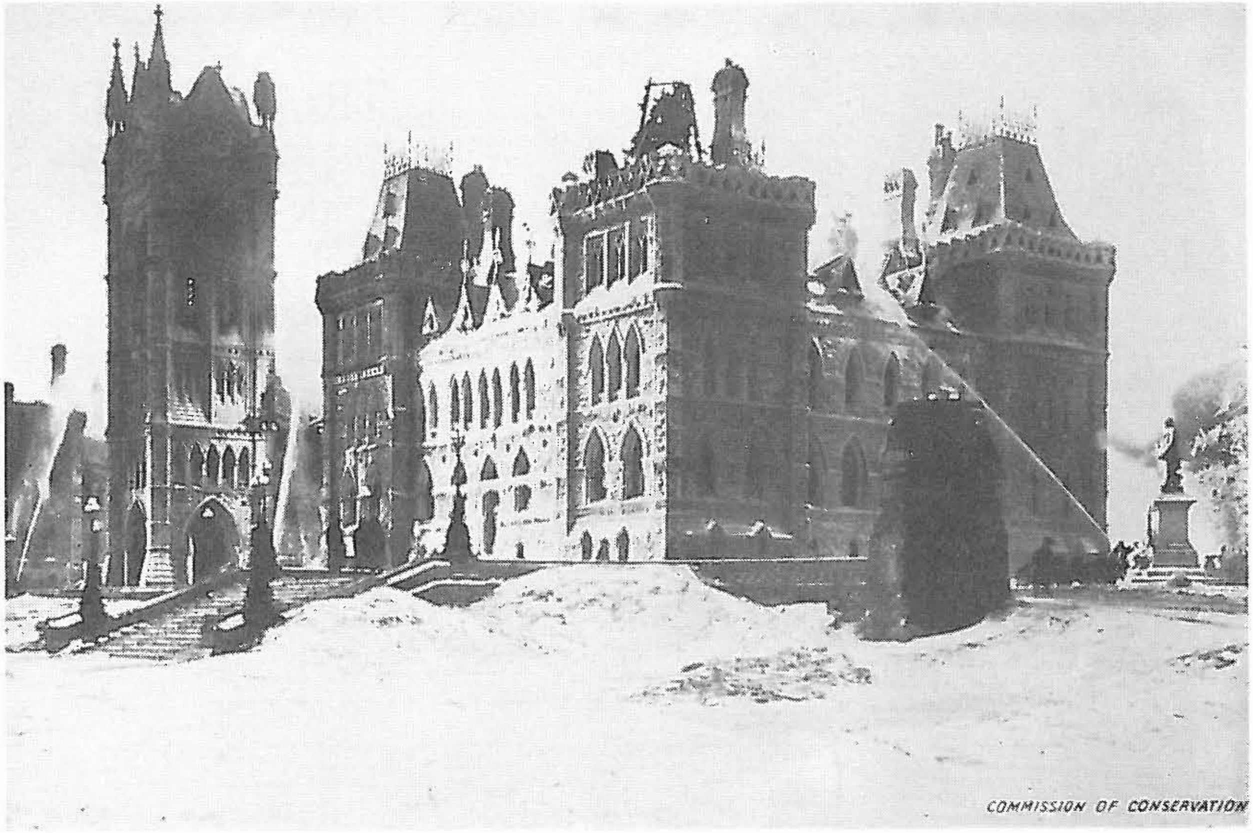
Between 1910 and 1920, the Canadian Fire Underwriters' Association reached a level of maturity that allowed for changes to the organization without jeopardizing its existence. Had it not been so firmly established, CFUA might have had difficulty emerging intact from Ontario Insurance Investigation, the most serious threat to date in its history.

For several years the association had attempted to reach an agreement with the Goad Company for use of its fire insurance plans; either Goad would supply them exclusively to tariff companies, or the association would purchase a controlling interest in the firm. But the Goad Company placed such a high value on its plant and goodwill that the parties remained far apart in their negotiations. The CFUA committee appointed to pursue the matter persisted, and in December 1910, decided the association should produce its own insurance plans. The proposed Plans Department would engage a surveyor and assistants as required, and sell its own plans at cost to member companies. Since Goad could not afford this challenge to its monopoly, in October 1911, the two parties reached an agreement that pledged the Goad Company to produce and revise insurance plans for the exclusive use of association companies. The agreement stated that:

> Any Company, member of the Association, retiring therefrom or ceasing to do business in a place for which it has purchased plans, may sell or transfer any or all such purchased plans, which it no longer requires, to any other Company, a member of the Association. For the purpose of revisions, extensions and re-issues such other Company shall be regarded as the original purchaser.

Under terms of the five year agreement, the Goad Company revised plans every three years, except in larger cities such as Toronto and Montreal where updates would be carried out every 18 months. The association's embryonic Plans Department was reduced to a skeleton staff, sufficient only to furnish plans for such small places requiring specific rating and for large manufacturing risks.

William Mackay, CFUA President, 1911.

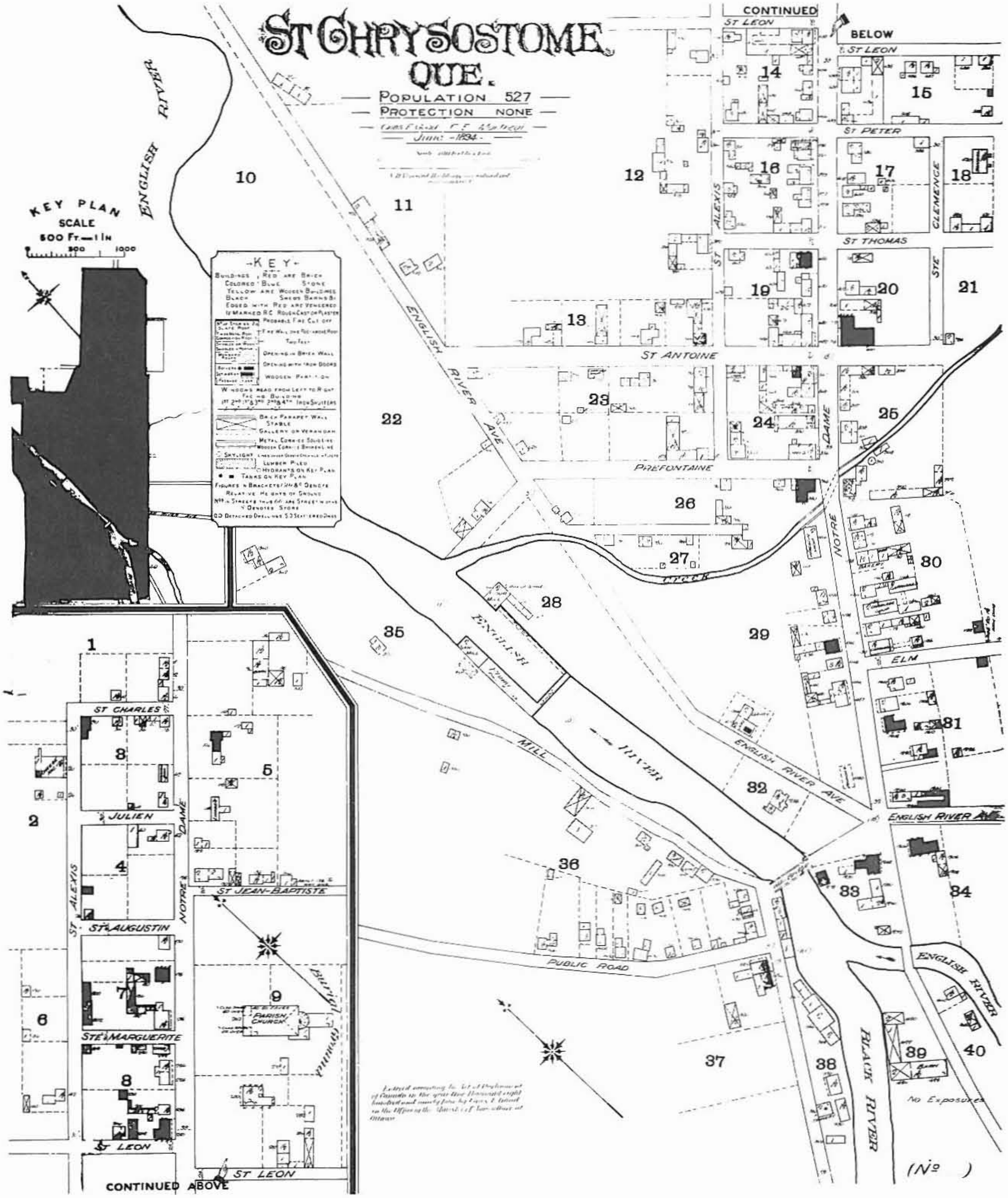


Canada's Parliament Buildings, Centre Block, were destroyed by fire February 3, 1916.

The agreement between the Goad Company and the association operated smoothly for its five year duration. As the termination date drew near and the association prepared to negotiate a new contract, Goad again attached a high price tag to its services. In December 1916, CFUA decided to allow the agreement to expire. Tariff companies purchased plans that had been loaned to them and a full complement of staff was reinstated in the Plans Department in the association's Toronto office. Goad received $22,000 for the loaned plans about the same time the association decided to incorporate the Plans Department under a new name, the Underwriters' Survey Bureau. By June 1917, the bureau had surveyed seven towns and plans were ready for distribution. But Goad was not to be dispensed with so easily. He recalled all plans loaned to agents in the Maritimes.

This challenge was met sharply and decisively by CFUA. The association dispatched the bureau's full staff to New Brunswick to draw up surveys and provide plans for towns previously mapped by Goad. Again, bold action by the association forced Goad to reconsider its position. The inconvenience lasted only a short while. A satisfactory agreement negotiated late in 1917 gave the bureau the right to revise and reprint Goad's plans for the use of association members. In March 1931 the bureau purchased all assets of the Goad Company, including the copyright to insurance plans. This did not end confrontations over insurance plans; in the 1930s, the copyright would be challenged in a major court case.

(Opposite) A typical single sheet Goad fire insurance plan of a small town. Between 50 and 100 copies of such plans were produced for each of several hundred minor localities across Canada.


ST CHRYSOSTOME
QUE.
POPULATION 527
PROTECTION NONE
June - 1894
KEY PLAN
SCALE
500 FT. — 1 IN
ENGLISH RIVER
KEY
CONTINUED BELOW
CONTINUED ABOVE
ST LEON
ST PETER
ST THOMAS
ST ANTOINE
PREFONTAINE
ST ALEXIS
NOTRE DAME
STE CLEMENCE
ENGLISH RIVER AVE
ELM
ST CHARLES
JULIEN
ST JEAN-BAPTISTE
ST AUGUSTIN
STE MARGUERITE
PARISH CHURCH
Burial Ground
CREEK
MILL
PUBLIC ROAD
BLACK RIVER
No Exposures
(No)

The Electric Department kept abreast of the modernization and expansion occurring in other CFUA departments, and now turned to new challenges and problems. When the Toronto Hydro-Electric Company declared itself a rival to the Toronto Electric Company, keen competition often prompted the two companies to bypass safety precautions. In many cases, they electrified buildings without waiting for the association's blessing. Inspections revealed that numerous installations were unsafe, and in some cases, rates were increased.

In 1915, the Ontario Hydro Electric Power Commission assumed most of the duties of the Electric Department, using its staff of inspectors to oversee inspections for the entire province. This change proved detrimental to fire insurance companies when several serious electrical fires occurred. The trouble arose from the fact that the commission required but did not receive revenue from re-inspections. Although both the commission and the newly-appointed Fire Marshall, E.P. Heaton, agreed on the importance of organized inspections of old installations, nothing was done. This unsatisfactory state of affairs continued for several years. In 1919, 539 fires were caused by faulty electrical installations creating an insurance loss of $330,656.

In Quebec, the situation was different, and relations with the power companies continued to be amicable. In addition to inspections of all new installations, door-to-door checks of old electrical hardware were carried out periodically, with extra premiums being charged for defects. This inspection work benefited both the public and the insurance companies. At times, cause of fires was attributed to faulty electrical wiring when there was little evidence of other factors. Association representatives began studying reports of fires every morning so that any of particular interest to the bureau might be fully investigated and unsubstantiated claims detected.

The association extended its mandate to include work on behalf of the Chicago-based Underwriters' Laboratories. This connection was first mentioned at the 1908 annual meeting with the report that fire prevention appliances had been tested, passed and labelled on behalf of the Underwriters' Laboratories. The Secretary observed that, "We have, of course, neither the staff nor appliances available in Chicago for original examination and

Advertisement for approved school fire-fighting equipment, circa 1915.

tests, but the supplementary work taken up will certainly result beneficially to our members and to the public."

As an agent for the Underwriters' Laboratories, the association did an ever-increasing volume of inspection and labelling. CFUA spoke candidly in a 1912 report about the attitude of some British manufacturers: "The question of submitting English goods for approval to the Laboratories has again come up on a circular sent out by the Birmingham Chamber of Commerce. The circular shows a great want of knowledge of the real conditions here, and it entirely misrepresents the attitudes of the Underwriters in this country."

The report stated it was probably difficult in Europe to appreciate the tremendous devastation caused by fire on this continent year after year, and to understand the checks and safeguards adopted by CFUA to reduce fire waste. It went to considerable lengths to explain that British companies could not expect to be given special privileges vis-a-vis Canadian and American companies. The British manufacturer, "if he wishes to supply the market, must be prepared to make his goods suit it and not expect that tested regulations required in this country should be waived to meet his custom of manufacturing".

During this period, the association faced more important problems than the unwillingness of British manufacturers to comply with standards. Like the rest of the world, the attention of the Canadian Fire Underwriters' Association was diverted by the calamitous events in Europe. In his 1915 presidential address to the association, J.G. Thompson (Liverpool and Globe) painted a pessimistic outlook following the outbreak of World War I:

We have fallen on evil days: our Empire is at war. As a business association it is not our province to discuss the war in so far as it affects our particular interests. We must, however, record that many of our members have made great sacrifices–human sacrifices–for the defence of our King and country and for the cause of liberty, and others of us will doubtless suffer likewise, for the end is not yet...The war has accentuated the financial depression from which we have been suffering for sometime, and we have the natural result of a higher loss ratio. Profit-making in fire insurance is increasingly difficult in times like these. Too many, when forced to the wall, are unable to resist the temptation of preferring the misfortune of fire to the ignominy of failure. We must, however, be prepared to suffer with the other financial interests, and we hope that there are prosperous years in the near future which will repay the Companies for the unfavourable experience through which they are now passing.

The domestic situation was not as serious as Thompson had feared. At the 1916 meeting in St. Andrews, New Brunswick, E.F. Garrow (British America) pointed out that things at home and abroad looked more optimistic than they had the year before.

It is with grateful hearts that, with the help of our Allies and through the indomitable spirit of our people in this and other British lands, we may now regard with patience and every hopefulness the steady progress of the war toward victory and a lasting peace. So far as the war's relation to our business is concerned, our fears of its adverse effect have so far not been fully justified. The year 1915 proved a fairly profitable one to the Insurance Companies, and whilst the early months of 1916 have shown a somewhat higher loss ratio, it is thought the six month period may prove as favourable as the first half of 1915 and that the gradual improvement in the general trade conditions of the country offers a reasonable prospect for another profitable twelve months.

Membership in the association had by then reached 78 companies. This represented a 100 percent increase in 18 years.

J. Gardner Thompson, Liverpool-Globe President, 1915.

The year 1916 was also significant in CFUA annals because it brought the beginning of one of the closest investigations of the fire insurance business ever conducted. The association had been continually condemned by manufacturing interests in Canada on grounds that it acted as a monopoly to fix insurance rates at an artificially high level. In response to mounting criticism, the Ontario government appointed the Honourable Justice C.A. Masten to launch an investigation into the business practices of the association.

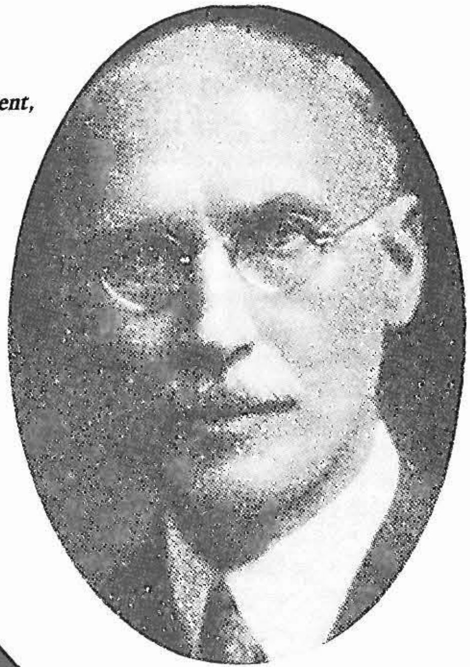
CFUA had nothing to hide, and then President E.F. Garrow counselled members to keep in mind:

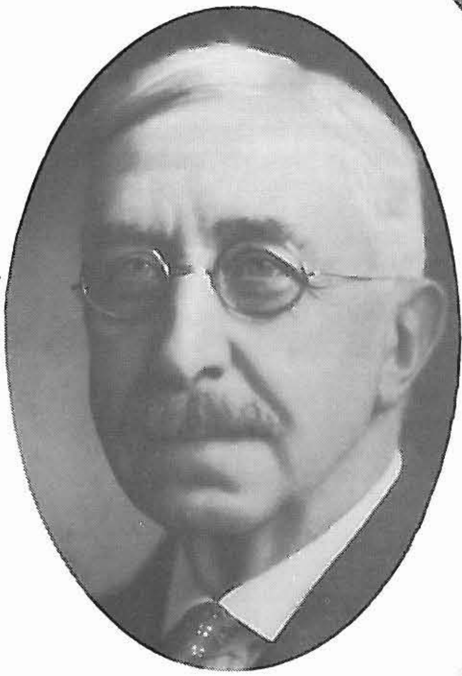
> ...the duty of this Association is to instruct its officers to afford the Commission every facility in their power so that the knowledge of our rules and practices gained by it, and through it by the public of the Province, may be thorough and complete. Publicity of this nature is to be desired and encouraged.

At the June 20th annual meeting Garrow expressed his belief that the investigation presented the perfect opportunity to dispel some of the myths about the association. His only lament was that such a probe invariably carried with it a stigma of wrongdoing.

The Ontario Insurance Investigation began August 1916 and continued until April 1918. Fifty-five sessions were held throughout the province at which insurance agents and municipal authorities recorded their discontent with the key rates fixed by the association. The case for the CFUA was ably handled by John B. Laidlaw (Norwich Union) and John A. Robertson under the guidance of association solicitor Leighton McCarthy. John Laidlaw attended every sitting of the investigation. His diligence placed fellow association members, then and now, forever in his debt.

John B. Laidlaw, CFUA President, 1920.





John A. Robertson, CFUA Secretary

Justice Cornelius Arthur Masten conducted the Royal Commission, 1916.

E.O. Ryan, in his "The History of the First Seventy-Five Years of CUA", criticized the need for the 1916 investigation especially in light of the world-wide problems.

To any readers of these pages, to anyone conversant with the record of public service of the Association Companies, the reason for this attack will remain a mystery. In addition, it was wartime. This country and the whole of the Empire was engaged in a struggle which in 1916–when the investigation started–looked as though it might be fatal. One may be forgiven for thinking that at such a time all our energies might have been directed towards the preservation of our country and of our soldiers overseas instead of to this petty and ineffectual back-biting. There are some who think that the action may have been influenced by those who, waving the flag of patriotism, were making handsome profits from the war and wished to direct attention away from themselves. They may have been successful in this objective but in the attempt to disrupt the work of the Associated Companies they failed entirely. The case for the Association, presented matter-of-factly in these pages, was brought out much more fully and effectively by Counsel.

The findings of the commission, published in an 80-page report, vindicated the Canadian Fire Underwriters' Association. Masten, who approached the investigation under the impression there was widespread dissatisfaction with the existing state of affairs, soon realized there was very little public interest in the inquiry. After carefully considering all the evidence presented, he ruled in favour of the association. His findings read in part:

One of the strongest points in favour of an insurance organization such as the Canadian Fire Underwriters' Association is the fact that its method of conducting business is not only economical and efficient, but indirectly brings about an improvement in conditions that directly benefits the public. The inspection of properties and Schedule Rating, by which the defects are brought to the attention of property owners, tends in the long run to effect a considerable betterment of the physical conditions which are largely responsible for our losses by fire. No individual company could maintain a staff of experts to give this service without tremendously increasing the cost of insurance to the public. It is equally plain that no single company could be in a position to bring about improvements that can be effected by many of the companies acting in cooperation with one another... On the grounds

Words of encouragement from a major insurance company to its "travellers," (i.e. salesmen), 1914.

STICK-AT-IT-IVENESS.

No compounded word in the English language is of such vital importance to the casualty solicitor as our heading. To have a well rounded and well developed bump of Stick-at-it-iveness which keeps the owner everlasingly-at-it is an absolute guarantee of success.

Every solicitor knows how easy it is to stick-at-it when his visit is pleasant, his appeal heeded and the applications are coming right along, but when the reverse comes, when you go a week or more with little or nothing to show for your going, Stick-at-it-iveness has its testing, and it is just at such times that this same quality is most valuable.

Hap-hazard, spasmodic soliciting brings SOME returns, but it does not build large, profitable agencies that are worth more money every day. Such agencies exist and are well worth the effort it costs to build them.

How are they built? Just by persistent, patient work. Just as the Head Office Building grew, and just as the three other adjacent sky-scrapers were built. Steady, continuous work, summer and winter, storm or sunshine. No "Let up!" everlastingly-at-it from foundation to top-stone.

Cultivate Stick-at-it-iveness. It is an extremely valuable asset and it will grow money for your older days.

When a prospect says "I am too busy to discuss the matter with you to-day," remind him pleasantly of the fact that in his hurry and BECAUSE of his being so busy he may forget the law of self-preservation for one little second and thereby have on his hands more time than he can use—AND NO INSURANCE.

Get rid of fear. Don't be a "faint-heart" or "timorous." Face the facts and blow the sparks of your ambition and enthusiasm into a roaring fire of dogged work, and success is assured.

Don't be merely a dreamer. Occasional day dreams or visions of the success you hope to attain are inevitable, but they materialize ONLY THROUGH WORK and inflexible purpose. Some men dream of success, but the truly successful go out and drag it in—by the tail, if need be. "I slept and dreamt that life was beauty, I woke and found that life was duty."

Confidence, Tact, Geniality—these are all desirable adjuncts, but it is the dogged, steady daily grind that tells, THEREFORE—keep at it! hang on! cling on! push on! sing on!

KEEP YOUR GRIT AND STICK AT IT!

Folks die too easy—they sort of fade away;
Make a little error and give up in dismay.
Kind of man that's wanted is the man of nerve and wit,
To laugh at pain and trouble and keep his grit.

which I have herein set forth, I am of the opinion that the operations of the Canadian Fire Underwriters' Association have been, and are, to the advantage and in the interests of the public, and that such a combination tends strongly to maintain the solvency of companies, to stabilize rates, to eliminate discrimination, and assist in controlling the expenses of carrying on the business...This conclusion accords with the findings of the strongest Commissions in the United States that have considered the question.

While the commission substantiated the basic claims of the manufacturers' association that the organization exercised considerable monopoly power, Masten argued that it functioned in the best interests of the general public.

He also found that although the actions of the CFUA often appeared almost dictatorial, "the character of the work necessitates definite and precise rulings, and these rulings not unnaturally appear to those seeking insurance arbitrary and autocratic". Masten explained that rates established by CFUA had to be governed by past results through the aggregate experience of many companies working together. In this manner, the association was better able to determine rates commensurate with the risk insured.

The tariff companies did not earn unreasonable profits. The Report of the Superintendent of Insurance for the Dominion of Canada showed that for the period 1875-

Overhead wiring was a major handicap to these firefighters, circa 1915.

1917 figures submitted by licensed Canadian insurance companies were as follows:
Premiums Received $617,863,000
Paid for Losses . $380,446,000
General Expenses $194,757,000

Simply stated, for every $100 premium received $60.30 was paid for losses, $33.00 for expenses and $3.75 was carried to conflagration and unearned premium reserve funds, leaving $2.95 for dividends on capital stock. This does not, however, take into account the profits derived from investment.

Justice Masten pointed out that the operation of CFUA was different than a combine in the grocery or manufacturing sector. This same distinction was made five years later by R.S. Gillespie in the Monetary Times. He wrote it would be:

...wise to remember that in dealing with insurance one is not dealing with a commodity such as wheat, machinery or clothing. In the latter it is easy to calculate the cost and this is done before the article is sold. In selling insurance we are selling indemnity and we never know what the indemnity is going to cost us until after it has been sold. The purpose of these organizations is to obtain, by a pooling of as much experience as possible, the probable cost to the insurers of the indemnity he proposes to sell. (Monetary Times, June 29, 1923.)

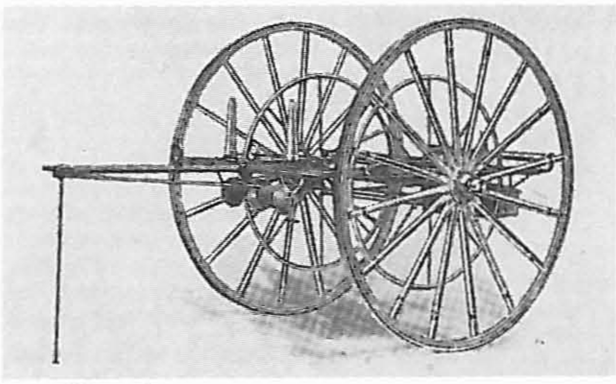
In addition to the external stress created by the insurance commission investigation, the association continued to deal with internal dissension. The chronic problem of agents' commissions would not be laid to rest. The existing set of rules governing payment of agents who dealt with CFUA in Ontario (except Toronto) limited commissions to 15, 20 and 25 percent according to the class of risk. Such restrictions presented problems for the agents in their selection of business. J.S. Paterson presented the case for the agent:

Most vital of all is the method adopted by the company in compensating an agent. If you are faithful you are penalized; if you are unfaithful you are rewarded. I assert that there is not one act that you can do for the protection of the company which does not diminish your compensation. If you refuse or cancel a hazardous risk you get nothing. If you seek to eliminate the moral hazard by reducing the insurance you reduce your commission. If you aid your company in resisting a fraudulent claim you lose your customer. If you over-insure you get your share of the profit. If you refuse or cancel a hazardous risk you lose the business and the commission to your less scrupulous competitor. Under these conditions what chance has the faithful agent when in competition with an unfaithful one? (Journal of Commerce, June 21, 1916.)

While commission regulations were widely ignored, Toronto was the prime offender. Competition had intensified with the establishment of new companies, and commissions ranging as high as 40 percent were now common. At the 31st annual meeting of the CFUA, President Harold Hampson lamented:

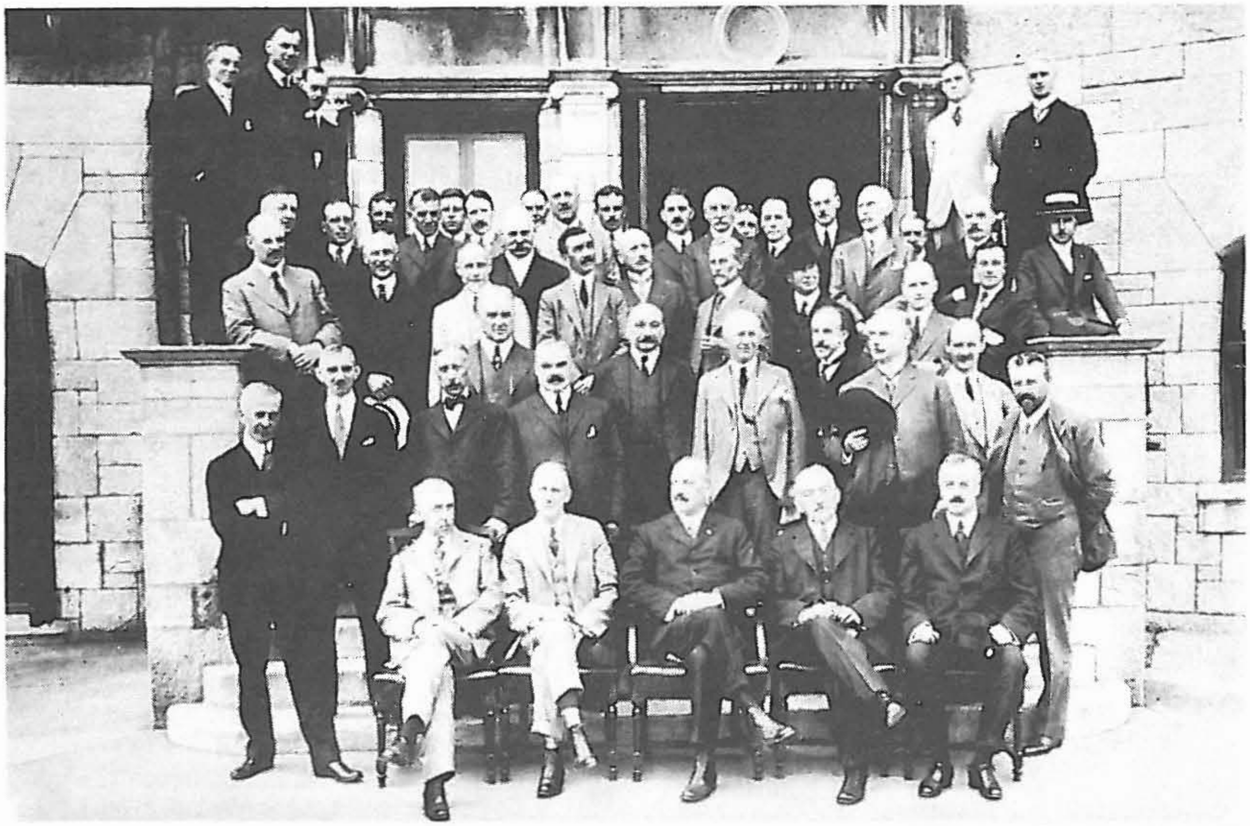
In Toronto there are no limitations as to the commission payable, and the result has been, as far as I can inform myself, that the cost of business is very much greater than it is in Montreal, and that without saving business to the tariff companies. I understand that the Toronto Committee is endeavouring to adopt rules...On more than one occasion some of the members have considered themselves at liberty to decline in advance to submit to proposed rules...If individual members will not agree to the decision of the majority they run the very serious risk of eventually, by their actions, disrupting the Association.

President J. Gardner Thompson (Liverpool and London and Globe) reported to members the following year the adoption of new commission rules for Montreal. He expressed hope that the participating companies would abide by both these and the general rules, believing that universal adherence to these standards would serve to instill a sense of increased confidence



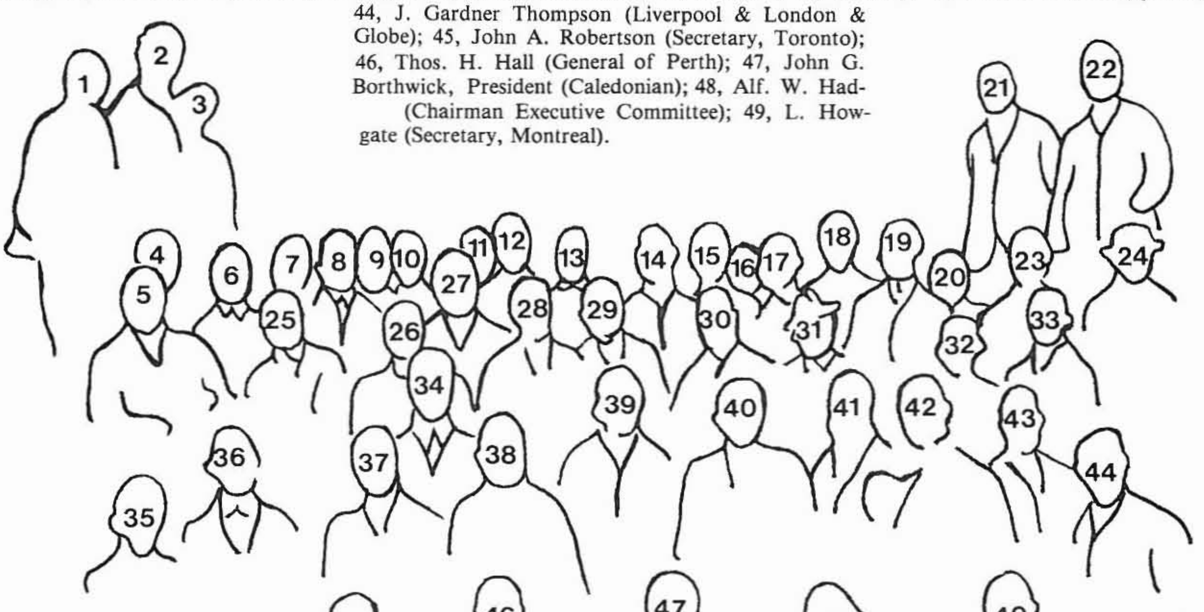
Hose Cart (for Fire Department Purposes)

Solid wrought-iron frame, 60-inch wheels, drag rope and reel, axe and crowbar, nozzle holder, with carrying capacity of 500 feet standard fire hose. Exceptionally strong, conveniently equipped. Tell us your wants; we can serve you.



CFUA Annual Meeting, July 1917.

1, W. Davis (North British & Mercantile); 2, J.R. Stewart (Aetna); 3, J.H. Riddel (British Crown); 4, Geo. A. Sherritt (St. Paul); 5, Harold Hampson (Ins. Co. of North America); 6, C.C. Hall (National of Hartford); 7, W. Robins (German-American); 8, G.S. Minty (Rochester Underwriters); 9, W.E. Baldwin (Continental); 10, H.S. Angas (British Dominions); 11, C.E. Corbold (Canada National); 12, H.M. Lambert (Guardian); 13, John Jenkins (Employers); 14, A.C. Baillie (Nova Scotia Underwriters); 15, F.W. Evans (Home); 16, W.S. Jopling (Commercial Union); 17, Geo. W. Pacaud (National of Hartford); 18, T.D. Richardson (New York Underwriters); 19, J.E.E. Dickson (Law Union); 20, C.L. Scofield (Manager Sprinklered Risks Dept.); 21, Lyman Root (Sun); 22, T.F. Dobbin (Phenix of Paris and General of Paris); 23, M.C. Hinshaw (Atlas); 24, J.E. Hounsom (London Guarantee); 25, J.B. Laidlaw (Norwich Union); 26, John MacEwen (Norwich Union); 27, W.A. Wilson (Union of Paris); 28, A.M.M. Kirkpatrick (Home); 29, P.M. Wickham (Yorkshire); 30, G.E. Moberly (Northern); 31, Alfred Wright (London & Lancashire); 32, Secretary Foster (Vancouver Mainland); 33, Secretary Noble, (Vancouver Island); 34, J. Murphy (Springfield); 35, P.A. McCallum (Hartford); 36, J.W. Binnie (Globe & Rutgers); 37, J.W. Tatley (Equitable); 38, J.H. Labelle (Royal); 39, A.C. Gour (Phoenix of London); 40, E.F. Garrow (British America); 41, J.H. King (Canadian; 42, T.L. Morrisey (Union); 43, Colin E. Sword (Quebec); 44, J. Gardner Thompson (Liverpool & London & Globe); 45, John A. Robertson (Secretary, Toronto); 46, Thos. H. Hall (General of Perth); 47, John G. Borthwick, President (Caledonian); 48, Alf. W. Had- (Chairman Executive Committee); 49, L. Howgate (Secretary, Montreal).



London, Ontario's last steamer, and first motor truck, circa 1925.

within the association. Thompson cautioned, however, that the organization should not attempt to establish too many rules, "for in so doing, we give increased opportunities for dissension and naturally weaken the bonds which unite us".

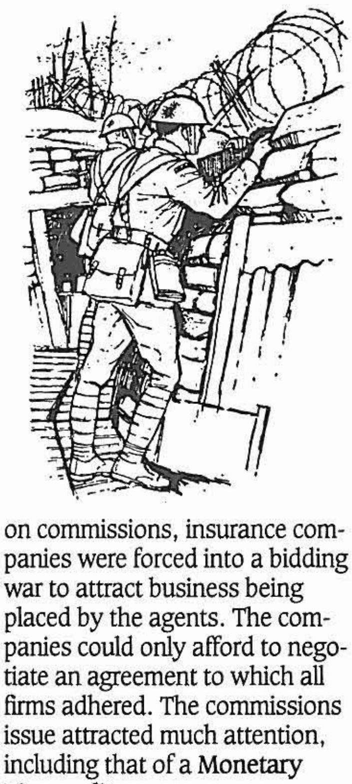
Meanwhile, troubles continued in Toronto and the situation remained chaotic. When opinions were solicited on new rule proposals 23 Toronto companies accepted them without reservation, five had qualifications, two wanted action postponed, 18 declined to accept them, five were indefinite and 20 did not answer.

At the semi-annual meeting in December 1917, commission rules for Toronto, prepared by chief agents there, were adopted by a vote of 49 to 13. The minority refused to accept the decision and mounted a strong protest against the rules. The following extract from a letter read into the minutes of a special meeting in March 1918 indicates the polarization of attitudes to the issue:

I feel constrained to register my strong protest against the rules as adopted, and to denounce them as being unfair in that they discriminate against certain classes of companies and agents and in that the vote in their favour was largely cast by Toronto Chief Agents in their own favour...I protest against the absence of any limitation on terms to be paid to the Chief Agents on Toronto City business. In the absence of this the legislation just passed is plainly by Chief Agents for Chief Agents, and with no possible saving in expense to the Companies or to the public as so ingenuously assumed in the preamble to the rules.

Facing such strenuous opposition, the committee decided to shelve the rules for the moment.

The problem confronting the association in Toronto was obvious. With no general agreement



on commissions, insurance companies were forced into a bidding war to attract business being placed by the agents. The companies could only afford to negotiate an agreement to which all firms adhered. The commissions issue attracted much attention, including that of a **Monetary Times editor:**

> The root of all evil of the insurance business, and one of the greatest factors in the excessive fire waste in Canada, is undoubtedly the method of compensating agents solely on a commission basis. The report (Commission of Conservation: Fire Waste in Canada) declares that the 'careless agent is paid equally well with the careful agent'. This tends to over-insurance, carelessness in the use of property, and arson, all of which cause heavier fire waste. The remedy for this, the Commission states, is a profit-sharing commission for agents whereby those who write good risks would be more highly remunerated than those who write bad ones...The Canadian Fire Underwriters' Association, it is pointed out, has attempted but failed to enforce a similar system of contingent commissions on account of the disadvantage under which it would place its members in competition with non-board companies. (Monetary Times, July 19, 1918.)

Contingent commissions, that is commissions based on profitability of policies underwritten, provided an incentive to agents to place good risks and were hailed in many quarters as the solution to skyrocketing costs. The drawback was that such a strategy could not effectively be undertaken by individual companies. Widespread cooperation was required for its success. Although the CFUA did discuss the possibility of implementing contingent commissions, it was decided that the loss of business would not justify the move. Justice Masten had in the course of his investigation said commissions were too high, and he considered the possibility of recommending legislation be passed putting a ceiling on commissions if the insurance companies could find no alternative solution. The dilemma of commissions was to remain unresolved for some time.

Competition from non-tariff companies was another preoccupation of the CFUA. In his history written in honour of this association's 75th anniversary, E.O.

Thomas H. Hall, CFUA President, 1918.

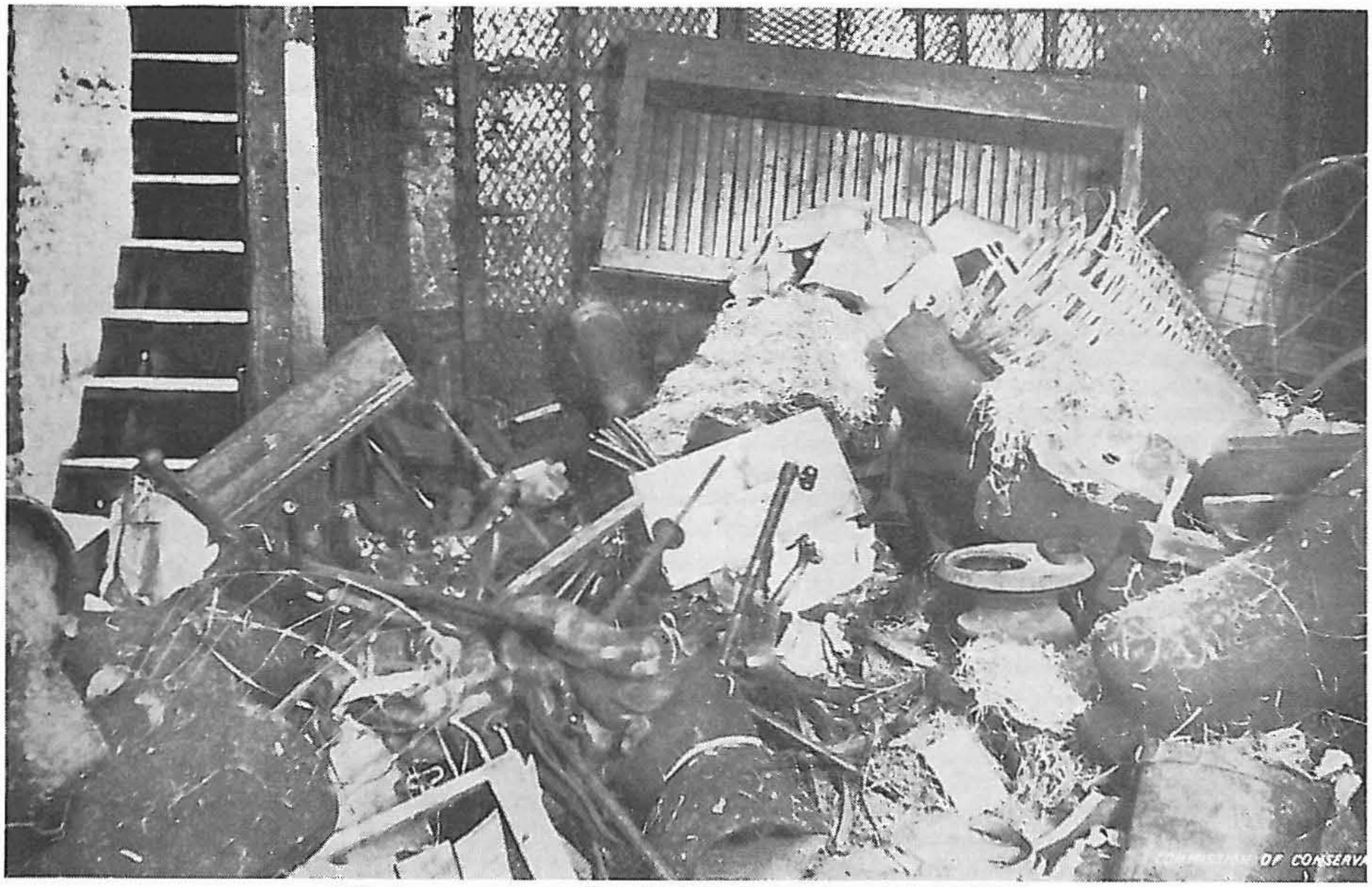
Ryan described the basis of the difficulty:

> ...not only on account of the upsetting effect of rate discrimination based on what they could get; not only because they profited from the fire preventative work done by the Association without making any contribution towards it; but also because they hampered the public service of the Association by weakening that unity in which lay its power for good.

Much to its credit, CFUA refused to compromise its principles to fight increased competition. In 1917, one manager wrote to the Montreal committee saying he had appointed a general agent to work the local field and this man was doing very well. But much of his business was taken from non-tariffs, and he was instructed by his clients not to pay a higher rate. Consequently, he had to place it with non-tariff companies again. This manager's literary style was nothing if not colourful!

> I have frequently urged before the Association the shortsightedness of

J. G. Borthwick, CFUA President, 1917.



"Why insurance rates are high. Carelessness causes over seventy percent of Canada's losses. The above conditions were discovered in a basement two days after insurance policies for $23,000 were issued upon the contents of the building." (1916).

maintaining conditions that enable these vampires to suck our life blood...My remedy is to grant relief to a company finding itself up against such competition, whereby all that would be necessary to enable it to compete would be to file the policy of the non-tariff company that it replaces with the Association, or submit other satisfactory evidence that its policy replaced a non-tariff.

The association refused to accede to the suggestion. To the best of its ability, CFUA based rates on the merit of the risk and sought further knowledge.

The rules established by CFUA were enforced by the Infractions Committee which met regularly to investigate allegations of wrong-doing. In 1913, one group reported that only a small portion of infractions under scrutiny appeared to be anything more than the mistakes of subordinates. It criticized delays in correcting and cancelling questionable policies. In 1917, the Infractions Committee reported that:

...it would again draw attention to the excessive and in many cases inexcusable delays that occur on the part of the offending offices in dealing with infractions. The mere waste of time involved in the almost interminable correspondence is a matter that itself deserves attention, but the irritation to aggrieved members and the pernicious effects on the Agents and Companies of the examples brought before them are much more serious. The Committee believes that a general Stamping system would be the most effective means that could be taken to improve the situation.

Stamping was frequently suggested as a remedy for the internal problems of the association. Under such a proposal, a copy of each prospective policy had to be submitted to an officer of the association. Policies judged to conform to the tariff rates, rules and conditions established by the association were stamped 'Approved'. Those not meeting these requirements were 'tagged' and a notice sent to the company and agent indicating the corrections necessary to bring the policy 'into line'. At the 29th annual meeting in 1912, it was agreed that Stamping should be adopted for all business in both provinces (at this time it was only loosely enforced in a few cities) to ensure uniformity and standardization within the association. The president appointed a committee to arrange the details of its implementation. Although members at the meeting seemed to favour stamping in general, opposition was sufficient to postpone introduction of the system.

At the semi-annual meeting in January 1917, a motion that stamping be introduced immediately to the entire business was again carried almost unanimously, and the committee was requested to bring the system into effect as quickly as possible. Further opposition nevertheless delayed its implementation until the next decade.

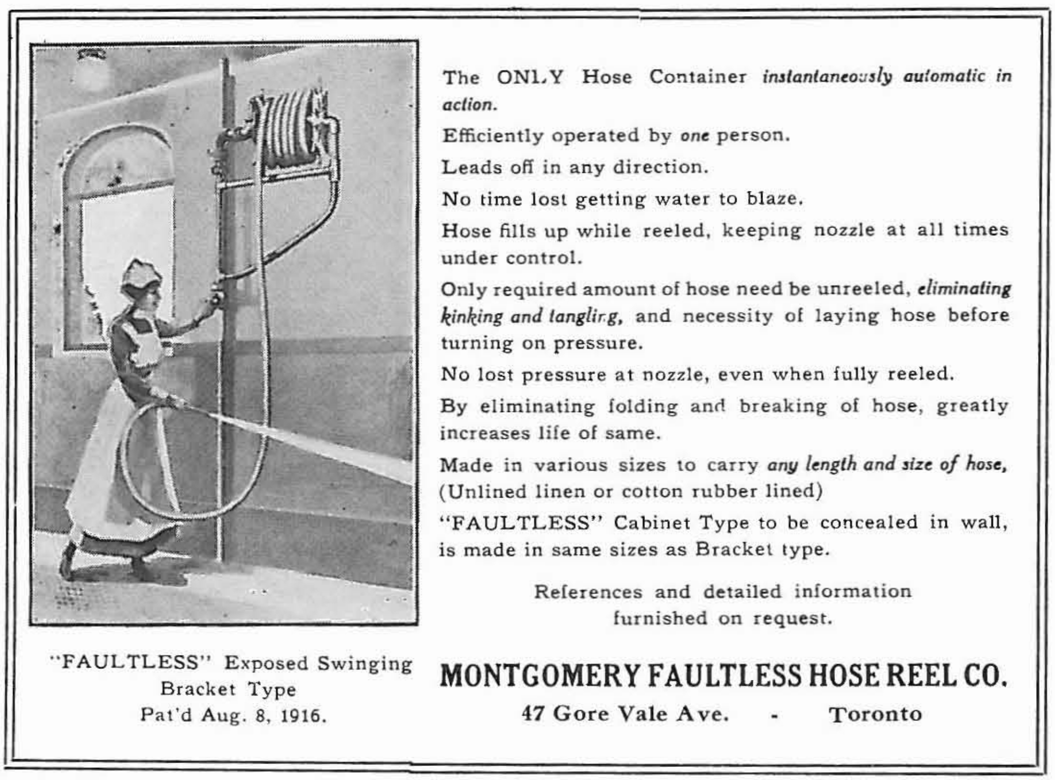
The creation of the Uniform Forms Department was another measure designed to standardize and economize on CFUA operations. Three companies initially objected to the department on the grounds it would interfere between company and agent and destroy individuality. But the companies could not deny the obvious waste in the current system, which overstocked agents with printed matter and supplies from every company he represented, guaranteeing heavy expenses for printing. In June 1918, authorization was given to begin work on forms, with purchasing and distribution to be handled by the Underwriters' Survey Bureau. By June 1920, 33 different forms had been issued. The three Maritime provinces purchased forms from the association, while the Winnipeg and British Columbia boards printed their own, copying association forms as far as their own provincial conditions would allow.

The association's energy was not completely devoted to keeping its own house in order. In a business so vulnerable to the repercussions of government policy, CFUA representatives had to remain vigilant. In 1914, members cautioned in Montreal that unless an investigation of the water department was held without delay and prompt action taken, CFUA would be compelled to increase the city's rates steeply. The full text of the resolution read as follows:

That the Underwriters have endured much anxiety from the repeated shortages and stoppages of the water supply in this City, particularly during the last eighteen months–the experience recently culminating in a catastrophe by which large areas of the City were entirely deprived of water, and others were left with a very sparse supply...That the unsatisfactory condition of the Waterworks plant, emphasized by the numerous accidents hereto, has been the subject of repeated representations to the civic authorities, and about twelve months ago a strong appeal was made by the underwriters, supported by the Board of Trade and other leading commercial organizations, that a committee of independent engineers be appointed to enquire into and report on the condition of the system and the management thereof.
(Insurance and Financial Chronicle, January 23, 1914.)

This urgent request elicited an equivocal response. A few superficial improvements were carried out, but no effort was taken to investigate the underlying problem of management. The association granted Montreal every opportunity to improve conditions, and postponed a hike in rates.

Strikes became a regular feature in Canada in the post-war years and the CFUA was not immune to their effects. At the annual meeting in 1919, President P.M. Wickham complained about the unusually large number of labour



An approved school fire apparatus, 1919.

PROGRAMME

FIRST ANNUAL MEETING

OF THE

Ontario Fire Prevention League, Inc.

HELD IN THE

RECEPTION ROOM, PARLIAMENT BUILDINGS, TORONTO
THURSDAY, SEPTEMBER 4, 1919

MORNING SESSION

10 o'clock

NATIONAL ANTHEM

1. Roll Call.
2. President's Address: ARTHUR HEWITT.
3. Report of Secretary-Treasurer: GEORGE F. LEWIS
4. Minutes of Organization Meeting.
5. Minutes of Special Meeting.
6. Appointments of Committee on Resolutions.
7. Resolutions.
8. Five-minute Reports from Local Chapters and Organization Members on Work in Fire Prevention.
9. 11 a.m. — Adjourn to the Theatre, Physics Building, University of Toronto. Address: "Dust Explosions" (Illustrated by Moving Pictures). DR. H.H. BROWN, Explosive Section, Department of Agriculture, Washington, D.C.

AFTERNOON SESSION

2 o'clock

10. Report of Committee on Resolutions.
11. Address: "Fire Prevention from a Patriotic Standpoint" HON. DR. H.J. CODY, Minister of Education.
12. Confirm Articles of Association and Regulations for the Management and Control of the Corporation and Govern the Election of the Committee to manage the Corporation, as set forth in the Charter.
13. Election of Nominating Committee.
14. New Business.
15. Report of Nominating Committee.
16. Election of Officers.
17. Adjournment.

"To co-operate with the Provincial Government and the Ontario Fire Marshal's Office for the purpose of promoting the science and improving the methods of Fire Prevention and Fire Protection; to obtain and circulate information on these subjects; to assist in securing proper safeguards against loss of life and property by fire; to keep the subject before the people, especially the young, and endeavor to inculcate the idea that "**It is a patriotic duty to prevent fires.**"

Public awareness of fire prevention resulted in the start of the Ontario League, 1919.

troubles over the past year. A 36-hour strike by Montreal policemen and firefighters was followed by the much more alarming Winnipeg General Strike of 1919. Wickham stated that:

> The extensive collective or sympathetic strikes, still unsettled in Winnipeg and other western cities, which in Winnipeg include firemen, following our experience in Montreal emphasize the necessity of a law making it criminal for Fire and Police employees absenting themselves from their duties, and seriously exposing the lives and property of the citizens.

Between 1910 and 1920, the insurance business joined the twentieth century trend towards amalgamation and company mergers. The first to report this trend was the Insurance and Financial Chronicle, which commented in 1915 on the number of small Canadian companies being absorbed by larger organizations. These included the Liverpool and London and Globe taking over the Hamilton Fire; the North British and Mercantile, absorbing the Occidental; the Phoenix of London, taking over the Acadia; and the Royal, purchasing the Hudson Bay of Vancouver. A majority of the companies absorbed continued to operate under their own names. While under CFUA rules a company could only have one 'wholesaler' or general agent in a given city, each company merged with a larger organization was permitted to hire an additional general agent.

British insurance organizations had pursued this policy of amalgamation more aggressively than their American counterparts. In the United States, legislative restrictions prevented the development of powerful 'omnibus' insurance organizations. The organizational and financial resources of these emerging giants was felt uneasily by the smaller companies:

> The large companies have them at a

disadvantage at all points, in superiority of organization, in their ability to secure the most skillful underwriters, in proportionally lower expenses and in the magnitude of their resources and the scale of their operations enabling them safely to transact business of a character which would be fatal to a small company.
(Insurance and Financial Chronicle, October 11, 1915.)

This movement toward larger organizations did not result in an 'insurance trust'. Companies remained competitive, their keenness not blunted by the acquisition of 'small fry'.

The constitution of the association was amended at a special meeting, July 13, 1915 to permit the appointment of an Executive Committee to exercise virtually all powers of the association (with the exception of ordering the withdrawal of a member, or amending the constitution). Meetings were to be held alternately in Montreal and Toronto. Alfred Hadrill withdrew from his position because of his advancing age, but agreed to act as permanent chairman to the committee. The salary for this newly-created position was fixed at $3,600 per annum and Hadrill was voted a bonus of $3,000. Leonard Howgate was appointed secretary in Montreal at $3,000 a year and the salary of Secretary Robertson in Toronto was increased to $5,000. The appointment of the Executive Committee was designed to streamline the work of the association. In future, instead of regular quarterly meetings, the full membership would only be called on to attend the annual and semi-annual meetings, as well as any special meetings that might be called.

The Western Canada Fire Underwriters' Association left the Canadian Fire Underwriters' Association in 1912, a decision made with the full consent of CFUA members.

Special privileges had always been avoided as far as possible by the association. At the thirty-third annual meeting it was resolved "That it be a rule of the Constitution that all Company Members shall be placed on an equal footing as to rate and regulations, and that any existing arrangement or privilege not in accord therewith be, and hereby is, rescinded." As the Waterloo Mutual was the only member that had any special privileges (applicable to three year business only), the secretary asked that they conform with general regulations. The Waterloo was not represented at the meeting when this resolution passed, and the company later made two effective points: (1) that it had been induced to join the association by agreement it should have certain privileges; and, (2) with the knowledge and sanction of the CFUA, it had entered into an agreement with other cash mutual companies based on these privileges. CFUA admitted these facts, and in recognition of the company's discretionary use of its privileges, permitted the Waterloo to carry on as before.

At the 1917 annual meeting, President John G. Borthwick attributed difficulties in achieving a nationally uniform rate to the existence of numerous autonomous boards. He suggested that a central bureau, composed of the executive officers of the companies operating in the field, might provide a solution. Although a practical and progressive idea, the association would not become truly 'national' for many years.

P. M. Wickham, CFUA President, 1919.

GROWTH AND PROSPERITY

(1920-1930)

CHAPTER V

The early 1920s marked the emergence of this country from the instability and uncertainty that had characterized the immediate post-war years. By 1923, Canada had embarked on a period of unmatched prosperity that lasted until the stock market collapse in 1929.

At the outset of the 1920s, the association renewed its effort to eliminate the rate and rule infractions which had prevented the smooth operation of the organization. Non-tariff competition was discouraging, but rate cutting and other unfair competition among members themselves was a much more serious matter. It undermined confidence and bred mistrust and suspicion among both companies and agents. Both groups demanded the association provide protection against these questionable practices.

If conditions were poor when fewer than 50 companies belonged to CFUA, the situation became much worse (and the possibility of effective control more remote) in 1921 when membership swelled to 115. Good faith, often expressed in legal terms as 'uberrima fides', was essential to the operation of the association. President after president had emphasized the need for cooperation and trust and, all too often, had lamented about the result of its absence. As early as 1898, President P.H. Sims suggested the association must provide "adequate protection to the loyal and conscientious members against the indifferent and sometimes unscrupulous conduct of a member whose sense of honour is dim or overpowered by his anxiety for business".

Not all infractions were deliberate. Some were the result of misplaced rating slips or human fallibility. But whatever the cause, companies and agents alike were particularly upset when policies were returned 'not wanted', because some other tariff company had offered a contract at a lower rate. It was obvious the association had reached a turning point. Measures had to be undertaken to guarantee equality of opportunity for all members.

At the 40th annual meeting in 1923, President Alfred Wright assessed the situation: "In the past our anxieties have mainly arisen from without, and all have been successfully surmounted, but now our principal difficulties are from within." He warned the assembled members that disregard on the part of some seriously

imperilled the very existence of the association, and he expressed hope that its work, so beneficial to insurance interests, be carried on for many years to come.

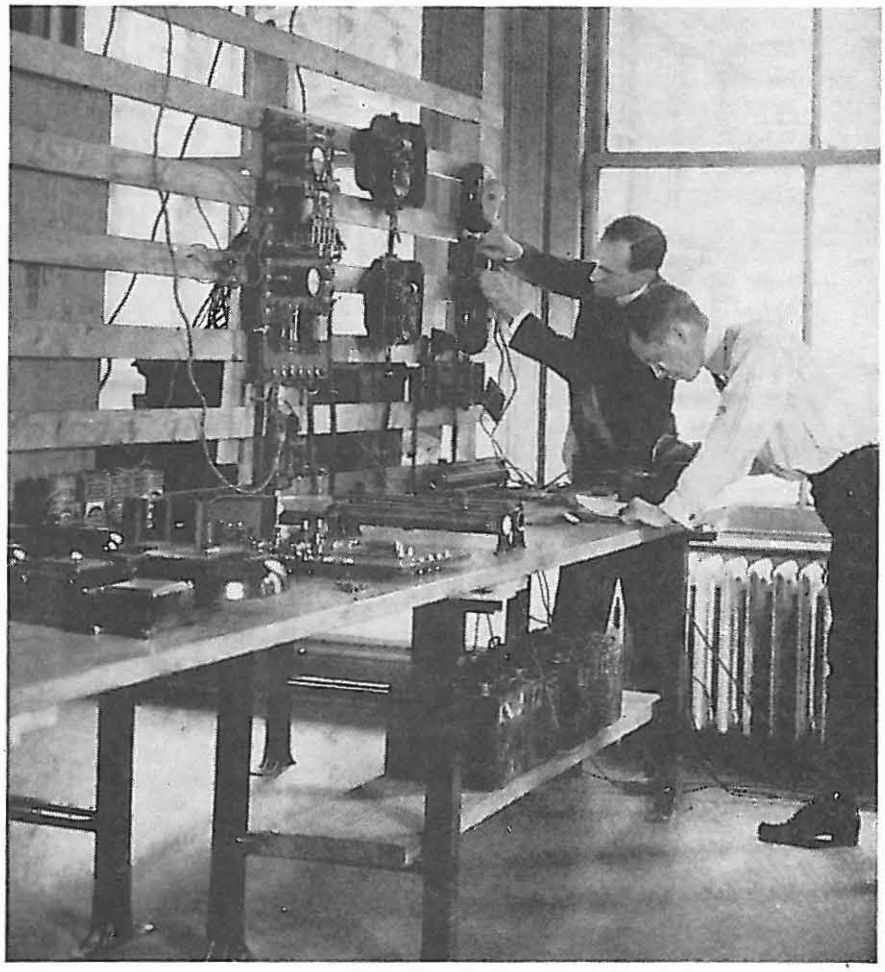
At a special meeting four months later, both the Eastern and Western Infractions Committees had much to report. The westerners commenced by stating:

Following the remarks of the President at the last Annual Meeting, and the expression of dissatisfaction on the part of several Members at that meeting with respect to numerous violations of Rules, your Committee considers it advisable to report specially on such cases of infractions that have come before it that are evidently outside of the ordinary and, to some extent, excusable errors or omissions that in the large fire business of the Province are almost certain to occur.

The members were quite reasonably discontented. Infractions detailed in the report included:

(1)
The Globe and Rutgers had accepted a two-million dollar line in total disregard of tariff rates. When called upon to cancel, one item was cancelled and placed in another Company in the same group and instead of cancelling either line "a dilatory correspondence introducing untenable technical points had been maintained from March to July, at which latter date the policy expired".

(2)
The Niagara denied having been interested in a risk which it had actually written at an incorrect rate,



Testing an automatic fire alarm system at the Underwriters Laboratories, New York, circa 1923.

The Tessier patented fire ladder, 1920.

having first written to the Sprinklered Risks Department for the correct rate, on a policy series which had not been reported to the Stamping Officer at London.

(3)

The Canada National, upon being queried about a certain clause denied that it was on the policy, whereas the policy contained a clause almost identical in wording with that quoted in the query, and absolutely identical in meaning.

(4)

There was also the case of the Company Inspector who had a connection with American Brokers to whom he referred his agents whenever they wished to secure lower sprinklered rates than were quoted by the Association. The same Inspector obtained a quotation from Detroit Brokers of 10¢ on the Witchell-Shields Shoe Company's risk at Windsor, the Tariff rate for which is 12¢. The above shows the lengths to which some Companies will go in endeavouring to obtain agents.

The answer to the problem of infractions was stamping, although its implementation was moving at an extremely slow pace. Stamping began in Toronto, under the old Toronto Board, then spread to Hamilton, Ottawa, London, Windsor and Montreal. Sporadic in its enforcement, it achieved only partial success – just enough to show there was a considerable volume of business written by member companies without regard for tariff rates and rules. Agitation for the general implementation of stamping continued intermittently for some 10 years. But the opposition of a small minority succeeded in having it postponed. Despite many attempts, no agreement could be reached.

Lyman Root, CFUA President, 1921.

This important matter dragged on until the Infractions Committee tabled a report at the annual meeting in 1923. The report made a strong impact and a motion ordering "that the stamping of business be extended to cover the entire territory of the Association and that the same be done in the Association offices at the two centres where the rates for the risks are promulgated" was unanimously carried. General stamping commenced in the spring of 1924. The Western Canada Board had stamped policies for many years and the stamping officer from Winnipeg, C.J.R. Coyle, came to Toronto to supervise operations and organize work in the two provinces. Meanwhile, those opposed to stamping had not yet exhausted their resources.

The minority opposition to stamping was initially based on the expense involved. By 1920, the principle had been accepted and the objections directed at the methods to be used for enforcement. (A few members were against stamping because it would prevent them from writing business as they pleased regardless of board regulations).

In April 1924, a special meeting of the association took place in Montreal at the request of 47 of the 129 members "to consider the whole question of the Stamping of business".

The secretary of the Ontario Board was subsequently instructed by the Executive Committee to issue a circular to all agents in the province directing them to send their business to the board office for stamping instead of directly to the companies, as previously had been the case.

When some members learned about this order, they protested:

...inasmuch as it has been shown by actual experience that stamping does not prevent violation of tariff; and, that being so, no justification exists for this disruption and addition to the expense. That this will result in disruption of business is evidenced by the protests received from so many of the principle agents and agents' bodies throughout the territory affected; and it is certain that the not inappreciable addition to the expense would but accentuate the handicap under which the old line Companies are suffering today in competition with the reciprocals and mutuals whose slogan, 'insurance at cost' is proving so attractive to the hard pressed premium payer.

They further argued that by issuing instructions directly to agents "the Association exceeded its prerogative" and requested that the stamping instructions be rescinded, and "that the whole question of stamping be reopened and given further consideration".

With certain minor concessions (for example, an agent had the option of sending business to company or association offices; submission of renewal receipts during the remainder of 1924 was not compulsory; and business was to come under stamping by degrees according to the capacity of the department to handle) the action of the association was confirmed. Ontario voted 68 to 29 in favour of stamping, while in Quebec the vote was 74 in favour and 12 against.

With opposition to stamping stronger in Ontario than Quebec, CFUA's Stamping Department, and particularly C.J.R. Coyle, the Stamping Officer, were under constant fire from a few of the general agents. Any mistake on the part of a hard pressed examiner (an experienced examiner was expected to stamp or tag about 300 documents a day) was blown out of proportion as evidence of total incompetence. Coyle was, in fact, a man of resolution and tact who received firm support from the secretary, John A. Robertson, and most responsible members. In 1925, he addressed the convention of Ontario Insurance Agents' Association, on the advisability of developing a Central Universal Stamping Office. The success of Coyle's department convinced the Maritime boards to initiate similar services in 1926.

One of the most spectacular results achieved by the Ontario Stamping Department was the disclosure regarding the Merchant's Fire. The stamping officer found out that company business was being written with wholesale disregard for the tariff, and commission arrangements that bore little relation to those authorized by the association. This affair must have particularly embarrassed company president Alfred Wright, of whom it was later recorded that his high standard of personal integrity won the respect of all. The manager responsible was fired and replaced by one who cooperated fully with the stamping department in rectifying the situation.

St. George Garage Limited, seen in 1925, was exemplary of a combination of various risks.

The value of the stamping procedure to the general operation of the association cannot be overestimated. In 1927, a motion suggested that, "in view of the Stamping System having been in force for nearly three years, and having in that time effected excellent service in disclosing and clearing up many irregularities, so that today the writing of business is with but a few important exceptions, in good order throughout the territory controlled by the association" the policy be changed to a spot check at head offices, branch offices and general agencies at irregular intervals. Members recognized the importance of the hard-won stamping office and, not willing to tamper with success, defeated the motion.

The development of the Stamping Department was but one of a number of important measures implemented between 1920 and 1930. Another innovation was the formation on February 1, 1923 of the Investigation and Loss Bureau, with Harry Rethonet appointed as its first manager. Since its founding in 1883, the association had been concerned about losses caused by incendiarism and had done its best to curb them. Committees working persistently at both branches for more than 40 years had secured several convictions. But crime was now too important to be dealt with on an ad hoc basis. Members thought an

unreasonable sum was being paid on claims arising from fraudulent causes, and that as these claims were necessarily reflected in the rates, they had a duty to the public to take more effective control measures. As anyone who is at all familiar with the history of the association well knows, its efforts have always been to promote, by means of standards and inspections, safety measures so that rates might be held at the lowest possible level. Most expenses of the association were allocated to this purpose. The interests of private enterprise and the public good were closely aligned.

John Jenkins, CFUA President, 1922.

At the newly-formed bureau, records kept of all suspicious losses were made available to member companies through a card index. A little more than a year after he took the position, the manager reported the documentation of 25,000 fires and the investigation of 97 losses, leading to a number of convictions. It is difficult to estimate the resulting savings to member companies and the general public, but they were indisputably significant. For example: In January 1924, the companies were warned about an insured party who had had three serious fires, each involving a loss of about $25,000 and in every case the cause was reported as "Unknown". Because they ignored or overlooked this information, two companies paid over $20,000. On another risk with a record of four fires in two years, a loss information card was issued. The insured party tried to get insurance from seven companies, but each declined. Undeterred, he approached an eighth company, and for some reason this company failed to check with the bureau and within a month was faced with a claim.

The manager of investigation and loss stressed that even small fires should be reported to the bureau. He warned that the "records show a number of claimants who changed from one company to another after obtaining payment for a fire loss and who used the same articles at a later date as a basis for another claim." In 1925, he stated:

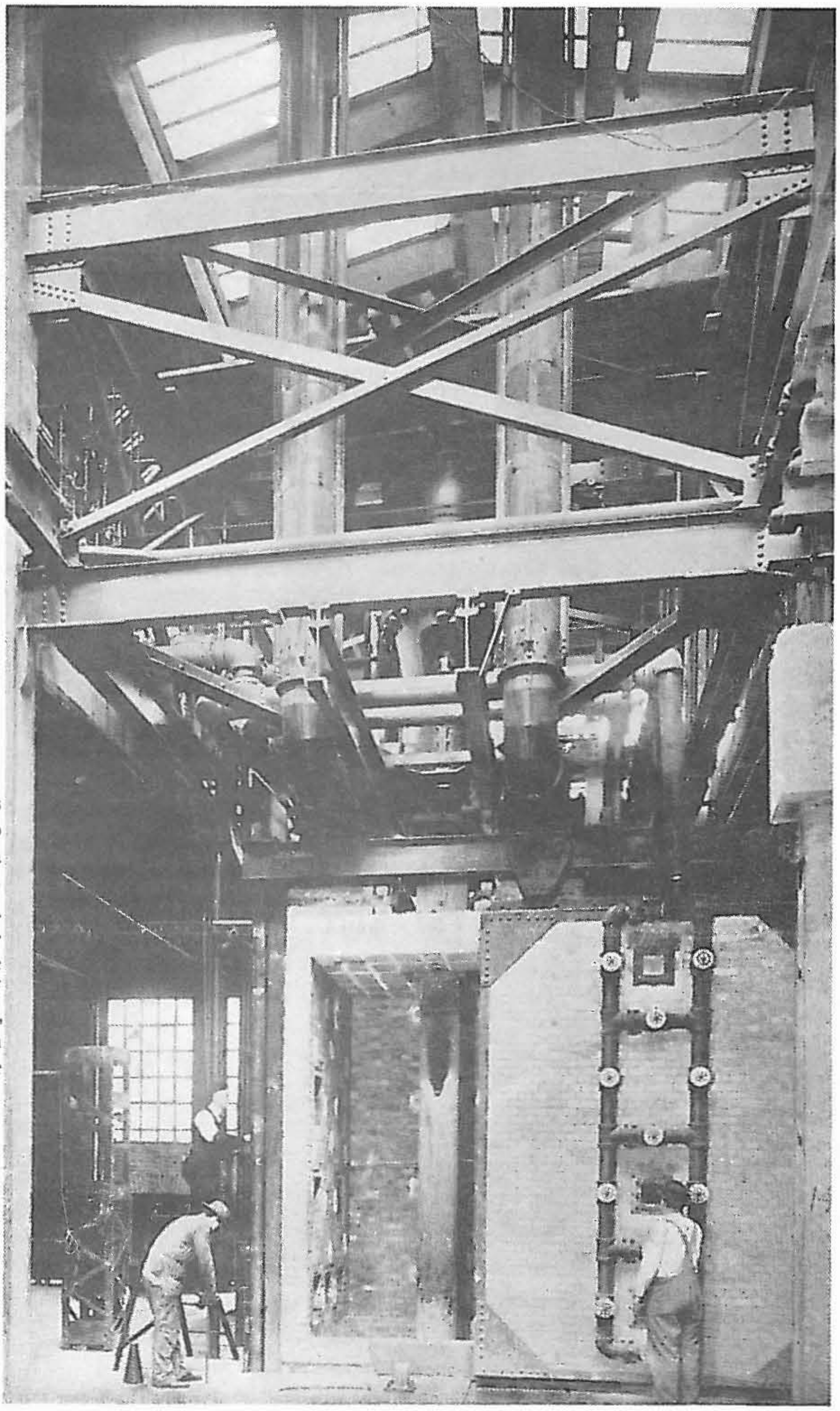
Alfred Wright, CFUA President, 1923.

In our previous year's report we made mention of two outstanding cases. Yet one of these parties obtained insurance during the past year with the usual result. The other one, after numerous unsuccessful attempts to obtain insurance, moved to a different city, changed his trade name, and there succeeded in obtaining a great amount of over-insurance. As we are continuously following up our cases, this party was located at his new address and the proper steps taken to safeguard the interests of our companies, all of whom have cancelled.

The bureau conducted investigative work in addition to providing information. Arson convictions were difficult to secure prior to formation of the bureau because evidence gathered was insufficient and poorly presented. As a result, local authorities rarely bothered to attempt prosecution of arson offences. Public recognition of the value of this feature was instantaneous, with about 50 percent of the requests for information in 1925 coming from police and fire departments, crown prosecutors and other public officials. The bureau demonstrated that evidence unearthed by their qualified investigators would often reveal the cause of fires.

How It Was Done

In the famous Underwriters' Laboratories Building, on East Ohio street, near the Chicago River, a visitor to the tests would have found a massively-constructed, tile-lined chamber surmounted by a lofty structure of steel framework, pipes and cylinders. He would have seen some building column taken from the place of storage and carried by a traveling crane to the interior of the chamber, there to be bolted securely into place, and a multitude of refined heat and deformation apparatus adjusted. Then the opening would have been closed and the gas burners ignited. After a time the observer at the mica window would have seen the column begin to acquire color and then reach a dull glow from the long continued intensity of the heat. Meanwhile, the ponderous ram of the press would be exerting the steady pressure of imaginary loaded floors above. Perhaps as he watched the effect he might see cracks open up in the coating and then the slow fall of pieces here and there, exposing the black steel beneath. This steel, in turn, would begin to glow a cherry red and finally to buckle under the tremendous pressure, thus proving its vulnerability.



The CFUA utilized data from the Underwriters Laboratories. Here in the Chicago facility a ponderous structure was built to test fireproof columns.

The following example illustrates how the bureau proceeded in one instance. Fire reports came repeatedly from a specific district in Toronto. The claims shared common characteristics – 100 to 500 percent over-insurance, cause unknown and no one at home at the time of the fire. The bureau carried out an exhaustive investigation of the suspicious conditions in the region and located an agent who represented several association companies. His agency, which had been cancelled a number of times, was directly or indirectly involved with most of these losses. He not only acted as agent, but also as adjuster for the insured party, for the company, notary, etc. The bureau established his direct link with five fires. The result of this investigation was made known to all companies who had paid losses in that district. They cancelled all the agent's policies as well as the agency. Fire losses thereafter showed a remarkable drop. The same agent also lost two suits against companies for losses which occurred prior to the investigation.

W. E. Baldwin, CFUA President, 1924.

Bureau investigations were not without a humorous side: One of the bureau special agents was making a routine check on the fire record of two people with the same surname and initials. When he rang the doorbell he was met by a rather belligerent female who in not too graceful a manner asked, "What do you want?" The following conversation then place:

"Are you Mrs. John Brown?" "Yeah. So what?" "Did you and your husband live last year at 1000 1st Ave.?" "What do you want to know for, are you a cop?" "Did you have a fire there?" No answer. "You had a fire at your present address about two months ago, is that right?" "Yeah. So what, can't a man have a fire nowadays?" "We want to know if you are the same party that had a fire on 1000 1st Ave. so that we can keep our records straight." "For Pete's sake (language was stronger), you fellows are as dirty as the cops, you always want to make a fellow's record worse than it is. You can't do that I tell you, you can't do that. The fire was an accident. He set the one on 1st Ave. but I swear, so help me, this one was an accident." Exit the lady, shutting the door with a bang.

The bureau increased the number of prosecutions and convictions for arson and other related crimes and saved money on fraudulent claims. While initially established at the expense of the CFUA, its overwhelming success prompted membership to be thrown open to all companies transacting fire insurance in Canada with a dominion or provincial license.

The name was changed to the Fire Underwriters' Investigation and Loss Information Bureau, whose mandate was:

...the repression of incendiarism and arson, including the apprehension, conviction and punishment of criminals guilty of that crime; the gathering and recording of statistics, establishment of such classification of hazards and losses and making such compilation thereof as may be in the interest of the Members, beneficial to the Public, and calculated to reduce the fire waste of the country.

Between 1920 and 1930, a solution was finally worked out to the problem of commissions. In February 1921, a special meeting was called to consider two communications from the Ontario Superintendent of Insurance, V. Evan Grey. He suggested set commissions for Toronto and the rest of Ontario, arguing that his plan would lower costs which could then be passed along to the public in the form of lower premium rates. Grey felt the time was right for the implementation of his plan because companies had "enjoyed a very favourable experience in the last three years in fire losses". He further suggested that provincial legislation in the matter might be helpful – if not inevitable.

The association was told that the likelihood of any legislative action being taken at the present session was slim. Members decided that settling the matter among themselves was preferable to being dictated to by an outside body. A committee was appointed to draft rules for the payment of commissions in Toronto, and in April, a special meeting was held to consider the committee's report. To the consternation of those present, the committee presented no schedule of rates, having found it impossible to reach a consensus.

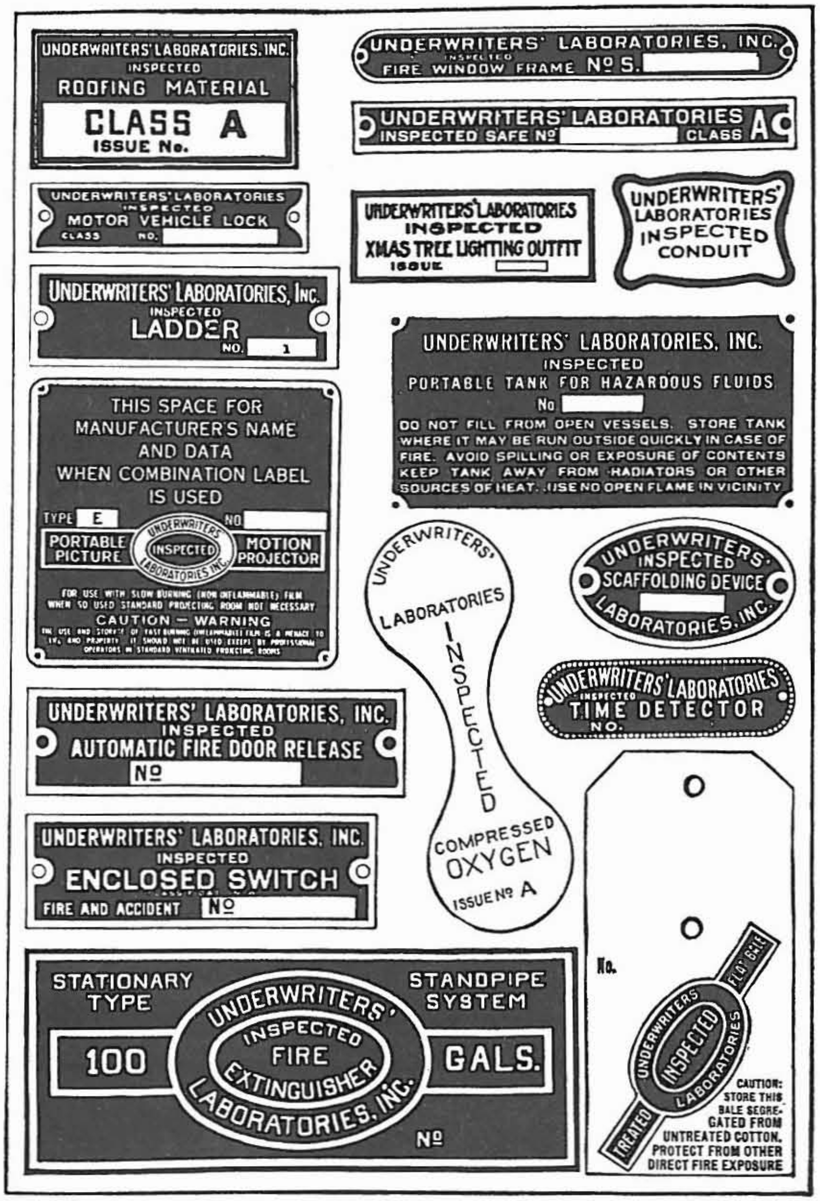
At the thirty-ninth annual meeting, President John Jenkins (Employers' Liability) tabled two letters, one from the Ontario superintendent of insurance suggesting that dwelling rates in Ontario were too high, and one from the attorney general of the province acting in his capacity as chairman of a select committee of the legislature to consider insurance matters. The latter commented on the lack of commission rules governing the transaction of association business in Toronto as distinct from the rules in the rest of the province. He charged that the Toronto commissions were unreasonably high and that they formed a very important element in the matter of insurance costs in Ontario. He observed the unfairness of Toronto agents and brokers receiving a higher rate of commission than was payable to the local agent in the place where the risk was situated. The attorney general concluded by reminding members that if they did not get their house in order, the job would be done for them.

In spite of this ultimatum, the matter remained unresolved. At the semi-annual meeting, December 1925, some rules for commissions to Toronto agents were passed by an overwhelming majority of 116 to 9. Among the dissenters was the British America-Western Group. At a special meeting in March 1926, Wilfred M. Cox, president of the group, offered a letter which read in part:

That the British-America was incorporated in 1833, the Western in 1851 with both Head Offices in Toronto; that despite this and despite the fact that the writer was at the time a Vice-President of the Association, these Companies were not invited to attend the Montreal Conference and to explain their position; that it did not seem right that they should be expected to scrap agency connections made over a long period of years within the rules of the Association; that the rules passed by a large majority vote in 1922 were so defective that they had never been enforced, neither had they been withdrawn. He predicted that the same thing would happen to the present rules, i.e. that after disorganizing agency connections, particularly those of his companies, built up over 75 and 90 years, they would be scrapped as unworkable. He also referred to the 'notoriously' bad situations as revealed by the alarming number of infractions which have been brought to light by the CFUA officers.

(Editor's note: At a March meeting, 20 to 30 pages of Minutes were taken up by infractions).

In view of the special position occupied by the Western Group, the association permitted them to pay unlimited commission to a total of four additional agents



A series of typical equipment labels from the Underwriters Laboratories.

Wilfred M. Cox, CFUA President, 1928.

who were already 'excepted agents' of other companies.

Increased competition in fire insurance affected agents as well as companies. An editorial on the subject describes the change in the pace of an agent's life brought about by this new intensity in the industry:

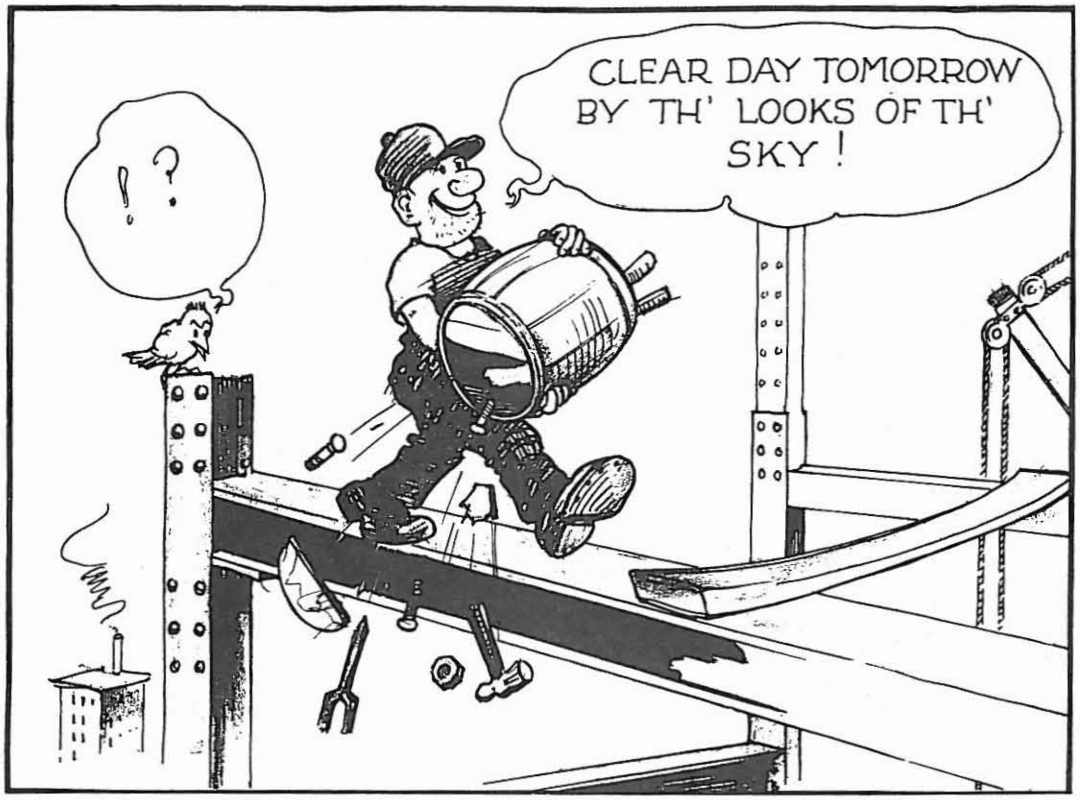
Formerly, when the representative of any leading fire company got a good line on his books, he simply had to call around with his receipts to collect the renewal premium. Those were pleasant days for the lucky agent of a first class company; he could take it easy when in town, or go off for a few weeks shooting or fishing, feeling that business on his books would not be interfered with. A decided change has come over the scene, and the fire man, like his life brother, has to hustle for business or else the 'other fellow' gets ahead of him. All sorts of devices are used to get a desirable line, some of them deserving of condemnation, while others display shrewdness and energy.
(Insurance and Financial Chronicle, March 12, 1928.)

J. W. Binnie, CFUA President, 1929.

In 1926, the Dominion Board of Fire Underwriters was formed on the recommendations of the "Montreal Conference", a meeting in October 1925 of general managers of British companies and chief executives of American companies. The suggestion of a dominion-wide board was first debated in 1883, and members finally recognized it was "desirable in the general interests of Insurance in Canada that a supervisory or controlling Board for the whole Dominion be formed; composed of salaried Officials of Members and that a Special Committee be appointed to draft a Constitution and also consult all Companies and Members of the various Underwriters' Associations in Canada." A constitution was agreed upon and Arthur A. Stead (Secretary of the Western Canada Fire Underwriters' Association) was brought to Montreal to be its manager.

While the association continued to make positive strides in many fields, there remained problems to be resolved, including continued infractions. All sprinklered risk rates were published subject to line limits, with a view to giving a broad distribution with as many companies as possible participating. In 1920, the St. Paul Fire and Marine claimed its volume of premiums on sprinklered business was so trivial that it would no longer observe line limits. The company stated:

In view of the fact that we have derived absolutely no benefit from the rule all the years we have been a member of the Canadian Association, we feel that we will be better off out of the organization than in it. We are firmly convinced that if it comes to a question of membership in the Association and compliance with the Sprinklered Risk rule we will forego the Association.



With the compliments of

The General Accident Assurance Company

OF CANADA

Accident and Sickness, Automobile, Fire

HEAD OFFICE: 357 BAY ST., TORONTO 2.

Burglary, Plate Glass, Electrical Machinery

1926 MAY 1926

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23/30	24/31	25	26	27	28	29

Lyman Root, President of the Sun, wrote a lengthy letter to the Toronto representative of the St. Paul. He provided details of the early experience with sprinklered business, which read in part:

Many years ago, when the Assured were beginning to sprinkler their buildings, a few companies here in Toronto made up their minds that this Sprinklered business would be very desirable to place on their books. They therefore formed a bureau, limiting the membership, I think, to either five or six members. They established their plant, appointed their inspectors, made their own surveys and enjoyed for a time very considerable revenue with very little opposition except from unlicensed Companies. Other Companies were quick to see the advantage these Companies had and took up the matter with them of joining the Pool. The original Pool Companies were somewhat loath to let in other Companies, inasmuch as the business of course at that time was very limited, only a few risks being sprinklered. However, they consented to form a Pool or Bureau, allowing all Companies, members of the CFUA, to join, the absolute understanding being, however, that there would be a line limit, so that all Companies participating in the Sprinklered business would receive a fair amount of the business offering. On no other ground would the original Companies give up their private Bureau. So it was the new Bureau was formed and from that day to this we have gone, until today, of course, there is a very appreciable income from this class of business and it is divided amongst the various offices doing business here and not placed out as reinsurance in England or Russia or Germany or some other place.

The St. Paul responded by quoting the premiums they had received on this class year after year in each province (they were, more often than not, less than $500) and said that, "It is our desire to abide by the rules of any Association that we belong to when we get a square deal. If we cannot get fair treatment, then we will disobey the rules and openly avow it. We can carry on many risks $100,000 net and to say that we shall only keep $20,000 and to cede to companies who do not recognize us at all four-fifths of the time is absurd. We will not do it."

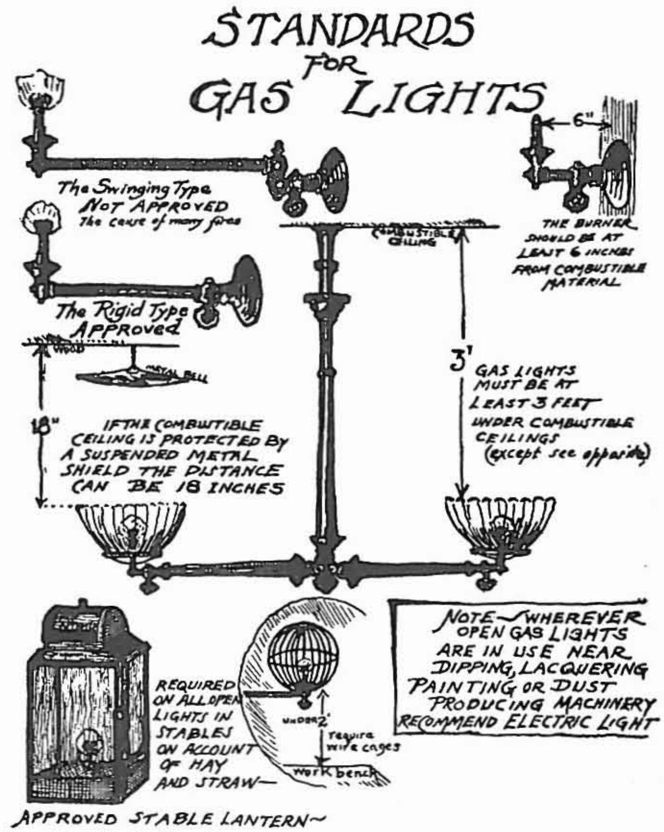
The assembled companies regretted this attitude and hoped a compromise could be reached. But W.E. Baldwin of the Continental was more forthright. He wrote to the manager of the Sprinklered Risks Department: "Re attached line limit declaration. Please do not send us any more of these. We have no intention of signing them while the St. Paul and other Companies are allowed to use the records of the Sprinklered Risks Department without observing the line limits." On receipt of a letter from the manager of the Sprinklered Risks Department, the Continental replied in part:

It will do no harm to have the name of our Office also included as one of those who refuse to make returns while other Companies are excepted from doing so. The annual meeting of the Sprinklered Committee has no terrors for us. When the writer got up and seconded Mr. Root's resolution to discipline this Company, the meeting declined to act but passed the usual vote of censure. Votes of censure did not hurt the offending Company and they will not hurt us. We have no respect for a Board where a Member is allowed to do as he pleases, and the other members, in annual meeting assembled, have not said enough to tell that Company to either adhere to the rules or resign.

The matter remained unresolved until December 1923 when it was determined that the St. Paul, not having complied with CFUA's ruling regarding line limits, should be deprived of rates, inspection reports and other matters applying to sprinklered risks. This seems contrary to the principle that a company could not withdraw from only one department of the association. It was not until 1929 that the full services of the association were restored to the St. Paul and Mercury, when it had pledged its intention to conform with the rules of the CFUA.

Another case that engaged much CFUA time and energy was that of the Niagara (Manager W.E. Findlay) and an agency in Hamilton, Ontario. It was alleged that the company paid this agency commission over and above that permitted by association rules. The member declined to answer the charge. In October 1927, following an interview with the permanent chairman, the company reported that its arrangements with this agency were now in accordance with the rules. Almost immediately afterwards, the company reported it had appointed this Hamilton agent as a Toronto excepted agent. The member refused to cancel the appointment "while the Toronto Commission Rules remained as at present" and it was not until June 1930 that Findlay advised the appointment had been cancelled.

In 1926, the CFUA faced another investigation into its business practices, on this occasion in Superior Court. George Tanguay, an insurance agent or broker in Montreal, claimed that the association was guilty of conspiracy in restraint of trade. He stated that the CFUA, an unincorporated body, enacted rules and regulations providing that no insurance agent licensed under the laws of Quebec was allowed to place



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insurance with the various insurance companies in Montreal without first obtaining permission from the association and the payment of an annual fee. He claimed he was prevented from placing risks with insurance companies in the city as a result of the illegal acts of the defendants. Tanguay was at the time of the action general agent for a non-tariff company. The company had applied to the association for registration, but its application was not acted on because the sponsoring company, learning he was an agent for a non-member company, withdrew its request.

The non-member company referred to was the Maryland which, under the management of Mr. Findlay of the Niagara, was admitted to membership in the association in March 1926, automatically making Tanguay eligible for the services of the latter. The defence claimed there had been no conspiracy in restraint of trade, that the plaintiff suffered no damages, and asked that the action be dismissed with costs. Despite the efforts of at least one prominent Montreal general agent to support Tanguay's case and to harm the stand taken by the association, Mr. Justice Hall ruled the action was not directed against the association itself as a body conducted in violation of the Criminal Code provisions relating to combinations in restraint of trade. It was simply an action in damages against the three defendants named in the suit, viz.–Lewis Lany, president; J.W. Binnie, vice-president and Leonard Howgate, secretary-treasurer of the organization. He concluded:

> In my opinion therefore, the extensive review of jurisprudence on the illegal conspiracies in restraint of trade made by appellant is entirely irrelevant to the present proceedings. The Canadian Fire Underwriters' Association does not come within the purview of Article 498 of the Criminal Code (Surveyor, J.) and is not an illegal association...Admitting everything that appellant has said with regard to the inconvenience he has suffered, there is nothing remotely approaching an illegal conspiracy. The so-called 'tagging' of appellant's policies was, therefore, merely a routine report from office of the Association to the different companies.
> (Insurance and Financial Chronicle, November 1, 1929.)

Problems in the fire insurance industry were not confined to central Canada. The agents in Western Canada had been concerned for some time about what they regarded as unfair competition from the east. In the prairie provinces, a non-intercourse rule was in effect, putting them at a great disadvantage in several respects. An Eastern broker could incorporate a Western Canada risk in a dominion-wide schedule or 'floater' at a rate "not relative to the proper schedule rates averaged over the various locations involved". He could further reduce the cost to the insured by placing part of the schedule with non-tariff companies.

Western companies also complained that their colleagues "write the line in the East without regard for the rights of the agents in this territory and without regard to the maximum brokerage of 10 percent established in our rules". There was no gainsaying the facts; the difficulty was to know how to make amends. The companies did not wish the non-intercourse rule abrogated, nor would they seek to do anything but uphold their Western agents, whose loyalty and sacrifice had made the rule enforceable.

On the other hand, what could be done, short of introducing a non-intercourse rule in the East — where it had long since been tried and found to be utterly impracticable – to prevent Eastern brokers placing lines as seemed expedient to them? Furthermore, in the competition for business, few, if any companies would place much faith in the strict observance of the 10 percent commission rule on the part of their competitors. The problem was passed to a special committee for consideration. On December 4, 1928, a committee from the Western Board came east, by invitation, to confer with the special committee and presented an admirably concise summary of the situation. They then stated the causes of the 'existing evils':

(1)
Disregard of the overhead writing rule and commission regulations of the WCFUA on the part of Eastern Company offices, either through ignorance or willful infractions.

(2)
The second cause, and the more serious one, is the absence of the separation rule (non-intercourse) in Ontario and Quebec. The report read in part:

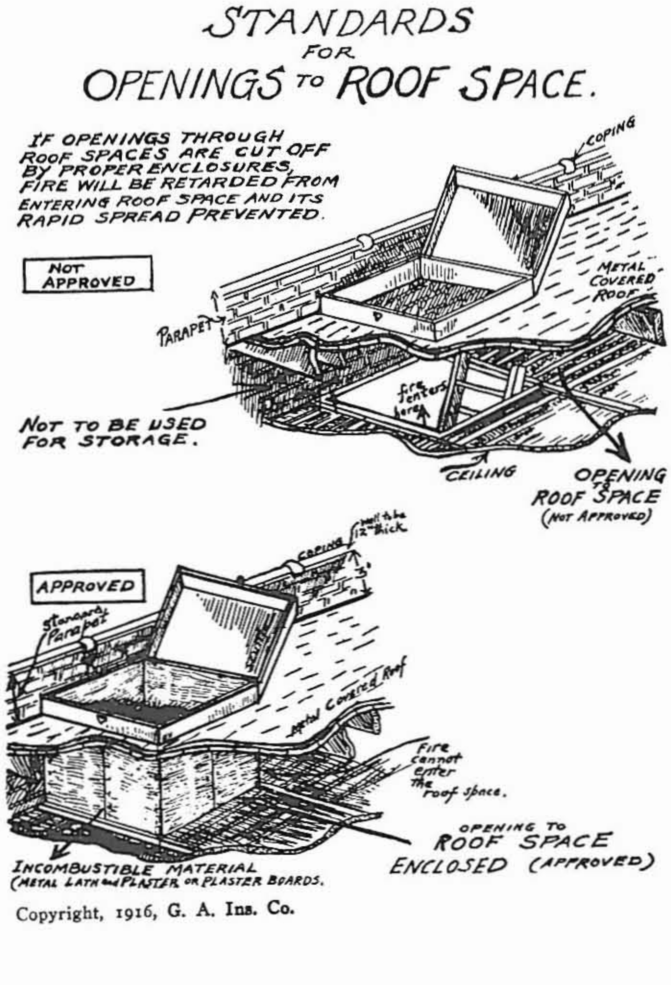
While these two sources of existing evils are matters which primarily affect the Agents, this is distinctly a Company problem, for in the final analysis it is the Companies who are going to suffer if these evils are not remedied. If something is not done, Western Agents in self-defense are going to throw off their obligations to the Companies and demand freedom of action.

The remedies suggested were that Eastern company offices should familiarize themselves with, and absolutely observe, the overhead writing rules and commission regulations of the WCFUA, and secondly, that separation and overhead writing rules in Ontario and Quebec be introduced.

The report referred to work done by Walter Blackburn who in the autumn of 1927, after spending some months in Ontario visiting agents, public officials, insurers, and holding meetings with company inspectors, made suggestions about the best ways of counteracting non-tariff competition, one being the introduction and enforcement of the 'separation rule'. He believed if agents were educated gradually to the acceptance of separation, the rule could be enforced. He suggested the best method of accomplishing separation would be by working in the various cities individually and having the request come from the agents.

The committee was granted the power to add to their number and continued to study the report in an attempt to arrive at solutions.

At the semi-annual meeting in December 1929, a gesture was made; in naming a rate for a schedule having items in another territory the board office was to use the rate applicable and to advise the other offices of the final rate named. There was also this ingenuous paragraph: "The Stamping Departments be instructed that the Brokerage Commission applicable to that portion of the premium which is produced by property in the territory of Western Canada is 10 percent". It may be questioned whether there was ever any hope or even honest intent that these recommendations would have the slightest effect on the evils they were supposed to address.



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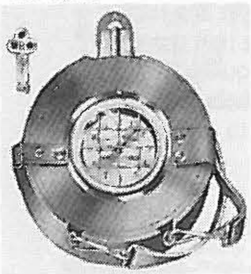
Labelled Oily Waste Can

Safest, cleanest and most convenient. Approved by National Board of Fire Underwriters.

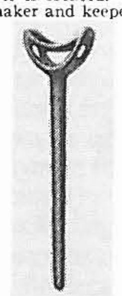
LaFrance Fire Bucket Tank

Contains six fire buckets, each one instantly and automatically available. Clean and reliable protection for store, warehouse or factory in case of fire.

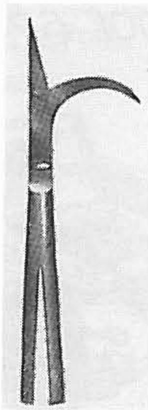


Watchman's Clock

Ensures efficient and regular patrolling of every factory, warehouse, or other industrial establishment in which it is located. A record maker and keeper.

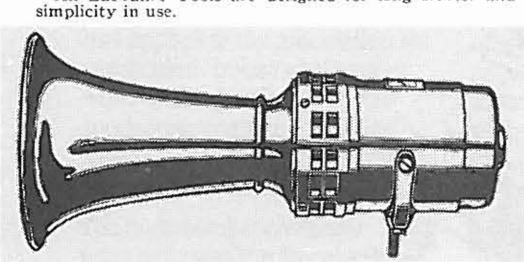


Spanners and Hydrant Wrenches



Pike Poles, Axes and Crowbars

All LaFrance Tools are designed for long service and simplicity in use.



Siren Horns

Well made and in every feature up to LaFrance brand of dependability. Operated by hand or electricity.

Industrial fire-fighting equipment of the early 1920s.

The Electrical Inspection Departments in both provinces continued their good work. The Quebec department had started slowly in the first decade of the century, and had been incorporated on January 1, 1915 as the Canadian Underwriters' Inspection Bureau Ltd. The principal office was located in Montreal, with branches operating in Quebec City, Sherbrooke and Three Rivers. Nearly 300 municipalities received compulsory inspection by the bureau before electrical connections could be made. Inspectors made occasional calls in numerous other towns. Fees charged for certificates allowed the bureau of 29 people to be almost self-sufficient.

Relations with the power companies, the municipalities, fire departments and the Electric Service Commission of Montreal remained excellent. In 1928, the Quebec provincial government passed an act placing inspection of all electrical installations and the approval of all materials and devices used in electrical installations under its control after June 1st. Before third reading, a delegation from the association interviewed Quebec Premier Alexandre Taschereau, and one of his ministers, and was assured that the bill was not intended to do away with the bureau. Shortly afterwards, the government decided there was not room for both of them, and declared the bureau must be abolished. The association attempted to extract some indemnity from the government to provide for the proper disposal of the staff, leases, etc. on such short notice. It is not recorded whether this was entirely successful. The government did take over 14 staff members, while the Chief Electrical Inspector and two other employees were retained by the association. The rest found positions elsewhere.

The Underwriters' Laboratories of Canada was incorporated under a dominion charter on August 15, 1920. For a few months there was some difficulty with regard to the personnel of the directorate. The association insisted the majority should be Canadian and finally won its point. The purposes and objects of the Underwriters' Laboratories of Canada were described in the charter: "To establish and maintain laboratories and an inspection service for the examination and testing of appliances and devices and to enter into contracts with the owners and manufacturers of such appliances and devices respecting the recommendation thereof to insurance organizations and others".

The Underwriters' Laboratories of Canada Inc. reported in 1928 that three inspectors were working full-time, and four outside Toronto on a part-time basis.

The Montreal agency had one full-time inspector and two part-timers. That year, the assocation granted financial support for the establishment of a testing station and laboratory in Canada. The work of the Underwriters' Laboratories included tests such as the following on a fire door:

The object of a fire door is to re-create the walls in a building, where an opening occurs, thereby forming a fire cut-off and confining the fire to the section of the building in which it originated...The Manufacturer sends his door to the Underwriters' Laboratories and it is tested under exactly the same conditions as it would have to withstand in the case of a fire...The fire door is set up in a brick wall which is slung on a travelling crane and this wall is put into a gas furnace and the door is subjected to exactly the same heat and flame conditions that it would have to withstand in a conflagration...After a certain time, which is gauged, approximately, by the time necessary for a standard building to burn, the fire door is taken out on the crane and subjected to a water test from a standard fire hose and if it stands up under this test, as it would have to stand up under ordinary conditions in a fire, it then receives the Underwriters' label, and in order that the public may be assured that every door they buy from the manufacturer will be up to the standard passed by the original door, which has been subjected to the test, every door which the manufacturer makes, is inspected by the Underwriters' Laboratories inspector to see that it is made in exactly the same way and contains exactly the same material which was in the original door submitted to the Underwriters' Laboratories for the test.

(Monetary Times, June 1, 1928.)

Other products tested included sprinkler heads, sprinkler systems, automobile locks, automobile bumpers, roofing materials, fire-proof safes, flooring supplies, electrical equipment and fire hoses.

On March 11, 1927, Alfred William Hadrill died at the age of seventy-eight. Hadrill was one of the most notable figures in the business. He served as secretary of the Montreal Branch of the association from 1883 and had previously been secretary of the Montreal Insurance Exchange. He retired in 1924 with pension from his position as the permanent chairman of the Executive Committee. He consistently acted with perfect impartiality in his dealings with both the public and association members, and had the invaluable qualities of tact and diplomacy. The association recorded in its minutes that, "his devotion to high principle, justness, and uprightness of purpose, carried out with such marked efficiency, secured the respect and personal regard of all Members".

In 1927, Robert Lynch Stailing stated the greatest burden confronting the association was no longer the loss ratio, but the expense ratio:

As late as 1910 the average expense ratio was only about 33 percent. Today it is nearer 43 percent. It is easy to put one's finger on the elements which account for this increased expense ratio, but extremely difficult to control them. It is true that there has been some justifiable increase in commissions, that board dues, salaries, travelling expense, rents and the costs of supplies have increased, but the element which is most largely responsible for the marked increase in expense is taxes. Prior to the Great War the taxes and government fees which the companies had to pay were quite nominal and levied only for the administration expenses of the various insurance departments. Today fire insurance companies are taxed by the Federal Government, the Provincial Government and by many municipalities to an extent of at least 5 percent of their premium income.

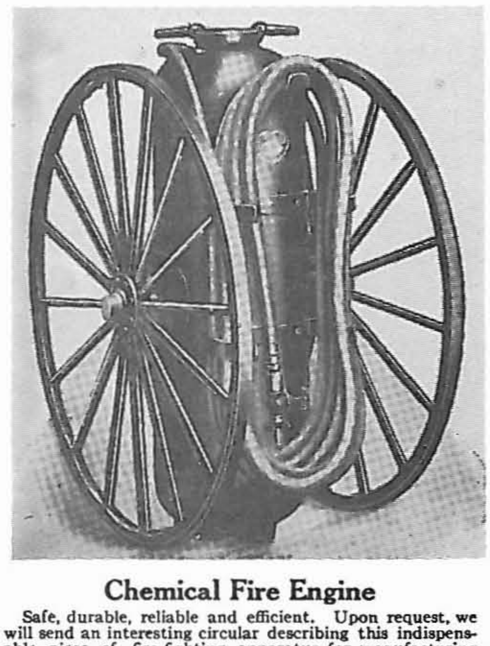
(Monetary Times, July 1, 1927.)

The 1920s constituted an eventful period in the progress of the Canadian Fire Underwriters' Association. Accomplishments included the introduction of general stamping: the formation of the Underwriters' Investigation Bureau, the Dominion Board and the Underwriters' Laboratories of Canada; an increase in membership; simplification of rules: amendment of the Constitution (1929); and a decrease in the average rate of premiums. The Montreal Conference had, temporarily at least, solved commission problems: liaison was established between the two branches by the appointment of John A. Robertson as permanent chairman; a troublesome lawsuit was won; and the inspection departments of the association were enlarged to keep pace with the general growth of the country. In short, the future looked promising for the CFUA.

In assessing the general position of the association at the 46th annual meeting, J.W. Binnie stated:

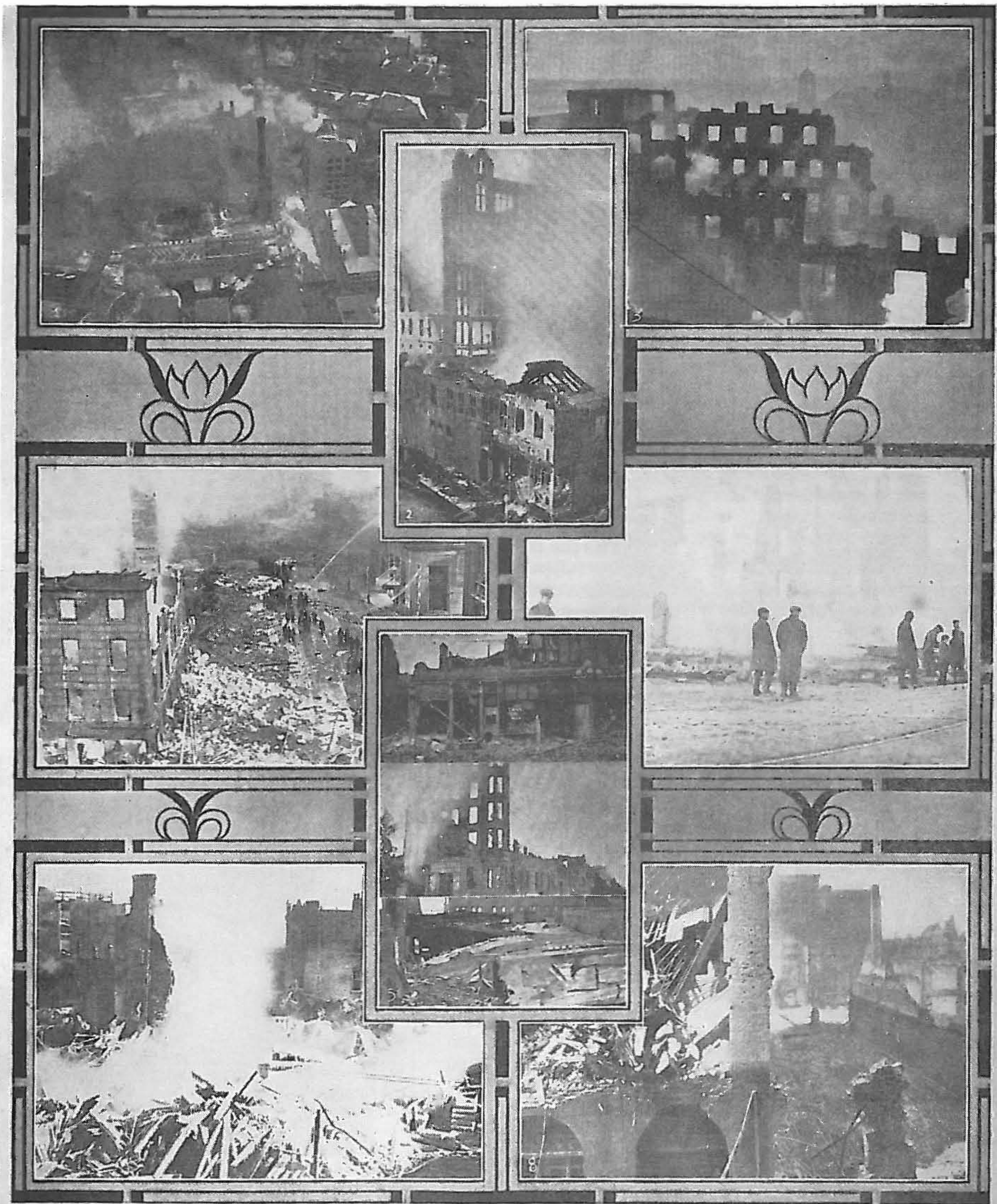
We have been favoured with another year of profitable results as a whole to the Companies and while we may not expect an unbroken continuance of such favourable loss experience, we have every reason to look forward to the future with confidence...May I express a feeling, which I am sure we all share, of cheerfulness and gratitude for continued prosperity and optimism surrounding the business and industrial condition of our country.

These optimistic remarks were delivered in June 1929, only months before the stock market collapse that signalled the beginning of the Great Depression.



Chemical Fire Engine

Safe, durable, reliable and efficient. Upon request, we will send an interesting circular describing this indispensable piece of fire-fighting apparatus for manufacturing plants, railroads, warehouses, public buildings and private property of all kinds.



1. Fire insurance is not enough. The owner's rents do not come in until the property has been rebuilt and re-let.

2. Property is a safe investment only when insured against fire and when it is also protected by a rental value policy.

3. The after-the-fire loss is what rental value covers.

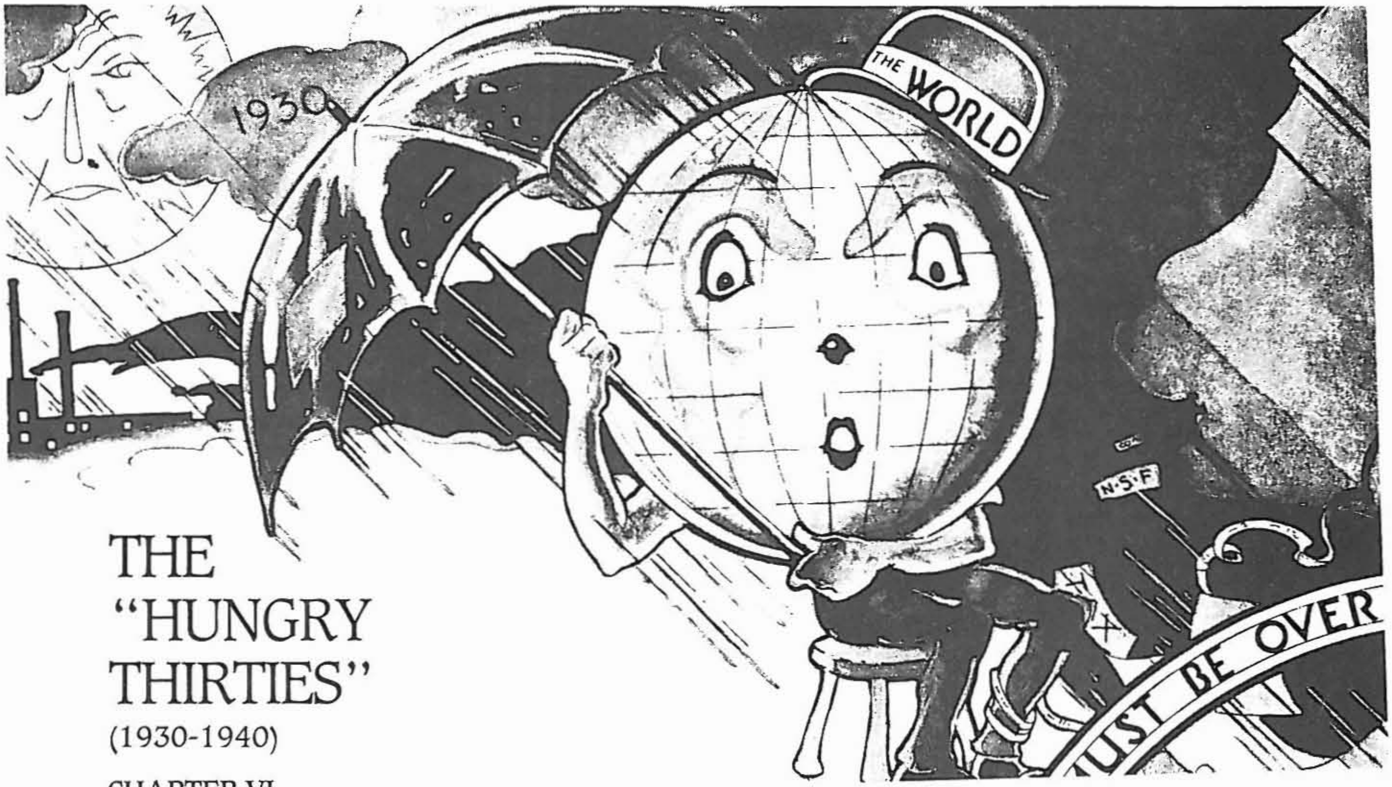
4. Rental coverage is the best safeguard for the property owners.

5. A whole row of properties was wiped out here. It was to be hoped the protection covered all losses up to re-occupancy.

6. The building and its rental income—complete protection.

7. Rental value insurance is the best protection in a case like this.

8. Fire insurance and rental value insurance go hand in hand.



THE "HUNGRY THIRTIES"

(1930-1940)

CHAPTER VI

The 1920s had witnessed a period of unparalleled economic growth in North America as the world rebounded from the horrors of World War I. The members of the Canadian Fire Underwriters' Association shared in the tremendous prosperity of the period, recording their highest premium income in history in 1929 – $27,626,057. But the Wall Street stock market crashed in October 1929, signalling the onset of a world-wide financial collapse. Canada, after sharing in the fruits of a booming economy, was thrust into The Great Depression-...The "Hungry Thirties". People who had money suddenly lost it, and with it went confidence. Industry slowed almost to a standstill, as men and women who lost their jobs through no fault of their own found it virtually impossible to secure other employment.

The Canadian Fire Underwriters' Association also suffered during the depression. Before the decade ended, CFUA would be dissolved and amalgamated with automobile and casualty associations to form the Canadian Underwriters' Association.

In 1930, CFUA President Colin E. Sword (Union of Canton Group) reported the year 1929-30 "had been a peaceful one and that the loss ratio would provide a profit for the Companies as a whole, though less than had been experienced for some years previously" (for now there were a greater number of companies among which to divide the profits). But the Depression years proved to be a trying period for the association. As might be expected, premiums fell rapidly from $27,626,057 in 1929 to $19,396,000 in 1933. The CFUA economized in a number of areas. One measure taken was a five percent reduction in the salaries of the association staff. This was a moderate drop relative to business returns, and not as bad as it seemed, considering the cost of living had also fallen.

The depression had a major impact on the conduct of fire insurance, and the following editorial from the August 26, 1932, edition of the Insurance and Financial Chronicle prescribed some adjustments:

Fire underwriting conditions have changed greatly during the past three years. The depression has taught prudence in the acceptance and the urgent necessity for scrupulously studying the effects of economic reverses and the increase of moral hazard. Responsible executives in home offices are bearing these facts in mind, but they have to depend upon their local agents for a knowledge of the character of the assured, a determination of the proper insurable value of property along with full details as to ownership and other vital considerations...Today the business is being selected with great caution, expenses are kept to a minimum, and losses are scrutinized most carefully. Claims are frequently presented which have resulted from circumstances not within the confines of the policy contract. Reduced values are resulting in over-insurance. New phases of moral hazard have made their appearance; assureds, who in normal times would have never countenanced such proceedings, are now found to be allowing their property to be destroyed for personal gain, and many assureds of favourable reputation find themselves so entangled financially as to permit themselves to resort to devious

Colin E. Sword, CFUA President, 1930.

P. L. Monkman, CFUA President, 1931.

J. H. Riddel, CFUA President, 1932.

> practices. Only too frequently men and women of high character find themselves unable to realize how much their property has shrunk in value – a type most difficult to deal with in a loss adjustment.

During this period the association also had to implement organizational changes to accommodate the growing number of companies (membership in the CFUA increased from 166 in 1929 to 173 in 1930). The association suffered from problems inherent in almost all organizations whose numbers grow beyond effective management. In describing the nature of these problems, Colin E. Sword commented:

> It is of course only natural that a voluntary organization like the CFUA, which has gradually developed over a period of many years to its present size and importance should find itself encumbered by its own rules and regulations. The present system which requires the decisions of one branch or wing of a Committee to be confirmed by the other branch leads to many unfortunate delays and misunderstandings which cause dissatisfaction to Members, loss of prestige with Agents and the public, the actual loss of business...More flexibility in our rates and the simplification of our schedules and greater facility in bringing about changes would be of considerable value in dealing with outside competition.

Sword quoted figures showing that between 1918 and 1929 the number of non-tariff companies operating in the territory had increased from 19 to 41, with a premium income increase of 164.5 percent, while association members' premium income had risen only 46.6 percent.

Sword's solution to the problem of inflexibility was a program of autonomy whereby the association would be subdivided into two regions, Quebec and Ontario, each having full control over its own matters. This major change met with resistance and although its proponents lobbied actively for it, the campaign was abandoned in 1938.

A writer for the **Insurance and Financial Chronicle** suggested CFUA members should put aside their differences and concentrate on developing a new spirit of cooperation.

> Cooperation among stock fire insurance companies should be helpful during these trying times. It should be realized among well managed companies that cooperation rather than unethical competition is the keynote of the problem of stock fire insurance coping with the present depression. In these strenuous times, when companies are frequently confronted with the temptation to do some little unethical act, it should be plainly indicated to the business man that being members of the Canadian Fire Underwriters' Association really means something. None of the fire companies have escaped the effects of a decrease in premium income, a loss increase and an investment income decrease more or less. Discussion of such problems as credit and collections, commissions, etc., continues. It seems of some importance that companies could depend more on the agency force to help them in the present strenuous effort to write business at a profit, by stopping many of the undesirable risks at their sources. Something very tangible is needed to reassure companies that they can depend more on agents to prevent almost certain losses to insurers. The question is whether the fire insurance

business can prove that a house divided against itself can succeed. (August 19, 1932.)

To add to the association's problems, the federal and provincial governments imposed a heavy tax burden at what was clearly an unfortunate time. With premium income declining rapidly, the CFUA decided at a special meeting in 1932 there was no alternative but to increase premium rates. At the Annual Meeting that year, President J.H. Labelle described the exact nature of these taxes:

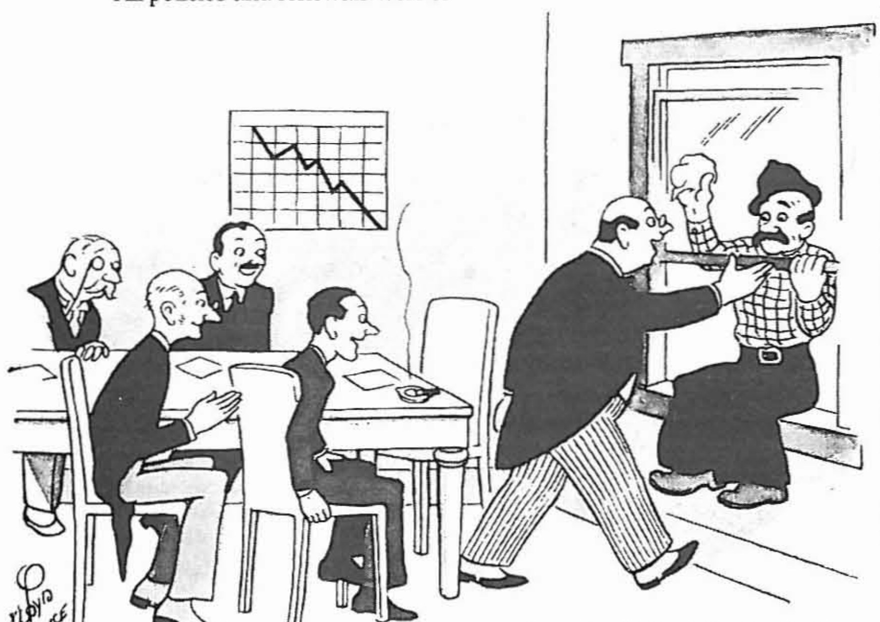
Apart from the substantial advances recently made by nearly every Provincial Government of Canada, the restoration by the Dominion Government of the 1 percent War Tax on premiums has added considerably to our load in this respect. In that connection your Association was successful in negotiating with the Income Tax Commission at Ottawa, an agreement by which in profitable years and under the Income Tax Act, this burden would be limited insofar as British and Foreign Companies are concerned to the taxation of underwriting profits only, i.e. including earnings from income investments.

All policies and renewals were to be issued subject to a surcharge of two percent effective March 1, 1933. This cost would appear as a separate item to show the public the increase was one of taxation and not of rates. As the deadline approached, hundreds – perhaps thousands – of labels to this effect were produced by the Stamping Department. But this proposed measure raised storms of protest from agents' associations and other organizations including the Canadian Manufacturers' Association. Representations by the Canadian Federation of Insurance Agents finally persuaded the companies to abandon the plan in favour of trying to recoup the difference by raising rates on unprofitable classes.

The inability of the association to reduce the cost of operation in proportion to the reduced premiums collected continued for a number of years. One member laid the blame on increased government intervention and the inability to control the commissions paid to agents.

Taxation, from many sources and exorbitant in the aggregate, is beyond our control; and coupled with it are legislative interference and governmental regulations which are costing the Companies thousands of dollars every year, without any real advantage being derived therefrom by the insuring public, from whom must be recovered in the end, this enormous expenditure of time and money. Agents' commissions have been steadily rising from year to year and now represent fully one-half of an average Company's entire 'overhead'. I wish I could offer practical suggestions to overcome these difficulties or minimize their detrimental effects, but the whole problem of acquisition is so involved that it would require the whole-hearted cooperation of every member of this Association as well as the goodwill of the interested agents in open cities which has not been much in evidence. Perhaps the time has arrived to test the possibility of reformation in that regard.

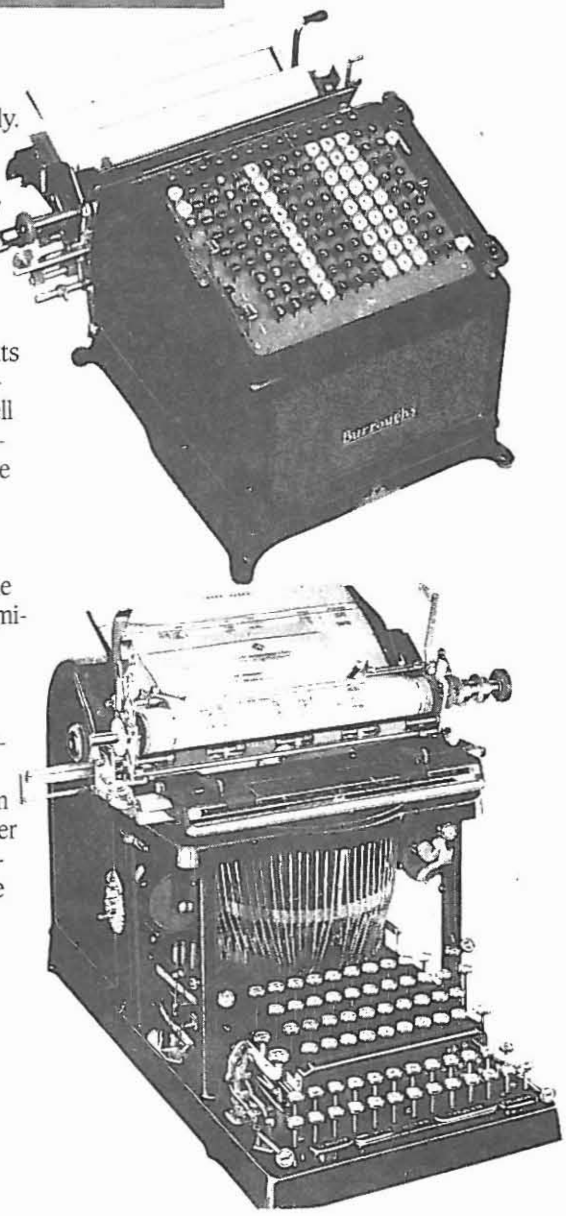
While relations between individual companies and their agents remained quite congenial, those between the association and agencies weren't always harmonious. Agents felt they should be consulted on major policy issues such as the proposed 'tax surcharge', since they were the ones who had to sell the idea to the public. Company managers, however, believed they could run their own business and were determined to do so along lines that seemed most prudent to them. The language of contracts introduced in 1924 assumed the relationship between the company and the agent was like that of master and servant. But this situation changed as agents' organizations began to wield power. One agency informed the companies that if they continued to hold automobile business "tariff" it would be necessary to reduce rates. Companies agreed to a rate reduction to improve the



—Drawn for *Maclean's* by Lloyd Price.

"Congratulations, old man! In lieu of that little account you have against us, we've made you a director of the firm!"

Hollerith punch-card equipment as used in 1931 to mechanize and simplify paperwork.



Two advanced accounting and ledger posting machines current in 1931.

agents' chances. It was a 'no-win' situation. Agents then complained that reduced premiums meant a reduction to their 'take-home' money, and demanded an increase in commissions.

A number of association companies and some legislators believed the commissions paid to agents were disproportionately large charges on the transaction of business; a 30 percent commission rate had to be loaded by 43 percent. Agents' associations countered that the companies, in their anxiety to acquire business, had appointed agents indiscriminantly and used subsidiaries and underwriters' agencies (all colloquially called 'pups') to increase the number of agents – and specifically, high-commissioned agents in the "Excepted" cities. A particularly disgruntled agent declared that an "inquisition would show that they are spending money unnecessarily."

Agents competing with one another often cut corners sharply. A majority of the 'complaints' forwarded to the secretaries for investigation were instigated by agents who claimed business was being stolen from them unfairly by a fellow agent. In cases like these, the Stamping Department benefitted the agents – by preventing unfair competition and discrimination – as well as the companies. One unorthodox transaction picked up by the department during this period concerned general agents in Western Canada agreeing to accept grain at 2 cents above the market price as payment of premiums.

The year 1933 represented a significant landmark in the history of the Canadian Fire Underwriters' Association. Approximately 100 leaders from the industry sat down to a dinner given by the association to celebrate its 50th anniversary at the

Windsor Hotel in Montreal. J.H. Labelle, retiring president, spoke briefly of the beginnings of the organization, paying special tribute to the vision and loyalty of those responsible for bringing it into existence.

Labelle offered interesting comparative statistics to the members:

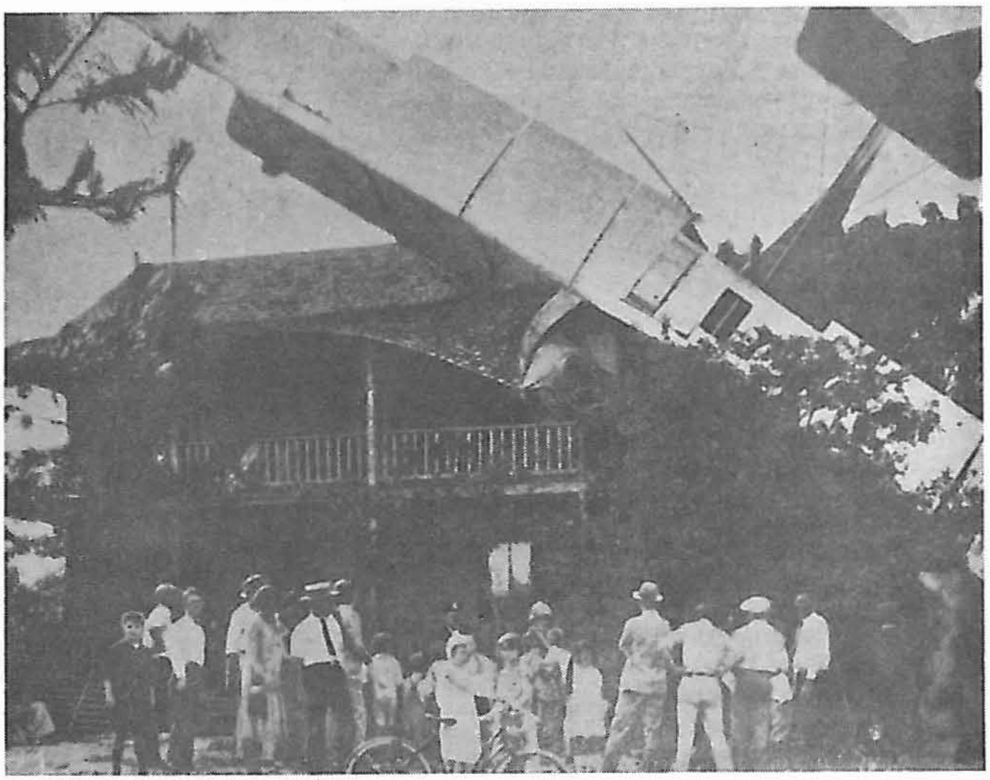
In 1882, the total sums insured by 30 Companies reporting to the Dominion Government amounted to $526,858,478 and the total premiums charged thereon were $4,211,307. In 1932, the amount insured by 240 Companies, of which 174 were members of our Association, aggregated $10,326,272,133 and the premiums reported were $49,199,434. In 1882, the average loss experience was 63.01 percent, but as the Companies were then operating at an average expense ratio of approximately 26 percent, the net result of the year's trading was considerably better than it would appear at first sight to those accustomed to present day costs of acquisition. And yet our predecessors were, even then, concerned with what the retiring President in 1887 (G.F.C. Smith) referred to as "the growing tendency to pay the high commissions" in connection with which he observed that "unless the evil can be checked it will go far to nullify the advantage of the modest advance in rates." One wonders today if he could see our present level of acquisition costs, and what steps he would counsel to meet the situation which we are now compelled to face.

(Insurance and Financial Chronicle, June 30, 1933.)

During this period the problem of commissions remained important, and even played a role in the movement toward amalgamation in 1935. Excess commissions continued to be paid, with Quebec emerging as a definite trouble spot. In 1935, thirty-three companies under investigation in the province admitted to having allowed remuneration greater than that permitted under the rules, but gave solid assurances that all such arrangements had been cancelled. In order to avoid future loopholes, inquiries went to all head offices, branch offices and provincial agents.

One head office manager refused to reply for some time on the grounds that his branch office in Montreal had already done so. After considerable correspondence, he wrote that his branch manager had advised him all irregular arrangements had been cancelled on February 28th. This was surprising because the branch manager had previously declared no such improper arrangements existed.

Occasionally solutions to complex problems gave rise to new, unanticipated headaches. For example, rules permitting excepted agents in Toronto and Montreal sometimes led to other infractions. Companies having two excepted agents in Toronto cast about for some means of getting a share of the business controlled by other large agencies. They were able to achieve this on only a small scale because these agencies naturally placed most of their



In 1930, property damage resulting from aircraft collision was a relatively new concern to underwriters.

business with companies that had given them appointments permitting high commissions. In order to get a share of the business, many companies brought in subsidiary companies that could legitimately pay these agents 'excepted terms'.

More and more business came to companies at high rates of commission and these excepted agents, through their greater financial strength, were able to take business from local agents in other places. This meant that where companies had been getting a line at 15 percent on a factory in, say, Hamilton through a local agent, it would now have to pay a Toronto agent 30 percent (perhaps more) for the same line. The companies opposed this, but the situation, unforeseen when the rules were made, had evolved quite naturally.

The Western agents had agitated for some time for a non-intercourse or agency separation rule. So far they had been held off with promises and an occasional ineffective gesture. It now became evident that members of the association must themselves be tariff for all classes before an agency separation rule could be implemented. (Some members of the CFUA were non-tariff for casualty or automobile business). Hence, pressure increased for the 'In-One-In-All' rule. This, rule, as its name implies, required that a company must belong to the Dominion Board and to all tariff associations in any territory in which it operated.

At the 49th annual meeting in 1932, President J.H. Riddell (Eagle Star) laid the problems confronting the association on the line. He stressed that one of the most important matters before the association was the adoption of a non-intercourse rule. Two important and inter-related points were that companies should operate on a tariff basis for all classes of business which they transacted throughout the Dominion and that the commissions in excepted cities should be limited and controlled. He continued:

> The introduction of such a rule is largely bound up with the question of commission and, while this Association is entering it and has for the past forty-nine years argued about commissions, it would seem a reasonable request that members make a determined effort not only to correct existing commission evils but to control commissions paid in Excepted Cities. It is well known that commissions are being paid in Excepted Cities which are excessive and I would suggest that this Association take the lead and place a limit or control on commissions in Excepted Cities....

The principle of non-intercourse or separation was approved in December 1931, when association members voted overwhelmingly that any company involved in one Canadian tariff organization subscribe to membership in all. At a semi-annual meeting in December 1933, the matter was brought to a head by a nearly unanimous vote that stipulated unless members of the CFUA – those who were not yet members of all tariff associations where the companies operated – came into line by March 1934, their membership in the association would cease automatically. This brought to light a number of grievances not only about practices in other associations, but in the CFUA itself.

A practices committee was appointed to investigate these

J. H. Labelle, CFUA President, 1933.

W. R. Houghton, CFUA President, 1934.

W. E. Findlay, last CFUA President, 1935.

grievances. Some reasons forwarded by members for not joining included:

– lack of observation of commission rules in all three organizations (automobile, casualty and fire);

– inadequate means of enforcing rules;

– too much committee rating;

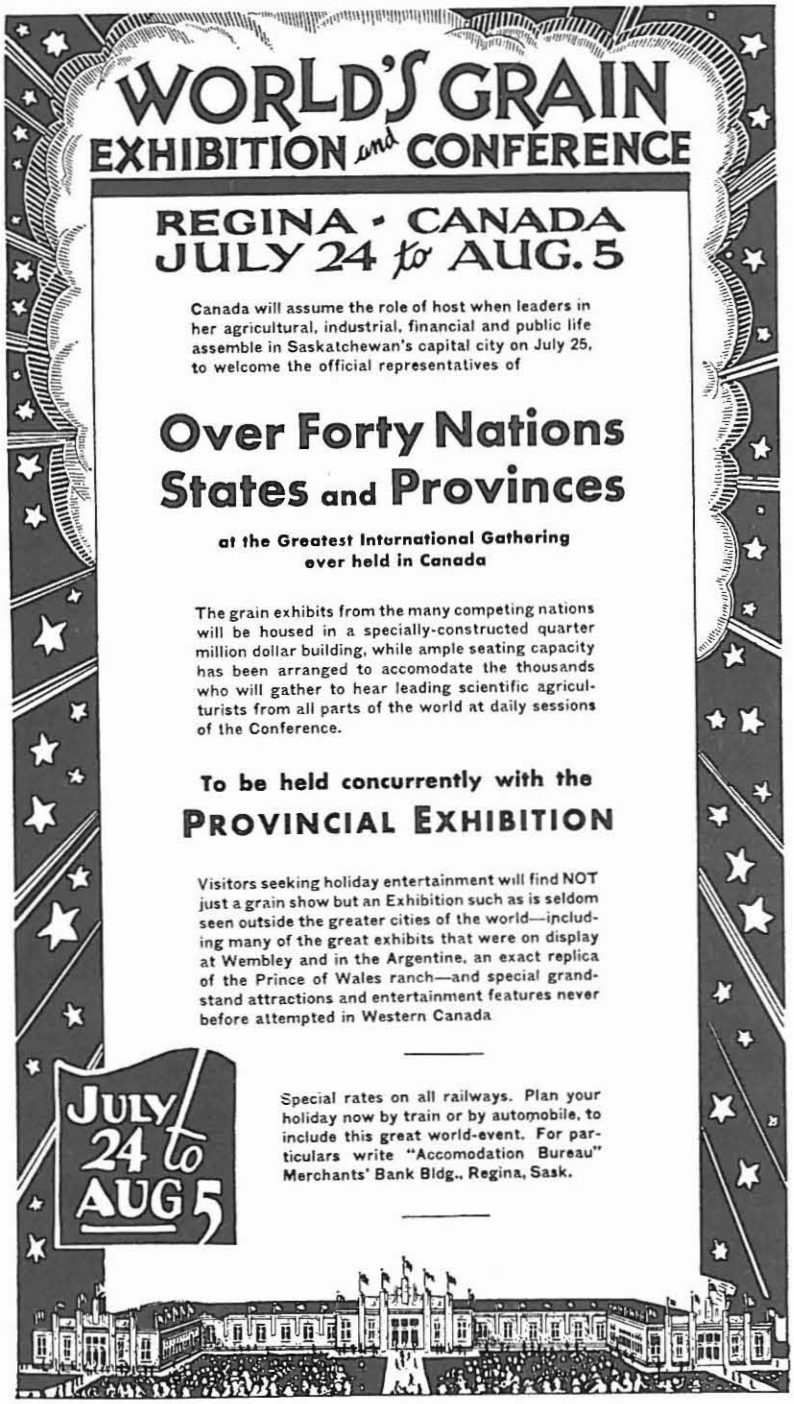
– too frequent use of merit or equity rating.

An editorial carried in the April 5, 1935 edition of the Insurance and Financial Chronicle explained the need for the formulation of a separation rule in the industry:

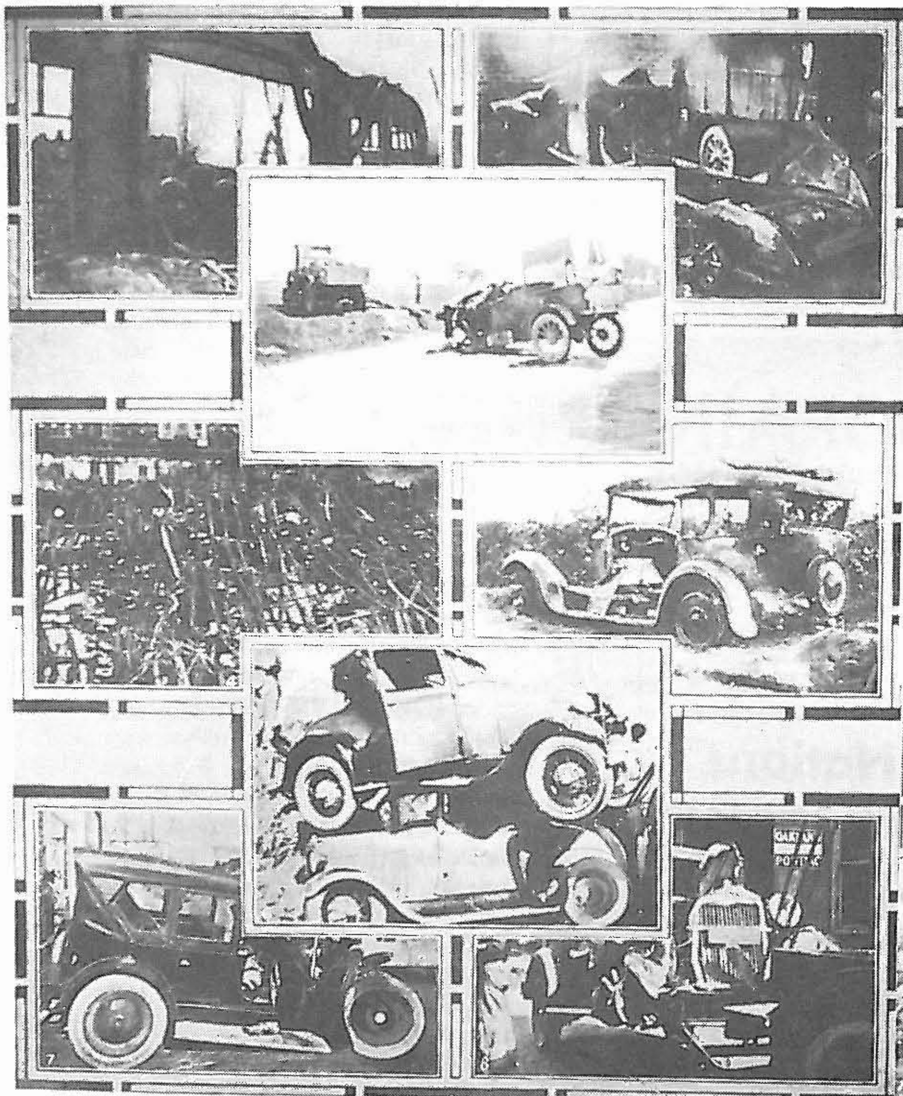
The Separation Rule is already in effect in all Provinces in Canada excepting Ontario and Quebec, and has been for some years. What the Companies aim to do is make the Separation Rule uniform throughout Canada by giving effect thereto in Ontario and Quebec. It is most unreasonable that the Board Companies should assume the expense attached to the naming of rates, preparing of maps, and other information that is required in sound underwriting, and at the same time permit Companies outside of the Association to benefit thereby without contributing any portion of the cost.

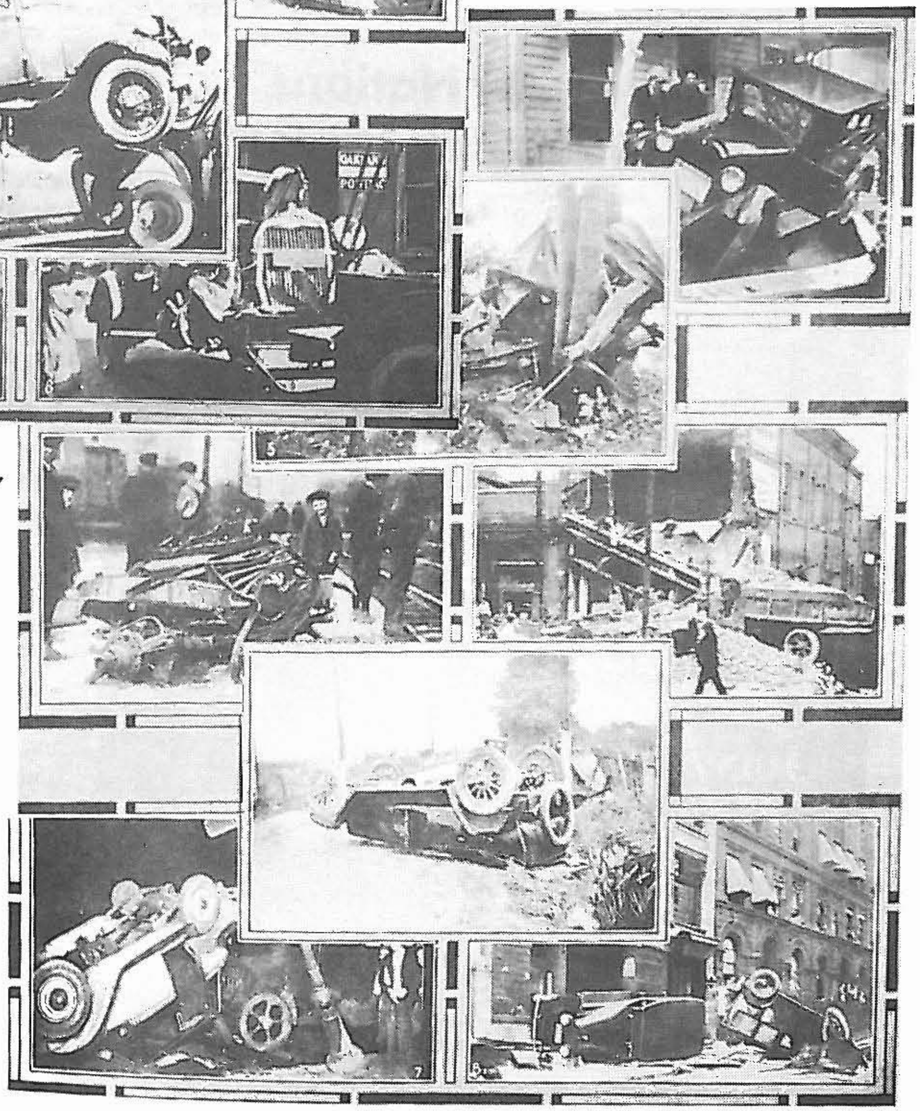
The implementation of such a rule required changes on two levels. First, the companies had to decide whether they would be tariff or non-tariff for all classes of the business they wrote. "It is without the realm of reason that any Company should 'run with the hare and hunt with the hounds'." Second, agents would have to choose whether they would support those companies providing them with rates, maps and other underwriting information, or represent companies that did not cooperate by paying their share of the expenses incurred.

At the 52nd annual meeting in 1935, President W.E. Findlay reported that as of March 1, 1935, nineteen companies had forfeited their memberships under the eligibility rule (also known as the In-One-In-All). But, instructed by the executive committee, he had written all of them asking that they reconsider their position. Consequently, only four companies (three of which were members of one group) did not fall into line. With membership in all tariff associations guaranteed,



The Regina World Grain Fair, 1933 was an outstanding Canadian event during the Great Depression.





"Automobile insurance is cheap in the long run"
– 1930 caption.

the ground had been prepared for an amalgamation of the fire, automobile and casualty organizations. A constitution for the new body, tentatively called the Eastern Canada Insurance Underwriters' Association, was drawn up with an agency separation rule.

In briefly reflecting on the progress of the Association on the eve of the amalgamation, Findlay commented:

> Considerable progress has been made in bringing about a better observance of commission rules, and it is very encouraging to find the Companies ready to cooperate in this respect. The conditions that have existed in the agency field have been the result of Company fleets, unequal commissions, lack of limitations of commission rates in "excepted" cities, particularly without regard to location of risk, Companies being tariff in Fire and/or tariff in Casualty and/or Automobile, and a general drifting policy over a period of years, without adequate disciplinary rules in our Constitution and By-Laws... We must at all times have the courage and steadfastness to attack at their roots the disturbing influences that are responsible for unethical practices, and the mistrust as between Companies that has clouded the atmosphere. In this way only, in the interest of all our members, and by being careful in the adoption of rules, regulations and resolutions, and then be firm in giving effect thereto, can we accomplish the aims and objects of our Association. Weakness in carrying out a program discredits our Association with Company members and agents alike, and makes constructive efforts more difficult.

In order to function more effectively in a severely depressed market, the fire, automobile and casualty associations were dissolved and replaced with a general organization called the Canadian Underwriters' Association. The new association was made up of the three branches previously mentioned, which maintained jurisdiction over the same geographical area as their predecessors. Automobile and casualty associations had their own history and development which should be summarized in order to understand their role in the newly-formed organization.

As various classes of insurance — burglary, plate glass, automobile, guarantee bonds, etc. — were introduced into the industry, separate organizations were formed in Toronto, Montreal and Winnipeg for each of these classes of business.

In May 1923, representatives of seven organizations gathered in Montreal and surrendered their authority to form the Canadian Casualty Underwriters' Association with control over the whole of Canada. Representatives had resolved earlier that the aim of the association would be ultimately to adopt a procedure similar to that taken by the Accident Offices Assurance of London and the National Bureau of Casualty and Surety Underwriters of New York, in the appointment of a permanent chairman or general manager. Some objected on the grounds of expense but it was finally decided that the appointee would have charge of both the casualty and the automobile associations. V. Evan Gray, previously Superintendent of Insurance for Ontario, was chosen for the job.

In 1925, the Canadian Boiler and Machinery Underwriters' Association entered into an agreement to use the services of the permanent officers of the organization and to share the expense of the joint offices on a pro-rata basis, according to premium income. In 1926, the apportionment of the divisible expenses was: automobile 30.5 percent, boiler 4.06 percent and casualty nearly 66 percent. By 1930, this trend had changed as the automobile association came to make the major contribution.

The Eastern Automobile Underwriters' Association was formed in June 1915. It underwent reorganization and a name change in 1919 when it became the Canadian Automobile Underwriters' Association with jurisdiction over Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. In 1922, the president of the association, Mr. Perry, stated (apropos of the adoption of statutory conditions by the Ontario Legislature during the year) that:

> Although this form of insurance has been undertaken here for many years, this is the first Act which shall govern the conduct of Automobile Insurance, and the almost complete absence of friction which has hitherto existed between the Insureds is in itself a compliment to the automobile owners as a class and the Companies which have insured the many risks associated with the automobiles.

FIFTY YEARS AGO
From The Chronicle Files

"A Fire Agent's lot is not a happy one," was the caption under which the comical Callingham caroled a canto at the banquet of the Pacific Coast Underwriters. This was how he put it:—

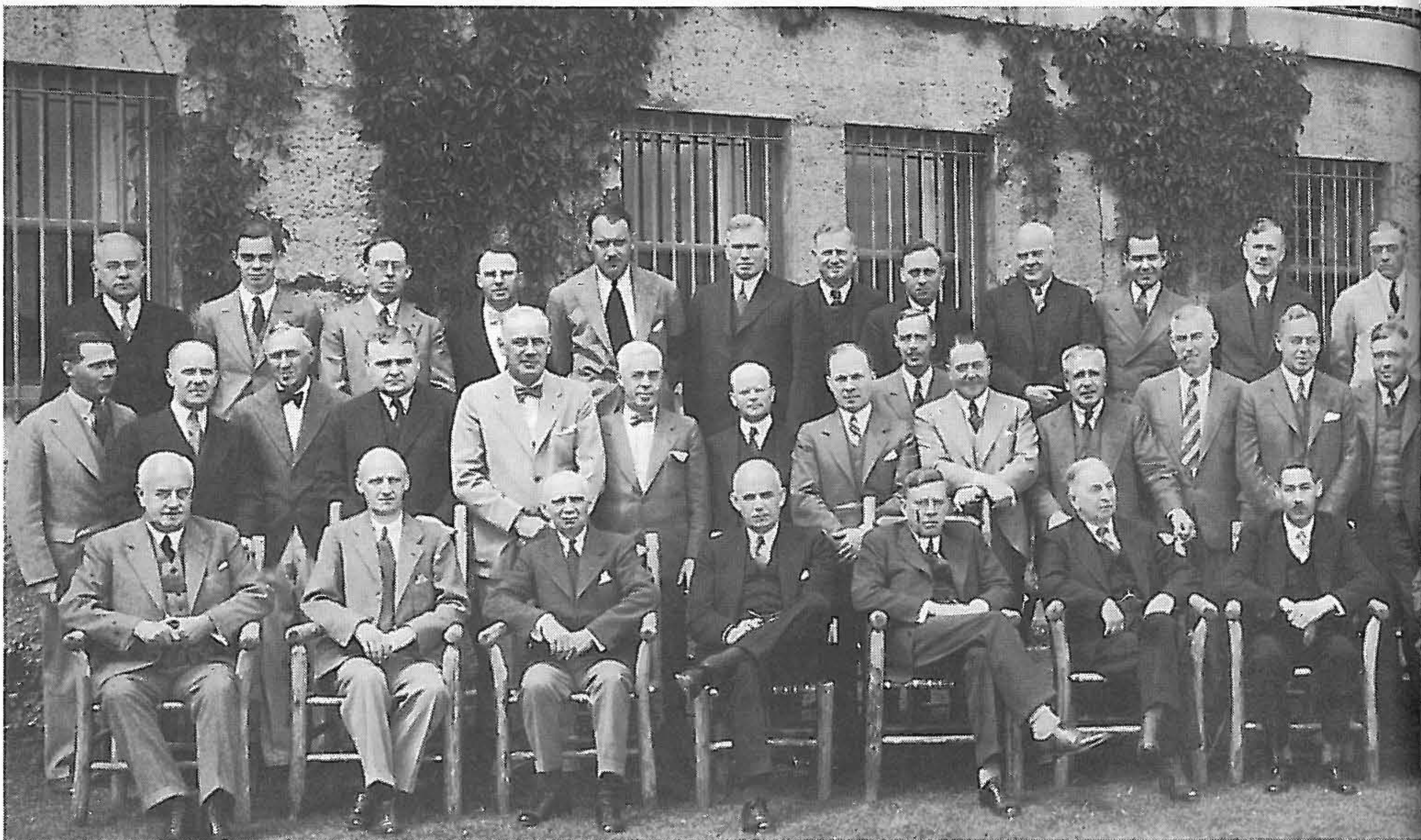
When the bold incendiary's not a firing,
Or maturing his arsonous little schemes,
The milliner her window is attiring,
With her "flimsies" close to where the gas jet gleams;
Our feelings we with difficulty smother,
When settling gouging claims has to be done,
Ah! take one consideration with another,
A fire agent's lot is not a happy one.

When the housemaid's not a shooting burning ashes
In the wooden box beside the kitchen wall,
The rat with sharp incisors munches matches,
Or traps the pewter gas-pipe in the hall.
Our feelings we with difficulty smother,
When the gold-fish globe makes mischief with the sun;
Ah! take one consideration with another,
A fire agent's lot is not a happy one.

When the "broker" pits one office 'gainst another,
And the bad pay man would settle up next day,
Let us look upon each agent as a brother,
And charity and sympathy display.
Our feelings then we shall not heed to smother,
Let "live and let live" govern every one;
Ah! with more consideration for each other,
A fire agent's lot may be a happy one.

The above would seem to indicate that conditions in fire insurance "Fifty Years Ago" resemble those of 1931.

Insurance humour, from the Insurance and Financial Chronicle, 1931.

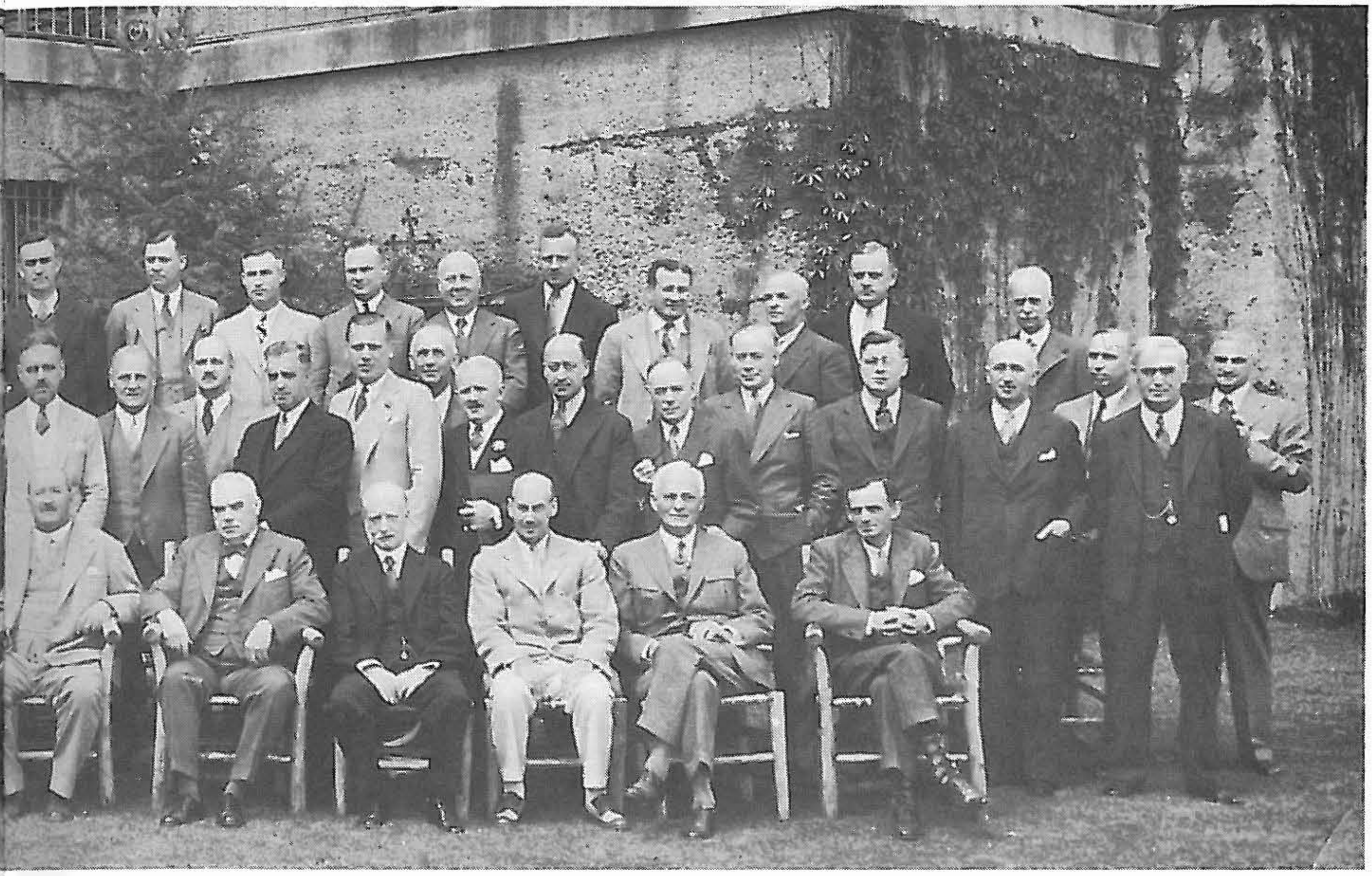


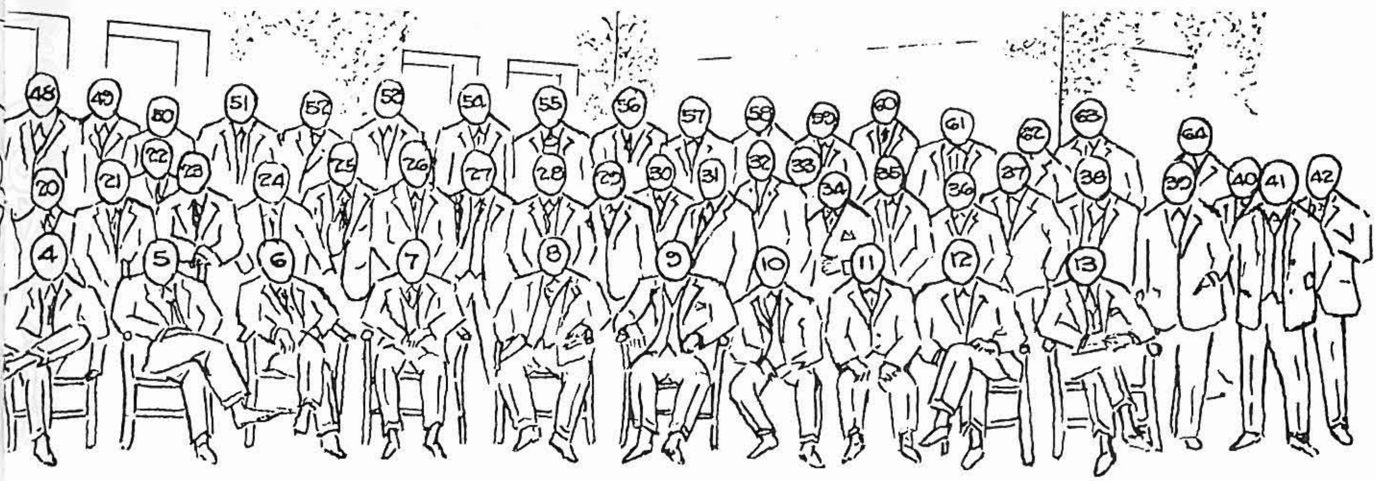
Canadian Fire Underwriters' Association, Fifty-First Annual Meeting, Manor Richelieu, Murray Bay, Quebec, June 19–20, 1934.

The need for an association was evident. But it was difficult in those early days to keep pace with events, perhaps because of the rapid increase in the number of cars. Proper statistics were of paramount importance. In 1916, 120,000 cars were registered with provincial governments. This number increased to 400,000 in 1921 and nearly 837,000 in 1926. Early in the 1920s, car theft had become such a problem that the Merchant's Association of Montreal suggested the formation of an Automobile Theft Bureau which began operations about three years later.

Competition in the automobile insurance industry became so intense that many companies left the association and wrote business at rates based on guesswork. Although the casualty association opened a proper statistical bureau in 1925, the information fed it by companies still in the association was insufficient as a base. Not until 1928 could Evan Gray suggest that cooperation among the automobile underwriters had been restored to an effective level. These chaotic conditions prompted the Ontario government to appoint a Royal Commission in February 1929 to examine automobile insurance rates. A year later the commissioner, the Hon. Mr. Justice Hodgins, issued his report. W.H. Burgess (president of the association), commented rather pessimistically on the document:

The outstanding event of the year was the release...of the final report of Mr. Justice Hodgins in connection with the reasonableness of the automobile rates in Ontario. The report was altogether unfavourable to the Companies, containing some strictures on their rates and rating methods and definitely recommended...the vesting of authority in the Superintendent of Insurance to approve or disapprove of filed rates ...after weeks of almost continuous labour your Officers and Executive





1 Leonard Howgate — Secretary Montreal
2 Colin E. Sword — President 1929-1930 — Union of Canton
3 J W Binnie — President 1928-1929 — Union of Canton
4 John Jenkins. President 1921-1922 — Employers Liability
5 W E Baldwin — President 1923-1924 — Continental
6 W E Findlay — President 1934-1935 — Springfield
7 W. R Houghton — President 1933-1934 — London & Lancashire
8 J. B Patterson — President 1924-1925 — Phoenix of London (Retired
9 J. H. Labelle — President 1932-1933 — Royal
10 Lewis Laing — President 1926-1927 — Liverpool & London & Globe
11 J. H Riddel — President 1931-1932 — Engle Star & British Dom
12 Col LeGrand Reed — Pacific Coast Century
13 A W Goddard — Secretary. Toronto
14 A Samoisette — Phenix of Paris
15 C S Freeman — Ocean
16 H. F Roden — Commercial Union
17 F. J. Knox — Canadian
18 J. Rose Stewart — Aetna
19 C E Sanders — Atlas
20 H A Joselin — New York Underᵗ
21 F E Dufty — Yorkshire
22 Douglas Cownie — Caledonian
23 Edward J. Kay — North British & Merc
24 John Holroyde — Commercial Union
25 Robert Lynch Stailing — Sun
26 C Stuart Malcolm — Royal Exchange
27 C. W C Tyre — Phoenix of London
28 C. H. Hanson — Glens Falls
29 Wm. Lowrie — Phoenix of London
30 A. H S. Stead — Dominion Board
31 D. K MacDonald — Guildhall
32 H. C Mills — North America
33 H N DeWitt — Anglo Scottish
34 C. J R. Coyle — London Assurance
35 E E Kenyon — Alliance of London
36 Geo. W Pacaud — Tokio
37 Kenneth Thom — Western
38 Adam McBride — Great American
39 Alex Hurry — Northern
40 J Victor Owen — Guardian
41 Geo. C Francis — Sprinklered Risk Dept
42 E A Long — Underwriters' Survey Bureau
43 J. A Malo — Home
44 J. Malo, Jr — Visitor
45 B W Ballard — Hartford
46 J. P. A. Gagnon — Union of Paris
47 G. LeBlanc — Anglo Scottish
48 A J. Mylrea — Pacific Coast Century
49 F W Lamont — Norwich Union
50 K M Sabiston — Canadian Surety
51 J W Price — North America
52 R. S. Thorp — Prudential
53 John Calverley — Travelers
54 Robert D. Safford — Travelers
55 Henry Parker — Sun
56 W. G. Drysdale — Sea
57 C J Malcolm — Aetna
58 Lawson T Hargreaves — Pearl
59 Wm Thompson — Security
60 S. M Elliott — Phoenix of Hartford
61 A S. Booth — London & Lancashire
62 G. H Henderson — Quebec Fire
63 A M Vallance — Phoenix of Hartford
64 C. S. Scofield — Sprinklered Risk Dept.

Committee were successful in persuading the Government not to adopt the recommendation with respect to supervision of rates and to leave the function of rate-making with the Companies, where it properly belongs...One lesson, I trust, that we have all learned out of this rates investigation and its subsequent ramifications is that if we would avoid unfair criticism and gain the support of the insuring public we must take it into our confidence and, by proper publicity of actual experience, prepare the public mind as well as supervising officials for the necessary changes.

The commissioner was, however, more critical of those deficiencies which the association itself had identified and had already begun to rectify. In the concluding paragraphs of his report, Justice Hodgins stated:

It is to the Canadian Automobile Underwriters' Association that I look for the most effective aid in the direction I have indicated. I think, from my experience as Commissioner in the Enquiry, I can thoroughly agree that the commendation of the Canadian Fire Underwriters' Association by Mr. Justice Masten in his report of 1919, might well be applied to the Canadian Automobile Underwriters' Association...His words were that the operations of such an Association 'have been and are to the advantage of and in the interest of the public, and that such a combination tends strongly to maintain the solvency of the Companies, to stabilize rates, to eliminate discrimination, and assist in controlling the expense of carrying on the business', and that 'it ought not to be abolished or hampered in its legitimate work, but, being a combination, ought to be fully subject to supervision and control by the State.' Although throughout my Report I have indicated matters where I think the Canadian Automobile Underwriters' Association has, in some measure failed to live up to its standards, the fact that I consider its assistance in improving conditions of the first importance, indicates my belief in its influence and purposes.

The unsatisfactory state of the automobile insurance industry between 1923 and 1928 also had a disturbing influence on the casualty association. Prior to Mr. Justice Hodgin's Commission, the associated companies had taken steps to correct the conditions for which they were later criticized.

The most important of these was the formation of a proper statistical bureau by the casualty association in 1925, under the management of C.H. Frederickson, who was made actuary for the association one year later. The government of Ontario appointed this bureau in 1930 to compile statistical data, both tariff and non-tariff.

Evan Gray remained the permanent chairman of the associations for nearly five years. He resigned on December 31, 1928 but was retained as association counsel for a few years, then resigned again to allow himself greater freedom in accepting briefs. During the vacancy of the office (it was never filled again) the secretaries, J.H. King and R.N. Cornish, carried on under the guidance of the executive committees.

In 1925, 46 companies had joined the association and recruiting efforts continued. By 1934, the number had risen to 57 and, largely through the work of A.H.S. Stead, manager of the Dominion Board, 65 members were counted at the time of the last meeting, in 1935. Until 1930, the premium income boasted a sharp increase every year. In order to provide better service to the Western territory, R.J. Parker was appointed in 1926 to a Winnipeg office as a Western correspondent of the casualty association and in 1930, H.G.M. Wilson was appointed British Columbia correspondent.

The 1920 national premium income of approximately $10 million had more than doubled to over $20 million by 1929. In 1929, the associated companies received 74 percent of the total income. Although several strong companies had not yet joined, the tariff loss ratio was usually better than that of its non-tariff competitors. The crash caused the volume of premiums to fall off dramatically in 1930 and this downward trend was hastened by the gradual elimination by the provinces of Workmen's Compensation as a subject of insurance.

The depression precipitated an increase in crime that had interesting repercussions for the industry. In 1934, President H.W. Falconer stated:

Crimes of all types, during the past year, have shown an alarming increase...This has resulted in an increased demand for Burglary and Theft Insurance and this Branch of our business is one which will show a most satisfactory growth in the coming years.

At the same time Mr. Wilson wrote from Vancouver that:

The plight of Companies writing Burglary Insurance in Vancouver is almost desperate. Economic conditions in Western Canada have made Vancouver a concentration point for many undesirables...The recent Annual Reports of the Chief Constable have shown a progressive increase in the number of burglaries and in the value of the loot.

He found recoveries by companies of stolen goods to be negligible as both companies and insured found it difficult to identify stolen articles and he explained that, "Some insureds perhaps could but, having received the insurance money, prefer not to do so."

These associations seem to have been relatively free from serious infractions of tariff rules. One explanation might be that business was coming in too rapidly for unfair competition to be of any importance. When Mr. Gray assumed office he found a great deal of suspicion among the members. When the Infractions Committee was abolished and all such matters put entirely into his hands, the atmosphere of mistrust was allayed. Gray claimed many suspicions were unfounded and the infractions that were the result of errors had been corrected immediately. In cases of deliberate violation, the rules of the association had been strictly administered. He said that during his term of office he often had occasion to consider whether the strict maintenance of the infraction rules was an advantage or a disadvantage. Gray concluded: "Even when the enforcement of these rules arouses hostility (as it usually does) there can be no choice, at least for the officers of the Association, in the maintenance and enforcement of the rules."

Gray was, however, critical of the lack of cooperation given the statistical department. Some casualty men, particularly those in companies specializing in fire, were highly jealous of any knowledge they possessed, and regarded with apprehension any request to share it. Gray said that committees had been kept waiting for weeks for important data that could have been produced in a short time if department managers had regarded the matter of sufficient importance. In explaining the ramifications of such actions, Gray stated:

I mention one case only, namely the call for experience on residence burglary policies. Weeks and months of delay and repeated entreaties by the Statistician have failed to produce the required information from important Companies which enjoy a reputation for efficient office organization. This delay is not only handicapping the work of the Association but it is costing the Companies money through their failure to secure prompt and adequate rate readjustments or modifications of underwriting plans, justified or warranted by the experience records.

These associations were just beginning to recover from the depression when, under the presidency of Alex Hurry in 1935, they voted for dissolution to merge into the Canadian Underwriters' Association.

The new association came into existence on November 1, 1936.

Tragically reminded of the menace to life of old and highly combustible structures, the recent fire in the Queen Hotel, Halifax, N.S., shocked all Canada with its toll of 28 lives and extensive property loss.

* * *

Better construction and greater vigilance in fire preventive measures in older buildings is the challenge constantly facing Insurance Agents, and their Associations, in every City and Town in Canada against a repitition of such tragedy.

—Photo by courtesy of The Halifax Herald.

John Holroyde (Commercial Union) served as its first president and inspired such confidence that he was retained in the post for two terms. The objects of the Canadian Underwriters' Association as embodied in the new constitution were as follows:

...to promote a high ethical standard in the insurance field, to develop public confidence and respect, to support sound principles, and to maintain security of business. Included under these general aims are such purposes as the making and maintenance of rates, regulation of compensation and of agency appointments and prevention of rebating. Benefits are to accrue to members only, and those withdrawing from the Association must return all rating material, maps, plans, etc. ...As the Association is affiliated with and under the jurisdiction of the Dominion Board of Insurance Underwriters', members of the Association must be members of the Dominion Board in the territory in which the member transacts business. Expenses of the Association will be met pro-rata by assessments on the fire, casualty and automobile branches, in the proportion that net premiums bear to aggregate net premium.
(Insurance and Financial Chronicle, June 12, 1936.)

The high hopes initially held for the new organization were not entirely realized in the first years of its operation. Major difficulties surfaced and for a time the disturbing effects of the depression, and later the Second World War, kept morale low. Despite hard times, there were some achievements to be applauded, one being the reorganization of the offices.

Any merger presents staff problems arising from superfluous personnel and questions of seniority. The need to reduce the administrative expenses and duplication of services was an important issue in the merger. The difficult and thankless task of eliminating redundant positions and reorganizing the association fell upon the Finance and Office Management Committee. Its task was complicated by several sudden deaths and illnesses.

R.N. Cornish, previously secretary of the Casualty and Automobile Associations in Montreal, had been secretary of the Montreal Fire Office for only a week, when he died of heart failure and was replaced by A. Leslie Ham of the Dominion Board. J.J. O'Brien, secretary of the Toronto office had scarcely assumed the post when Mr. Goddard, secretary of the Fire Branch, became ill and had to be granted a long leave of absence, culminating in his retirement. To assist in the reorganization of the association, L.T. Chadwick was borrowed from the Winnipeg Board to act temporarily as manager of the whole association. Some two-and-a-half months later in January 1936, he died tragically in a Montreal hotel fire.

Despite this trying situation, the chairman of the committee reported one year later that the task of reorganization had been successfully completed. Structural changes had improved the offices, and steel furniture had replaced the old and worn wooden equipment. The number of employees had been reduced from 210 to 167, and the payroll trimmed from $374,000 to $309,000 despite a restoration of the salaries that had been rolled back early in the depression years. Some individuals were pensioned and others now 'surplus' were given grants of three to twelve months' salary. At the annual

Col. Robert F. Massie

Neil W. Renwick

meeting in 1938, it was moved and carried unanimously that the success of the committee had been largely attributable to the untiring efforts and fairness of its chairman, C.J.R. Coyle (London Assurance) and his success in obtaining unanimity on most issues.

The association became embroiled in another legal battle in June 1935. This time, the association assumed the role of plaintiff in a case that lasted until 1938. The action resulted from the discovery that its fire insurance plans and rating schedules were being unlawfully copied for the use of non-tariff companies.

The Underwriters' Survey Bureau brought charges of copyright infringement against the firm of Massie and Renwick Ltd. and further asserted that the defendant authorized others to make copies of the plans and rating schedules and converted such to its own use. The lawyers representing Massie and Renwick denied the plaintiffs' title to the plans produced by Charles E. Goad and charged that:

> ...the plantiffs have unlawfully combined and conspired to withhold from the defendant and others, copies of the works in question here, and that the bringing of this action was the culminating act, in a series of acts, to make completely effective their unlawful object; that the realization of this object would be injurious to the defendant and other non-Board fire insurance companies, and detrimental to the public interest by limiting competition in the business of fire insurance; and that such acts constitute a combine, and a conspiracy, within the meaning of the Combines Investigation Act....

Justice MacLean heard evidence presented by the Underwriters' Survey Bureau briefly outlining the history of the association's involvement with fire insurance plans. After careful deliberation, Justice MacLean denied the charge of Massie and Renwick and found the plantiffs had "established their title to copyright in the plans, and in the revisions and reprints of the plans...."

MacLean ruled the alleged combine and conspiracy arose from the fact that the association's material was restricted to only member companies. He said this practice did not contribute to the establishment of fire insurance rates against the public interest or reduce competition in the fire underwriting business. Nor did the works in question restrict others who wished to produce insurance plans. In his final analysis of the question, MacLean cited the following analogy:

> What the defendant says to the plaintiff is virtually this: "We admit your plans and rating schedules are very desirable and almost necessary in the conduct of our business, but as we cannot carry on our business very conveniently without resort to your plans and rating schedules, we propose to have copies made of them, when and if we can, and thus partake of the fruits of your useful and informative works, and it is very wicked of you to try to prevent us from doing that."

After clarifying the issues, the judge considered the specific charges which the Underwriters' Bureau had brought against Massie and Renwick Ltd. Lawyers for the plaintiff offered evidence that the defendant had authorized the duplication of association material in contravention of the copyright law. Representatives of Massie and Renwick had authorized the duplication of the association's fire insurance plans by the Commercial Reproduction Company despite the restrictions that the material could be used only by member companies. Employees of the printing company were instructed to borrow or procure association plans to be copied. These duplicates were produced as quickly as possible, and the originals returned to their source in order to escape detection by one of the inspecting officers, or a member of the association. In producing the copies, the name of the association or bureau, appearing on the original plans, was eliminated from the copies, as was the bureau's registration number. The whole affair, from beginning to end, was carried out under a cloud of secrecy, and without any suggestion of authorization from the association.

Massie and Renwick, not giving up easily, counter-charged that the association had full knowledge of, and acquiesced in the enforcement of the alleged infringements against the defendants and now took steps to protect their copyright in this case. Justice MacLean dismissed this argument in rendering his decision:

> Upon consideration of the evidence, and the course of conduct of the defendant's officers and servants, I cannot avoid the conclusion that the defendant wilfully and wrongfully concealed from the plaintiffs its procurement of original works of the plaintiffs, the plaintiff's property, from persons unauthorized to part with them and similarly concealed the fact that it had caused copies of the same to be made for its own use, and in furtherance of that it caused or countenanced the removal of the name or names of the owners of the copyright from the said copies. If secrecy and concealment were deemed necessary in the steps lead-

ing to the production of the infringing copies, it is improbable that the defendant would cease to conceal from the plaintiffs the conversion of the infringing copies to its own use; and that it is a fair inference that every possible means was taken to conceal this conversion in order to prevent the plaintiffs obtaining evidence of the infringement. I do not think there has been lack of reasonable diligence, on the part of the plaintiffs, to discover the infringement and conversion, and it was not their fault that they remained in ignorance of the same. The evidence points strongly to the conclusion that the officers and managers of the defendant company believed the plaintiffs had copyright in the works in question, and that would be a sufficient motive for concealing their wilfull wrong-doing... Upon the facts and law I am therefore of the opinion that the plaintiffs contention upon this point must prevail, and that the principle of law to which I have referred is applicable here...My conclusion is therefore that there has been infringement of copyright and conversion of infringing copies, by the defendant, generally, as claimed by the plaintiffs....

John Holroyde, First CUA President, 1936–38.

Edgar J. Kay, CUA President, 1939.

The defendants appealed to the Supreme Court of Canada, without success. In 1940, they sought leave to appeal to the Privy Council but this request was also denied. This judgement firmly established the association's copyright in 90 percent of the infringing material. Although this litigation is commonly referred to as the "Plans Case", the judgement also covered the association's copyright for rates and schedules, with the exception of a small amount of material created after January 1924.

The new association was incorporated under Letters of Patent in 1937. Its mandate was:

To promote a high ethical standard in the conduct of the business of insurance, to develop the confidence and respect of the public, and support and maintain sound principles, correct practices and security in the insurance business, in order that the public interest may best be served, by means of an Association of Companies transacting any class of Insurance other than Life, Ocean Marine and Inland Transportation, united for the purpose of combining their experience for study and analysis, of establishing equitable premium rates, of preserving economy in the promulgation of premium rates and forms, of making maps, plans, surveys and inspections, of carrying on such other necessary operations as may be performed by one organization for the use and benefit of all, and, recognizing insurance as a common necessity, of avoiding unfair discrimination between risks of essentially the same hazard or in services rendered...To participate with Agents and Agents' Organizations in the establishment of sound principles and good practices and to give consideration to their recommendations and suggestions...To adopt and maintain in effect all measures deemed necessary or convenient for the purpose of the carrying of the insurance business and agencies thereof, by, among and through members and agents of members only, and for the purpose of restricting to the use and advantage of members only, the benefits to be derived from the work done, information and data supplied and works issued to members and their agents to the end that such benefits and advantages shall not accrue to those who do not cooperate to secure stability, equity and economy in the conduct of the insurance business and who seek to procure advantages intended to be secured to members only without contributing to the expense of membership or assuming responsibility thereof....

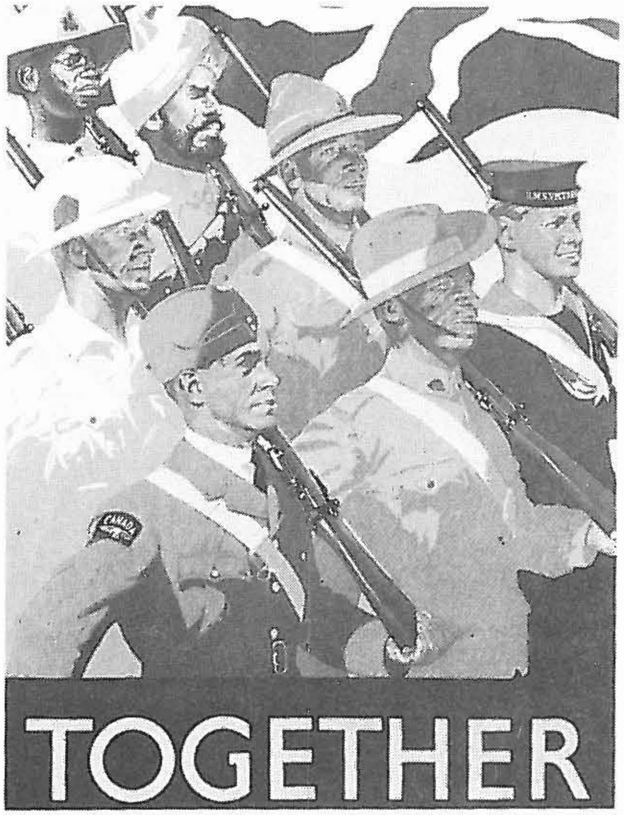
The decade which began on a pessimistic note with the onset of world depression ended with the outbreak of World War II. Much to the credit of the management and members of the Canadian Fire Underwriters' Association, the organization celebrated its 50th anniversary in 1933.

INSURANCE IN A WAR ECONOMY

(1940-1950)

CHAPTER VII

Troubled as Canadians were by the crippled economy of the 1930s, they were forced to face a larger crisis that began with the German invasion of Poland in 1939. The war threw the world into chaos once again, and in the Canadian insurance industry, an immediate and increasing burden was placed on the Canadian Underwriters' Association. It was a time of challenge and the CUA responded by devoting much of its expertise to the war effort.



In September 1939, A.H.S. Stead, Manager of the Dominion Board, summoned the managers and secretaries of the regional associations to their customary annual meeting to discuss common problems and exchange information. With the outbreak of war earlier in the month, it was natural that discussion should focus on the repercussions for the insurance business. Someone suggested the insurance companies could make a unique contribution to the war effort by placing the technical staffs of the associations at the disposal of the Canadian government. This proposal was authorized immediately, and Stead informed the authorities their services would be available without charge.

At all times, but particularly during the war, the Canadian Underwriters' Association stressed the need to reduce waste. CUA President K. Thom called on fellow citizens to exercise care, stating that:

> The annual toll paid by insurance for fire losses and highway accidents is paid by the people of Canada by way of insurance premiums. Insurance premiums go into the cost of production of goods and the cost of services and thus are ultimately absorbed by the people as a whole. In these days of rapidly increasing taxation, in these times of salvage collection,

and in a period when governments are going to extremes hitherto undreamed of to prevent inflation, it is not untimely to suggest that the Canadian public exercise a greater degree of care to reduce this terrific waste.
(Monetary Times, January 1942.)

Thom continued, emphasizing the problems created by lost material or equipment which under the circumstances became irreplaceable. He carried the analogy to the needless loss in automobile accidents where "the careless movement of a motorist may eliminate from our cause one who, had he lived, might have made a telling contribution in war, administration or industry." The war effort required the full efforts of all so that maximum productivity might be maintained.

Members of the Canadian Underwriters' Association and other board companies had to adapt to the changes brought about both directly and indirectly by the war. The abnormal and unbalanced experience of wartime conditions rendered statistics of the past useless. Alex Hurry, president of the association in 1943, observed:

The shortage of labour and materials due to war and activities has brought about a peculiar situation in regard to 'Use and Occupancy' and 'Profits' insurance since repairs and replacements to damaged property may be either facilitated or prevented according to the degree to which the property may be regarded as essential to the war effort.
(Monetary Times, January 1943.)

Another problem precipitated by the war was the acute loss of company staff. Hurry explained that "insurance clerks rank high in spirit and in the early days of the war, the enlistment ratio was high." Many transferred immediately to the active army for general service abroad. Women also went in large numbers to the forces, to war industry and into government service. This drain resulted in unheard of turnover rates in company personnel. The companies struggled along staffed largely by young women without special training who were called upon to carry out jobs usually entrusted to men with several years' experience. Their work was supervised by much overworked senior staff members.

During wartime, the use of automobiles decreased because of gasoline rationing and the scarcity of rubber for tires. Statistics based on past experience were useless rate guides, and premiums to car owners were reduced substantially. The movement away from automobiles put an increasing burden on buses and other forms of public transportation.

The war caused an increase in the loss ratio for fire insurance as companies reported their worst losses since 1932. Necessary repairs to buildings had to be delayed and worn out machinery and equipment could not be replaced. Plants operated around the clock with inexperienced help.

Among the services offered free of charge to the government was the inspection of plants. The CUA reported in 1945 that the government had carried out all recommendations and the association proudly announced there had been no serious loss in any inspected dominion government war plant. The CUA also provided the government with copies of

Sydney W. Band, CUA President, 1940.

J. Victor Owen, CUA President, 1941.

maps, plans and reports on waterworks and fire protection for the principal towns and cities in Canada. By 1944, it was apparent Canada would not face direct attack and all policies covering War Damage were automatically removed.

Perhaps the most interesting experience in the CUA's wartime activities occurred when the government requested the services of an inspector who, until the last minute, did not know his purpose or destination. The government borrowed this inspector on condition that even the management could not be told where or why his assistance was required. The bombing of Hiroshima and Nagasaki gave the answer and explained the blank in his expense account. The expert had made an inspection and report on the Chalk River plant erected in connection with the atomic bomb.

An article in the **Financial Post** entitled, "Don't Let Fire Aid the Axis", provides insight into the state of fire insurance during the war. In 1942 fire destroyed $31 million worth of Canadian property and claimed 304 lives. The article indicated that fire, whether caused by enemy operations or carelessness, constituted one of the most effective weapons in warfare. In addition to destroying property, fires also disrupted the flow of armaments and supplies so vital to the Allied war effort. The needless waste was compounded by the fact that almost 90 percent of the fires were considered preventable.

The article went on to explain the way in which war contributed to the problem of fires:

> War has brought about some conditions that make fire prevention more difficult. For example, difficulty in getting metal boxes, cans, etc., has caused more people to use wooden boxes as containers for ashes — a particularly bad fire hazard. Then too, new employees are working around many industrial buildings. Many of them don't realize the danger of fire; may not be conversant with the location of fire fighting equipment or its use; may be so rushed with work, they don't take time to guard against fire.
> (**Financial Post**, October 2, 1943.)

This article, in exhibiting a concern about enemy activity in this country, warned citizens that they must at all times remain vigilant to prevent fires:

> The more the tide of battle turns against the Axis the more desperate are its agents likely to become. Property owners, therefore, must be on guard to eliminate any conditions that may encourage their operations. For this reason, every person on factory or warehouse premises should be carefully investigated.
> (**Financial Post**, October 2, 1943.)

After the armistice in 1945, the CUA had to react to the transition from a war-based economy to peace-time production. More specifically, the association had to decide how to assess the value of those plants which, after the war, had been closed or scaled down to normal size. Members decided to leave the question of actual cash value in abeyance until a fire occurred. The true test of the value came through the actions of the owner. If he rebuilt, he would collect insurance on the regular cash value. If he chose not to rebuild, the insurance would be adjusted on the wreckage value and a rebate of any excess premiums would be allowed. Depending on his reaction, the owner was responsible for determining the value of his structure.

The following demonstrates how this principle worked:

Reproductions of Billboards

Shown in Twelve Western Cities Throughout the Year

An example would be a building which has cost say $250,000. This has depreciated not only in physical value but also in commercial value because it can no longer be used for its original purpose...If it can be converted to peacetime production, it may be worth $150,000. But if not, it may be worth only the salvage value of the materials less cost of wrecking – probably a few thousand dollars net. The owner can insure for the conversion value of the property and pay the regular premium. Then if the property burns, his decision to rebuild or not is regarded as the test of real value and the insurance adjusted accordingly. If he has paid too much in premiums for the amount of insurance which it is decided he should have carried, premiums are also adjusted retroactively.

The CUA solution met with wide approval from the companies under its jurisdiction in Ontario and Quebec. Its implementation by companies was recommended although optional. Many advocated that this principle should be extended to insurance generally, but the number of exceptions requiring special consideration proved the idea to be impractical.

Implementation of a non-intercourse rule had nagged the association for years. In some jurisdictions, it had been in force for decades and had enjoyed the support of the agency bodies. Those companies obeying a non-intercourse rule repeatedly demanded that action be taken to bring Ontario and Quebec into line. There, agents and brokers used the exemption to raid tariff and non-tariff business in other parts of the country.

The association sought to maintain non-intercourse in jurisdictions where it was practised, and undoubtedly would have liked to introduce it into its own territory. But the CUA also sought refuge in procrastination, and in ineffective, superficial gestures. An example of the latter was Rule VI (c) which went boldly in the Constitution of May 1936, with a footnote that indicated the rule had been approved in principle but would not be enforced until authorized by a meeting of the association. In 1940, President Sidney W. Band frankly described the situation:

If it be conceded that it is impossible to secure observance of the Non-Intercourse Rule in Ontario and Quebec, common fairness should dictate that we admit our impotency to the agency bodies elsewhere in Canada, leaving them free to maintain or dispose of the rule as they see fit. To endlessly support principles in theory and to deny them in practice, is one of the more inexcusable forms of hypocrisy.

One of the objects of the new association was to participate with agency bodies in the establishment of sound principles, and to consider their recommendations and suggestions. For this purpose agency liaison committees were formed. In 1942, the association entertained a suggestion that higher rates of commission might be allowed to those agents agreeing to non-intercourse. This proposal was not adopted, and the result was yet another compromise. Under the Agency Registration Plan, agents outside Toronto and Montreal who placed 75 percent or more of their fire business with tariff companies received a higher rate of commission than those placing a lower percentage. Association services, maps and other tariff material were withdrawn from those whose percentage was grossly inadequate.

This plan was met with suspicion and hostility when first implemented, especially by the Insurance Brokers' Association of Quebec. In Toronto, conversely, the liaison committee reported that the agents exhibited the utmost sincerity and interest and declared a genuine desire to reach a satisfactory agreement. The reasons behind the opposition to this arrangement are not altogether obvious. One factor may have been the objection put forward by the Quebec Agency Liaison Committee in its 1944 report: "There was a preponderance of non-Board agents on the Brokers' Committee, some of whom had been interested in promoting local companies on the score that they were dissatisfied with the CUA agreement." Some of those opposed even tried to force the provincial government to intervene.

Throughout the years, all discussions between association companies and their agents had been regarded as domestic or family matters. In 1921, for example, the government of Ontario declared that commissions were too large a factor in the cost of fire insurance. V. Evan Gray, then Superintendent of Insurance for the province, had admitted that legislation might be helpful, if not inevitable. Any such action could have no effect other than to reduce commissions. But the association companies preferred to work on the matter alone, long and difficult as the task might be.

These same opposing interests influenced an agent at Masson, Quebec to refuse either to sign the agreement or to surrender his tariff material, and subsequently financed his defence in the action taken by the association for recovery. Judgement for the association was rendered by the Superior Court and the appeal by the agent failed. In other places in both Ontario and Quebec, small groups of agents refused to register but in each case new tariffs or card-rating sets were issued during the course of the dispute. Naturally, these were sent only to agents who had registered under the plan and so the opposition, quick to realize the value of the board services when deprived of them, came into line. By 1950, most agents in specifically rated places had registered or surrendered their tariff material.

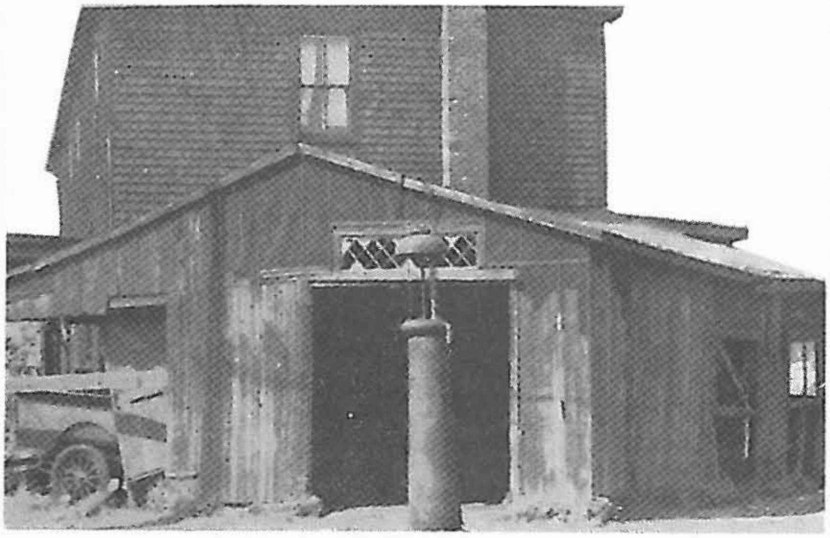
Administrative costs were rising and a principal concern of member companies was to keep expenses as low as possible. Through the efforts of the association, the cost of insurance had been reduced, and to write the same volume of insurance for much less money meant that the cost of handling took a much larger proportion of the premium dollar. In considering changes that had taken place in the industry, Alex Hurry stated in 1941 that while 28 percent of the fire premium collected went for commissions, taxes and all expenses in 1907, by 1940 this figure had risen to 53 percent. During the same period, the average price of $100 of fire insurance had fallen from $1.60 to $.60. The decrease in premiums paid reflected reduced fire losses. In the early 1920s, fire losses amounted to about $4 million per month. The total loss for fires in 1929 stood at $47 million, but this figure had dropped to $24,632,509 in 1939. Hurry summarized the situation that confronted the association in 1943:

> We have put at the disposal of municipalities, of firms, of architects and employers, the services and knowledge of expert engineers and research men, and have played a large part in reducing the fire waste of the country, in instituting safe working conditions in factories and in protecting properties of all kinds from all kinds of hazards. In doing so we have spent a substantial proportion of the premiums collected from the public, to show the public how to pay us less and less for their protection.

The easiest method of meeting the challenge of falling income was to raise the volume of assessable income. One way of achieving this was by increasing membership. In 1943 and in the years following, there was some hope that the association might grow. Hurry observed:

> Today the non-Board companies are many and strong, but that very fact has led to a rate-war within their own ranks and the greatest possible justification for the principle of tariff agreements is shown by the fact that companies outside the Association have found it advisable to form an association for mutual conference and the support of sound practices...I am not without the hope that the two bodies may one day find a basis for complete cooperation.

The 1940s represented a period of dramatic change. The progressive changes demanded by the war were followed by even more

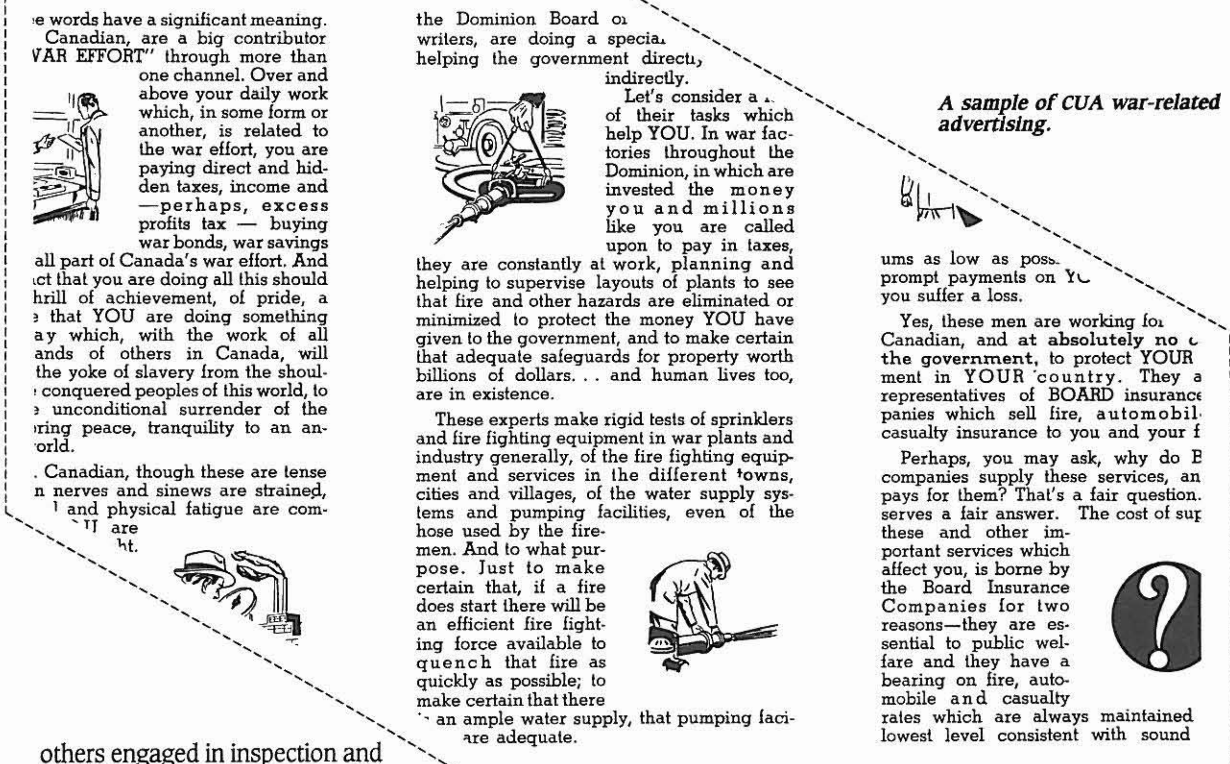


The occupant of this home lives dangerously. The wood and tar paper shed, directly against the frame house, is wide open to the highway, exposed to every fire hazard that can entail. The country is full of undue risks which could be removed. You may have one in your town. If so, it's good citizenship for you to play the role of "safety-maker." Identify yourself with the Underwriters and BOARD insurance; suggest to owner or occupant that he at least have a thought for his own life or property. Or you might remind the municipality of its safety laws.

significant changes in peacetime. Gasoline rationing, share-the-ride plans, and a shortage of rubber and repair parts forced a totally different approach to automobile rating. The per capita fire loss rose in five years from $2.46 to $3.46 in 1946. During the war, the Board Offices, with 33 of the staff in the armed forces and others engaged in inspection and fire prevention work for war industries, were hard pressed to carry on. With the removal of the tensions of war, the voluntary bonds of discipline and sacrifice largely disappeared. The post-war energy, which created a spirit of unrest and opportunism, also found positive expression. For the insurance industry, this meant being receptive to change and new ideas.

Morale at the outset of the 1940s had not been high, largely because of the depression and war. E.O. Ryan has indicated that the problem ran deeper than this, however, and suggested that fluctuations in morale "are common to all such organizations with ideals, be they in the sphere of religion, politics, business or anything else. Fervour will sometimes give place to apathy and there will always be those lesser men who will find that such conditions can be used to their advantage." President Sidney W. Band explained the problem as it affected the association in 1940:

The word 'complacency' has received, in recent months, the same prominence as the word 'sanctions' did a few months ago. The general use of the word should not blind us to the fact that, while few members have been complacent from the standpoint of comment, few members appear to be anything but complacent from the standpoint of doing anything about the conditions of which they complain...The apparent disregard of the existing commission rules argues a poor future for any new ones that may be promulgated and our individual tolerance of such actions as must necessarily jeopardize the business of a fellow member, is not a virtue but a vice.


·e words have a significant meaning.
Canadian, are a big contributor
VAR EFFORT" through more than one channel. Over and above your daily work which, in some form or another, is related to the war effort, you are paying direct and hidden taxes, income and —perhaps, excess profits tax — buying war bonds, war savings
all part of Canada's war effort. And
ıct that you are doing all this should
hrill of achievement, of pride, a
that YOU are doing something
ay which, with the work of all
ands of others in Canada, will
the yoke of slavery from the shoul-
conquered peoples of this world, to
unconditional surrender of the
ıring peace, tranquility to an an-
orld.

. Canadian, though these are tense
n nerves and sinews are strained,
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ht.

the Dominion Board o... writers, are doing a specia... helping the government directl... indirectly.

Let's consider a ... of their tasks which help YOU. In war factories throughout the Dominion, in which are invested the money you and millions like you are called upon to pay in taxes, they are constantly at work, planning and helping to supervise layouts of plants to see that fire and other hazards are eliminated or minimized to protect the money YOU have given to the government, and to make certain that adequate safeguards for property worth billions of dollars. . . and human lives too, are in existence.

These experts make rigid tests of sprinklers and fire fighting equipment in war plants and industry generally, of the fire fighting equipment and services in the different towns, cities and villages, of the water supply systems and pumping facilities, even of the hose used by the firemen. And to what purpose. Just to make certain that, if a fire does start there will be an efficient fire fighting force available to quench that fire as quickly as possible; to make certain that there ... an ample water supply, that pumping faci... are adequate.

ums as low as poss... prompt payments on YO... you suffer a loss.

Yes, these men are working fo... Canadian, and **at absolutely no c... the government,** to protect YOUR ment in YOUR country. They a... representatives of BOARD insurance panies which sell fire, automobil... casualty insurance to you and your f...

Perhaps, you may ask, why do B... companies supply these services, an... pays for them? That's a fair question. ... serves a fair answer. The cost of su... these and other important services which affect you, is borne by the Board Insurance Companies for two reasons—they are essential to public welfare and they have a bearing on fire, automobile and casualty rates which are always maintained lowest level consistent with sound

A sample of CUA war-related advertising.

Stamping had virtually eliminated rate-cutting. It is true that a company official might – and occasionally did – send for stamping a Daily Report that showed the correct premium and, as soon as it was back in his office, attach an endorsement giving a rebate. This was a dangerous practice because it was difficult to confine knowledge of the transaction to himself. Even if he took the precaution to attach a note to the endorsement: "Do not send to the CUA", the instruction might be overlooked. On at least two occasions endorsements bearing such notes reached the Montreal Stamping Department and were given a great deal more than routine attention.

The problem of commissions, however, continued to dominate the scene. The examiner could only check the rate of commission shown on the Daily Report and, in cases where excess commissions were being paid, the percentage appearing bore no relation to that allowed. The only way such infractions could be discovered was through the periodic issuance of 'questionnaires' asking each member whether he had been paying excess commission in a specified agency. These questionnaires were generally answered honestly. They required the signature of the company manager and, while some might have no particular qualms about what they had done, there were few, if any, who would sign a deliberate lie, especially since many people were well aware of the actual circumstances.

Through these questionnaires a number of disclosures were made. But, as it was plainly impossible to treat every suspected agency in Quebec and Ontario like this, the general effect was to give the members the impression that malpractice was widespread. This, combined with the fact that some members failed or refused to reply to the questionnaires, gave those who admitted to infractions the impression they were being pilloried while others went free. In 1940, the council referred to the problem created

Alex Hurry, CUA President, 1943–44.

by the "reluctance of certain members to admit infractions where they exist."

The situation had a disruptive effect on business and led one disillusioned member to give notice of his intention to withdraw from the Dominion Board and the CUA. At the Annual Meeting in 1940, a motion deploring unethical practices and urging association members to act in good faith was passed with one dissenting vote. The dissenter probably felt that, for the injuries the five companies he represented had suffered, some better assurance than a pious resolution was required.

W. C. Butler, CUA President, 1945.

His experience was probably not unique. Before coming under his management, one of the companies in this member's group had agreed with an agency to pay excess commissions. In reply to a questionnaire, he and three other companies admitted such arrangements and all agreed to stop the practice immediately. He kept his word and saw his income from the agency drop from $9,000 to less than $300. Another questionnaire a few years later revealed that two of the companies that had previously admitted paying excess commissions were still doing so, despite their promise to reform. The irate member cited a similar instance where his premium income from an agency had dropped from about $23,000 to $9.00. Again, other companies paying excess terms had profitted

R. DeGrandpre, CUA President, 1946–47.

at his expense.

From time to time, the association considered the idea of fines for deliberate infractions but always tried to find some other way of enforcing discipline among members. But the situation was now so serious that condoning evasion was no longer feasible if law-abiding members were to be protected. At a Special General Meeting at Montebello in October 1941, an amendment to the Constitution empowering the council to impose fines not exceeding $2,500 was adopted by a vote of over two-thirds. The amendment was given credibility at a council meeting in March 1942, when managers of the association were instructed to advise all members that companies guilty of commission infractions after May 1 would be subject to the new rule.

Formulation of effective commission rules, the result of countless meetings and patient efforts of the association and agency committees, finally occurred in June 1948. The new rules signalled a major departure from established practices, practices that had grown haphazardly throughout the years. The greatest opposition came from the excepted cities–Montreal, Toronto and to a lesser extent, Quebec City (which had once been an excepted city).

The recently introduced Agency Registration Plan, applicable to agents outside these two cities, had added to the complexities. Another difficulty was that the lowering of rates inevitably meant the lowering of agents' income, unless some means could be found to increase volume. Companies experienced the same problem; the lower the rates, the higher the expense ratio. In 1944, the Toronto Agency Liaison Committee expressed appreciation for the help and cooperation accorded by the Toronto Agents' Conference Committee and concluded:

> When a solution is found it must have regard for the conditions under which agents have developed their business, legitimately, during recent years; it must be applied so as to minimize the injury to, or disturbance of, existing legitimate contracts; it must be of such a character that the agreed terms are justifiable to the public, represent an adequate reward to the agent for his services and compromise a definite maximum charge against the companies for agency acquisition costs; and finally the agreed terms must be desired and adopted by an overwhelming majority of companies, member and non-member.

The matter was referred to the Dominion Board and that body formulated the new rules. The most important features of the agreement were:
1) Equality of opportunity
2) Termination of most city agency contracts within five years. (Equality of opportunity was the issue that the Law Union and Crown had been fighting for as far back as 1908; they were about 40 years ahead of their time).

Under this plan, a new class known as 'City Agents' was established. These agents replaced the Toronto Excepted Agents and the Montreal Chief Agents, with their unrestricted commissions. To obtain the status of a city agent, sponsorship by a member company was required.

View of the Plan Department, Western Canada Insurance Underwriters' Association, Winnipeg, 1941.

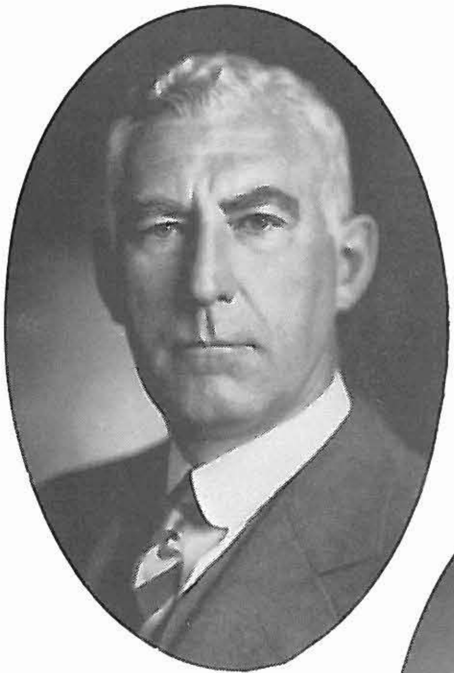
Members doing business in Montreal were permitted to appoint two such agents, while in Toronto the limit was one. Following previous practice, any company could enter into agreements with any number of city agents, paying them under city agency terms. This benefited both parties: The sponsoring company was in a preferred position in the agency because withdrawal of its sponsorship meant the agent would have to find another or revert to local agency status. The second important feature of the rules was the provision that city agents, other than those with sub-agency plants, would be made local agents at the end of five years. At the Annual Meeting in 1950, the president, R.H. Leckey, happily announced that not only were there no complaints of violations, there were not even rumours of any.

Another notable achievement initiated by the CUA during this period, benefited not only members, but all joint stock companies transacting business in Canada. In 1941, Leslie Ham, manager of the association for Quebec, drew the attention of the council to the fact that discrimination existed in the Income Tax Act in favour of Mutual Insurance Companies. In June 1942, a committee was appointed to pursue the matter and Ham was instructed to prepare a brief to be filed with the Ministers of National Revenue and of Finance. This, together with the representations of the committee to the ministers in question, prompted quick results and the Minister of Finance took steps to ameliorate the conditions under which the stock companies were operating.

In 1944, the government appointed a Royal Commission to enquire into discrimination in taxation and, on behalf of the association, a request was made to include mutual insurance in the terms of reference. In making this request, Ham had the substantial backing of the other territorial and agency associations across Canada. One year earlier, the Canadian Chamber of Commerce had reaffirmed its stand on equitable taxation between mutuals, cooperatives and private enterprises.

The All Canada Insurance Federation presented the case of the joint stock insurers to the commission. The commission found that discrimination existed against the joint stock companies and suggested some corrective measures. The latter were not considered feasible, and Ham was instructed to collaborate more with the All Canada in presenting the views of the companies both to the Minister of Finance and to a Committee of the Senate that had been appointed to enquire into the whole tax structure. The final result was that the Income Tax Act was revised, the discrimination in taxation removed, and the mutual and joint stock companies put on a comparable basis with respect to income tax.

If staff problems were bad during the war, they were little better in the immediate post-war period. During the war years the turnover of staff reached almost 100 percent in each Board Office, and in the short period from July 1, 1945 to June 13, 1946 this was only reduced to 97 1/2 percent in the Toronto office. Stamping was curtailed because of severe



Robert L. Stalling, CUA President, 1948.

W. E. Baldwin, CUA President, 1949.

R. H. Leckey, CUA President, 1950.

A tractor train pulls into Yellowknife, Northwest Territories, after a 150 mile trip from Lower Hay River, 1946. Two years later the first insurance plan of the new northern centre was published.

administrative problems. Stamping originally had been applied to fire business only, but soon after the amalgamation, it had been extended to automobile, burglary and plate glass. The difficulty in securing adequate office help raised the question of exempting the three latter classes during the war.

In 1943, a committee headed by Colin Sword was directed to study the matter. The committee recommended that stamping be continued without change. Sword, an excellent writer and speaker, defended the stamping system:

The complications of the modern rating systems and the innumerable and frequent changes of policy and of forms and rates make it difficult for even the most exemplary observer of his moral obligations to avoid unintentional errors. The less frequent but more deliberate infractions may be attributed to that human frailty under which the stress and strain of competition for business and for new agency connections is unable to resist temptation. The submission of documents to a stamping department is beneficial in the one case and fortifying in the other, thereby lending a strengthening influence over the Association as a whole...Prior to the installation of the Stamping System the observance of the rates and rules was inclined to be casual rather than general. The rapidly increasing number of member companies emphasized the need for assurance to all members that the rules were being observed without discrimination, and this function the Stamping department has performed to an appreciable extent. The successful operation of an Association can be assured to the extent that the rules bear uniformly on all members and–to that extent only.

In 1950, stamping of burglary, plate glass and most automobile classes ceased. About the same time, wider powers were given to the Dominion Board while the CUA's were curtailed. In 1949, Leslie Ham, head of the Montreal office since 1935, was transferred to the Dominion Board to replace Stead, who retired after playing a prominent part in the affairs of the association for more than 40 years.

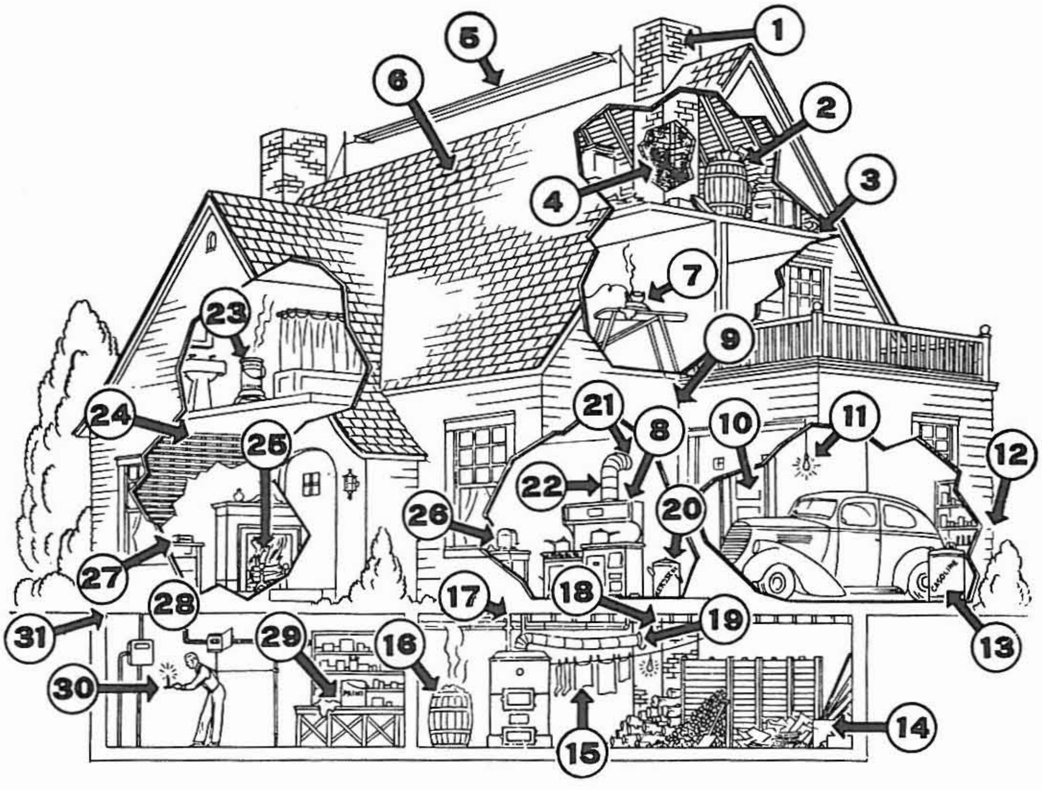
The Canadian Underwriters' Association emerged from the war years with a very optimistic outlook. Association President R. de Grandpre, in a 1946 address stated, "With its achievements during 62 years of existence, the Canadian Underwriters' Association looks to the future with confidence, satisfied that it can meet, in the years to come, the requirements of the nation."

The magnitude of the work done by the association during the war is difficult to appreciate from this distance of time. But numerous letters illustrate how much the government and many hundreds of war-industry plants appreciated the efforts of the association to keep their operations free from interruption. One read: "The Canadian Underwriters' Association has reason to be proud of its record...it has more than justified its existence." (**Montreal Gazette**).

The tariff companies themselves took no particular credit for what they achieved through their association. The burden was a heavy one, but it was assumed as a matter of course, just as many others gave freely of what they had. But they certainly could take pride in the fact that they were singularly well qualified for their task and during the war, provided the same conscientious service they had offered Canada for more than 60 years.

THE CANADIAN UNDERWRITERS' ASSOCIATION REPRESENTING "BOARD" INSURANCE COMPANIES URGES YOU TO

Check Your Own Home TODAY on ALL these Fire Hazards:



1. Chimney poorly constructed and without flue lining.
2. Rubbish in attic.
3. No fire stops.
4. Soot in chimney.
5. Aerial not properly grounded and no lightning arrestor.
6. Combustible roof exposed to chimney sparks.
7. Non-automatic electric iron left attached.
8. Leaking gas stove.
9. Garage attached to house without fireproofing.
10. Door from house into garage not metal sheathed or tight-fitting.
11. Improper extension violating electrical regulations.
12. No vent in garage to allow fumes to escape.
13. Gasoline kept or used in any part of building.
14. Rubbish in cellar.
15. Wet clothes hung on electric wire.
16. Wooden barrel for hot ashes.
17. Unprotected steam pipes.
18. Joists resting on brick chimney.
19. Sagging, defective, unprotected furnace pipe.
20. Kerosene near fire.
21. Stove pipe lacking metal collar where it enters chimney.
22. Stove and stove pipe unprotected from wall.
23. Asphyxiation and explosion possibility from kerosene or gas stove.
24. Wooden lath walls without fire stops.
25. Fireplace hearth and bricks not sufficiently insulated and no screen.
26. Unapproved electrical appliance lacking proper insulation.
27. Matches within reach of small children.
28. Overloaded circuits permitted by improper electric fuses or dangerous substitutes.
29. No tightly covered metal container for storing oily rags or cleaning cloths.
30. Searching for gas leaks with open flame.
31. Lack of ceiling of cement on metal lath extending across cellar from one foundation to the other.

Any of these hazards could cause a fire that would burn the house and ENDANGER THE FAMILY

RECONSTRUCTION AND EXPANSION

(1950-1960)

CHAPTER VIII

The 1950s represented an era of rapidly changing ideologies as the uncertainty and pessimism that had developed in the 1940s gave way to a new sense of optimism encouraged by a return to peace and renewed stability. The negativism engendered by two world wars and the financial crisis of the 1930s was best characterized in 1948 by CUA President Robert Lynch Stailing who stated:

...we meet in a world still wracked and stricken, after three years of peace, by the effects of two devastating and destructive wars – a world in travail struggling to be "newborn again". A world of unrest, of disillusioned and discontented men and nations, of shattered currencies, inflated values, distressing scarcities, high costs and crippling taxes...The times are "out of joint" and men and nations are casting about for leaders and theories, new and untried, to extricate themselves from their difficulties...Democracy with its institutions, the capitalistic system, free enterprise and liberty, under which mankind has achieved its highest standards and greatest prosperity, is facing the sinister challenges of socialism and communism with their regimentation and restrictions, their exaltation of the State and the rejection or negation of the dignity and worth of human personality.

C. Stuart Malcolm, CUA President, 1951.

Norman G. Bethune, CUA President, 1952.

During the 1950s, the Canadian economy experienced rapid expansion through the increased exploitation of resources and industrial diversification. The new optimism and prosperity of the decade brought with it 'inflation', a phenomenon that still haunts us today.

As mentioned in the previous chapter, the powers of the CUA were temporarily diminished at the conclusion of the 1940s. In 1948, Pat Waylett, Norman Bethune and Ralph Sketch submitted a proposal that advocated merging all the rating and inspection bodies in Canada and abolishing the Dominion Board. The suggestion was not implemented and instead, the powers of the Dominion Board were expanded at the expense of the CUA and the other five regional tariff organizations, which included:

Western Canada Underwriters' Association (Winnipeg) British Columbia Underwriters' Association (Vancouver) New Brunswick Board of Underwriters (Saint John) Nova Scotia Board of Insurance Underwriters (Halifax) Prince Edward Island Board of Insurance Underwriters (Charlottetown)

The object of this reorganization was to enable the Dominion Board to function as originally intended – to supervise the activities of all tariff companies across the country. The objects of the board read, in part:

...to promote a high ethical standard in the conduct of the business of Insurance. To combine their experience for study and analysis to the end that all equitable and indiscriminatory premium rates may be established. To secure the economy which results from one organization doing the necessary work for all in the promulgation of premium rates and forms, obtaining maps, plans, surveys and inspections and carrying on such other necessary operations as may be performed by one organization for the benefit of all.
(**Canadian Underwriter**, January 1954.)

In serving as a forum for debate and the interchange of ideas, this experiment succeeded to a certain extent. But the machinery involved was both cumbersome and expensive. An added problem was that Dominion Board decisions were being reversed in CUA meetings or by any of the other 'autonomous' associations across the country. The experiment to strengthen the Dominion Board would conclude before decade's end, and the board would be amalgamated with a reorganized Canadian Underwriters' Association.

The 1940s had witnessed a steadily increasing number of fire insurance claims. During this period, 500,454 fires in Canada destroyed over $394,000,000 of property, claimed 3,441 lives and injured another 14,000.

In describing the reasons for this trend, Ontario Deputy Fire Marshall J.E. Ritchie explained:

During the war, a great deal of machinery and equipment became obsolescent or seriously depreciated due to the fact that materials for replacements and repairs were in short supply. This is a condition that

Rimouski, Quebec, was devastated by fire in May, 1950.

has not yet been fully overcome and no doubt accounts for some of the fires that have been so disastrous. Unfortunately, the necessary increased vigilance has not always been maintained to ensure that the old equipment does not develop hazards that are inherent because of age and depreciation...too many industries rely almost entirely upon the municipal fire department for protection.
(**Monetary Times**, October 1949.)

The trend continued in the 1950s as the decade opened with one of the worst fires in Canadian history.

On May 7, 1950, fire broke out in the small Quebec town of Rimouski. It began in a lumber mill and was fanned by strong winds, causing some \$20,000,000 worth of property damage, surpassing the Toronto fire of 1904 (\$11,000,000). Before the Rimouski fire was brought under control, it had destroyed the seminary, convent, hospital, court house, orphanage and old people's home. Other victims of the fire included the Price Brothers and Company Ltd., two hotels, a cinema, a venetian blind manufacturing plant, an auto-parts store, grocery stores, drug stores and garages. In short, the town of Rimouski lost practically all of its small industry within a 24 hour period. While no lives were lost in the fire, 2,500 of the population of 15,000 were left homeless. Many suffered a double loss of both home and place of employment.

Ralph Sketch, a future president of the Canadian Underwriters' Association, visited the town one day after the fire. He witnessed and later remembered:

...heartbroken people grubbing through the ashes of their homes, looking for treasured possessions. I saw a storekeeper standing amid the ruins of his business, crying and saying he was convinced the town was finished...Most moving were the reactions of members of an order of nuns cleaning up the mess in a so-called fireproof hospital. The nuns had worked constantly for twenty-four hours to evacuate the sick and now, in the one-time operating room, they were looking for instruments that could be salvaged. Their uniforms, hands and faces were smudged with dirt...Within two years, I returned to Rimouski and saw a prosperous rejuvenated town, better laid-out and better built. Once again, I went to the hospital, and there, escorted by the same Mother Superior, I saw another rebirth. Aglow with one of those angelic smiles often seen on the faces of those who work for the welfare of others, the Mother Superior said to me, her eyes twinkling through her glasses: "Thank God for the insurance companies."
(**Canadian Insurance**, December 1981.)

One of the least publicized facts about the Rimouski fire was the personalized service and speed of insurance companies aiding victims of the disaster. In fact, the fire had not yet been extinguished when company representatives met in Montreal to assess the extent of damage and to formulate plans to help the the thousands driven from their homes. William Perego (Royal) coordinated the efforts of the Canadian Underwriters' Association members and the Independent Fire Insurance Conference to create an emergency organization to handle the disaster. An insurance committee was dispatched to Rimouski complete with all the necessary forms and instructions to process information quickly and avoid needless delays.

Through the press, radio and sound truck, the insurance committee advised Rimouski citizens about how to file claims. The first of these claims were actually processed and paid on May 8th – one day after the fire – and within a week, nearly 1,000 claims in some 200 companies had been settled. In many cases, the insurance companies went beyond the actual terms of their contracts in order to make money available quickly to those hardest hit.

Hardly had the ashes of the Rimouski fire cooled when the neighbouring community of Cabano burst into flames. Although smaller than the Rimouski fire, the Cabano disaster razed 122 homes, the entire business section and nearly every industry in the community. In addition, 100 homes were so badly damaged they required extensive renovation to become habitable again. Of the 3,200 residents, roughly 1,800 were at least temporarily forced out of their homes.

The growing loss from fire in the 1940s and the terrible conflagrations at Rimouski and Cabano in 1950, drew attention to the need to 'insure to value'. Despite the rapid increase in the value of building materials and labour (costs had more than doubled between 1939 and 1948) many people still carried the same low insurance protection from the pre-war period. The problems created by this inflationary period on the adequacy of insurance

INSURANCE EMERGENCY BULLETIN

from members of

THE WESTERN CANADA INSURANCE UNDERWRITERS' ASSOCIATION

writing

Fire - Automobile - Casualty - Personal Property Floater Insurance

Realizing the concern in the minds of all their policyholders in areas throughout Greater Winnipeg and Manitoba where flood conditions exist, the undernoted Insurance Companies announce that the following measures have been taken to safeguard their policyholders' interests:—

(1) For the protection of policyholders, all insurance contracts expiring between the period May 1st to June 15th, 1950, will be AUTOMATICALLY renewed for the same amount and subject to the same policy conditions unless other arrangements are, or have been made.

(2) Where it is necessary to remove household effects and personal property to temporary locations, insurance policies are extended to cover these articles until conditions return to normal.

(3) Fully realizing that in this emergency it will not always be possible for policyholders to comply with certain policy conditions, such as the use of gasoline, temporary vacancy or unoccupancy, and the maintenance of automatic sprinkler and alarm systems, such non-compliance will not be regarded as violation of policy conditions.

(4) Insurance Companies and their Agents are doing everything in their power to maintain their facilities and services to the public, and to co-operate with flood authorities during this emergency.

The granting of these emergency privileges will alleviate, to some extent, the natural concern of policyholders who, through circumstances beyond their control, have not yet been able to contact their Insurance Agent.

Published in the public interest by —

THE WESTERN CANADA INSURANCE UNDERWRITERS' ASSOCIATION

Head Office: 1100 Paris Building, Winnipeg

affected both the large and small risks.

The insured had recently retired from business and his income was limited to a small pension allowance and profits accruing from the ownership of property. This property consisted of two apartments which were rented and a third apartment which was occupied by himself and his wife. One day, the insured discovered a small fire in the bundled waste paper in his basement. He tried to extinguish it himself, then called the fire department. The response was quick enough, but because the hydrant was buried in snow and frozen, little could be done at once. By the time water was secured, the fire had extended through the roof and before it could be put out, the interior of the building was destroyed. Actual loss sustained was $12,000–the insurance carried was $4,000 (based on a ten year old valuation)–loss to the insured was $8,000.
(**Monetary Times**, May 1951.)

The association spent considerable money trying to tell the public that as values increased, insurance coverage should too.

The formulation of accurate and equitable automobile insurance rates had evolved by this time to a sound statistical basis. Throughout the year, all Canadian companies (whether tariff or not) punched cards that recorded details of every car insured and every loss paid or outstanding in the country. The material was then gathered and sorted by territories. Late in September, the information was printed and sent to the various automobile rating experts, who translated these figures into rates. For example, in 1950, the trend had been toward an increase in losses that triggered an increase in rates. Numerous committees met to deliberate over the statistics for each individual territory and then implemented the new rates. The various factors involved in the formulation of rates are apparent from the following excerpt:

Car models change every year, and every change in model means a change in the cost of repairs. In recent years wages have been going up so that the cost of repair has been increased. In regard to bodily injury claims, on account of wages being higher, claims are higher, in fact everything is higher. It is no use the public growling against the Insurance Companies for the Automobile Insurance rates, because it is the public that makes the rates. They cause the accidents; they buy the streamlined models that the manufacturers produce, and therefore they have to bear the cost of repairing them. In general the cost of a new automobile has gone up much more in recent years than the cost of its insurance.
(**Board Advocate**, January 1950.)

Even in the 1950s automobile insurance men fondly remembered the war years in their industry:

...during the war years, when gasoline was rationed, discounts had to be allowed immediately. From one point of view, these were happy years to look back upon because people treated their automobiles with care: they drove carefully and cautiously in order to make their gasoline last as long as possible, and also to preserve their automobiles. The result was that the frequency of accidents went down very considerably. We need another dose of caution at the present time.
(**Board Advocate**, January 1950.)

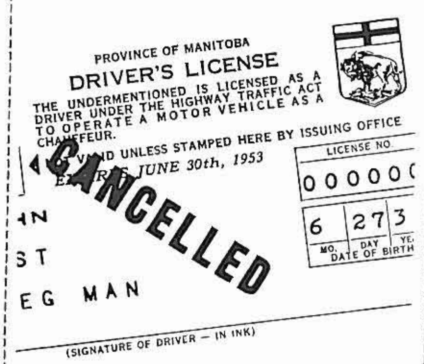
During this period the Automobile Branch, under the chairmanship of G.B. Kenney, furnished a fine example of the pains taken to effect necessary changes reasonably and equitably. In 1952, the members of the association expressed serious concern over the needless waste of life and property caused by traffic accidents. In the past 20 years, 30,000 Canadians had been killed and over half a million injured and the rate of death and injury was increasing sharply. These appalling figures made absolutely no impression on the general public. Confusing cause and effect, their concern and indignation was concentrated on the 'high' rates and the fact that a rapidly constricting market for automobile insurance was developing. Complaining bitterly through the agents, the public called on the associated companies to find a solution to the problem.

In his annual address, Norman Bethune questioned whether the CUA was coping adequately with the problems encountered in the automobile insurance industry. While premiums for fire insurance were based on a rate of $100, and the premiums increased with the value of the risk, automobile rates were calculated on the model of the car.

Bethune sketched out the dilemma facing the association in its attempts to determine an equitable rate for insurance at a time when both inflation and an unparalleled growth in the number of cars on the road made such calculations very difficult.

In 1937, the lowest-priced four door Ford Sedan cost approximately $835. Our premium for Bodily Injury and Property Damage, Standard Limits, Collision–$50. Deductible,

Safety-point driver rating systems were introduced in the early 1950's. The Insurance Agents Association of Winnipeg gave the scheme wide publicity.



How to Retain Your Privilege to Drive

Read About

Manitoba Highway Safety Division
Point

Do you know-

-you could lose your

In the interests o
Highway Safety Divi
Government keeps a r
Drivers involved are

This is the

MANITOBA SAFETY-POINT SCORE SYSTEM

	Points
Accidents Involving Fatalities with Conviction	**10**
Driving Under the Influence of Intoxicating Liquor or Drugs	**10**
Leaving the Scene of an Accident	**8**
Driving Under Suspension	**7**
Furious Driving	**6**
Third Speed Conviction	**4**
Exceeding the Speed Limit	**2**
All Other Moving Violations and Convictions	**2**
Accident with Violation	**2**
Accident (moving involvement)	**1**

If sufficient points are scored against you, you may be called in for a Driver's Test and you **could** have your license suspended or cancelled.

The object is not to impose penalties but to reduce accidents through the

Drivers Improvement Plan

Fire and Theft in Ontario was $44.15. On translating this into rate–or the cost of $100 insurance–we get a rate of $5.16...In 1952, the same car costs $2246 and on the lowest rated class (in which 48.3% of our private passenger cars are found) we get a premium for the same cover of $69.50 or a rate of $3.10–40 percent less than we were getting 15 years ago.

The CUA devised a program for automobile insurance taking into account the following considerations: (1) to recognize in a special way the driver with an accident-free record, (2) to control rising premium costs through a reduction in both the company expense factor and in the agents' allowance, (3) concurrent with recognition of the principle of application of a trend factor in automobile rating. This program was carried to supervisory officials and to every organized agency body across Canada by a special Dominion Board committee. It offered hope of easing market capacity through the possibility, however slender, of companies writing the class at a profit, of controlling necessary rate increases within reasonable limits, and of retaining the business to private enterprise through the agency system.

The task of the committee was an arduous one, but sufficient support was developed to implement the program by 1953. This action exemplifies how the board companies were called upon time and again to extricate the whole industry from difficulties not entirely of their making.

Throughout the period covered by this book, the role of the insurance agent had undergone a radical transformation as described by Norman Bethune's remarks in 1954:

> There was a time in my grandfather's day as an insurance agent, when an agent used all his energy and influence to obtain the representation of a substantial insurance company and, having succeeded in this, relaxed to reap the harvest of business which flowed to him. Similarly the companies, after very careful consideration granted agencies to the most reputable and responsible applicants and then everything was up to the underwriter who could pick and choose from the business which flowed in.

The increase in the number of companies and agents transacting business resulted in fierce competition by the 1950s, making a life of relative ease for the agent a thing of the past.

The concept of agency insurance came under attack during this period. In addition to the pressures brought to bear on the insurance business by renewed competition, there arose a new threat to insurance agencies. The new nemesis was 'direct writing', a development that affected association companies and agents alike. In direct writing, especially in automobile insurance, a company solicited business through salaried employees

D. K. MacDonald, CUA President, 1953.

and retained ownership over the business so attracted. Solicitors acted for only one company and if they left the organization, renewals belonged to the company.

The general solution to battle the new competition involved closer cooperation between association members and their agents. Because it was impossible to compete solely on the basis of price, other factors such as overhead costs and capturing public confidence were emphasized. This was the focus of the message delivered by Norman Bethune in 1954:

> ...this challenge to the agency system of operation can and will be met by our members and their agents – not only by attempting to compete on price but by convincing the purchasers of insurance, by word and deed, that through our agents we are selling not only insurance policies but sound protection to meet their specific needs, and for the peace of mind it brings.

Two important events affecting tariff and non-tariff companies in the early 1950s were the formation of the Underwriters' Adjustment Bureau and the Insurance Institute of Canada.

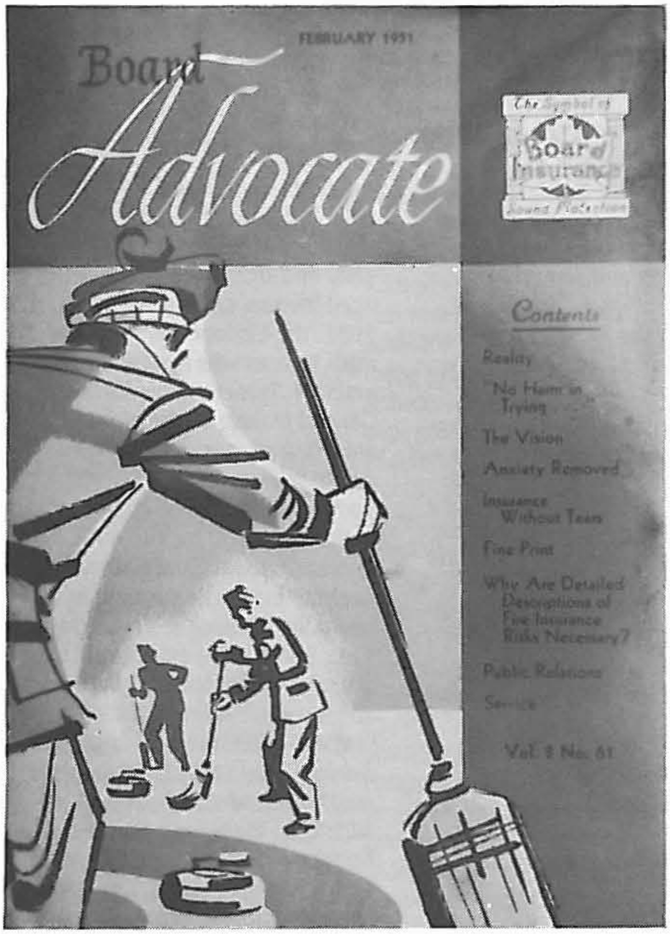
Agitation for the establishment of an organization to administer insurance adjusting had arisen as early as 1892, but nothing developed for almost 60 years. In 1951, the Underwriters' Adjustment Bureau was finally formed and C.N. Turner named its first General Manager. The bureau, modelled after an American body dating back to 1888, was incorporated under federal charter with shares held by 146 tariff, non-tariff and mutual fire and casualty insurance companies operating in Canada. The Adjustment Bureau was established to improve the settlement of claims and to ensure more equitable and uniform adjustments in fire and casualty insurance. In introducing standardization into claims adjusting, the bureau profited from being able to pool its members' loss experiences. The organization enjoyed success from the outset. After less than a year's operation, 27 more companies joined its ranks and the authorized capital was expanded from $500,000 to $1,000,000.

With branch offices soon established across the country, the bureau could, in the event of a major disaster such as the Rimouski fire in 1950, call upon a network of experienced adjusters.

The second organization, the

L. L. Lewis, CUA President, 1954.

Insurance Institute of Canada, represented the amalgamation of a number of local institutes from across the country. These local institutes, designed to train insurance staff and agents, had been established in Montreal, Toronto, Winnipeg and Vancouver, and were supported by the insurance companies they served. Major problems developed when the institutes in Montreal and Toronto set their own examinations based on their own standards. The Winnipeg and Vancouver bodies, meanwhile, followed the courses established by the Insurance Institute of America and used their exams. No common national standard existed and the quality of training varied across Canada. While this situation persisted, there could be "no professional qualifications such as those set by other businesses of similar nature". The lack of a centralized training program presented serious problems with the expansion of branch offices.



The BOARD ADVOCATE, published for its members by the CUA, campaigned against dangerous risks.

The Insurance Institute of Canada became a reality in 1952 through the cooperation of the All Canada Insurance Federation and representatives of the four local institutes. The Canadian institute established standards and set country-wide examinations. Graduates of the program were qualified to become Fellows and/or Associates of the Institute (FIIC or AIIC). The Head Office was established in Toronto with Norman G. Bethune (one-time president of the CUA) serving as the institute's first president. Insurance companies made contributions to the national body based on premiums collected which in turn financed the other local institutes. A constitution and by-laws were drafted based on those established by the Incorporated Australian Insurance Institute which began in 1919. Adaptations were necessary to conform with Canadian requirements.

Both the Underwriters' Adjustment Bureau and the Insurance Institute of Canada represented great strides in the insurance field. They introduced an unprecedented level of standardization to the business. More importantly, they provided a forum for tariff and non-tariff insurance companies to meet and exchange information. This experience would pave the way for future cooperation.

In 1954, the Independent Fire Insurance Conference filed a brief with the Royal Commission on Patents, Copyrights, Trade Marks and Industrial Designs urging that the Copyright Act be amended so that it would become possible for companies that were not members of the association to purchase the Underwriters' Survey Bureau's plans. In 1958, the commission issued its report recommending that the Copyright Act should not provide a means for non-tariff companies obtaining access to insurance plans and other related rating material.

The stamping of casualty and automobile business had been discontinued early in the decade as an economic measure. In November 1955, the stamping of dwelling business in the Fire Branch was discontinued. This entailed the abolition of the 'entry desk' by means of which a record of policy and renewal receipts for each company were retained to ensure that all policies were submitted. Once this formal scrutiny was removed, some companies became casual in their observance of this requirement and others made no submissions. In 1957 stamping of this business ceased.

The premium income of CUA members continued to grow at an unparalleled rate. While the association's ratio of expenses during this period had fallen for the Automobile and Casualty Branches, in the Fire Branch it had risen from $17.57 per $1,000 in 1951-52 to $21.37 in 1957-58.

An addition of a substantial assessment was also made at this time for the Multi-Peril Branch. But the matter that gave the association most concern was the decrease from 77 percent in 1917 to 42.8 percent in 1955 in the members' percentage of fire premium income from the two provinces. This may be explained partially by the increase in competition. In 1956, 360 companies were licensed by the Federal Insurance Department for fire and casualty, in addition to the many licensed by the provincial governments. Members felt, however, this explanation was not sufficient and made constant efforts to improve the association's services and facilities. One move was the formation of the Special Hazards Department in 1953. This was accomplished by extending the provision of detailed underwriting reports beyond Sprinklered Risks to other risks that warranted specialized underwriting and engineering treatment.

One principal concern of the association for many years had been to devise some means to channel its services (plans, rating manuals, rating card sets, forms, etc.) for the exclusive use of members – those who paid for

THE INSURANCE INSTITUTE OF CANADA

PRIZE WINNERS — 1956 EXAMINATIONS

(1) **Fellowship**—Sections 11 and III (Final) .... Hackett, Lloyd A. (Shaw & Begg) Toronto
Lord Knollys Shield.

(2) **Fellowship**—Section I Hodkinson, Kenneth James (Royal) Winnipeg
Alfred Campbell Memorial Prize.

(3) **Casualty Branch**—Part III Ormsby, Robert John (Liberty Mutual) Toronto
The All Canada Insurance Federation Prize.

(4) **Casualty Branch**—Part II Plante, Robert B. (Halifax) Toronto
Independent Automobile and Casualty Insurance Conference Prize.

(5) **Inland Marine Branch**—Part III Soars, Thomas Henry (Northern) Montreal
Canadian Federation of Insurance Agents Prize

(6) **Inland Marine Branch**—Part II Sewell, Roy Lewis (Dom. of Can.) Toronto
Canadian Inland Underwriters' Conference Prize.

(7) **Marine Branch**—Part III Pettigrew, Michael B. G. (B. L. Johnson Walton) Vancouver
W. E. D. Baldwin Prize (presented by the All Canada Insurance Federation)

(8) **Marine Branch**—Part II MacFarlane, Roy Duncan (Great American) Toronto
Canadian Board of Marine Underwriters Prize.

(9) **Fire Branch**—Part III Murphy, Roger Jacques (Phoenix of London) Montreal
Independent Fire Insurance Conference Prize.

(10) **Fire Branch**—Part II Stewart, Alastair Neil (Coast Underwriters) Vancouver
Dominion Board of Insurance Underwriters Prize.

(11) **General Branch**—Part I Silk, William Laughlin (Eagle Star) Toronto
George L. Schetky Prize (sponsored by the Vancouver Agents Asso-

Pres. Hamilton Makes 25-Year Awards To CUA Staff Members In Toronto

Recognition of long and devoted service with the CUA was made to 38 staff members who have joined the select ranks of the quarter-century group. Toronto's King Edward Hotel was the scene of a banquet in their honor.

The names of 30 men and 8 ladies provided the roll of honor at a banquet in Toronto's King Edward Hotel staged in recognition of their 25 years of service with the Canadian Underwriters' Association and the Underwriters Survey Bureau.

Mr. Alex. Hamilton, president of the CUA, handed over inscribed gold watches and silver trays to the 38 members of the Association, whose total service add up to 1157 years. Mr. E. C. Duff, manager of the Ontario branch, introduced the president, and was himself presented with a watch in recognition of 33 years with the CUA.

In presenting the awards, Mr. Hamilton said, "I am here tonight to express very sincere thanks from the council for a job well done." The CUA was dedicated to the maintenance of ethical standards in insurance, and those standards could not be put into effect without the confidence of its employees.

Added Stability

"Never was the need for a strong CUA greater than today," Mr. Hamilton stated, "and we belong to an Association of which we have no need to be ashamed. We have over 70 years of service behind us, during a period of expanding economy. Your long years of experience have added to the stability of the CUA: you well deserve the thanks which I am here to voice."

The companies, Mr. Hamilton stated, looked on the CUA as departments of its own particular offices, and watched the Association's welfare very closely. The fact that those present were training younger persons to achieve the high standards they themselves had upheld augured well for the future.

Thanks to Mr. Hamilton were voiced by Mr. Duff, who added his compliments to the quarter-century group. It only required a little sober reflection, he said, to see that the Association was a very necessary organization.

"You are the backbone of that organization—which has seen many changes. You carry the welfare of the Association whenever you are outside, and we know you will see that it continues to fulfil its functions."

Topping the honors list was W. Madden, whose presentation marked 41 years of service. With 35 years were: T. E. D. Boys, R. Cheeseman, J. Moore and E. G. Page; celebrating 34 years were J. S. Reid, F. S. Jones, J. G. Brown and V. A. Keech.

E. C. Duff and W. J. Allen, 33 years; H. G. Williamson and Miss R. Hopkinson, 32 years; Dr. W. S. Hutton and S. Hall, 31 years; C. H. Frederickson, W. H. Procter, R. J. Paul, J. A. Markham, C. B. Macqueen, Miss M. W. Hopkinson, Miss E. Arthur, and Miss N. Macdonald, 30 years;

C. W. Graham, Miss I. Braund, W. Sutton and H. Burfield, 29 years; T. F. Hunton, Miss E. Nettleton and Miss E. Perry, 28 years; R. J. Fahie and A. Coltman, 27 years; W. P. Wheatley, G. L. deLaplante, K. C. Wright and G. Mann, 26 years; H. B. Woodrow and Miss I. Barclay, 25 years.

C.U.A. 25-Year Club gets together in Toronto's King Edward Hotel.

25-Year Presentations Highlight CUA Dinner: Honor 22 In Montreal

Silver trays and gold watches were the marks of appreciation bestowed on members of the CUA celebrating 25 years of service with the organization at a ceremony in Montreal.

A total of 703 years of devoted service was honored in Montreal with the presentation of gifts to 22 members of the Canadian Underwriters' Association who have spent more than 25 years with the CUA.

Silver trays, and gold watches were presented to the Quarter Century group which consisted of three ladies and 19 men. This marked the foundation of the 25-year club for the Association and W. W. Owen, manager of the Montreal Branch of CUA expressed the wish that the event may be staged more often in future.

The Association whose doom has often been predicted continues strong and in Montreal marks its 73rd year of existence it was pointed out at the intimate ceremony in the Mount Royal Hotel. A banquet was staged to mark the occasion.

Special guests were Alex Hamilton, president of the Canadian Underwriters' Association, and manager of the Scottish-Union and National Insurance Co., with head office in Toronto; and two former managers of the Montreal branch, E. C. Duff, and Leslie Ham.

Topping the list with 44 years of service was James Dunlop, while only one year behind with 43 years came Daniel J. Henderson.

Next came Leo J. McCullen, E. Leo Murphy, and C. B. Coo, each with 38 years; K. W. Jamieson, and Charles MacDonal both with 36 years; Harold M. Smith, 33 years; L. H. Frechette, and Margery Wimble, both with 31 years.

With 30 years service came William A. Gard, H. Harris, John Pettit, and the benefits. As no non-intercourse or separation requirements for agents existed, they invariably used the association's material in transacting non-tariff business. The latter contributed nothing to the cost of this material, nor did they share in the expense of providing inspection services to municipalities.

The Agency Registration Plan, through which agents were graded in commissions by the percentage of business they gave to member companies, was an attempt to exercise some control over these services. Although some members responsible for the scheme professed to believe it was fulfilling its purpose satisfactorily, it soon became apparent it would never entirely succeed without an expensive audit system. Another alternative was subsequently sought.

The value of the association lay in the services it rendered to its members, the public and to the industry as a whole. In turn, the quality of work and efficiency of service depended upon the staff of the CUA. During this period, about one-third of the staff consisted of inspectors. Many employees carrying out jobs broadly classified as 'office work' had received some specialized form of insurance training. Staff members with association experience were much in demand not only by member companies, but also by their competitors and by the industry as a whole. Some non-tariff companies were able to offer salaries the association could not meet and a considerable number of association-trained employees were lured away.

At a special banquet in 1956 held in honour of those members who joined the Quarter Century Club in the CUA, the president offered the following assessment of the role played by the association and the significance of its services:

> Our Association is dedicated to the maintenance of high ethical standards in the conduct of the business of insurance and well deserves the confidence and respect which it is accorded by the public. The need to have a strong Underwriters' Association has been recognized down through the years by all segments of the insurance business in Canada and the need has never been greater

Happy group of C.U.A. quarter-century club members celebrating in Montreal.

Frank Bowden came next with 29 years service each. Five persons followed with 28 years. These were Allison Walker, K. McC. Dolbey, M. Scane, W. W. Owen, and O. E. Jenkins. Henri Genereux celebrated his 27 years with the Association, Muriel Clark, 26, and P. D. Tuck, 25.

Striking Co-operation

In a short address Mr. Owen paid high tribute to the "delightful co-operation between members of the Association." This was particularly striking, he said, because of the union of two races and two religions, which present a harder task than in the rest of Canada.

"You people are the hard core of the Association. We are fortunate in working for an association such as ours." Mr. Owen stated.

President Hamilton expressed his thanks "for a job well done." "The 183 member companies are vitally concerned with the welfare of the staffs of the Associations, and events such as these are appreciated. Each company regards the CUA as its own, and the Association is devoted to the task of formulating the high ethical standards of the insurance business," Mr. Hamilton stated. "It is you who are charged with keeping these in the high regard the business is held by the public."

"In my view, and that of all segments of the business I believe, the CUA has never been stronger. Working for the preservation of life and property now has more than 70 years of history, and because of the way it has continued through wars and depressions we can say that the essence of the Association is stability."

"We are proud of the work you have done," Mr. Hamilton declared.

He stressed the continued need for training of the younger members of the business.

Mr. Duff is manager of the Toronto branch of CUA, while Mr. Ham is now manager of the Dominion Board of Insurance Underwriters.

(Leduc)

Alex Hamilton, president of the C.U.A., makes presentations in Montreal to James Dunlop, celebrating 44 years service, and to Daniel L. Henderson, with 43 years of service.

in our insurance history than it is at the present time. The work which the association does with the Canadian public through its operation helps in the improvement of risks, in the saving of both life and property from the hazards to which they are subject, as well as providing a stable and trustworthy insurance market.
(**Canadian Insurance**, January 1956.)

As the decade progressed, considerably more competition developed between tariff and non-tariff companies in the quest for insurance premiums. The commission agreement of 1948 was largely ignored as many agents outside Toronto failed to comply with its terms. Many agents supported non-member companies in order to attract a higher rate of commission. As a result, a great number of attractive risks fell to non-tariff companies. This acute competition caused the association to reduce rates and broaden forms to such an extent that some portfolios became unprofitable. This occurred at a time when the industry faced an increasing number of claims and spiralling overhead costs driven up by inflation.

President C.D. Trusler commented in 1957 on the serious conditions confronting the association:

There is no doubt that we are facing very serious problems today and it is fundamental that insurance companies cannot contemplate continued adverse trading without taking steps to improve matters without delay. I wish I could report an improved trend during the first half of 1957 but it would appear that conditions have continued to deteriorate...Acute competition has caused us to reduce rates and to broaden forms to such a degree that our portfolios have become unprofitable.

During that year, membership in the association declined from 178 to 172, and the general insurance underwriting loss totalled $77 million.

The situation did not improve in 1958, as H. Douglas Coo unhappily observed in his annual report:

For several years now it has been the unhappy duty for the President of your Association to report an unsatisfactory year. I regret that this year has been no exception. As a matter of fact it will go down in our history

S. M. Elliott, CUA President, 1955.

as one of the worst years we have experienced – the worst, we trust...If ever in the history of our Association clear thinking was necessary, it is in times such as these. Serious though the situation is, panic has no place in our business. A year ago, with conditions steadily worsening, there was a danger that too hasty action to correct the situation would have failed to produce the desired results – that the pendulum, having swung so far in one direction, would swing just so far in the other. The danger still exists and many problems remain to be solved, but I am confident that we who have surmounted so many difficulties in the past will be able to overcome those that face us today.

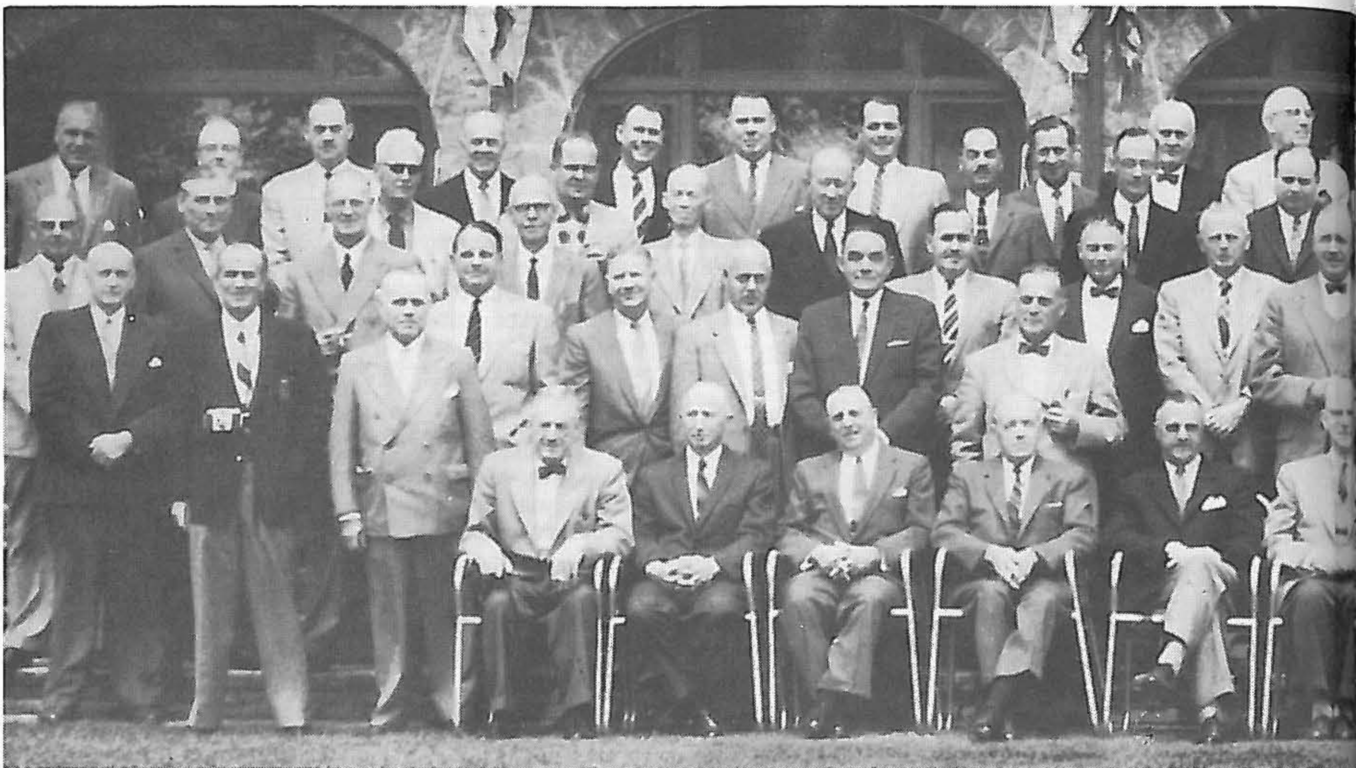
The latter half of the 1950s represented something of a turning point for the Canadian Underwriters' Association. Faced with serious competition and constantly-rising prices, the members of the tariff organization had to take decisive action or risk the possible dissolution of the association. The first of these changes occurred when the demise of the Dominion Board led to a rearrangement of the tariff insurance hierarchy.

The emergence of the Dominion Board as the central power in 'board' insurance in the 1950s was actually short-lived. Opposition to its control came from two sources. The larger companies with many branch offices objected to the intervention of the Dominion Board because it threatened the autonomy they had come to enjoy and the small companies that came to Canada after the war found they could not afford to operate branch offices. The latter were forced to rely heavily on general agents who naturally opposed the extension of any central control.

Conditions in the insurance industry and duplication of services dictated that the Dominion Board be amalgamated with the Canadian Underwriters' Association. Following a vote by members earlier in the year, the merger took effect in June 1958, the 75th anniversary of the association. CUA President C.G. Angas explained the reasons for the amalgamation:

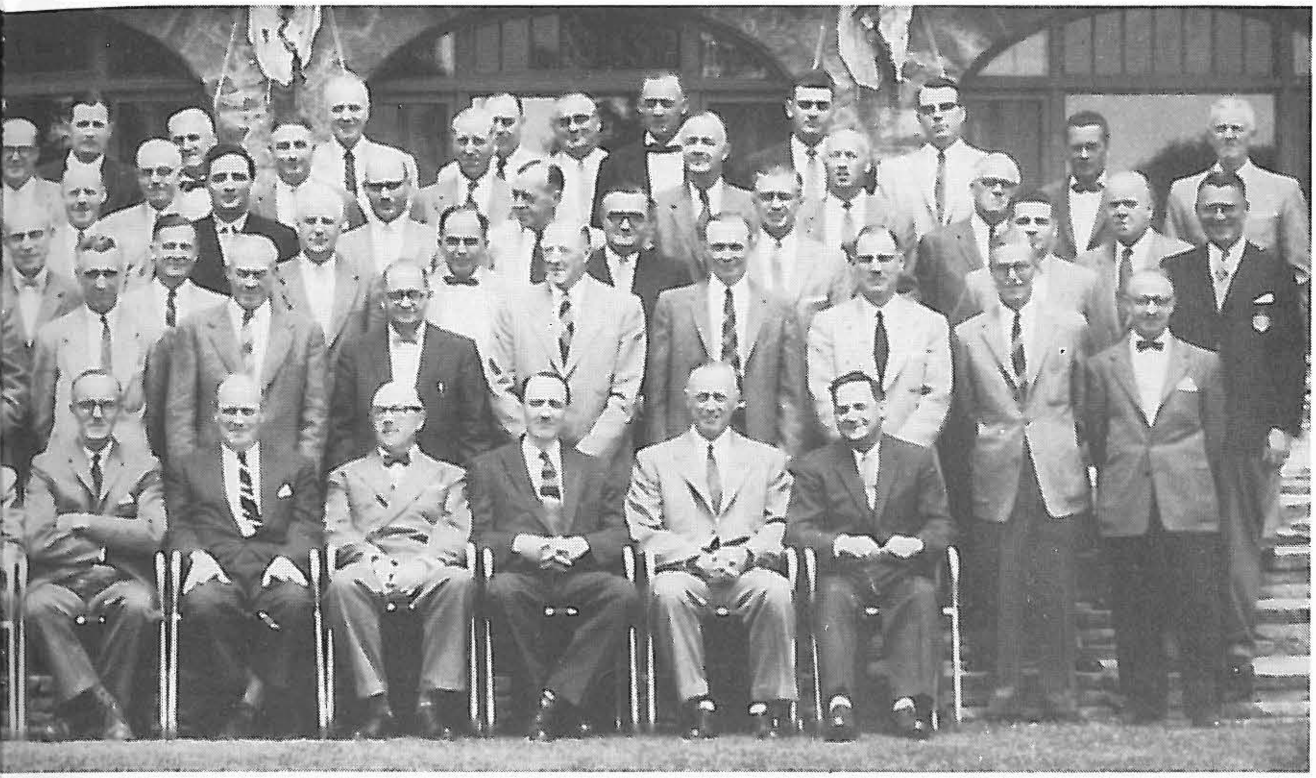
It was felt that a supervisory body controlled solely by Company Managers was essential to the best interest of Tariff Insurers, but as Head Offices have extended their activities across Canada and opened Branch Offices the original need of the Dominion Board has passed. Today we must recognize this and in the interests of economy and efficiency an amalgamation with the CUA is brought before you for consideration. The main objects of the Dominion Board and the new CUA are essen-

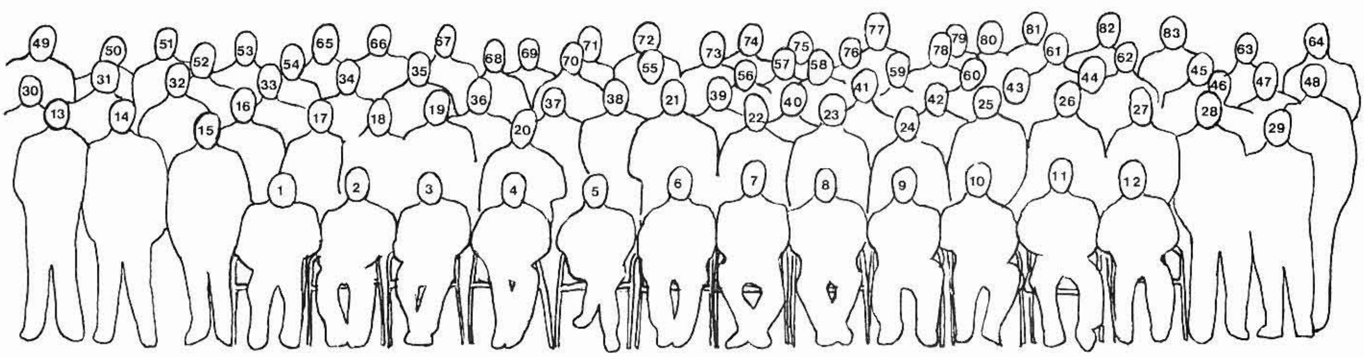
Alex. S. Hamilton, CUA President, 1956.



CANADIAN UNDERWRITERS' ASSOCIATION
Seventy-fifth Annual Meeting, Seigniory Club, Montebello, Quebec, May 29–30, 1958.

1 A. Leslie Ham, Dominion Board of Ins. Und.
2 E.C. Duff, Manager of Ontario, C.U.A.
3 R.A. Dyer, North British & Mercantile
4 A. Sunter, Union of Canton
5 G. F. Burne, London & Lancashire
6 W. H. Bell, Guardian of London
7 H. Douglas Coo, Hartford Fire
8 C. G. Angas, Yorkshire
9 C. D. Trusler, Commercial Union
10 F. C. Smart, Phoenix of London
11 George B. Kenney, Phoenix of Hartford
12 W.W. Owen, Manager for Quebec, C.U.A.
13 A.H.S. Stead, Retired (Dominion Board)
14 E.S. Heaton, New York Underwriters
15 R. H. Leckey, Aetna Insurance
16 D. B. Martin, Royal
17 F. D. Taylor, North British & Mercantile
18 F. O. Reddrop, Royal
19 A. T. Cunningham, Phoenix of London
20 J. W. Dooley, Royal
21 R. P. Simpson, Sun
22 F. W. Bailey, Western
23 Hugh P. Ham, Western
24 E. H. Shea, Hartford
25 L. Hook, Royal
26 E. F. Tabisz, Underwriters Laboratories
27 H. D. McNairn, Prudential
28 Chas. Curtis, Employers' Liability
29 H. W. Bell, Royal
30 Adrien Demers, Société Nationale
31 W. Vestey, Legal & General
32 L. J. Batty, Legal & General
33 R. S. Garvie, Aetna
34 Norman F. Jardine, C.U.A.
35 D. L. Davey, Yorkshire
36 E.A. W. Paterson, London Assurance
37 C. F. Mist, Boston
38 James Molson, Royal
39 J. L. Deslauriers, Norwich Union
40 R. H. Stevens, Norwich Union
41 J. J. Kilgour, Reliance of Philadelphia
42 M. H. Crone, Fireman's Fund
43 J. W. Henderson, Royal Exchange
44 H. Whittaker, Royal Exchange
45 M. B. Strong, Canadian Surety
46 K. M. Young, Dominion Board
47 A. Young, Financial Times
48 E. J. Martin, Phoenix of Hartford
49 R. Holroyde, Eagle Star
50 Marcel Clement, Le Devoir newspaper
51 W. D. Blyth, St. Paul Fire & Marine
52 S. M. Elliott, Phoenix of Hartford
53 E. H. S. Piper, All Canada Insurance Fed.
54 H. F. McCulloch, Aetna
55 J. B. Kemp, Springfield
56 G. S. Murray, Guardian
57 J. Richardson, London & Lancashire
58 I. D. Mair, Prudential
59 L. J. Field, Commercial Union
60 D. J. Dunlop, Atlas
61 R. Wilson-Smith, Chronicle newspaper
62 J. S. Wyndham, Canadian Insurance
63 J. L. Plante, New Hampshire
64 R. S. Aitken, Home of New York
65 S. R. Drake, Comptroller, C.U.A.
66 J. M. McFadyen, Hartford Fire
67 R. Suydam, Financial Post
68 G. W. Andrews, Legal & General
69 H. Freeman, Public & Industrial Relations
70 A.T.M. Pearse, Scottish Union
71 O. L. Duncombe, Yorkshire
72 L. L. Lewis, Springfield
73 R. H. Campion, London & Midland
74 A. U. Lind, New Zealand
75 John Holden, London & Lancashire
76 F. W. Pearson, Northern
77 C. M. Close, Great American
78 E. A. Cooke, Alliance of London
79 S. W. Duck, Great American
80 R. R. B. Attride, Home
81 G. L. Armstrong, Continental
82 W. J. Flynn, Dominion Board
83 R. E. Gordon, Continental





tially the same.
(**Canadian Insurance**, June 1958.)

He added, "We need not fear the passing of the Dominion Board, we need not weep over the passing of a thirty-year old institution. Rather should we regard this move as an endeavour to conserve our strength and to attack with renewed vigor the problems I have referred to."

Angas drew attention to the loss of $115,000,000 during the past year and emphasized the problems causing these disturbing figures were complex and could not be attributed to any particular individuals:

...in a period of booming economy and plentiful business, we have failed to practice some of the fundamental principles of underwriting. In any period of economic expansion the bogey of inflation is felt and Companies in their endeavours to control expense ratios tend to press for volume of income without paying due regard to that all-important fact–insurance to value. Competition between the various types of insurers and between Agents and Brokers and with a market capacity beyond normal need has forced reduced rates and broader covers to the point that the future solvency of many in the industry may indeed be threatened. Like any other business we want to make a profit and a reasonable profit must be available to assist us to find the money to finance our deposits for the increased premiums we require even on existing business, let alone any business resulting from the natural growth of Canada.
(**Canadian Insurance**, June 1958.)

It is hardly surprising that the combined annual meeting in 1958 of the Dominion Board and the Canadian Underwriters' Association was described as a "sombre affair with little to excite or amuse the members".

The commission question seemed to be resolving itself by degrees. One aim of the 1948 rules had been to do away with city agency status except for those having sub-agency plants at the end of five years. But the association, in attempting to find an equitable solution, twice extended the deadline. In 1958 the Dominion Board drafted a new set of rules whereby city agents' commissions were further reduced and over-riding commissions were no longer permitted to those with sub-agency plants. These rules were accepted by the association.

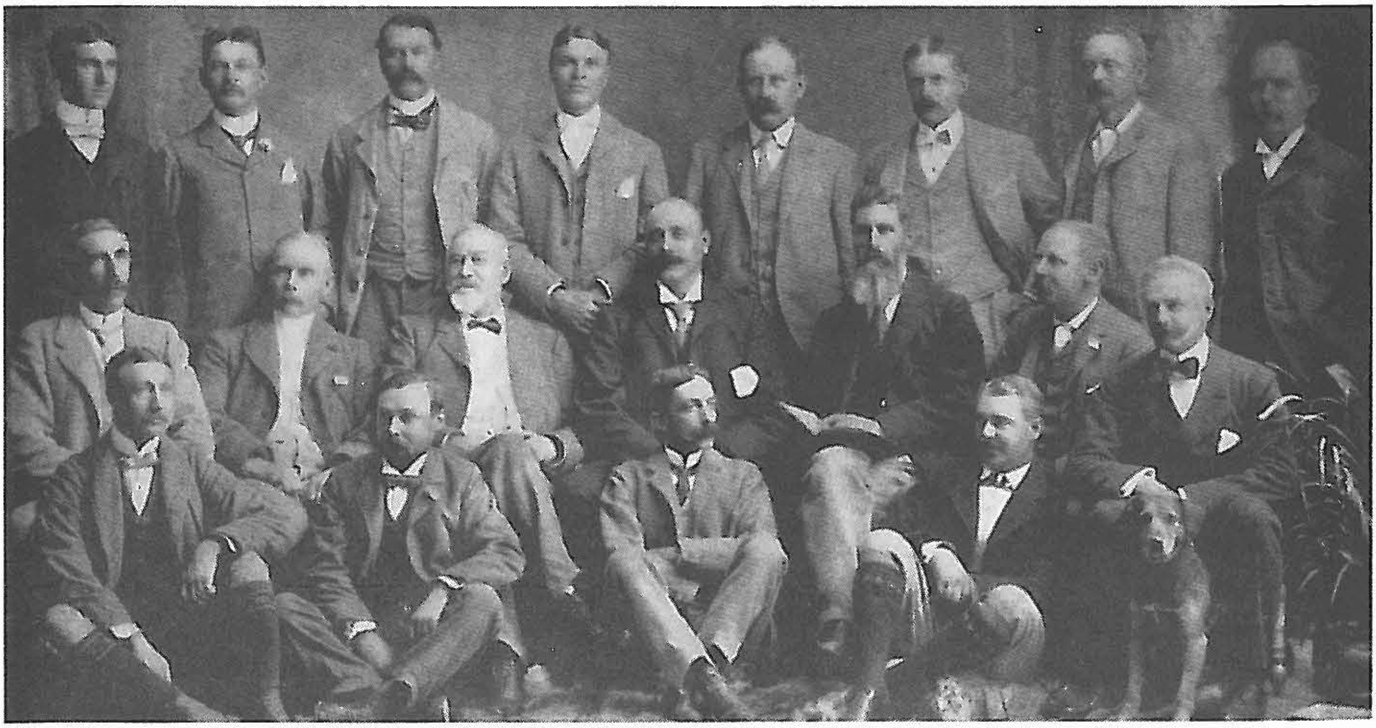
Despite earlier suggestions that the efforts of tariff insurance companies in Canada would be served better by a single coordinating rating and inspection body, nothing was done until the unsatisfactory and unprofitable years of 1956 and 1957. This chaotic period, which had witnessed the steady decline of forms and rates caused by the soft market, prompted the council to appoint R.P. Simpson, Hugh Ham and Ralph Sketch to study the possibility of forming an 'honest-to-goodness' Canadian Underwriters' Association.

Several members ridiculed the 'eager beavers' whom they felt had no conception of the magnitude of the task which lay before them. However, the committee persevered and, with much hard work, made great progress. The final details were quickly resolved and on January 1, 1959, the Canadian Underwriters' Association absorbed the Western Canadian Underwriters' Association and the British Columbia Underwriters' Association, assuming jurisdiction from the New Brunswick border to the Pacific Ocean. Ralph Sketch assessed the significance of this achievement, observing that, "by pooling our ideas and pulling toward a common end, we not only create a very worthwhile rating and inspection body but we may also contribute something toward the maturity of Canada".

President C.G. Angas accompanied General Manager W.W. Owen on a western tour prior to the merger. They visited the offices and sub-offices of the association, meeting personnel to explain their function in the new organization. Angas reacted positively to his future colleagues:

Gentlemen, I cannot stress too greatly the good impression I formed of those who serve us in these Territories. They are loyal, experienced and enthusiastic, and I am sure that with the depth in staff we have acquired our interests are being well served and I should also say that within the greater organization, it will be possible to train and develop the younger man to a much greater degree which is not only in our interests, but also in theirs. It is early yet to report any major economies that are being effected, but indications suggest that material savings will be effected, and there is no doubt that the demands on the time of the Company personnel will be reduced.

Angas added that it would require some time to fully integrate the functions of the expanded CUA, and he informed members a committee was already studying the possibility of expanding eastward.



The Manitoba Board of Fire Underwriters in 1900.

The two organizations that joined forces with the CUA in 1959 had themselves enjoyed a long and distinguished history. The Western Canada Underwriters' Association pre-dated the CUA, as the Manitoba Board of Fire Underwriters'. Fire insurance companies in the west experienced difficulties peculiar to their location. Most communities were of the frontier type with no building codes and little, if any, fire protection. On a number of occasions, large fires swept through communities comprised of frame dwellings common in the west. The aims of the 23 founding companies of the original organization were similar to those later echoed by the CUA:

The Board of Underwriters of this Province was organized principally for the purpose, as expressed in the original constitution, of securing uniformity in the rates of premiums, and adopting certain rules for the welfare of the business; and to serve the public by seeking means to keep down rates, working to reduce fire hazards, and finding methods of safeguarding life and property. (**Trailing the Blaze**.)

In 1901, the organization changed its name to the Manitoba and North-West Fire Underwriters' Association. The name was again changed in 1909 to the Western Canada Fire Underwriters' Association as the organization expanded into the new Canadian provinces of Alberta and Saskatchewan. Like its CUA counterpart, the WCFUA dropped 'Fire' from its name when automobile insurance was included.

On the west coast, the British Columbia Underwriters' Association traced its roots back to two separate organizations founded in 1890: the British Columbia Fire Underwriters' Association and the Vancouver Board of Fire Underwriters. The BCFUA sought to "establish and maintain an equitable rate, regulate the payment of commission, conserve the correct practice and promote the general interests of the fire underwriters in the province". In 1899, the fire insurance companies voted to reorganize their associations and formed the Mainland Fire Underwriters'

A CHRISTMAS GATHERING
Halifax, Circa 1959

BACK ROW — Ed Walsh [1960], Charlie Burchll [deceased], Bernice Kelly [Hersey 1961], Gail Crossman [MacDonald 1962], Charlie Cluett [1962 now operates his own agency], Roy Pugh [still with us!].
REMAINDER· L to R — George MacDonald [retired 1984], Bob Brooking [1960], Betty Frozel [Latimer 1960], Basil Patterson [1960], Harold Bowes [1966], Theresa O'Neil [Deal 1960], Phil Heckman [1968 now Regional Fire Commissioner/Atlantic], Margaret Edwards [Twohig 1965], Daisy Dauphinee [retired 1973], Stella Leadbetter [McKay 1961], Pauline Thomas [1964], Gordan Collins [1961 presumably still with I.C.B.C.], Bill Shakespeare [Manager deceased], Gladys Venturini [LTD 1977], Joan Marsh [Nicholson 1961].

Halifax, Circa 1970

Ten reasons why the NSBIU was never refurbished, or, a typical day in the life of an NSBIU employee. [If it didn't move, paint it!]
In the very forefront, Ed Porter — still with us. Wiping paint from his eye, Howard Gray [now with the Zurich]. With the checkered shirt, Kathy Neil [gone 1972] looking at Valerie Keelan [1971]. Under the hat, Wayne Beuree, presently Supt/Property Dept. Behind Wayne is Gordan Harpell, Supervisor/ Atlantic FUS. Next to Gordan is Rick Minniken, now with Canada Post. Next to Rick is Wayne Castle, Field Supvr. Directly behind Rick is Roy Coupe [1978] while standing at rear is Roy Pugh [notice how everybody else is sitting down on the job!].

Halifax, Circa 1966

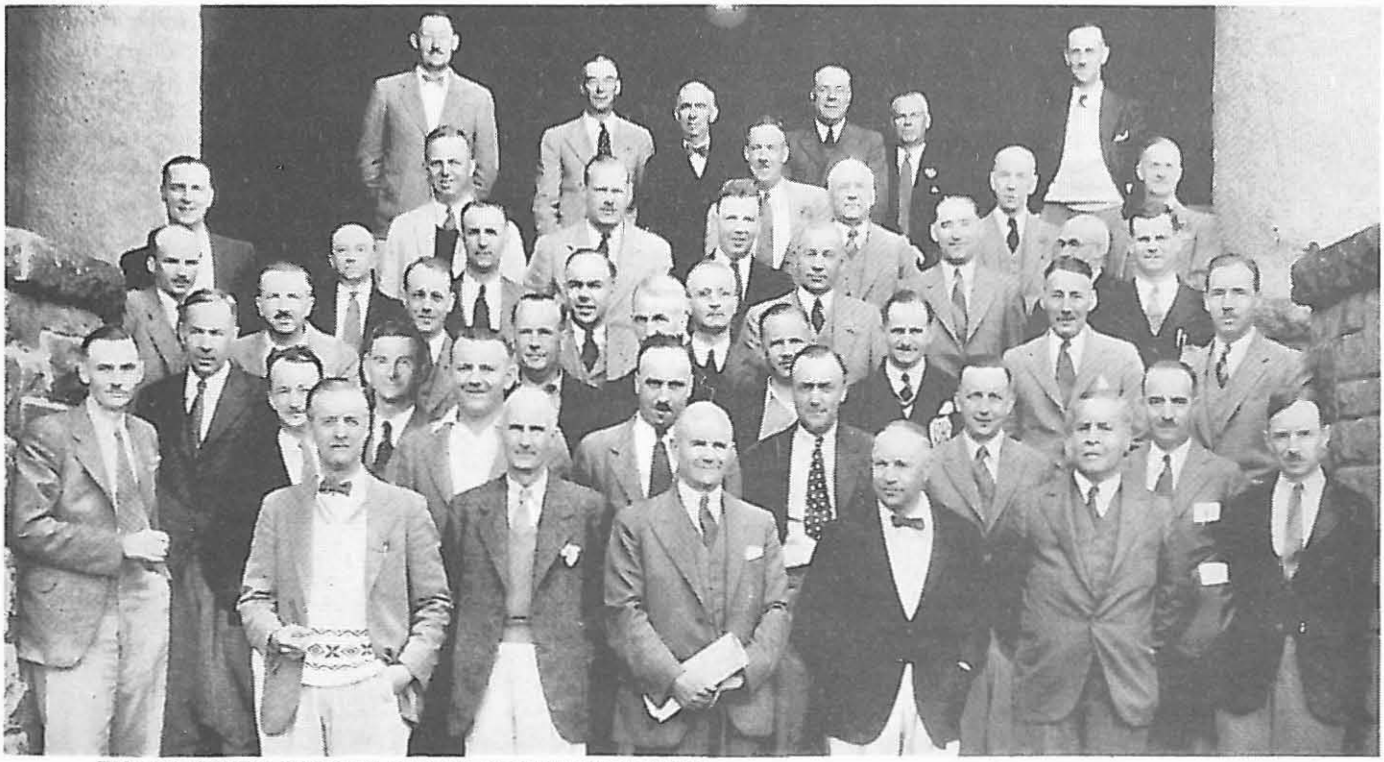
The first day of the "Uniform Approach To Staffing"
LEFT to RIGHT — Karen Ferguson [Gray 1968], Jean Faulkner [1968], Gladys Venturini [LTD 1977], Norma Matthews [1966], Violet Manuel [Barton still on the job!], Bonnie Hayward [Zwicker 1968], Daisy Dauphinee [retired 1973], Penny MacLeod [1966]

Association and the Vancouver Island Fire Underwriters' Association to control the British Columbia insurance industry. These two organizations merged in 1920 to form the British Columbia Fire Underwriters' Association. Seven years later, the BCFUA amalgamated with the British Columbia Automobile Underwriters' Association to form the British Columbia Underwriters' Association. In 1959, this organization signed a resolution similar to that agreed to by the Western Canada Underwriters' Association.

In 1959, one year after the amalgamation with the Dominion Board and a few months after the territorial expansion of the Canadian Underwriters' Association, President C.G. Angas outlined the contemporary problems within the industry:

...Gentlemen, we cannot afford to be complacent, for any loss is serious to this Industry. We are embarking on a programme of aggressive research, improving statistical exhibits and doing everything we can to limit our activities to the proper field...It seems doubtful to me that the public have a proper appreciation of the losses suffered by Insurers during the last few years, or the effect of continued losses on the same scale would have on the development of this country...As an industry we plough back into our business and use as working capital a far greater proportion of our apparent overall surplus than does any other business operation in this country. We cannot ask the insuring public voluntarily to offer us increased premiums, but surely we can and we should expect them to understand our position, and to accept increases in insurance costs with no more resistance and resentment than they display towards the increased cost of other commodities.

The decade was eventful for the Canadian Underwriters' Association and the insurance industry as a whole. The 1950s represented an era of tremendous economic growth and a period of rapid inflation. With many new insurance companies entering the potentially lucrative field, competition drove premiums down to dangerously low levels. The tariff companies reacted with a reorganization involving the Dominion Board. Shortly after, the association extended its control as far as the West Coast and considered the possibility of moving eastward. The CUA entered the 1960s with a new look and new promise for the future.



THE WESTERN CANADA BOARD OF UNDERWRITERS

TOP ROW - R.J. Crighton, A.G.Mackie, E.P. Withrow, H. Pellowe, H.H. Smith, W.B. Lowry.
SECOND ROW - J. Morgan, H. O'Neil, L.G.C. Wright, R.J. Parker.
THIRD ROW - W. Cowan, S.J. Hodge, W. Bruce, J.M.H. Langford, H.J. Scott, A.C.Ruby, C.W.Bolton, T.G. Cox, K.B. Quantz, V.D. Hurst.
FOURTH ROW - C.A.R. Macleod, N.C. Woodcock, F.R. McDowell, L.M. Moffatt, J.E. Haskins, N.J. Black, W.L. White, D.B. Hall, J.J. Milne, C.McE. Nicholls, R.P.Simpson.
FIFTH ROW - W. Glazin, F. Lawson, G.L. Pratt, G.J.K. Irvine, E.J. Don Rowand, T.D. Harris, J.A. Pert, J. Wilson, C.E. Chandler
FRONT ROW - J.V. Nutter [President], R.O. Taylor, W.E. Meikle, E.S. Craig, I.T. Chadwick [Manager], P.A. Codere.

G. D. Trusler, CUA President, 1957.

H. Douglas Coo, CUA President, 1958.

C. G. Angas, CUA President, 1959.

Ralph Sketch, CUA President, 1960.

CHAPTER IX

The Struggle For Survival

(1960-1970)

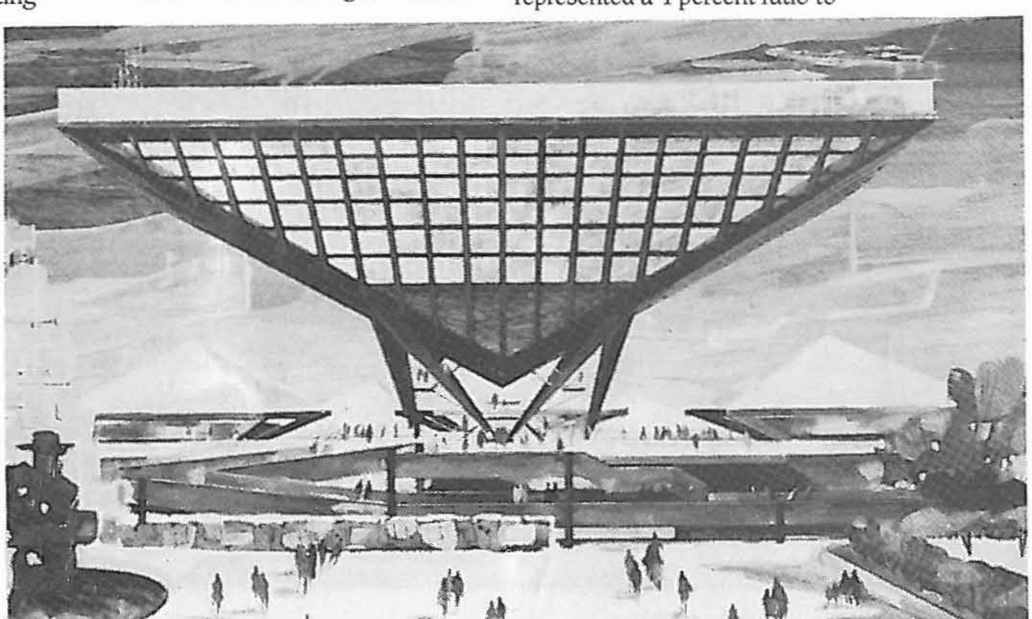
By 1957, the post-war economic boom in Canada began to falter. The tremendous expansion of the early 1950s, based predominantly on exports of primary products, could no longer provide jobs for the steadily increasing work force. During the recession that occurred late in the decade, the government devalued the Canadian dollar to 92.5 cents in an effort to stimulate foreign trade. This recession continued into the early years of the 1960s, when the Canadian economy again returned to an expansionary phase, buoyed by American capital.

The insurance industry, like the economy at large experienced both profitable and unprofitable years during the 1960s. Following the disastrous results of 1956 and 1957, the underwriting companies posted modest gains in 1961 and 1962. The return of profit was accompanied by renewed — and fierce — competition. But 1963 and 1964 losses exceeded those of 1956 and 1957.

Competition was so fierce that at times the existence of the Canadian Underwriters' Association seemed threatened. At a time when the rates should have increased, competition promoted increased agents' commissions, reduced rates and greater coverage. The decade proved extremely trying for the CUA, but its survival stemmed from its ability to adapt to adverse conditions. Despite the resignation of a number of companies that felt they needed total freedom to compete in the frenzied market, the association emerged from the decade in a relatively strong position.

The CUA, always a leader in the insurance industry, supported a number of innovations designed to restore stability to the market. The most important of these changes came in 1964, with the formation of the Insurance Bureau of Canada. This restored something of a sense of cooperation between insurance companies which, in turn, prompted a modest recovery in the latter half of the decade. However, chaotic market conditions returned in 1969 and heralded the onset of a period of prolonged underwriting losses for the insurance industry.

The underwriting results of the fire and casualty companies in Canada for 1960 showed a modest profit of $36 million (this represented a 4 percent ratio to



The Canadian Pavilion at Expo '67 in Montreal, an international symbol of Canadian achievement and progress.

premiums earned). The situation prompted CUA President W.H. Bell to describe 1960 as "the best year...in an unprofitable cycle." After three unprofitable years in the latter half of the 1950s during which insurance companies recorded a loss in excess of $100 million, the industry had registered a small underwriting profit in 1959. With the continued improvement in 1960, many hoped for a decade of prosperity.

Members of the CUA took pleasure in the moderate increase in total business volume written in 1960, during a period characterized by a general decrease in Canadian business. Bell warned association members that while most observers agreed the recession had 'bottomed-out' and the economy was moving toward a period of recovery, the slackening in the country's trade and commerce would be soon felt by the insurance industry. The industry was slow to feel the effect of a major economic boom or slump. Business for 1961 was expected to remain stationary or perhaps show a slight reduction.

Despite the improvement in 1960, the loss ratio remained high. This reflected the broad forms of coverage being written at uneconomical rates. The Canadian Underwriters' Association faced two choices: either to increase the general rates or to reduce the expense factor considerably. In the next few years, fierce competition drove rates down, despite rising claim costs.

Under the plans adopted in 1957 to operate the CUA through branch offices across Canada, a new office was opened in Calgary in 1960 to serve the people of Alberta. The Winnipeg branch had previously controlled the Alberta business. In 1960, the CUA Council was authorized to proceed with the plan to replace the local boards in the Atlantic provinces with Atlantic branch offices of the CUA. Obstacles delayed this expansion until 1962.

Despite the modest recovery in underwriting results in 1960 and early 1961, competition was again showing signs of heating up. W.H. Bell thought it was time to:

> ...warn everyone in our business about the dangers of unbridled competition in rates, forms and commissions, by reminding them of what this did to our business such a short time ago, and by pointing out that the narrow profit margins of the past two years could easily disappear and turn into losses which could be extremely harmful to the companies in our business.

Fortunately there were no spectacular losses in 1961 and the companies again posted a modest expansion in business. The

H.D. McNairn, CUA President, 1962

W.B. Bell, CUA President, 1961

increase in volume was, however, the lowest that the industry had experienced in many years, heralding a period of slower growth.

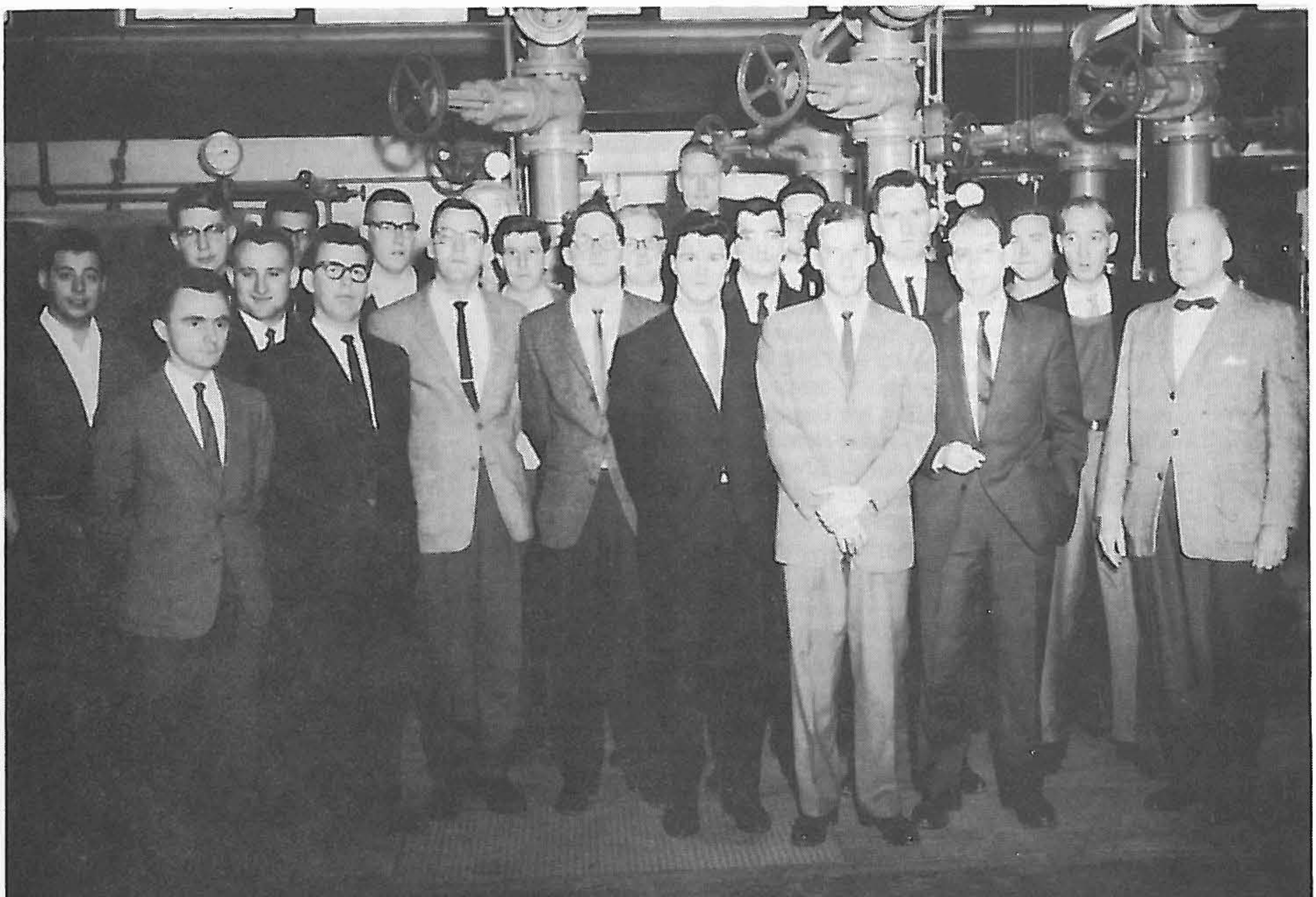
In 1961, President H.D. McNairn expressed some concern over the low portion of earnings generated by the two classes forming the bulk of the associated companies' business, fire and automobile.

The fire business had suffered from competitive pressures for a number of years. Harry Bell, former chairman of the Property Department's Executive Committee (in which fire insurance was included) made an interesting observation on the situation:

Some of the downward pressure on rates has been generated by our own members who feel that the falling off in the rate of increase in premium income is entirely due to loss of business to non-member competitors. I learned quite recently that some of those competitors are equally concerned and felt they were losing business to us.

The automobile business also witnessed a disturbing trend. Between 1957 and 1961 the earned premiums total was \$1,472,546,532 and the loss \$945,082,951. This represented a loss ratio of 64.18 percent over five years. J.T. Buttery, Chairman of the Automobile Department

The CUA Training School opened February 20, 1961, the first of its kind in North America. This group, about 1963, was taught by Dr. W.S. Hutton, Ontario Chief Engineer and School "Principal", at right of group.



Executive Committee was understandably distressed with the levelling off of the earned premiums and the deterioration of the loss ratio. He also pointed out that compensation for injuries and property damage, as a result of automobile accidents, had become a social problem.

Pressure from the public created an intense interest in this problem by various government authorities. This interest resulted in the formation of a number of provincial commissions to study automobile insurance during the 1960s. Buttery suggested the association should concern itself with the broadening of coverage without materially affecting the cost of protection. "We must endeavour to maintain a rate level that is fair to the public and at the same time protects the solvency of the Insurance Companies." (The Casualty Department of the CUA wrote approximately 50 percent of the total business and suffered a loss ratio of 47.58 percent).

With competition for business growing, it was apparent that any attempts to increase rates would be met with a corresponding loss in business. McNairn observed, "We have, in this country, one of the widest and most competitive insurance markets to be found in the world today." He expressed concern that, despite the harsh lessons of the immediate past, there could be a return to the chaotic conditions of 1956-57, as competition continued to intensify, particularly in Ontario and the far West. Describing the industry's instability, McNairn said:

> The business is going through a period of change. There is a great deal of unrest flowing from the uncertainty in the minds of company managers and agents as to what shape and form the business will take in the future and what developments in agency relations and marketing practices will prove to be of a permanent nature.

During this period, numerous changes were taking place in the insurance industry. Company mergers were common and frequent, changes were made in practices, rates and forms in order to compete with direct writers and other rivals. McNairn warned that hasty and ill-conceived decisions born out of competitive pressures had to be avoided.

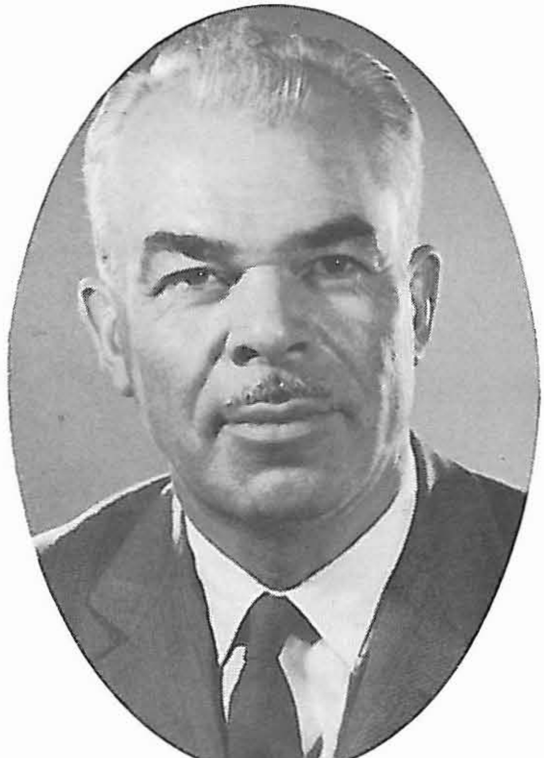
Another problem McNairn spoke of at the annual meeting was the practice of some brokers and agents of making full use of board facilities and services while placing all or part of their risks with non-member companies. With the expense rate often determining the margin between profit and loss, CUA members opposed such action. They believed, as did most agents, that where a board service was employed, the association should benefit.

One of the most significant changes of the early 1960s was the eastward expansion of the Canadian Underwriters' Association. In 1962, the CUA became a truly national organization stretching from St. John's, Newfoundand to Victoria, British Columbia. Under terms of the agreement of amalgamation the Boards of New Brunswick (1866), Newfoundland (1892) and Prince Edward Island (1883) became branches of the CUA effective January 1, 1962.

The jurisdiction of the association now extended Canada-wide, with the single exception of property insurance in Nova Scotia. In assessing the importance of the merger, H.D. McNairn commented:

> In years to come I believe we will look back upon the reorganization in connection with these mergers as one of the most useful steps the Board has taken in many years to

E.A.W. Paterson, CUA President, 1964



R.F. Swaine, CUA President, 1963

Special Risks Superintendents attending the CUA's first Special Risks Superintendents' Seminar, for a week in June 1963:
Standing, left to right: ***Don MacGowan, New Brunswick, Special Risks Superintendent; Dan White, Quebec, Assistant Superintendent Special Risks; Doug Hurst, Mid-West, SR Superintendent; Casey Tomasek, Ontario, SR Superintendent; Tim Collinge, Alberta, SR Superintendent; Gord Collins, Ontario, Director Fire Prevention Training.***
Sitting, left to right: ***John Windsor, Newfoundland, SR Superintendent; Don Grant, Quebec, SR Superintendent; Bill Head, Ontario, Assistant Manager; Roy Pugh, Nova Scotia, SR Superintendent; Dave Montador, British Columbia, SR Superintendent; Bernie D'Amour, Quebec, Assistant Superintendent SR.***

permit it to deal effectively with competitive conditions...It incorporates a high degree of flexibility and the machinery for speedy consideration, decision and action.

Adverse competition continued into 1962. Although increases in premium incomes amounted to only one percent during the year, the insurance companies faced a 12 percent increase in claims. Each major class deteriorated with the largest increases in loss ratios occurring in the two largest classes, automobile (63.8 percent to 71.5 percent) and fire (52.2 percent to 56.5 percent). Competition forced companies to lower rates and provide broader coverage. Price was being regarded as the sole consideration in insurance purchasing and agents placed greater emphasis on 'gimmicks' in coverage they offered. This disturbing trend took place with little regard for fair and equitable acquisition costs and, during a period of more frequent claims, worked to the disadvantage of both the industry and the insuring public.

During 1962, the association reported 40 infractions where members wrote or accepted business contrary to the tariff. All substantiated claims were corrected either by cancellation or amendment of the policy. Infractions fell into the following categories: property–26; automobile–4; and, casualty–10.

At one particularly boisterous CUA council meeting in the late 1960s, a member maintained that his company was suffering as a result of violations of the tariff by his confreres around the table. This was vigorously denied by all, whereupon the CUA general manager instructed the staff to quietly conduct spot checks of the business written by members of council. W.G. Seaton, then Property Department Superintendent in Ontario Branch, recalls that not only was the accusation justified, but the complaining member was found to be every bit as guilty of rate-cutting as the others. Perhaps this was one reason for the decline in the number of official complaints lodged with the association in the final years. Certainly no member could righteously accuse others of transgressions when he himself was guilty of the same sins.

The year 1963 proved disastrous for the Canadian Underwriters' Association and the entire industry. Escalating competition degenerated into a rate war that caused the 300 insurance companies operating in Canada to scramble for the available business by offering more comprehensive coverage for the same premium dollar. From 1961 to 1963, some fire and general property insurance buyers enjoyed rate reductions of 15 to 40 percent. Before the year was over, the industry would report a record loss of almost $80 million. In assessing the state of affairs, General Manager W.W. Owen said, "It is quite obvious that in company ranks, only a few fortunates will be able to look on this year's results with anything but remorse."

CUA members particularly suffered from the irresponsible competition because their rates and commission scales were set by the association. This put them in the unenviable position of observing the rules and losing business or risking rule infractions in order to attract business. There was an ever-increasing awareness within the membership of the association that some of the traditional approaches to the problems which they now confronted required modification. Special committees were formed to consider the changes suggested during meetings. This led to a review of established practices and produced some improvements to the system.

Despite willingness to entertain changes, the CUA was forced to reflect on its own operational procedures, as revealed in the following exerpt from a 1963 news article:

> ...many CUA companies have been balking at this tight control. Some have openly flouted CUA rates, and some are reported to be considering resignation, in order to meet rate cuts by non-members. The CUA, for its part may be forced to give its members more freedom.
> (Financial Post, February 2, 1963.)

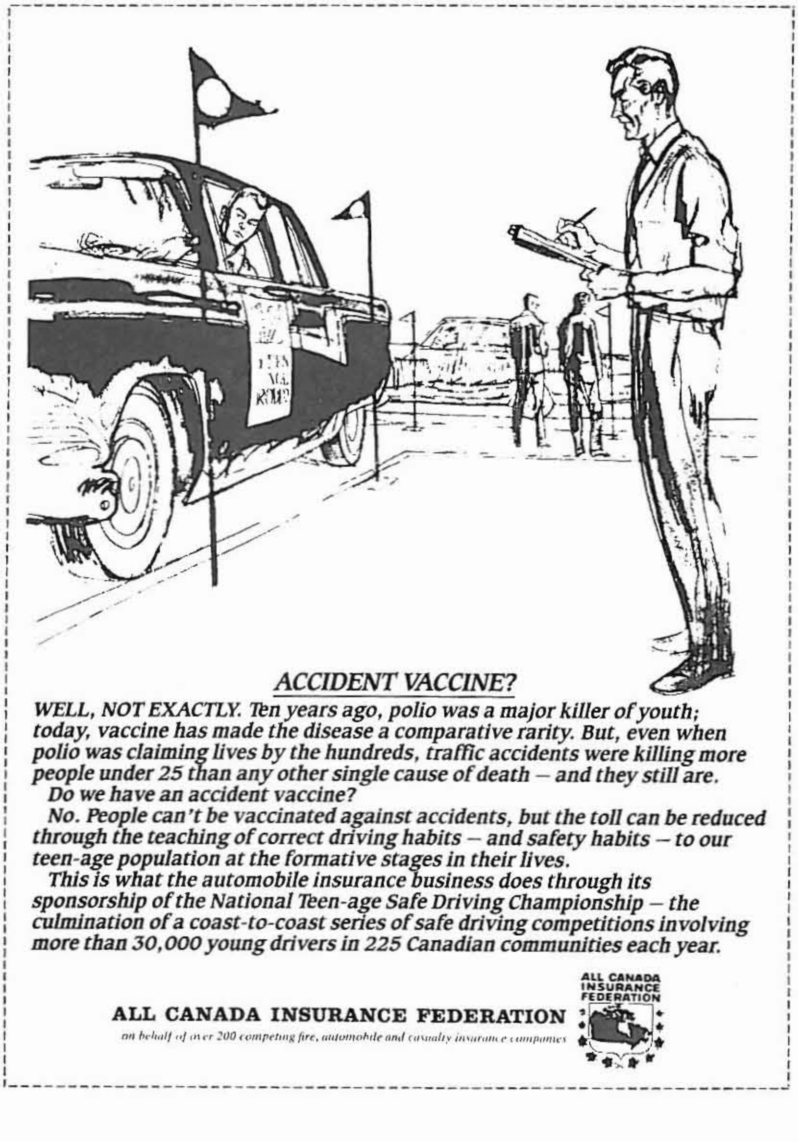
Company representatives did not confine their discussions to changes in rate levels, forms and rules, but went so far as to consider the establishment of a new insurance organization.

One newspaper article described the situation very succinctly: "The insurance business is going to the dogs because of reckless underwriting, blanket policies, unusual privileges and low rates." Interestingly, these words weren't written in 1963! They appeared some 80 years earlier in an 1883 edition of the Montreal Chronicle when similar chaos had led to the formation of the Canadian Fire Underwriters' Association.

CUA's Property Department reported a loss ratio of 67 percent for 1963. In his report at the annual meeting, Chairman of the Department, I.D. Mair, reminded members that while the need to increase rates was apparent, attention also had to be paid to the alarming fire wastage in Canada. In citing a lack of concern by the public and industry in general which he found difficult to understand, Mair commented:

> A review of any one of our Members loss files cannot but help draw our attention to this fact. The growth of arson in all parts of the country itself is bad enough, but the amount of general carelessness and lack of sensible fire prevention is little short of atrocious. This occurs in every class of business from the common dwelling to the most complex of industrial plants. The careless smoker, the careless welder, children allowed to play with matches, the drive for production at all costs, particularly to the detriment of fire protection, all cost the Insurance Industry millions of dollars annually, and the nation millions more in loss of productivity, uninsured properties and a frightening toll of life. There seems to be almost an apathetic approach to the problem of fire wastage.

Mair advocated better education of the public in fire safety and lamented that while the existing rates were inadequate, there was



tremendous pressure being applied to package and expand more and more classes of business.

CUA's Automobile Department experienced its "most depressing year" in 1963, during which it recorded its heaviest loss on record. While earned premiums increased by nine percent to $383 million, incurred losses went up by 19.3 percent to $300 million, resulting in a loss ratio of 78.36 percent. As with the property business, the Automobile Department reported a significant increase in claims against board companies. Over the last year, the frequency of accidents had increased at an alarming rate of 11.3 percent, compared with only a 4.2 percent rise in the number of licensed vehicles.

In order to combat the intensely-competitive trend in insurance rates, the Canadian Underwriters' Association began negotiations with a group that had been until then a bitter rival — the Independent Insurance Conference. The IIC was established in 1964 through the amalgamation of several groups, including the Independent Fire Insurance Conference, the Independent Automobile and Casualty Insurance Conference, the Central Fire Insurance Conference, the Western Canada Automobile Insurance Conference, the Independent Fire Insurance Conference of British Columbia and the Independent Automobile Insurance Conference of British Columbia. The newly-formed IIC thus assumed control over Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

The IIC was a much looser-knit organization than the Canadian Underwriters' Association, with less control over participating companies. The conference operated on the following principles:

(I)
To study and promote simiplifications and accuracy of rating methods and rate presentations;

(II)
To secure the adoption by members of suitable and uniform policy, forms and clauses;

(III)
To regulate acquisition expenses (including contingent commissions) and all other methods of renumeration to agents and brokers.

The IIC established maximum commissions slightly above those allowed by the CUA, which gave IIC companies something of an advantage in competition for business.

When preliminary negotiations between the two organizations broke down, the stage appeared set for an all-out premium and commission rate war. While it was apparent to all involved there must be a return to stability and sound underwriting practices, the intense competition and unprofitable operations made companies unwilling to trust one another enough to lay the foundations for long-term cooperation. The tremendous competition that produced falling premiums became a struggle for corporate survival. This struggle rocked the foundations of the CUA as traditional law-abiding members threatened to break loose in order to compete effectively with rates and commissions offered by non-board companies.

The central issue in the CUA-IIC disagreement was agents' commissions, particularly in the automobile field. While CUA members were prohibited from paying more than 15 percent on private passenger business, members of the Independent Insurance Conference could pay 17.5 to 20 percent commissions. Both organizations agreed in principle that a commission ceiling should be established (preferably at the lower CUA rate). But some of the IIC companies were reluctant to relinquish their advantage over the CUA members.

It was clear, however, that something 'had to give', and the formation of a new industry-wide organization was finally announced early in 1964. The Canadian Underwriters' Association, the Independent Insurance Conference and 27 independent companies agreed to participate in the formation and operation of the Insurance Bureau of Canada. The bureau would exercise no direct control over premium rates or agents' commissions, but would serve as a "forum for discussion of all matters of common interest to members." The objective as outlined in the bureau's constitution read in part:

(a)
to collect, collate and disseminate statistical information in fields of insurance of interest to members;

(b)
to make surveys and reports on any matters of interest to the members, and;

(c)
to make representations on behalf of the members through whatever seem to be the appropriate channels on all matters in which members have a common interest.

This rather innocuous wording was necessary in order to establish a basis for cooperation, as well as to avoid conflict with the anti-combines legislation. The newly-formed Insurance Bureau involved companies writing about 70 percent of general insurance in Canada, and any suggestion that it was involved in fixing rates would have resulted in rapid government action. Some individuals complained that limitations of the bureau's power prevented it from taking the necessary steps to remedy industry problems.

While the formation of the bureau was a significant achievement, it was not sufficient to prevent another large underwriting loss in 1964. The Superintendent of Insurance Report for that year showed a loss of $50 million for fire and casualty companies, compared with a $68 million loss in 1963. The report expressed concern that the industry had recorded losses in six of the last ten years during which total underwriting gains amounted to $61,000,000 and losses to $240,000,000; losses exceeding gains by $179,000,000. It also emphasized the time had come to either adjust rates upward or reduce the claims and expenses, or both. The Superintendent of Insurance welcomed the establishment of the Insurance Bureau of Canada as a forum in which the necessary cooperation might be secured.

In commenting on the serious losses incurred in 1964, CUA President H. Douglas Coo stated:

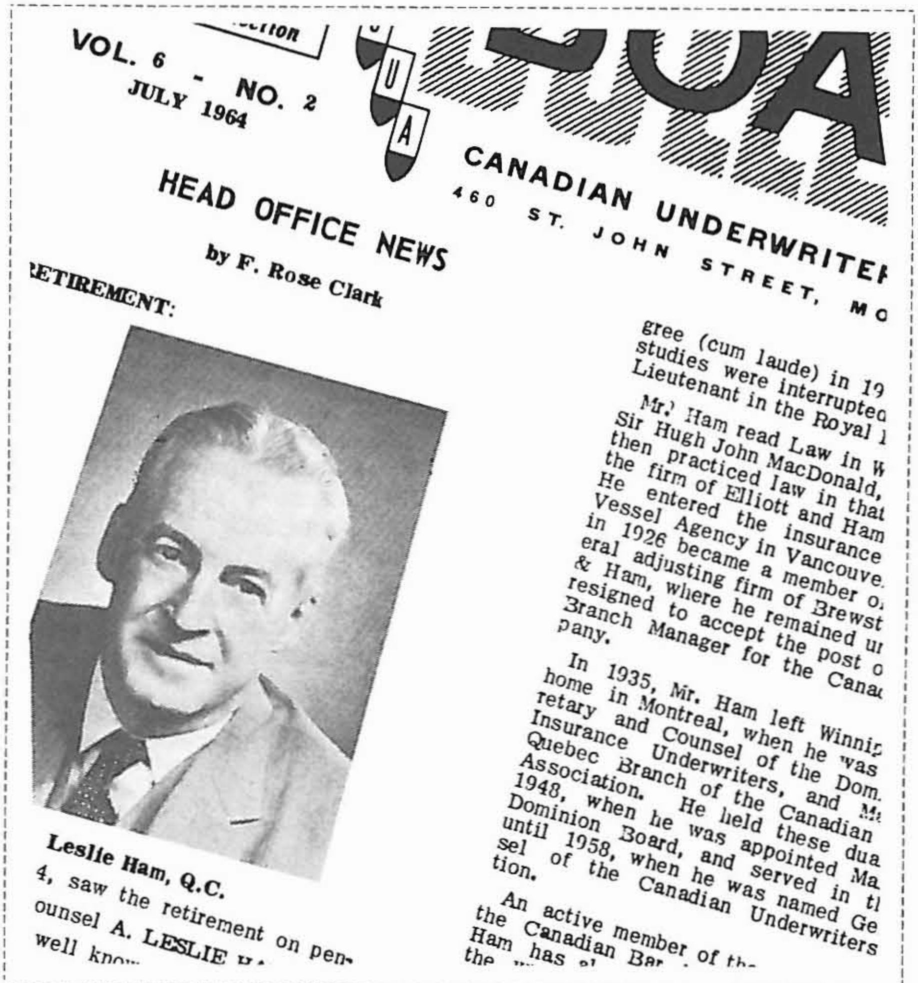
> I have never considered myself a pessimist but must admit that at times during the past year I've felt like a discouraged optimist, felt as if we were in a race with catastrophe and wondered whether we were losing it. One can certainly be pessimistic about the continuing disastrous underwriting results....

Depressing as the situation appeared, there were some optimistic signs. The underwriting loss in 1964 was a third less than the figure of $78 million for 1963. Some steps had been taken toward the narrowing of the commission gap between the CUA and its competitors after the Independent Insurance Conference reduced its commission scale and a number of independent companies followed suit. This contributed to savings in acquisition costs for CUA companies.

During the year, the Insurance Bureau of Canada made cautious but steady progress in promoting stability within the insurance industry. Although the long-term functions of the organization remained somewhat vague, the concept of providing a forum for the discussion of common problems prompted an improved spirit of cooperation. Companies that for some reason could not bring themselves to join the CUA had the benefit of entering into dialogue with its members, and the CUA likewise benefited from its participation in the IBC. Although not a rate-setting organization, the Insurance Bureau of Canada played a vital role in bringing companies in the industry closer together.

Rumours about the fate of the Canadian Underwriters' Association, buoyed largely by company withdrawals in the 1960s, continued to circulate. Did the advantages outweigh disadvantages? Although some began to voice some doubts, faith in the CUA remained strong. H. Douglas Coo advised perseverance:

> Notwithstanding the dire rumours we hear to the effect that the Association in its present state has outlived its usefulness, I still believe, and very strongly, that the Association has in the past played a most important role in Canada. It was, and I believe it still is, the greatest force for stability we have... In common with many other industries we are on the threshold of



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CUA
CANADIAN UNDERWRITE
460 ST. JOHN STREET, MO

HEAD OFFICE NEWS
by F. Rose Clark

RETIREMENT:

Leslie Ham, Q.C.

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gree (cum laude) in 19
studies were interrupted
Lieutenant in the Royal

Mr. Ham read Law in W
Sir Hugh John MacDonald,
then practiced law in that
the firm of Elliott and Ham
He entered the insurance
Vessel Agency in Vancouve
in 1926 became a member o
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& Ham, where he remained u
resigned to accept the post o
Branch Manager for the Cana
pany.

In 1935, Mr. Ham left Winni
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1948, when he was appointed Ma
Dominion Board, and served in t
until 1958, when he was named Ge
sel of the Canadian Underwriters
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An active member of th
the Canadian Bar
Ham has

A. Leslie Ham, Q.C., retired from the position of CUA General Counsel in 1964. Forty years in law and insurance, Mr. Ham was a recognized Canadian expert on both.

a new era. It could be a profitable one for insurers if common sense is allowed to prevail in their relationship with one another and in their approach to the industry's problems... I believe that if the Association continues to look forward, always aware that the ultimate fate of ours will be settled in the marketplace, and if we do not press the panic button in these troubled times, we should emerge stronger than ever. It will require all your wisdom and statesmanship to steer our companies and our Association through the difficulties that must surely lie ahead. Nevertheless this could be our finest hour.

In a January 1965 article in the Financial Post, former CUA president Ralph Sketch argued there were too many companies competing for the insurance business and this had caused the disastrous results of the previous years. The organization of the insurance industry required a major overhaul. He advocated the formation of a broadly-based organization that would handle the actuarial and statistical services, public and government relations, inspections, the drafting of uniform insurance contract forms and the negotiation of ticklish problems such as agents' commissions.

Sketch warned that the Insurance Bureau of Canada could not be a vehicle for such changes. Since IBC membership controlled 70 percent of the general business, for it to become a rate-setting organization would be to invite charges of monopolism and government investigations. He did suggest, however, that the bureau could absorb many of the non-rate related functions of the numerous organizations, thus solving the problem of overlapping services, and spreading the cost of operations over a larger number of companies. This change would be slow in developing as the industry stood on the verge of more profitable underwriting results and each clique viewed its services as indispensible:

The Independent Insurance Conference...likes its comparative freedom from rigid controls. The All Canada Insurance Federation is proud of its ability to handle legislative problems and public relations. The Underwriters' Laboratories is expert at testing fire fighting equipment, oil burners, and other consumer products to determine whether or not they meet safety standards.
(Financial Post, January 1965.)

An overall underwriting profit was recorded in 1965, a welcome change after two years of major losses. Nevertheless, the .06 percent profit did little to offset the financial catastrophes of previous years. CUA members experienced a loss of .01 percent during the year. Interim rate increases and commission reductions in the automobile business in 1965 played an important role in securing the modest profit. The CUA, both through its corporate role and its representations on various committees, provided the leadership necessary to achieve cooperation in the formulation of the required rate increases.

Association members wrote 33.08 percent of the total automobile premiums in 1965 with a loss ratio of 70.16 percent, compared to 31.12 percent of the total premiums in 1964 with a loss ratio of 79.33 percent. CUA considered and supported the Insurance Bureau of Canada's recommendation that agents' commissions should be reduced. In cooperation with other bureau members, the CUA reduced commissions in excess of 10 percent on automobile policies by 2.5 percent across the country.

The industry's automobile insurance activities were periodically the subject of government investigations. Inquiries were conducted in Nova Scotia and Alberta and another announced for British Columbia in 1966.

Problems emerged when the reports for these investigations were not thoroughly examined and presented. CUA President

CUA General Counsel and former National Fire Protection Association Director, A.L. Ham, presents an NFPA plaque to Air Vice Marshall C.L. Annis. This represented a Grand Award in the Military Division of the 1963 Fire Prevention Contest.

D.B. Martin commented on the investigations:

The industry has nothing to fear from an impartial enquiry which elicits and presents a true picture of the part our industry plays in the economic development of Canada. When, however, politics, and politicians' need for quick vote stimulation, become the dominant factors in an enquiry, then there is a grave danger of misunderstanding (unintentional or otherwise), and of grave injustice to an Industry which has deserved better of the people it has protected for so long.

Political pressure had been brought to bear on the industry in general to provide insurance coverage in certain parts of the particularly run-down sections of the city of Toronto. The CUA expressed concern for homeowners who were unable to get insurance on their property through no fault of their own. This concern was weighed against the welfare of the shareholders whose capital would be risked to insure dilapidated property with obvious fire hazards for more than the property was worth. In refusing coverage, insurance companies tried to do justice to all concerned; by protecting investors while attempting to have absentee landlords improve the dilapidated buildings and antiquated wiring systems to upgrade the standard of risks. Cooperative efforts of the Canadian Underwriters' Association, the Independent Insurance Conference and various agency associations led to the establishment of a vehicle for finding markets for genuine cases of hardship.

In his address at the annual meeting, Martin warned that with a return to profitable underwriting, members must be vigilant against the re-emergence of cut-throat competition. In briefly reflecting on the role of the CUA, he stated:

> There is no magic about the constitution of the Canadian Underwriters' Association and no special strength that the Association has which the individual members have not. The Association exists to help us all make an underwriting profit. If one member is helped to make a profit at the expense of all others, or if one member is deprived of the opportunity of making a profit solely to protect the interests of the others, then the Association is not doing its job properly. But it can only do its job through a full recognition of common interest, through a realization that in spite of the words in the Constitution and By-laws the Association has really no powers of discipline beyond the self-discipline of its individual members.

The slight underwriting profit reported for 1965 continued in 1966 when the industry made profits of $7.6 million. This represented a modest profit ratio increase from .06 percent to 1.03 percent over the previous year. In 1966, much of the CUA's energy was taken up with the preparation of a brief on automobile insurance for submission to the Royal Commission of British Columbia. This commission was struck to investigate the cost of insurance and to study the justifications behind the recent variations in automobile insurance. D.B. Martin presented the CUA brief with the assistance of F.C. Smart and C.L. Wilcken and numerous other association officials. Although the Royal Commission was supposedly convened as a result of public outcry, no briefs were offered by individuals or members of consuming organizations.

In 1966, Newfoundland held the dubious distinction of possessing the highest rate of fire losses in Canada. From 1960 to 1964, the Newfoundland branch of the CUA recorded premiums of $18,188,327 while insurance companies paid out some $14,307,758 in claims. This represented a loss ratio of 78.5 percent, significantly higher than the national average of 54 percent (50 percent being the accepted level to show a profit). This situation dictated that insurance premiums in Newfoundland had to be increased to meet rising costs.

The Newfoundland branch of the association released these figures following unrelenting criticism from the Corner Brook Chamber of Commerce which protested the 25 percent surcharge levied on commercial properties in the city. Losses in Corner Brook ran above the provincial average and the CUA enforced the increase because the city lacked adequate fire protection. The association recommendations for improved protection had fallen on deaf ears since 1958.

In 1967, Canada celebrated its 100th birthday. The organizers of the World's Fair, Expo '67, turned to CUA personnel for fire protection and prevention, engineering advice, and inspection and rating services. One association official headed the Expo insurance pool.

The insurance industry as a whole had good reason to celebrate. Favourable underwriting results of the previous year continued to improve with a profit of $22 million. The aggregate writing of CUA companies was in excess of one half billion dollars and their share of the market increased from 29.5 percent to 31.5 percent. This improvement, in which CUA members were above average in both rate of profit and

F.W. Pearson, CUA President 1967

D.B. Martin, CUA President 1966, 1969

growth, was evident in all major classes. The Automobile Department reported its largest yearly profit in a decade. Member companies wrote 32.52 percent of the total automobile business with a loss ratio of 66.27. There were, however, signs warning of a return to the bitter competition against which CUA and other organizations had fought for so long.

In 1968, CUA approved a draft constitution that expanded the role of the Insurance Bureau of Canada. Under terms of the agreement, the bureau absorbed the statistical division of the association and merged with the All Canada Insurance Federation. IBC became the industry's channel of communication with governments at all levels and a decision-making body on many questions of policy. While the bureau was still not a rate-setting organization, it did fulfill the following functions:

Provide a forum for discussion on all matters in the field of general insurance.

Collect, collate, analyze and disseminate actuarial and other information.
Study legislation and legislative proposals.
Engage in research and public relations activities.
Make representations as may be necessary through whatever seem the appropriate channels.
Maintain high ethical standards and practices.
Promote a better public understanding of the business of insurance.
(Financial Post, June 15, 1968.)

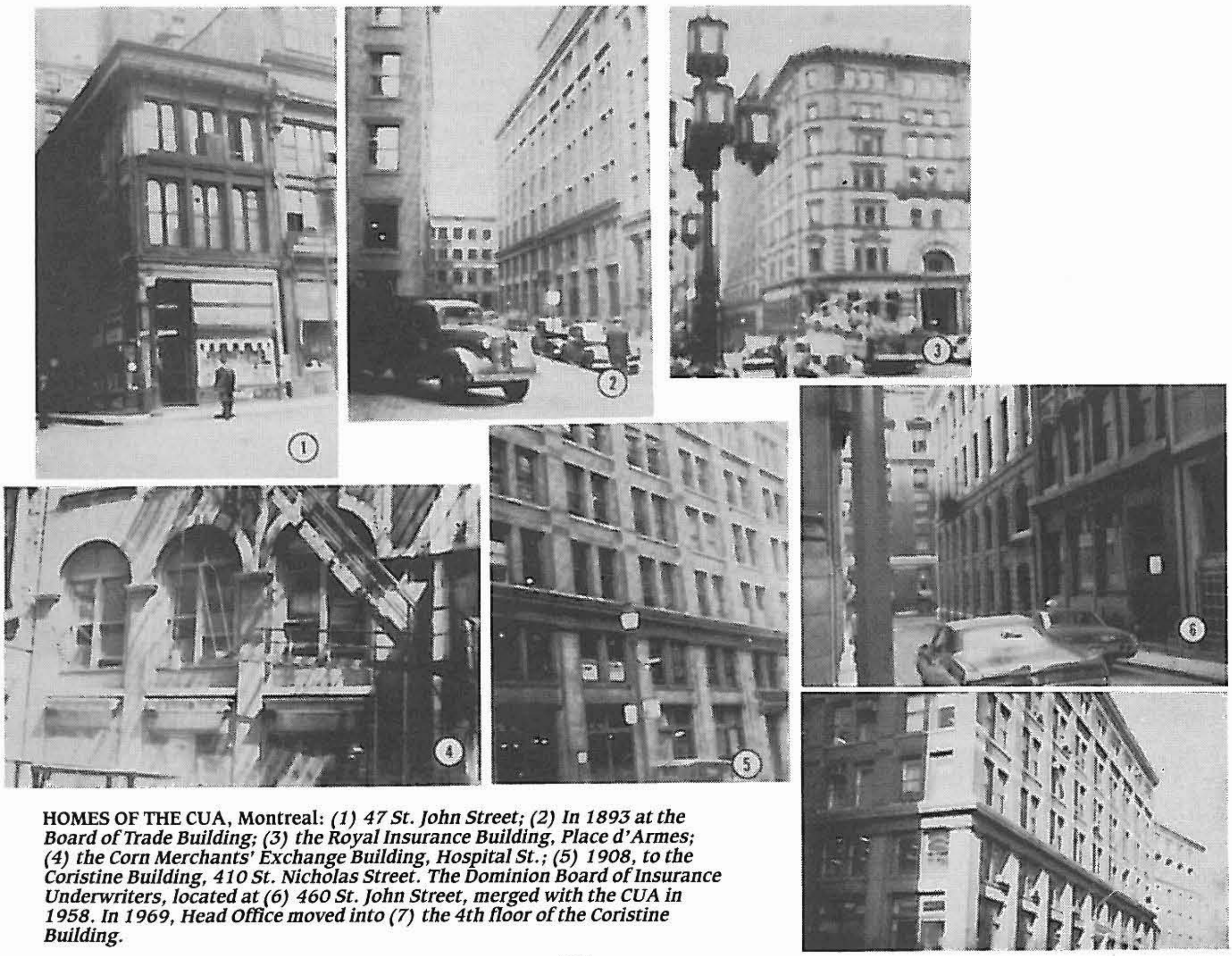
The head office was established in Toronto with a branch in Montreal.

The CUA made numerous sacrifices to establish and develop the Insurance Bureau of Canada. One of these was to appoint W.W. Owen, long-time general manager of the CUA, chief officer of the bureau. CUA President Dan Damov paid Owen the following tribute:

To know him is to respect him; to see him in action is to admire his efficiency and dedication, and to travel with him is to appreciate his boundless energy. In his person, our Association has a uniquely talented and thoroughly dedicated leader.

Carl Wilcken, actuary to the CUA, had also established an excellent reputation, and he too transferred his talents to the new organization. These two moves proved a great loss to the CUA, but were deemed necessary for the well-being of the whole industry.

The satisfactory underwriting results of 1967 stimulated



HOMES OF THE CUA, Montreal: ***(1) 47 St. John Street; (2) In 1893 at the Board of Trade Building; (3) the Royal Insurance Building, Place d'Armes; (4) the Corn Merchants' Exchange Building, Hospital St.; (5) 1908, to the Coristine Building, 410 St. Nicholas Street. The Dominion Board of Insurance Underwriters, located at (6) 460 St. John Street, merged with the CUA in 1958. In 1969, Head Office moved into (7) the 4th floor of the Coristine Building.***

renewed competition in 1968 which caused profits to fall from $50,915,113 to $36,928,998. CUA members watched loss ratios increase as their share of the market fell below 30 percent. The chairman of the Automobile Department's Executive Committee, F.H. Steben, maintained that while the situation appeared to be deteriorating, the results were not totally unsatisfactory. He reminded members of the cyclical nature of the business: "While more stability has been achieved in respect to loss ratios resulting in some black ink, history is again repeating itself in that unbridled competition has again crept into the business." He warned members that calmer heads must prevail and rash decisions must be avoided.

The association continued to function as the single inspection and rating organization in Canada. The CUA staff had always been one of its greatest advantages, in providing the experience and technical expertise required to formulate underwriting decisions. In 1968, association services were provided across Canada through numerous branch offices and fire inspection service offices.

Like 1957 and 1963, 1969 was an extraordinary year in the insurance industry, with losses totalling over $53 million. CUA President R.H. Stevens refused to place any credence in the fact that these catastrophes occurred at six year intervals. He did, however, recognize the problems inherent in an industry subject to cyclical trends:

> Since the close of the year, every conceivable reason for the results has been debated, but one thing always stands out following these critical years, that it is far more difficult to climb out of the hole, than to tumble into it.

CUA companies showed some improvement in 1969 as their share of the market increased slightly from 27.1 percent to 27.8 percent. It was apparent, however, that the problems confronting the industry persisted. In the Property Department, inflation proved the greatest enemy by preventing an improvement in underwriting results at a time when losses were increasing. The difficulties developed primarily because premium increases lagged behind increases caused by the building boom and economic expansion in Canada. Hence, loss ratios remained at a level that provided little opportunity to securing a modest profit.

Automobile insurance also suffered during this period. Monetary losses were not the only problems confronting automobile insurers. Government-sponsored investigations carried out across the country revealed dissatisfaction with the existing system. Insurers have always been easy targets for critics whose primary aim is to complain, rather than offer better alternatives. In 1969, R.H. Stevens expressed his thoughts on the subject:

> The Automobile Insurance system is firmly based on Common Law, and until the Law is changed, the basic system cannot be altered. If compensation is to be paid to persons who at the moment are uncompensated, then costs must increase. If the costs are to be kept down, the compensation must be spread more thinly in order to pay those who receive nothing under the present Common Law system. Whether this simple premise can be conveyed satisfactorily to the motoring public remains doubtful. Whether the public would wish to have their Common Law rights modified remains unknown. Personal responsibility for individual acts has been ingrained in us all since the moment, as children, we were punished for misdemeanours. The task of changing this understanding, and to have it accepted by the public, is indeed very onerous.

Stevens argued that although many alternative plans had been proposed, the real responsibility

R.H. Stevens, CUA President, 1970

Daniel Damov, CUA President, 1968

was to produce a system whereby protection would determine the price.

Some time was taken up at the 1969 annual meeting with the question of increased flexibility in the functioning of the association, an issue that had concerned CUA members for some time. The 1960s had demonstrated the need for the Canadian Underwriters' Association to adopt a less rigid approach to attract new members to its ranks and allow members to exercise greater freedom in underwriting practices. President D.B. Martin made reference to three members who left the association in 1968:

In one case, the withdrawal was the result of a merger and might fairly be described as an unfortunate side consequence of it. In the other two cases, withdrawal was probably due to some impatience at the disciplines involved in continuing membership and the desire to compete more effectively with non-members of the CUA., and also with other Members...whatever the reasons for the withdrawals, the fact they had taken place necessarily involved the Association taking a good hard look at itself.

Under a more flexible framework, participating companies would implement their own ideas, benefiting from the collective advantages offered by membership in the association. During the 1969 meeting, the membership voted in favour of a report that advocated greater flexibility, specifically in the area of policy coverage and premium rates for homeowners' policies and premium rates on automobile policies. The CUA Council was directed to "consider expeditiously implementing the increased flexibility measures inherent in the report."

No important departure from traditional policy in an organization such as the CUA occurs without opposition. While old traditions die hard, the apparent need for action carried the vote for increased flexibility in 1969. Opponents charged the committee studying the question with acting too quickly. Cries of opposition included: "This Committee is reflecting panic over a couple of withdrawals!"; "Deviation is for the birds."; "We'll be at the mercy of the agents." The need to reverse the declining membership was, however, imperative, particularly in light of the drop in members' market share to 27.1 percent from 31.5 percent the previous year.

Pressure was constantly applied to loosen the organizational structure of the CUA, allowing for greater regional differences. Dan Damov, who formed part of the committee considering the problem, commented on the difficulties of adhering to a single set of Canada-wide rules:

...it is recognized by most other businesses, it is a fact in the marketplace. The characteristics of the market in the province of Quebec are not the same as Nova Scotia, and we should be able to respond to different conditions.
(**Canadian Insurance**, August 1969.)

This was particularly true in the case of member companies in British Columbia. There they faced strong competition from companies unique to the west coast of North America. These large companies were becoming increasingly aggressive and members of the BC branch of the CUA found themselves hard-pressed to compete while remaining within the rules established by the association.

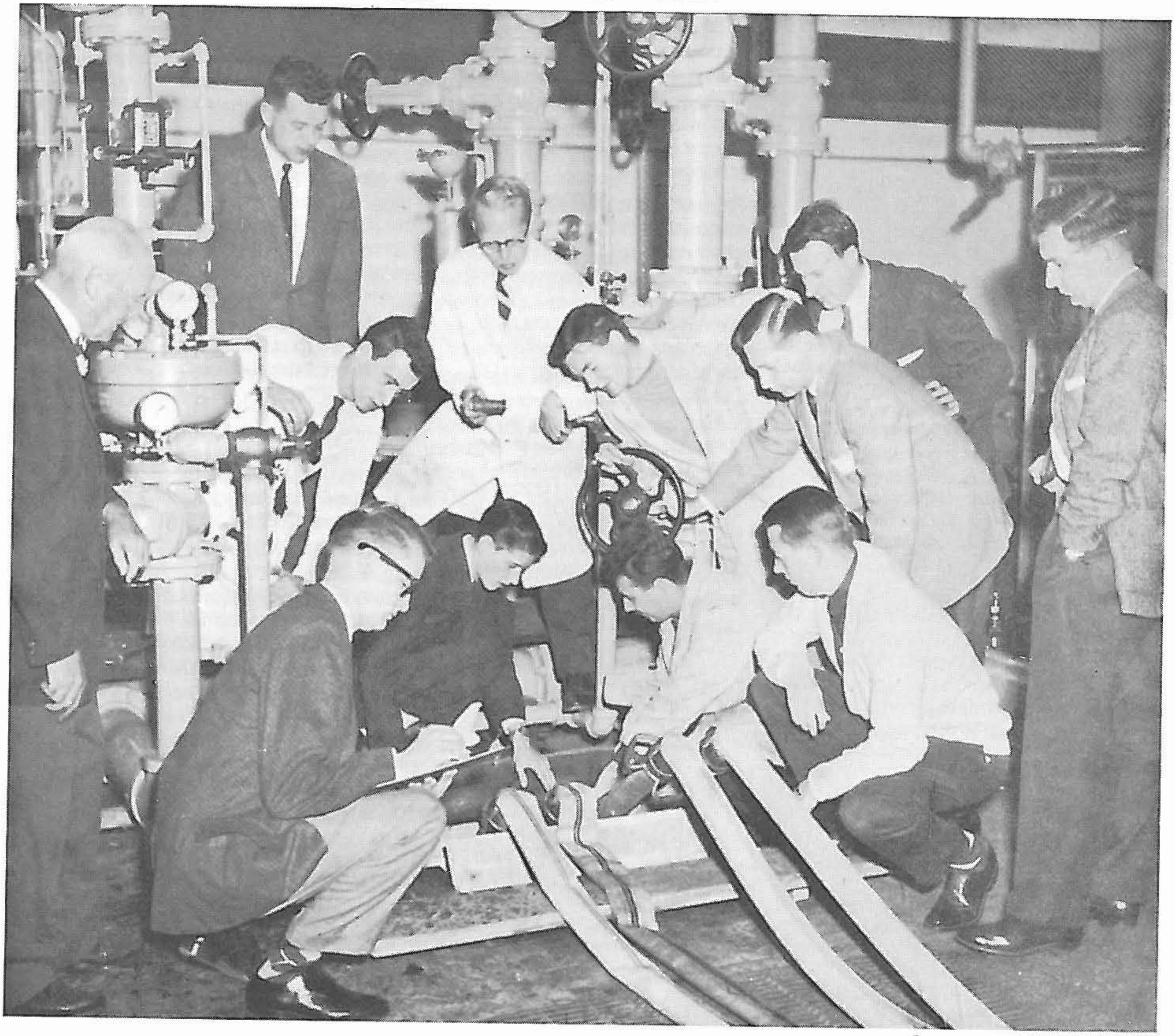
Damov acknowledged the valuable role fulfilled by the association but suggested the CUA's rate-making activities in personal lines were no longer as important as they had been. Companies above all needed the freedom to compete. Introducing a new element of flexibility would, in fact, strengthen the association's position.

If the members, as individual companies prosper, if they increase their own share of the market, then loss of membership to the CUA is much less significant. If, however, being a member of the CUA is inhibiting the growth of individual members, then the Association is not useful.
(**Canadian Insurance**, August 1969.)

The 1960s was an extremely trying decade for the association. Despite a number of resignations, the CUA continued to provide strong leadership in the industry, as demonstrated by the formation of the Insurance Bureau of Canada. The ability of the association to survive ten years of vacillation between modest profits and substantial losses was largely attributable to its willingness to adapt to prevailing conditions. The importance of changing with the times was made clear in the 1969 remarks of Dan Damov.

...it (the CUA) is a living organism. We are in a business that is changing constantly, and it is a matter of adjustment to present day requirements. What the CUA was 25 years ago was entirely different from what it should be today, and not necessarily relevant to what it should be tomorrow.
(**Canadian Insurance**, August 1969.)

the CUA inspector



Summer

JULY, 1963
VOLUME 1 NO. 3

BOARD INSURANCE—THE SYMBOL OF SOUND PROTECTION

"Our fire protection school in session," from the CUA Inspector, *front cover, July 1963.*

CHAPTER X

A FRESH START

(1970-1980)

CUA headquarters were located prior to 1976 at 36 Toronto Street, in the heart of Toronto's historic commercial district.

The 1970s began much as the last decade ended, with an unstable insurance market, relatively small underwriting losses and the future of the Canadian Underwriters' Association anything but clear. Resignations from association ranks continued as some companies felt that conforming to prescribed premium rates, agents' commissions and policy forms put them at a disadvantage in the market place. In commenting on the precarious position of the CUA, a Financial Post article written early in the decade, stressed the importance of its survival to the industry:

If more companies do leave, it's not only the CUA that will be the loser; the whole industry will suffer. In an industry so heavily dependent on statistics and averages, there will be immense disorder without a rate-making and risk inspection authority...There is little doubt the wild gyrations in the profits and losses of the past decade or so would look tame compared with what may be expected if the stabilizing influence of the CUA vanished...For the good of the insurance industry – which is to say for the good of an economy which depends on its services and protection – the CUA should permit the degree of flexibility required to keep its present members and, possibly, attract new ones. (Financial Post, July 4, 1970.)

Minor underwriting losses in the first years of the decade grew to over $140 million by 1973. This disastrous trend instigated decisive action – the CUA was dissolved the following year, replaced by the Insurers' Advisory Organization of Canada. This represented a major shift, from a rigid, rule-oriented association to an organization whose primary function was to provide advice and information. Companies were no longer required to adhere to pre-determined rates, commissions or forms. IAO's mandate was to provide members with benchmark rates, supporting statistical data, and other information. What the companies chose to do with this information was entirely up to them. Although this represented a radical change in the general insurance field, the transformation was not sufficient to stem losses in the unprofitable decade that lay ahead, by far the worst on record for general insurance companies.

* * * *

In its coverage of the CUA Annual Meeting in 1970, Canadian Underwriter reported that "with a dispatch that must be unequalled in its history, the Canadian Underwriters' Association sped through the business sessions of its Annual Meeting in one morning." Retiring President R.H. Stevens referred to the terrible losses of 1969 and admitted he could foresee no abrupt change in the trend, since premiums remained seriously inadequate, despite some upward adjustments. He added that the reluctance of industry officials to make long-term projections presented another difficulty. The old system of basing estimates of rates on past experience had outlived its usefulness:

Our whole industry has traditionally looked over its shoulder at past performance, and used this information to establish premiums. This system worked reasonably well when times were stable and the pace of change was slow. The ingredient in our pricing which is absolutely necessary in these unsettling times is the exercise of judgement. Managers become almost redundant if judgement is unnecessary and decision is relegated to the manipulation of figures by computers.

Stevens then turned his attention to the recurring question of increased flexibility within the association. He reported that certain progressive steps had already been undertaken. If more changes were to be forthcoming, constructive ideas would have to be tabled and discussed by CUA members. Following the presidential address, there was a lengthy and informal discussion on this topic.

With increased government involvement, automobile insurance in 1970 was one of the liveliest sectors in the industry. Much discussion centered around the recent introduction of government automobile insurance in Manitoba by the New Democratic Party. Manitoba's decision to join Saskatchewan in establishing an insurance office caused much concern among CUA members. N.M. Manning, who served as president in 1971-72 commented:

> It is true that the New Democratic Party automobile insurance plan in Manitoba has simplified the present rating system but the simplification results in the careful drivers paying more for their insurance and the careless driver paying less... Provided the government operation is not subsidized from public funds, private insurers are convinced that they can do the job as cheaply and give the service which some levels of the government have failed dismally to provide.
> (Financial Post, June 12, 1971.)

A number of other important developments in the automobile field occurred about this time.

The CUA presented a brief during the Prince Edward Island Automobile Inquiry, another in the series of government-sponsored investigations. Alberta passed legislation requiring government approval for rate increases. The Ontario government established a committee to study automobile insurance and make recommendations on possible changes in law and practices, including potential no fault measures.

N.H. Manning, CUA President, 1972

M. W. Donald, CUA President, 1971

Donald McKay, CUA President, 1973

In 1970, controversy emerged over the diversity of opinion developing within the ranks of the CUA concerning the implications of handling three and five-year accident free drivers' insurance. President Merlin W. Donald, metaphorically described the inability of association members to reach a consensus: "The CUA mounted its horse and galloped off madly in all directions..." The experience was not without its positive side, as it demonstrated how much the industry relied on the leadership of the association for stability. Donald's comments about market expectations and the inability of the CUA to reach unanimous decisions underscored a major problem that had troubled the association for a number of years. Given the inability to establish a clear course in policy, perhaps increasing flexibility was the only route open to the CUA.

At the annual meeting in 1971, Donald emphasized the changes that had occurred in the association and speculated on its future:

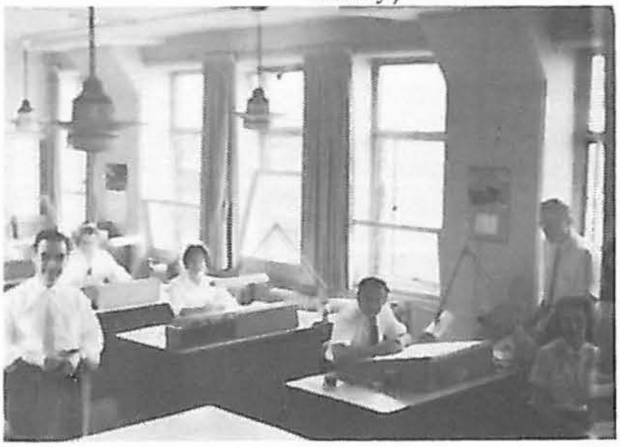
We can probably agree that the Association is, in practice, quite a different body from the one that existed even ten years ago. We are not standing quite as still to be shot at, we are smaller in numbers, have the advantage of closer contact, feel the need to be creative in a competitive world and are very conscious that the INDIVIDUAL COMPANY MUST DEMONSTRATE ITS OWN RESPONSIBILITY in the market rather than depend upon any CUA symbol. Despite that point, or perhaps because of it, CUA promulgations still attract widespread credibility and influence ... in the final analysis I am glad to observe that members have recognized the CUA for what it is, a voluntary grouping of underwriters who know that their combined talents and experience will provide necessary public services and a foundation of expertise capable of minimizing possible chaos.

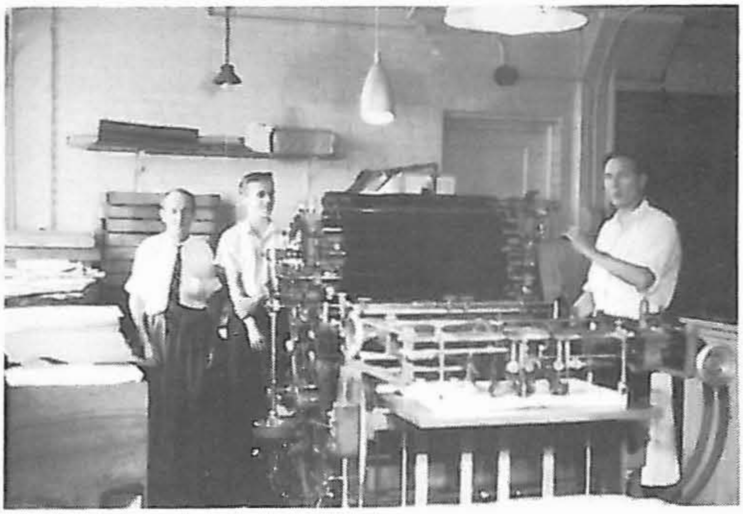
He summarized the position of the CUA at the outset of the decade:

We want and need the services of the CUA which would have to be rebuilt if they were destroyed.
We have the talent to compete but want to avoid the type of widespread freedom which would undermine the structure and paralyze the official's work.

We must have the courage to change more where such action is warranted. We can live closely together in some fields and cooperate effectively in others.

Such compromise does not demean the organization nor threaten its permanence. In short, there have been and must continue to be evolutionary developments reflecting current sophistication within our industry.)





Production of fire insurance plans was carried on by the CUA for sixty years up to 1974. Top view – draughtsmen creating plans. Centre view – Colouring is meticulously applied to plan sheets. Lower view – Offset work in the print shop.

Two major concerns that emerged in 1971 dominated discussion at the June 1972 CUA annual meeting. The first was the need to return the industry to a 'profit situation' within a stable market environment. The second was the growing need to improve communications in and outside the industry. President Norman Manning stated:

> ...nobody likes working for a losing team. Failure to make a profit leads to a shortage of market and it is this state of affairs which creates a poor public image more so than the price we place on our product.

Manning lamented that the association had achieved little during his term in office. The CUA barely managed to maintain its share of the market, falling from 26.53 percent in 1970 to 26.43 percent in 1971. He took some pleasure in reporting a 3.3 percent difference in the loss ratio between the CUA and the industry as a whole (64.18 percent and 67.48 percent respectively).

However, the downward pressure on rate levels caused a $53 million loss in 1969, $8 million in 1970 and $17 million in 1971. Manning promised his listeners that the "CUA will spare no effort, in spite of opposition from the government, from the Agents, from the ill-informed, to set rates at levels which are justified by credible statistics and which will maintain a stable market environment."

One of the main strategies in the CUA plan of action was to push for sweeping reforms in the automobile insurance system. In CUA briefs to the governments of both Quebec and Nova Scotia, its representatives recommended that in all automobile accidents, the right of legal action of one driver against the other for damage to vehicles be eliminated. Manning explained the importance of this change:

> The resultant savings in adjusting and legal expense would then be used in providing Collision coverage, as a mandatory part of the new standard automobile policy. A deductible of $100 or $200 would be maintained as a safe driving incentive, but in all cases the policyholder would receive part or the whole of this deductible from his own insurance company depending on his degree of fault.

In addressing himself to the question of communications, Manning reported that during the year, relations between the CUA and the news media had improved. He pointed out that communications and liaison between the CUA and the Canadian Federation of Insurance Agents' and Brokers' Associations had also improved. Manning then turned his attention to the question of internal communications. Since a majority of the member company head offices had moved to Toronto, some Quebec members complained they felt abandoned, with little opportunity for input into major changes implemented by various executive committees. This problem was reduced by a proposal to schedule more meetings in an effort to promote greater cooperation with those formulating association policy.

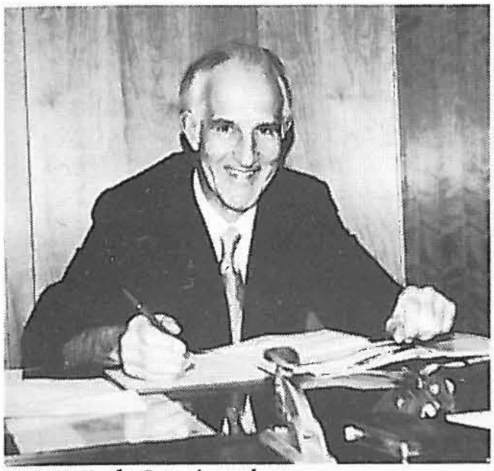
Another nagging communication problem was touched upon by John A. Todd (Manager's Advisory Committee of British Columbia). He complained that members of his committee had occasionally read of new positions adopted by the CUA before being officially notified of such changes. Todd recognized that the problem was one inherent in Canadian geography, with the decision-making centre in the East, remote from the local managers in British Columbia. He continued:

> The general feeling in British Columbia is one of looking back over the mountains and feeling that eastern people are eastern people. I believe strongly that we should have more involvement of local people in the decision-making process. In other words, in British Columbia, we should use our local people in reaching the decisions that will affect us, or at least be privy to the decisions, so they can, in turn, act upon them.

At the 1973 annual meeting held in Bracebridge, Ontario, the CUA celebrated its 90th anniversary. Incoming President J.M. McFadyen took the opportunity to pronounce "there is still plenty of life in the old girl yet." But the 'old girl' still had her share of problems in an industry which reported an underwriting loss of $46.5 million in 1972. Retiring President D.D. McKay expressed concern over the shrinkage in the association's share of the market in response to an agent backlash. He remarked:

> It seems clear to me that the Canadian Underwriters' Association cannot continue indefinitely with its share of the market being whittled away. The 1972 share has been stated as 26.25 percent of the total

PERSONALITIES AND EVENTS FROM THE MIDWEST (MANITOBA) BRANCH



C.E. McKush, Superintendent, Property Department, 1972

C.P. Wright, Chief Engineer, and new members of the "Retired Club", C.E. Bingham, Property Department, E.J. Parke, Superintendent, Special Risks, H.G. Godard.

Doug Hurst, Superintendent, Special Risks, and Doris Palmer, Service Department, Oct. 1972

Vincent Dowling, Mailing Department, 1970

Group at the Manitoba Club, May 31, 1972: C.P. Wright, Lil McKush, Jean Budden, Doris Palmer, George Budden, Otto McKush, Vie Parker, J.C. McPherson, Muriel Bingham, Clint Bingham, Pat McPherson, Tom Hanson.

market...this was 26.43 percent in 1971 and 26.53 percent in the previous year...To add salt in the wound, the basic cost of doing business which is accruing to CUA members has now become out of proportion to their share of the business....

McKay also remarked on the negative public perception of the CUA regretting that, "CUA with its 26 percent share of the market gets 100 percent of the criticism of anything and everything in the general insurance industry." Misconceptions about the role of the CUA dated back to its foundation in 1883 and found expression through various inquiries into its operation.

On the positive side, loss ratios for association members ran almost three percent better than the rest of the companies. General Manager Tom Hanson reported that the CUA had inspected 38,667 mercantile, 5,002 manufacturing and 18,872 special risks in 1972. CUA also continued to provide inspection services for public fire protection facilities. 124 municipalities had been surveyed and recommendations made, a sizeable increase over the 40 municipalities inspected the previous year.

McKay informed members that some company representatives had suggested constitutional amendments allowing non-members to participate in the CUA without being subject to stricter rules and regulations. He believed member companies would benefit from an increased membership base and companies previously outside CUA would gain from the services and experience offered by the association. However, major constitutional changes were not made until the following year.

To add to the problems of an old association struggling for its existence, early in 1973 a newly-formed office workers' union decided to make CUA's Ontario Branch its first target for organizing insurance employees. A card-signing campaign in February and March culminated in an application to the Ontario Labour Relations Board for automatic union certification. This was denied. A date was, however, set for a vote of employees to be held in October 1973. The defeat of the union surprised many observ-

The future of CUA was uncertain, salaries were below the average of the industry, fringe benefits were almost non-existent and the working environment was antiquated.

W.G. Seaton, then Ontario Branch Manager, recalls that after the ballots were counted, union officials and the labour board representative supervising the vote were astonished at the outcome. "They had underestimated the extent of employee loyalty to the association and its management. At the time, there were those who gave much of the credit for the union's defeat to the lawyers (the members were possibly influenced by the size of legal fees). Certainly the legal advice was excellent, but in the final analysis it was the ballots cast by loyal and dedicated CUA employees which made the difference. They had faith in the ability of management and the member companies to solve the larger problems of the association and provide a secure future. These same people and their counterparts in other branches of the association formed the nucleus of staff for the new organization which was formed the following year, and they have continued to contribute much to its success."

By 1974, it had become obvious the industry – and the CUA – were in deep trouble. The association in its current form had simply outlived its usefulness, and the only way out was to radically amend its format to allow members to compete more effectively with non-tariff companies thereby restoring some measure of stability to the market. There wasn't a single dissenting vote in June, 1974 when CUA members agreed to dissolve their 91-year-old organization.

This historic event, which occurred during the annual meeting in Montebello, Quebec, marked the end of tariff insurance in Canada. Following formal approval from the federal government, a new and much enlarged body called the Insurers' Advisory Organization of Canada rose to replace the defunct Canadian Underwriters' Association.

But the transition from CUA to IAO didn't just 'happen' overnight. The process had been in the works for years.

J.M. McFadyen, last President of CUA, 1974

CUA Council 1972–73, Annual Meeting, Manoir St. Castin, Lac Beauport, Quebec, June 8–9, 1972.

Standing, left to right: *F.W. Pearson (Commercial Union); D. Damov (Travelers); A.H. Radden (Phoenix of London); R.H. Stevens (Norwich Union); E.A.W. Paterson (Sun Alliance & London); M.W. Donald (Hampson); F.W. Bailey (for D.B. Martin – Royal).*
Seated, left to right: *N.H. Manning, Past President (Guardian Royal Exchange); K.W. Evans, 2nd Vice President (Reliance of Philadelphia); D.D. McKay, President (Canadian Surety); J.M. McFadyen, 1st Vice President (Hartford); T. Hanson, General Manager (CUA).*

E.A. 'Pat' Paterson was a kingpin in the creation of IAO. Then President of Sun Alliance and a former president of CUA, he chaired a steering committee in 1973 that brought together three groups that in previous years had barely tolerated each other. This potentially volatile mix included CUA representatives, members of the previously mentioned Independent Insurance Conference and delegates from non-aligned companies (those that belonged neither to CUA or IIC.)

"It was a traumatic time, particularly for CUA members. We knew fundamental changes had to take place, but each company and each representative of each company had different views about what should happen. Finding a suitable route through the middle of the maze took a lot of talk - and a lot of give and take," recalls Paterson, who became founding chairman of IAO in 1974.

And, he adds, "The whole process of replacing CUA actually took much longer than the time our working committee spent on it. It was really a 'live' issue for about 10 years prior to the founding of IAO."

Walter Atkinson, former president and still (at the time of writing) chairman of the Fireman's Fund – and one of the Independent Insurance Conference's representatives on the working committee to establish IAO – recalls there were previous attempts by CUA members and non-members alike to find common ground. "A few years before the advent of IAO, several of the larger company members of the IIC held talks with a CUA committee to explore the possibility of 'Commercial Lines' membership in CUA, but nothing came of these conversations."

But, from the vantage point of Atkinson and many others, the writing was on the wall ... something had to give. "It was becoming obvious in the early seventies that the CUA was nearing the end of its time. Membership was diminishing and the cost was becoming prohibitive."

In reality, the seeds for a new organization had been sown decades earlier. As far back as anyone could remember, there was some dissatisfaction with CUA, especially with the tariff rates that had for so long constricted members' ability to compete with the independents. But the communications impasse between the non-tariff companies and CUA members had proven insurmountable.

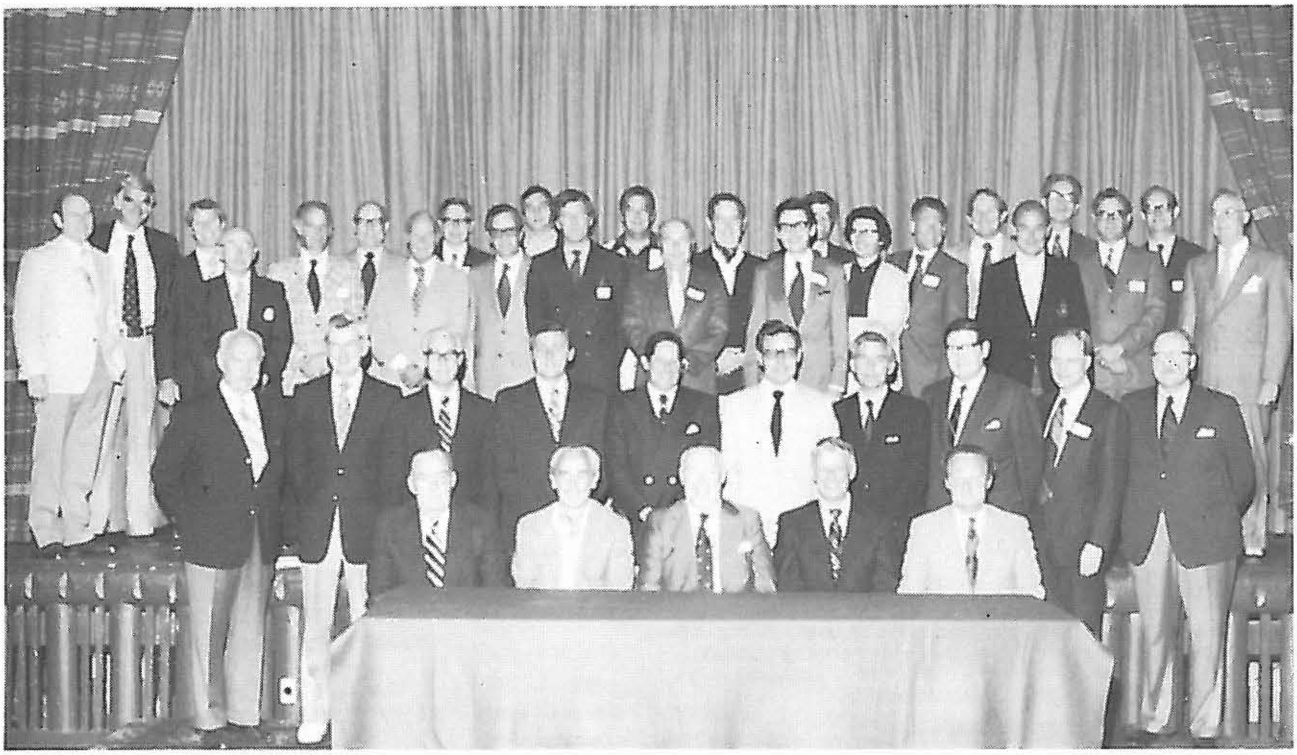
J.E. (Ed) Burns, chairman of the board of The General Accident Group, and a past chairman of both the Insurance Bureau of Canada and IAO, remembers the deep-seated antipathy between 'tariffs and non-tariffs' when he entered the property-casualty business in 1937. "It became quickly apparent there was a long-standing and serious feud between them," recalls Burns, who was also president of the IIC in the late 1950s. "It was more emotional than rational, and only the retirement of important management personalities could preface reasonable discussions to yield a new relationship...and a new association."

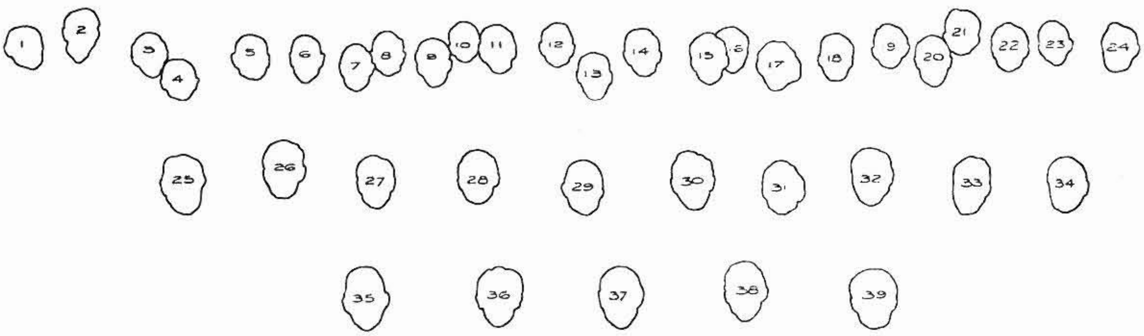
H. Douglas Coo, president of the CUA during its 75th anniversary year in 1958, and chairman of the Hartford Insurance Group until he retired in 1969, also remembers the time when "managers of CUA companies would cross to the other side of the street if they saw an IIC member coming".

Positions softened over the years, until necessity created the circumstances that forced the age-old factions to sit down and bargain first for IBC, and a decade later, for IAO.

Personalities might have continued to undermine the move toward IAO, but CUA decided in 1973 to engage the services of Booz, Allen and Hamilton, a New York-based management consulting firm specializing in insurance to prepare an operating guide for the new organization. This firm had been instrumental in establishing the Insurance Service Office (ISO), an advisory organization for American insurance companies. A report completed in June 1974 outlined what prospective members of IAO expected:

Christmas 1972 gathering in the CUA Board Room at 36 Toronto Street. Left to right, Maureen Wilson, Jim Clouston, Alan Boak, Marg Ronco, Tony Reynolds, Tom Hanson, Don Baird, Russ Drake, Marg Glover, Hans Kratz, Esther Daniels, Dinty Robinson.





FINAL ANNUAL MEETING OF THE CUA, Montebello, Quebec, 1974

1. W.R. Crawford, Royal; 2. F.G. McGee, Public & Industrial Relations; 3. R.J. McCormick, Reliance of Philadelphia; 4. G.H. Plewman, Royal; 5. A. Chamberland, General Security; 6. S. Allard, Royal; 7. J.A. Parker, U.S. Fire (Crum & Forster); 8. R.W. Seekamp, U.S. Fire (Crum & Forster); 9. J.P. Savard, Commercial Union; 10. P.W.G. Hall, Guardian; 11. D.H. Bridgman, Commercial Union; 12. N. Curtis, Guardian; 13. J.L. Miller, Guardian; 14. G. MacKay, Travelers; 15. G.J. Lynch, Guardian; 16. J. Berg, Travelers; 17. I.D. Murray, Reliance of Philadelphia; 18. S.R. Drake, CUA; 19. G.J. Wedgewood, Barwood-Meehan & Company; 20. A.H. Radden, Phoenix of Canada; 21. H.C. Hartling, Hartford; 22. D.S. Martin, ULC; 23. F.D. Hildebrandt, Booz-Allen & Hamilton, Inc.; 24. J.F. Reynolds, Canadian Surety; 25. M.W. Donald, Maryland Casualty; 26. B.C. Gordon, U.S.F. & G.; 27. F.W. Bailey, Royal; 28. H.B. Greer, Commercial Union; 29. K.W. Evans, Ins. Corporation of Ireland; 30. J. Sylvain, Maryland Casualty; 31. J. Campbell, Norwich Union; 32. J.B. Murch, Phoenix of Canada; 33. T. Hanson, CUA; 34. T.F. Cartwright, Hartford; 35. E.A.W. Paterson, Sun Alliance; 36. D. Damov, Travelers; 37. J.M. McFadyen, Hartford; 38. J.D. Cassidy, Continental; 39. P.R. Dugdale, Guardian

History in the making: the vote being taken at the General Meeting in June, 1974 to dissolve CUA and create the Insurers' Advisory Organization.

The companies generally stressed the need for a stronger staff capability in the IAO than presently exists in the CUA...the CUA has lost a number of key staff members in recent years, reducing the overall technical capability. Loss of the actuary and engineering positions in the field have been particularly critical. The companies believe that the IAO staff capability must be significantly improved over present CUA staff.

According to its mandate, IAO was not simply the old association with a new name. It represented the creation of an entirely new organization that would be much different in character than its predecessor, while perpetuating many of the valuable functions that were part and parcel of CUA. IAO's main objective was to provide its members with information...with the tools necessary to compete successfully in the insurance market. This, in turn, would promote greater stability within the industry – at least, that was the original hope.

A message from

Mr. T. Hanson, the General Manager

And now – I.A.O.

The letters recently written to the staff by The President, Mr. McFadyen, have reported the progress being made in restructuring CUA into the larger Insurers' Advisory Organization (IAO). In the many discussions in which I have been involved leading to this development, I have been impressed by the genuine concern of the companies for the people of CUA: that all of us should have the incentives and rewards of participation in the changes that are underway.

The familiar initials CUA are apparently to go but I believe that IAO may well mean for its staff new

Interest – Adventure – Opportunity

and I look forward to each one continuing their own useful part so that IAO may be as important in the insurance community as is planned.

Tom Hanson

A message to IAO Staff from the General Manager, marking the organization's inception in 1974.

CUA President J.M. McFadyen said IAO "will have a broader base of operations and will continue to expand all present CUA functions of rating, inspection, statistics, wordings, fire and accident prevention, education and research". Most striking was the absence of rules governing rates, forms and commissions, one of the basic pillars of the old CUA.

The need to restore stability to the insurance market had become painfully apparent after the disastrous results of 1973 during which the industry suffered a record-setting loss of $141 million (the previous high had been $79 million in 1963). Discussing reasons for these unsatisfactory results, McFadyen commented:

> ...the results are a culmination of events that have been threatening for many years. Due to our inherent Industry problem, a relatively small market (about $3 billion) and an excessive number of Companies, Agents and Brokers, an irresponsible underbidding pattern has emerged, particularly in the Property classes. No one Company or Broker started this war, however a number continue to be guilty of this irresponsible behaviour in the market place...It appears that we are going to continue this forbidding and dangerous trend until the blood-letting removes those responsible.
> (Canadian Insurance, June 1974.)

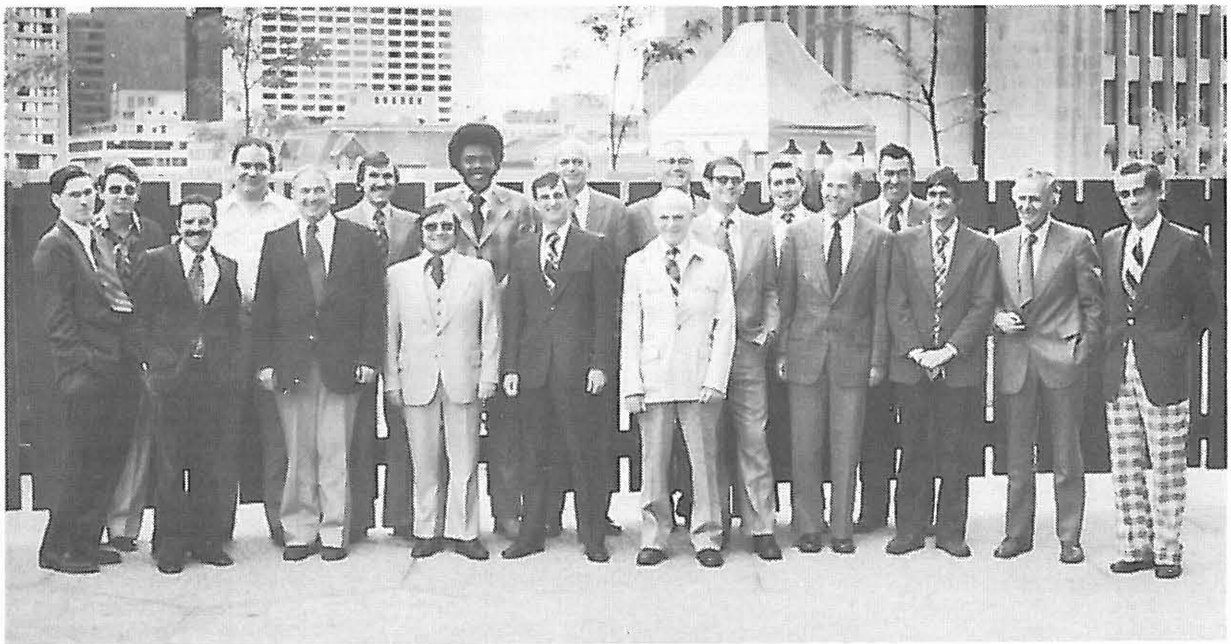
Or, as one company manager attending the 1974 Annual Meeting summed it up: "What the new organization will do is to give me the opportunity to commit financial suicide, if I so decide, in the full knowledge of what I am doing".

High hopes surrounded the inception of IAO. Former members of CUA anticipated that, at last, a way had been found to equitably share the costs of providing important technical services to the industry.

Former members of the Independent Insurance Conference and totally unaffiliated companies hoped the services provided by the new organization would meet their needs for good underwriting information on the more complex risks that require the expertise of specialists.

With the possible exception of the brokerage fraternity, everyone looked to the new IAO for leadership and the impetus – through the sheer weight of its technical expertise – to move out of the financial doldrums into an era of greater stability and prosperity.

In the 91-year history of the CUA, it had proven repeatedly that rules and regulations could not control the competitive spirit. But the new organization, with twice the membership of CUA, brought hope that improvements in the quality of statistical data and modernization of ratemaking methodology would bring such a high measure of credibility to the



1ST ANNUAL MEETING,
IAO Loss Control Inspection & Engineering Department,
Toronto, September 29 – October 3, 1975.

Back row, left to right: ***Doug Stewart, Winnipeg; Tim Collinge, Calgary; Wayne Beuree, Halifax; Lionel Forde, Montreal; Stew Ayres, Head Office; Ted Scott, Head Office; Jack Higgins, Saint John; Don McBride, Saint John.***
Front row, left to right: ***Dan White, Toronto; Sam Hasbani, Montreal; Don Grant, Halifax; Eugene Marotta, Head Office; Don Ostler, Head Office; Gerry Shires, Vancouver; Bill Abbott, St. John's; Dave Montador, Vancouver; Isaac Lallouz, Toronto; Doug Saunders, Charlottetown; Doug Hurst, Winnipeg.***
Absent: Don Baird, Head Office; Frank Watson, IAO School (H.O.); Dale Wood, Toronto.

advisory rate-making process that competition based on price would be contained within reasonable bounds.

For the first time in more than half a decade there appeared to be a reasonable chance of returning to profitable underwriting results.

But faith in the new organization wasn't universal. Some insurers simply did not think it would work. Others doubted that the concept was sound, and still others weren't sure the members would sustain their commitment to the new concept when favourable underwriting results returned and competition once again became vigorous. There was also some hesitancy about the ability of the staff to respond to this new mandate in a radically different operating environment.

Hopes and fears aside, the transition moved forward. By moving from a regulatory to an advisory role, IAO rectified a fundamental flaw inherent in its predecessor. Because the CUA operated like a closed shop, unable to share information with those unwilling to submit themselves to the rules and regulations, there was continual speculation about the exact level of rates.

But the new organization was to be different than its predecessor in more ways than simply making the change from a 'tariff' setting body to an advisory organization. As indicated in the Booz, Allen and Hamilton Report, members had expressed a desire to reduce their involvement in the day-to-day running of both the technical and management functions of the organization and to strengthen staff capability in these areas.

Steps were also to be taken to modernize operations and improve efficiency and effectiveness. The recommended and approved organization structure and staffing plan included the appointment of the first full-time president who was to function as chief executive officer, and each of the head office departments was to be headed by skilled professionals and specialists. The new president, Edward F. "Ted" Belton, was recruited from outside CUA ranks, a choice indicative of the desire to set the organization on a new course.

The new management of the organization also had a strong mandate to improve both administrative and operating efficiency so that services could be provided at a more reasonable cost than had previously been the case.

Since the IAO steering committee boasted more representatives from companies outside CUA than within, membership was obviously not going to be restricted to former 'tariff' companies. In fact, members of the Independent Insurance Conference voted early in 1974 to wind up their organization, and they were now free to join IAO.

By the time the June, 1974 annual meeting arrived, the steering committee had received commitments from 28 groups or companies indicating their intention to join IAO. These groups represented a premium income of $855 million in 1973, roughly one-third of the total fire and casualty market.

Since there was a brief period between the formal closure of the Canadian Underwriters' Association and the official formation of the Insurers' Advisory Organization of Canada, CUA members elected officers to serve on an interim basis. When IAO was proclaimed, they resigned and a new election was held.

The early months of IAO were marked by caution on the part of its membership. Even though the Booz, Allen and Hamilton report called for the decreased involvement of members in the day-to-day running of the organization, they kept a finger very close to the pulse. The new Board of Directors met monthly for a period of time in a special effort to keep in touch with members' needs and opinions.

After several of these open sessions, it became obvious the new IAO management team was taking hold effectively, and demand for services was increasing rapidly, aided by a tightening market.

A strong indication of the Board's growing confidence was its decision to meet only quarterly, and leave interim policy decisions to the Executive Committee.

For its part, IAO assumed the staff of CUA and continued to provide municipal inspections and other safety-related services, including specific risk inspection and rating on a solely advisory basis. Its mandate also called for the creation of an actuarial department to provide badly-needed improvements to statistical plans and ratemaking methods. Shortcomings in these functions were thought to have made a major contribution to the underwriting losses of recent years.

From an economic standpoint, the Insurers' Advisory Organization was launched during an extremely difficult time in the history of general insurance in Canada, when conditions were similar to those that gave rise to the old CFUA 91 years earlier. Insurers were suffering through a prolonged unprofitable cycle, and 1974 was shaping up as another bad year. Willingness to address the difficulties with a new industry organization was not, unfortunately, sufficient to reverse severe economic trends in the industry.

Despite wholehearted support for IAO, the economic roof nearly caved in during its first year of operation. The underwriting loss of 1974-75 amounted to $283 million and triggered a market crunch that sent the industry into a near panic. Poor underwriting results coupled with a decline in investment income led to the first negative cash flow in the industry in recent history.

The reaction was quick and extreme: twelve companies closed; others cut back liabilities by slashing the size of their portfolios; underwriters got tough, and rates went up far and fast. Agents and brokers found it difficult to place many risks. Some agents were cancelled by every company in their office.

Following the disastrous results of 1974-75, market conditions began to improve. Substantial premium increases in 1975 and 1976 produced an unaccustomed underwriting profit of about $72 million. This recovery was short-lived and by 1979, the industry again showed huge deficits as the year ended with an underwriting loss of over $185 million.

In June 1975, the Insurers' Advisory Organization celebrated its first birthday, with President Belton reporting: "It was a year of many challenges, much excitement and heavy workload." He complimented the staff at all levels for their willingness to persevere with the necessary work and frequent deadlines. 'Pat' Paterson, retiring chairman of IAO, reported the organization had made major strides in establishing its credibility and vitality.

The transition from CUA to IAO progressed smoothly. While the former body had 23 general members and 20 branch members, the latter began with 46 members. During its first year, six new members joined and seven resigned, leaving a net membership of 45. Of the seven resigning members, six had withdrawn from the country and the seventh took its leave as a cost-saving measure. Out of the 45 groups belonging to IAO, 34 of the 45 members were full members, seven were commercial division only, and four personal division only.

The top priority during IAO's first year was to implement several recommendations contained in the Booz, Allen and Hamilton Report. This meant developing the organization structure, staffing and financial plans, and mobilizing resources needed to perform as a professional insurance inspection and rating organization.

IAO SCHOOL OF LOSS CONTROL TECHNOLOGY 'NEWS': On the week of 20th September, 1976 a most distinguished group attended the first "Liability & Crime" course given at the School of Loss Control Technology, in Scarborough, Ontario.

Left to Right:
S. Campbell
D.B. Grant
J. McCallister
W. Beuree
D.H. Saunders
K. Gilker
J. Morin
W.G. Seaton
J. Parson
R. Webber
N. Nason
J. Ivison
D. White
T. Slattery
E. Anderson
R. Tanaka
D. Hurst
J. McDonald
D.R. Montador
G.M. Walsh
T.G. Reynolds
R.V. Speares

In their report, the consultants pointed out that interviews with insurers expressing interest in joining IAO had pinpointed two basic needs:

(1) A stronger staff capability for actuarial work, ratemaking research, field engineering and inspection, and public relations.
(2) Payment for IAO services on the basis of actual use by members.

Belton reported all recommendations had been carried out according to the timetable established, with the exception of the difficult problem of recruiting an actuary with ratemaking experience. He added, "In the course of getting IAO off the ground and through its first year of operation, the need for many refinements, adjustments and improvements had become obvious."

Inspection activity increased dramatically in IAO's first year, as a result of rising membership and more thorough underwriting by members determined to recover from a lengthy and debilitating economic cycle. The total number of inspections soared to 66,300 from 51,036 the previous year. Although this represented an increase of 29.9 percent, the actual manhour workload increased about 50 percent, because of the more complex nature of the risks being inspected.

As recommended in the Booz, Allen and Hamilton Report, steps were taken to strengthen the engineering function of IAO. This was necessary to achieve the depth in technical expertise required to conduct its loss control engineering and inspection activities properly. In keeping with the approved organization plan, a head office Loss Control Engineering Department was established.

IAO made progress in improving links with other organizations engaged in fire protection and standards-setting work. To this end, staff members participated on committees of the National Fire Protection Association, the National Research Council, Underwriters' Laboratories of Canada, Canadian Standards Association, the Standards Council of Canada, the International Standards Organization and other bodies concerned with the development of building construction codes, fire prevention codes and fire protection systems and equipment.

Like any other fledgling organization, IAO experienced its share of successes and failures. This was particularly true in the area of public and government relations. Ted Belton describes one of the early weaknesses:

In the rush to promulgate badly-needed property rate adjustments in the latter months of 1974, insufficient time was allowed to give advance notice of impending changes to Superintendents of Insurance and Agency Associations. As a result, IAO was justly criticized. However, the situation was remedied with the introduction of the automobile rate revisions of both January and July and special care will be taken to ensure adequate advance notice is given in future.

IAO also had difficulty educating the public about the full implications of its advisory role. Like the CUA, IAO had not developed an effective way of presenting information on recommended rate increases that was not misleading. The organization decided to stop releasing rate levels, as it did not speak for members as far as pricing was concerned. It did, however, have an important role to play in promoting public awareness of the underlying causes behind rate adjustments.

E.A.W. Paterson, IAO Chairman , 1974–75

On the 'success' side of the ledger, IAO had a number of opportunities to gain recognition for its contribution to public safety and fire prevention. The most important of these opportunities came at the Sudbury Conference on Fire and Accident Risk. In 1975, the organization sent a delegation to a public meeting in Sudbury where members pointed out the weaknesses in municipal fire protection and helped convince that community that they themselves had to make the necessary changes in order to reap the benefits of lower insurance rates. Ted Belton was pleased to report that IAO participation was highly valuable and well received:

The results were excellent. Insurers were commended for their positive contribution to the enquiry. The chairman of the regional government assured the insurance industry that the community would improve its fire record. News media coverage was constructive and editorial support for improved fire protection was strong. (Canadian Underwriter, August 1975.)

J.D. Cassidy, IAO Chairman, 1975–76

The Sudbury meeting was only one instance where the IAO was called on to demonstrate its expertise. Belton provides other examples from this period:

...a recent rash of very serious fires in St. John's Newfoundland, provided us with an opportunity to remind the provincial authorities responsible for firefighting that little action had been taken with respect to the measures we had recommended for correction of deficiencies in the city's fire defences. Happily, our discussions at both the political and administrative level have borne fruit.

The fire commissioner and fire chief have met with IAO officials and have developed a program to improve the firefighting facilities...In the province of New Brunswick, one of the hot-spots of fire wastage, we have been working hard to create public awareness that fire defences are deficient. Our manager is guest speaker at a forthcoming meeting of municipal officials and will get across the message that the community determines the cost of insurance. The fire marshall's office has asked IAO officials to sit on an advisory committee that is being set up to deal with the problems of fire loss.
(Canadian Underwriter, August 1975.)

Ted Belton described IAO's first year of operation as one of "accomplishment, challenge, hard work and some disappointments" and although underwriting results during the first year of the new organization's history were disastrous, things did get better.

The year 1976 was a period of growth and development. Demand for services increased, producing a heavy workload for all departments. In keeping with its mandate, the organization's staff was increased and its technical expertise strengthened. Although a new organizational structure was adopted at the inception of IAO, it was June 1976 before the last of the head office managerial positions was filled, with the hiring of Vice President and Chief Actuary, Herbert J. Phillips. The search for a chief actuary had proven to be a long, difficult task but the Phillips' appointment was a turning point for IAO, according to Ted Belton. "It represented the first time since the 1960s that our industry had the proper capacity to do rate-making."

On July 1, 1975 IAO's staff had numbered 431: 22 were employed at head office, 25 in printing and 384 in regional and branch offices. By June 30, 1976, the staff increased to 478 with 25 in head office, 22 in printing and 431 in regional and branch offices. Of the 47 employees added, 35 were trainee inspectors required to handle the ever-increasing volume of inspections requested by members.

Considerable progress was made in the long-range program of upgrading the quality of the premises occupied by various IAO offices. Late in 1975, Head Office, Ontario Regional Office and the Printing Department moved to new quarters in the Toronto Professional Tower, and the Atlantic Regional office moved into a modern downtown Halifax building. Early in 1976, the Edmonton, Alberta and London, Ontario Service Offices also moved to new quarters. Much to the relief of the staff of the Quebec Regional office, which had been housed in the old Coristine Building since 1908, arrangements were made to move to new premises in La Tour la Cite in November 1976. The acquisition of new buildings resulted in a significant improvement in working conditions and in the professional image IAO sought to project.

The organization's Fire Prevention Training School was renamed IAO School of Loss Control Technology to help strengthen the image of the institution as the foremost training facility of its kind in Canada, and to reflect the fact that courses other than fire prevention technology would be offered. In an effort to satisfy demand for highly-trained loss control technicians, the facilities of the school were improved, refurbished and expanded.

In 1976, the Insurers' Advisory Organization expanded its influence to the last remaining holdout in the country, Nova Scotia. On June 30, 1976, the Nova Scotia Board of Insurance Underwriters was dissolved and all its assets and operations transferred to IAO, effective July 1st. With the addition of Nova Scotia, IAO acquired the oldest tariff organization in the country. This board, formed in Halifax on January 5, 1857 by representatives of six insurance companies, had long since celebrated its 100th anniversary. IAO had finally become a truly national organization.

While IAO sought to increase technical expertise in loss control engineering and actuarial sciences, it did so with an eye toward reducing the cost of providing these services, and a steady decline in overall assessment rates was achieved between 1974 and 1977. During this period, the assessable premium base increased by almost $1 billion.

Progress in rate-making and developing new industry statistical plans also moved ahead rapidly in the late 1970s. Additional data was extracted from existing statistical plans and improvements were made to both the automobile and habitational risks plans.

Despite the efforts of IAO, the industry remained in a 'soft market', characterized by supply exceeding demand in the latter half of the decade. Ted Belton identified one of the major problems confronting the industry as the 'feast or famine syndrome', a phenomenon that could rapidly turn modest underwriting profits into unsound, unprofitable pricing practices. There remained, however, too many extraneous factors to reach a firm conclusion about the effect of the 'soft market' Although the underlying causes of unsound rating practices were numerous, and the ultimate responsibility lay with the underwriters, IAO officials did not shirk their responsibilities. They continued their quest to develop better rating tools to help solve the industry's inherent difficulties.

One major problem confronting the Insurers' Advisory Organization and the entire industry at this time was the threat of government intervention. The large fluctuations in insurance rates were alarming to a public not aware of the full implications of such erratic premium shifts. With consumer confidence shaken, some provincial governments threatened to intervene to regulate rates. While politically popular, the industry knew that this was not the answer, for any government attempt to 'manage the marketplace' would have been harmful to an already unstable industry.

W.R. Atkinson, IAO Chairman , 1976–78

Difficulties also emerged in automobile underwriting in the second half of the decade. The 1970s witnessed the growing popularity of compact cars that were more likely to be damaged, and incurred more deaths and injuries to passengers. With the rapid shift to small-car purchasing, it became increasingly difficult to utilize past statistics. Ted Belton cautioned that "ratemakers must make sufficient provision for these factors when they use yesterday's statistics to develop today's premiums to pay tomorrow's claims".

A second issue that emerged revolved around the attack on the automobile insurance classification system. IAO officials noted although the problem was primarily restricted to the United States, there were signs it might move to Canada. The attack on the classification system arose from the so-called "unisex" issue. Proponents of this philosophy sought to remove the practice of devising rates based on factors such as age, sex and marital status. This was obviously inconsistent with one of the basic principles of insurance, that is, a man owning a dynamite factory must pay a higher premium than someone insuring a private dwelling, even if he insists he is being discriminated against!

IAO officials spent much time considering the problem. While admitting imperfections in the current rating system, and showing willingness to identify and correct inaccuracies, the organiza-

MANAGERS' ANNUAL CONFERENCE, 1978

At the Managers' Annual Conference held at the Hotel Toronto Tuesday, October 3rd through Thursday, October 5th, these gentlemen met once again along with various staff members from Head Office. After 2½ days of discussing and exploring various administrative and operational concerns, an opportunity to relax and renew acquaintances was provided by a dinner held at the National Club on Wednesday night. However, rumour has it that the real entertainment on these occasions was provided by none other than Roy Pugh, who played a tape recording of his introduction of Mr. Belton earlier this year to his Blue Goose conference in Halifax — an effort that was greatly appreciated by his fellow Managers.

1st Row, left to right: ***A.C. Briscoe, D.L. Ostler, E.F. Belton, W.G. Seaton***
2nd Row: ***D.J. Horne, B.C. Fuller, G.C. Foy, T.G. Reynolds.***
3rd Row: ***J.A. Higgins, L.F.R. Grant, D.H. Saunders, R.D. Pugh***
Back Row: ***H.J. Phillips, S.H. Ayres, J.W. McCallister, A.J. McCabe, D.B. Wood, S.W. Abbott***
Missing: ***J.C. McPherson, J.M. Clouston.***

tion decided it was unwise and grossly unfair to replace a rating system based on statistics of proven validity with a system based on the simple notion that premiums should be reduced for certain groups of policy holders. The cost-based classification system was a fundamental part of the process of distributing claim costs equitably and making insurance available to the vast majority of motorists. Any attempt to deviate from the system would result in a serious shortage of markets.

By 1978, IAO had made satisfactory progress on a technical level and had become a "sturdy segment of the Canadian general insurance scene". Membership had grown to 54 groups and companies with an assessable premium base of $2.4 billion, or 50 percent of the total market.

The year also had disappointments for IAO members. The combined effects of a soft economy, a strong investment market, over-capitalization and the residual effects of the Anti-Inflation Board, created a madcap marketplace in which underwriters were unable to take full advantage of the improved rating, inspection and engineering tools at their disposal.

Ted Belton provided a rationale for underlying insurance industry problems. Solutions to these problems, while still a long way from being completely formulated, were significant factors in stabilizing the market:

> Our industry is undergoing its own version of Future Shock. External factors are rapid changes in the social, economic, scientific, political and technological environment; the principal internal factor is the "liberation" of the market. In a little more than half a decade, insurers have shifted from marketing and underwriting strategies based on relative uniformity to a situation characterized by innovation, independence and an intense desire to "do your own thing"...
> The highly individualized marketing programmes being developed in today's free-wheeling market demand a degree of accuracy, precision and responsiveness in ratemaking that would have been considered unnecessary if not impossible, in the days of the "tariff"...With the wisdom conferred by 20/20 hindsight, it can be said that the industry was ill-prepared for the transition. To be blunt, we were caught with our technology down. As we have discovered to our chagrin both our statistical data and our actuarial capability fell far short of what was required to respond to rapidly changing conditions. Although IAO has substantially improved the situation, the underlying problems are a long way from being solved.

The year also marked the first period since IAO's formation that demand for inspection services declined, falling from 76,113 in 1977 to 69,427 in 1978. W.G. Seaton, Manager of IAO's Ontario Region, attributed the decline to the low rate of growth in the Canadian economy, resulting in less investment in new plants and facilities. Secondly, underwriters scrambling for available business were less concerned about rate accuracy and underwriting information, and therefore less likely to make use of IAO services before accepting a risk. Finally, IAO staff had at last caught up with the backlog from members whose business had not been inspected previously.

In the latter half of the 1970s, IAO was able to develop better services through an increasing reliance on computer technology. One of its first computer applications was developed in 1976 in the sprinkler inspection department. It had never been an easy task to determine whether a sprinkler system would function properly when required, or if the water source was adequate to control a fire until firefighters arrived. The task of checking sprinkler systems had become more complicated as over two-thirds of the new hydraulic systems were being designed on computers. Checking such plans manually was painstaking and inefficient.

IAO engaged the services of an engineer with computer expertise to design a computer program capable of analyzing sprinkler systems available for office and plant installation in Canada. This development represented an important step in the improvement of IAO's loss prevention and control services, in that it saved countless hours of tedious trial-and-error calculations and produced accurate results. By the end of July 1977, 132 systems were checked, of which 30 (22.7 percent) were rejected. In 1978, 528 were checked and only 78 (15 percent) rejected.

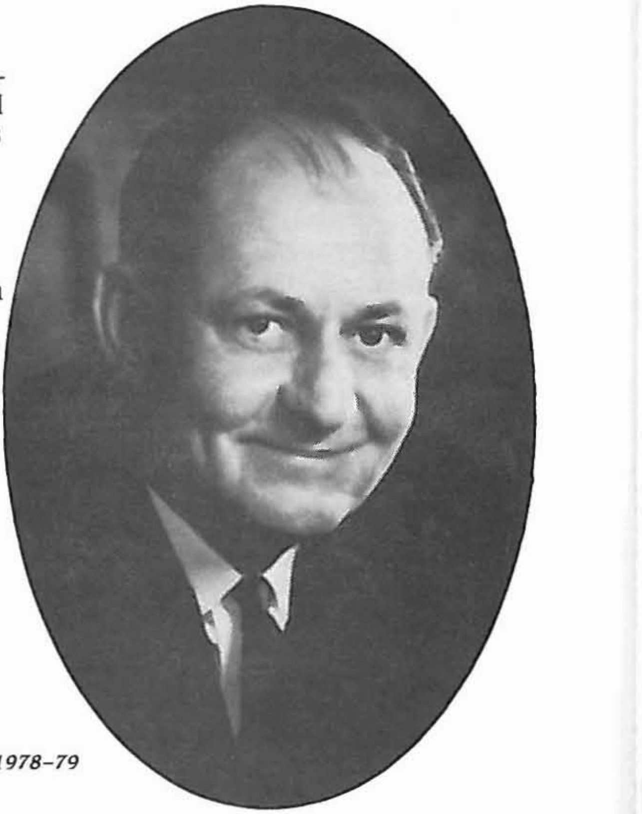
Toward the end of the decade, another computer application was developed and launched. Historically, IAO's offices had surveyed properties and distributed advisory insurance rates on hundreds of thousands of individual Canadian risks to member companies on three by five inch cards. The manual filing of these cards was a tedious process subject to occasional errors. By 1977, IAO had a file of 250,000 cards (40,000 of which were for Toronto) and were issuing over 300 new or revised cards per week for the Metro Toronto area alone. By the end of the decade the card system became unmanageable.

In 1979, computerization simplified and streamlined this process dramatically. The data from the cards was fed into the computer on a daily basis, and once a month, it was updated to produce information that was as current as possible. This data was then transferred to microfiche and distributed to IAO members. Ontario, the first region to be transferred to the new system, had its 100,000 cards replaced by 50 pieces of microfiche film. This system allowed members access to the most recent information on advisory fire rates and represented a dramatic improvement over the previous manual card system.

A major concern of IAO late in the 70s was 'leakage' of information to non-members. A proposal to amend membership guidelines was forwarded in 1979 in an effort to make it more difficult to gain access to IAO services without paying for them.

In addition to possible changes in membership guidelines, the conversion to electronic storage and distribution held out the promise of greater security. The computerization of rate, inspection and engineering information minimized the use of 'hard copy', making it more difficult for unauthorized persons to gain access to IAO information. The effectiveness of security measures still relied on the determination of members to prevent information leakage from their own offices.

By the end of 1979, IAO had developed into a strong, technically-competent and efficient organization. Five years earlier, the combination of several years of underwriting losses and a weak securities market had produced an extremely tight property and casualty insurance market, and in this climate, insurers emphasized careful underwriting and price adequacy. Members expected complete risk information, good loss control and precise risk measurement methods from IAO. The organization, in turn, gave top priority to the formation of strong actuarial and engineering departments, upward revision of advisory rate levels and the acquisition and training



J.E. Burns, IAO Chairman, 1978–79

of staff needed to respond to a rapidly escalating demand for inspection and rating services.

But now the market had turned soft, supply exceeded demand, price competition intensified and less emphasis was placed on thorough underwriting. With no growth in the economy to support premium growth, the erosion of price levels and deteriorating underwriting results, the emphasis shifted to expense control, while maintaining quality of service. In response to this shift, IAO stepped up its efforts to operate efficiently, to increase productivity, and to keep operating expenses under tight control, keeping assessment rates at reasonable levels. The growth in expenses was confined to 6.2 percent in 1978 and 5.7 percent in 1979, despite higher rates of inflation. This was accomplished without weakening the organization or impairing its ability to meet either its current obligations or the challenges of the future.

During the decade, IAO suffered its share of disappointments as the quality of inspections, engineering and rating information did little to alleviate unfavourable underwriting results. Intense competition caused by a marked drop in the demand for insurance, a general slow-down in the Canadian economy and rapid inflation combined to produce a hectic and often confusing insurance market.

Nonetheless, IAO continued to increase its technical expertise in the knowledge that the unprofitable cycle would eventually come to an end. At that point, the conventional wisdom believed, the high quality of IAO's services would become an important factor in restoring profitability to insurance underwriting.

F.A. Saville, IAO Chairman, 1979–80

Top Management Briefing Session held at The Guild Inn, Scarborough, Ontario, April 1979.

Back row, left to right: *Bernie D'Amour, Roy Grant, Bill Abbott, Don Grant, Al Briscoe, Tony Reynolds, Jim McCallister, George Foy, Stew Ayres, Wayne Beuree, Tim Collinge, Jack Higgins, Al Bassett, Dave Montador, Paul Hartt, Jim McPherson, George MacDonald, Keith Gilker, Ted Belton and Joe McCabe.* **Front row:** *Dave Horne, Sam Hasbani, Roy Pugh, Bev Fuller, Bill Seaton, Jack Fraser, Irene Skinner, Maurice Abel, Bob Tanaka and Don Ostler.*

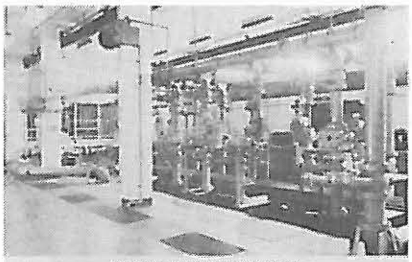
UNDERWRITERS' LABORATORIES OF CANADA

TESTING SPRINKLERS

ULC is a non-profit organization incorporated in 1920 by letters patent issued by the Canadian government. It maintains and operates laboratories and a certification service for the examination, testing and classification of devices, constructions, materials and systems to determine their relation to life, fire and property hazards. Underwriters' Laboratories of Canada also develops and publishes standards, classifications and specifications for products having a bearing on fire, accident, or property hazards and is accredited by the Standards Council of Canada as a Standards Writing Organization under the National Standards System of Canada.

The Listings of Underwriters' Laboratories of Canada are recognized generally across Canada by various federal, provincial, and municipal authorities, and insurance inspection agencies.

Although there is a similarity in names, Underwriters' Laboratories of Canada is a completely separate Canadian entity without any financial, legal or other connection with Underwriters Laboratories Inc. in the United States. The two do, however, maintain some technical liaison on matters of mutual interest.



HYDRAULIC LABORATORY

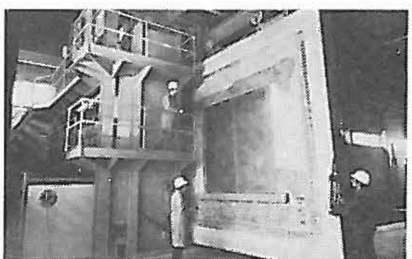
ULC's headquarters are located at Scarborough in Metropolitan Toronto. Laboratory facilities include a building for full scale classification tests on fire extinguishers and fire detection equipment; a 25 ft. tunnel furnace for establishing the surface burning characteristics of building materials; a tower room for tests on factory-built chimneys, factory-built fireplaces and gas vents; an electrical laboratory, a chemical laboratory; a fully equipped fire service hydraulic laboratory used for both tests and demonstrations; and a building equipped with a heavy duty crane, which contains facilities for full scale tests on wall assemblies, fire doors, frames, hardware, fire dampers, floor and roof and ceiling assemblies, columns and record protection equipment. Most of the staff is located at the headquarters in Scarborough, Ontario and in addition ULC is represented in about 20 locations across Canada as well as in the United States, Britain, Europe and Japan.

TUNNEL FURNACE FOR ESTABLISHING FIRE HAZARD CLASSIFICATION

ULC listings are shown in the List of Equipment and Materials which is published in two volumes. Volume I, subtitled "General", contains listings of all products falling under the general categories of accident hazard, automotive, burglary, electrical, fire protection equipment, and equipment for the handling and utilization of fuel oils and gases. Volume II, subtitled "Building Construction", covers all listings of building materials and thus provides a convenient reference to architects, engineers, and others who are principally interested in these classes of products and, in addition, serves as a complementary document to Supplement No. 2 to the National Building Code of Canada.

ASSOCIATION WITH THE IAO

The Insurers' Advisory Organization contributes to ULC by participation on Standards Committees, has membership on the ULC Fire Council, and generally supports ULC in the course of its field activity. In turn the IAO uses the standards and listings extensively in carrying out its role in the fire prevention field. To quote; "Underwriters' Laboratories of Canada exists to be of service to inspection authorities by supplying authoritative information on products. Its Listings are intended to provide data with respect to the degree of hazard present, if any, or the ability of a product to perform its required protective function. Review of such data enables the inspection authority to "approve" a Listed product for the specific purpose under consideration." Hence in general, the IAO endorses and recommends the use of ULC listed products and encourages builders, architects, engineers and designers to use such products wherever possible in order to make our country, our cities and towns as safe as possible to live in.



TESTING FIRE DOORS TO ESTABLISH FIRE RESISTIVE RATINGS

Underwriters' Laboratories of Canada is a completely self-supporting organization, revenue for its operations being derived from engineering, listing and labelling fees billed to manufacturers and others who submit products for examination, test and listing, and from the sale of Lists and Standards.

Also located in the same facilities as ULC is the IAO School of Loss Control Technology with courses open to the public as well as insurance industry personnel.

The 1982 "Shoestring Cutting" that marked the official launching of IAO's computerized RAPIDSCAN System. Michael Neal, Chairman of the Board of PolyCom Systems Ltd.; Alan Saville, Chairman of IAO's Board of Directors; Ted Belton, President, IAO.

CHAPTER XI

THE 1980s AND BEYOND

Looking back at the first five years of IAO from the vantage point of 1980, the organization, by all accounts, had been successful in achieving its major objectives. Stability had returned to the industry and underwriting results did improve. It became clear that the organization would survive and prosper.

But storm clouds had already begun to emerge on the horizon. Competition heated up, rate-cutting again set in and underwriting results deteriorated. People in the industry began to hear more talk of 'excess capacity' and 'surplus supply'.

By the early 1980s it was as bad or worse than it ever had been and prices were being cut to the bone. Underwriting results took a nosedive. In 1980 the underwriting loss set a new record at $572 million, more than double the previous record of $283 million established in 1974. 1981 was a shocker. The underwriting loss climbed to $889 million. The only thing that was keeping the industry alive was its investment income. Return on equity had plummeted to 4.26 percent against an inflation rate of 12.6 percent.

Clearly, corrective measures had to be taken but the insurers that tried to take the lead quickly found their business rapidly fleeing to other markets.

Trying to come to grips with the economic upheaval of the early 1980s was just one of IAO's major challenges of the new decade. There were many others that the organization – in what had become 'typical' fashion – also tackled head on.

At the start of the 1980s, IAO remained committed to the development of new ways and means of improving the quality and speed of service to members and reducing their costs. Despite glimmers of hope in the late 70s, the industry settled into the worst 'down' cycle in its history, as both external and internal factors combined to produce a chaotic market.

1980 was a year of 'stagflation' during which real GNP showed virtually no growth. Consumer prices increased more than 10 percent, interest rates reached unheard-of levels and the value of the Canadian dollar declined. Economic problems were aggravated by developments in the political arena. The new federal government – preoccupied with constitutional matters – found it impossible to reach an agreement with the oil-producing provinces. This political uncertainty shook the confidence of both domestic and international businessmen and precipitated an outflow of investment capital.

The political and economic malaise affecting the business community was exacerbated by conditions within the property and casualty fields. Here the supply of insurance capacity continued to exceed demand. While the economy generated little real growth, more insurers and reinsurers entered the market in quest of a share of the available premium income. The situation degenerated into a rate war producing the following results:

Operating expenses increased 13.2 percent;
Losses incurred increased 14.7 percent;
Net written premiums increased only 7.2 percent;
Earned premiums increased only 6.0 percent.

The subsequent underwriting loss reached a record $572 million. Including investment income, net income was a mere $212 million, which represented only a 4.2 percent return on earned premiums and an obviously unsatisfactory return on investment.

IAO's Chief Actuary Herbert Phillips observed the emergence between 1976 and 1980 of alarming trends in underwriting results and ratemaking. The underwriting loss of one-half of one percent in 1976 had increased to 11.2 percent by 1980. He also pointed out there had been an "alarming erosion of the effectiveness of underwriting/rating functions during the current soft market." This trend was not confined to a single class of business:

The Property classes, both Personal and Commercial, increased from a 61% loss ratio in 1976 to 73% in 1980 to an estimated 84% in the first quarter of 1981; the Automobile classes from 71% to 82.3% during the same period and an estimated 97.2% for the first quarter of 1981. These 1980/81 loss ratios are an all-time high in modern times.

Ted Belton's comments on the status of the industry at the end of 1980 and the prospects for the future included this warning:

...our industry will undergo fundamental and radical changes which will severely test the mettle of all the players in the league. To be sure, the 'good old days' are gone forever. Today's conditions, regarded by many as 'abnormal' are, in reality, but a mild rain shower compared to the storms of the future...obviously, the future is no place for the faint-hearted, the rigid traditionalists and the seekers of the status quo. The survivors will be the courageous, the alert, the flexible, the imaginative, the planners and the managers of change. With the continued support of its Members, IAO would like to be counted among the latter.

With increasing competition and unfavourable economic conditions, underwriters placed less emphasis on the quality of underwriting information and adequacy of rates. IAO predictably experienced a further decline in the demand for its inspection, engineering and rating services. This situation did not discourage organization officials who, perhaps naively believing that the market would eventually 'tighten up', continued to improve and refine ratemaking techniques and to develop methods for obtaining more responsive statistical data. But, as IAO discovered, there were no simple solutions.

This proved to be a time of introspection and anguish within the organization. In spite of major improvements that did occur in ratemaking methods, plus a significant upgrading of inspection and engineering capabilities and increased cost effectiveness, underwriters were ignoring IAO's advice. Simply put, underwriters

W.L. Williams, IAO Chairman, 1980–81

were not underwriting. There was so much excess capacity available that companies could hardly cut prices fast enough to entice business away from competitors or to protect the business they already had on their books. Careful underwriting was definitely not a high priority.

Demand for IAO's services dropped sharply, and management could foresee the possibility of a weakening of the members' willingness to bear the costs of developing information which competitive conditions would not permit them to use. During a particularly agonizing strategic planning session, it was decided that there was a need for a better understanding of the excess capacity phenomenon on which everyone was blaming cut-throat competition. Although there was much talk about supply exceeding demand, no one had quantified the extent of the surplus capacity and no one was measuring the relationship between supply and demand. Therefore, the impact of surplus capacity was not well understood and little solid information was available on which to base projections of future trends.

J. Robitaille, IAO Chairman, 1982–83

IAO attacked the problem with vigour. Its actuarial department set about analyzing economic and industry data and came up with some fascinating charts and graphs. One that proved to be particularly meaningful was a graph depicting the relationship between supply and demand which tracked identically with underwriting cycles. Research began to demonstrate clearly that the supply of insurance capacity was a very powerful force in the marketplace.

It was also becoming clear that surplus capacity had probably been the culprit all along but, because its scope was not being measured and because its power was not understood, insurance company managers tended to blame conditions on their competitor's greed and 'weakness in the back'. While it certainly could not be claimed that the publication of information on the relationship between supply and demand was having the effect of firming up the market, there was some evidence that it was at least helping people to understand why the marketplace was behaving as it was.

To everyone's relief, industry results did improve in 1982. The market began to firm up and

J.B. Murch, IAO Chairman, 1981–82

significant price increases were implemented for personal lines. The underwriting loss fell back to \$562 million and after tax return on equity rose to 11.27 percent against an inflation rate of 10.9 percent. The year closed on a particularly strong final quarter and hopes were high that 1983 would produce an underwriting profit.

Good results did continue into the second quarter of 1983. But June 30th 1983 marked the end of the reprieve ... three successive quarters in which the frequency of losses declined, earned premiums increased and underwriting results were profitable. For the first six months of 1983, the underwriting profit was \$62.7 million.

However, the industry was far from being 'out of the woods'. Supply began to increase sharply in relation to demand and IAO was warning that this recovery could be the shortest on record. The prediction proved to be accurate when third quarter results were released and it became

In recognition

of a job well done . . . and as the final stage in modernizing the Insurers' Advisory Oganization's management structure, President E. F. 'Ted' Belton is pleased to announce the following appointments:

EDWARD F. 'TED' BELTON

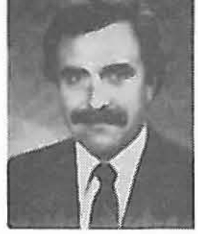
STEWART H. AYRES, BSc, AIIC
Vice-President, Property Insurance and Secretary

A graduate of McGill University (Bachelor of Science, 1949), Stewart Ayres has worked in the general insurance business for more than 30 years. He joined the Canadian Underwriters' Association as a Special Risk Inspector in 1956, then progressed to Supervising Inspector in the Quebec Branch and Manager of the Mid-West Branch before transferring to Head Office in Toronto in 1974. Prior to his recent appointment as Vice-President, Mr. Ayres served as Manager of the Head Office Property Insurance Department. Mr. Ayres is responsible for developing a nationwide rating schedule for fire insurance, and he played a major role in the development of IAO's RAPIDSCAN computerized underwriting information system.

L. F. R. 'ROY' GRANT, FCCA, ATII
Vice-President and Controller

A business and accounting graduate of South West London College (Great Britain), Roy Grant joined IAO after serving five years in general management and finance positions in the West Indies, and nine years as a senior auditor with a national firm of chartered accountants in Canada. Since 1977, Mr. Grant has served as Controller of IAO, and during that time, he has been responsible for installing improved accounting systems and controls, new budgeting procedures and a new management information system.

A. JOSEPH McCABE, BA, MA (Ed)
Vice-President, Human Resources



A. Joseph McCabe, IAO's new Vice-President, Human Resources holds a Bachelor of Arts (Psychology) degree from the University of Windsor and a Master of Arts (Education) in Adult Counselling and Guidance from Niagara University. He also holds certificates in Personnel & Industrial Relations and Human Resources Development. Mr. McCabe joined IAO in November, 1975 and is responsible for developing, recommending and implementing the organization's human resource policies and practices. Recent projects have included a computerized personal statement of employee benefits.

JAMES W. McCALLISTER, FIIC
Vice-President, Automobile & Casualty Insurance

Following graduation from De La Salle College (Oaklands) in 1951, Jim McCallister joined the Norwich Union Insurance Group in the Automobile Department where he rose to the position of Automobile & Casualty Manager for Canada. Since joining IAO in 1976 as Manager, Automobile and Casualty Department, Mr. McCallister has been responsible for the development and promulgation of innovative advisory rating programs and procedures for all classes of automobile and casualty business.

HERBERT J. PHILLIPS, FCAS, FCIA
Senior Vice-President and Chief Actuary

A graduate of Boston College, Herbert J. Phillips began his insurance career in 1952. Over the years, he progressed in responsibility to the position of Vice-President and Senior Actuary of a major worldwide insurer in 1968. Mr. Phillips joined the Insurers' Advisory Organization in 1976 as Chief Actuary and was responsible for building the actuarial department. He was appointed Vice-President in 1977. Mr. Phillips has been instrumental in developing improved statistical plans and has made a major contribution to the refinement of rate-making methodology in Canada.

WILLIAM G. SEATON, AIIC
Vice-President, Regional Operations

William Seaton began his business career with IAO's predecessor, the Canadian Underwriters' Association in September, 1950. Since then, he has held successively more responsible positions including Property Department Superintendent and Ontario Regional Manager. Mr. Seaton was appointed Director, Regional Operations with responsibility for all IAO branches across Canada in 1979. He assisted with the design of the RAPIDSCAN computerized underwriting information system and is responsible for its implementation in IAO's regional offices.

DALE B. WOOD, BSc, P.ENG.
Vice-President, Loss Control Engineering Department

Dale B. Wood graduated from the University of Saskatchewan with a Bachelor of Science Degree in Mechanical Engineering in 1947. He joined the Canadian Underwriters' Association in 1960 as Manager of the Oil and Petrochemical Department responsible for inspection, rating and insurance underwriting reports for oil and petrochemical properties across Canada. In February 1978, Mr. Wood became Manager of IAO's Loss Control Engineering Department with major responsibilities including the development of fire prevention and protection practices, and engineering standards for inspection personnel across Canada. He serves on the committees of many standards-writing organizations and also manages the Nuclear Insurance Association of Canada.

INSURERS' ADVISORY ORGANIZATION OF CANADA evident that a sudden reversal had taken place. The frequency of loss had shot upward, the previous underwriting profit was erased and the industry posted a statutory loss of $16 million.

As IAO's 100th anniversary year drew to a close it was apparent that it was a year in which another substantial underwriting loss would be suffered. In spite of the underwriting results of the early 1980s there was renewed hope within IAO. The organization had weathered a particularly difficult period and was facing the future with more confidence. The demand for underwriting information was increasing and service was being delivered on a more cost effective basis than ever before because of a significant improvement in productivity. The organization had responded to the so-called 'information age' by developing a highly effective computerized information distribution system which enabled members to draw information from IAO's database through computer terminals. This new system, known as RAPIDSCAN (Remote Access to Property Insurance Data across Canada), was the first of its kind in the world and was the object of a great deal of pride.

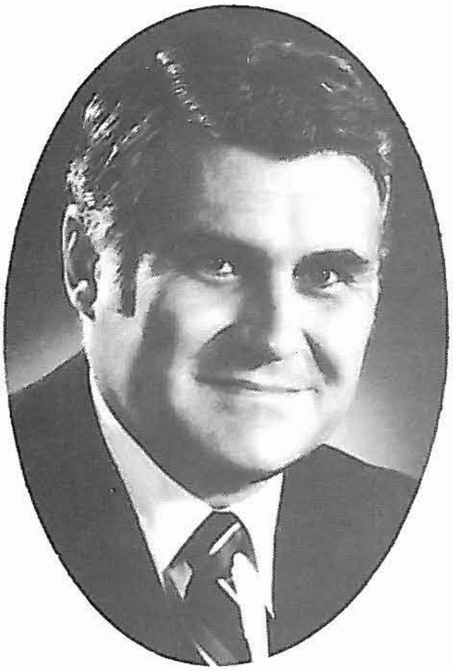
RAPIDSCAN provided immediate 'on-line' access to a fire rate data base, underwriting reports and risk improvement information. This electronic method of disseminating rating and underwriting information represented a great step forward, "making the microfiche appear as obsolete as the rate cards it replaced." Users found the new computerized version much faster than the earlier systems in providing instant access to all of IAO's current fire rating information, available in printed hard copy or displayed on a CRT screen.

Advantages of the new system included reduction in filing space required in both IAO and members' offices, elimination of the cost of printing underwriting reports in the conventional manner and a reduction in the number of microfiche sets required by members. This innovation improved underwriting productivity and performance by providing better information faster.

The early 80s also signalled an era of renewed emphasis on cost controls. To ensure that IAO continued to provide services that were relevant to members' needs and to ensure that the organization remained cost effective, the members appointed a Task Force on Membership Services to conduct a study and make appropriate recommendations to the Board of Directors.

The report of the Task Force, which was placed before the Board at its March 1981 meeting, concluded that IAO's services were meeting the demands of members and were cost effective but recommended that greater flexibility be allowed in the way

Neil Nason instructing at IAO's School of Loss Control Technology. Students range from agents and brokers through company personnel to risk managers and others interested in the technical aspects of loss control. (Aug. 1983)



L.J. Rawlinson, IAO Chairman, 1983–84

services were available to members. It also recommended that new services be investigated and that the assessment system of recovering the costs of services for class rated risks be changed to one consisting of a combination of flat charges plus an assessment rate. This was done in recognition of the fact that the assessment system was unfair to the large companies who were bearing the largest portion of the costs even though they were the very companies whose in-house facilities enabled them to rely less heavily on the services provided by IAO.

The report also recommended that a partial system of user fees be introduced for commercial property inspection and rating services. The basic principle espoused was that the cost of gathering information and placing it into the data base would be borne by all members in proportion to their premiums written. The cost of retrieving the information would be on a user fee basis.

Another important recommendation of the Task Force was that assessment relief should be granted on certain classes of property, inland marine, liability and specialty lines of business on which IAO offered no services.

Finally, it was recommended that negotiations be entered into with the Insurance Bureau of Canada for the purpose of bringing about a rationalization of the services of the two organizations so as to avoid duplication of services, establish a closer working relationship and reduce operating costs.

The report was approved at a subsequent general meeting of members.

The future outlook was well summarized in an article which appeared in the August 1983 edition of Canadian Insurance:

"The stormier the seas, the more the ship needs a good compass course and IAO is doing everything it can to influence insurers to take action. It has an important role to play in providing underwriters with the information they need to make intelligent decisions on risk acceptance, risk measurement and risk improvement. The soft market weakens the impact of their advice but knowing that eventually "something has got to give" they continue to develop high quality technical resources."

In the words of its president: "The survival of an organization like IAO depends upon its ability to respond to the needs of its members. For at least the foreseeable future, this means leadership through excellence...excellence in the development of insurance technology, leadership in the use of office and inspection technology, total concentration on cost-effectiveness and just plain good management."

The second century will provide proof of the foundation laid down – often in the midst of turbulence – during the first.

MEETING OF CENTENNIAL BOARD OF DIRECTORS, 1983

Back row, left to right: ***J.B. Murch (Phoenix); H.B. Greer (Commercial Union); R.J. McCormick (Chateau); L.G. Latham (General Accident)***
Front row: ***Norman Curtis (Guardian); Jean Robitaille (Royal); L.J. Rawlinson (Travelers) and G.A. Chellew (Crum & Forster)***

Missing from photo are ***J. Baillargeon (Laurentian), W.W. Ward (The Continental), J.W. Evans (Sun Alliance), J.L. Kirschbaum (Fireman's Fund), C. LeBlanc (Desjardins Group) and J.N. McCarthy (Halifax).***

APPENDIX I
PAST PRESIDENTS, CFUA, CUA
PAST CHAIRMEN, IAO

CANADIAN FIRE UNDERWRITERS' ASSOCIATION

G.F.G. Smith (1884)
G.F.G. Smith (1885)
G.F.G. Smith (1886)
G.F.G. Smith (1887)
J.J. Kenny (1888)
J.J. Kenny (1889)
S. Duncan Clark (1890)
S. Duncan Clark 1891)
A.T. Paterson (1892)
A.T. Paterson (1893)
Thos. R. Wood (1894)
Thos. R. Wood (1895)
F.W. Evans (1896)
F.W. Evans (1897)
P.H. Simms (1898)
P.H. Simms (1899)
E.A. Lily (1900)
H.M. Blackburn (1901)
H.M. Blackburn (1902)
James McGregor (1903)
G.F.G. Smith (1904)
Alfred Wright (1905)
M.C. Hinshaw (1906)
John B. Laidlaw (1907)
T.L. Morrisey (1908)
A.M.M. Kirkpatrick (1909)
R. McD. Paterson (1910)
Wm. Mackay (1911)
T.D. Richardson (1912)
H.M. Lambert (1913)
H. Hampson (1914)
J. Gardner Thompson (1915)
E.F. Garrow (1916)
J.G. Borthwick (1917)
Thos. H. Hall (1918)
P.M. Wickham (1919)
John B. Laidlaw (1920)
Lyman Root (1921)
John Jenkins (1922)
Alfred Wright (1923)
W.E. Baldwin (1924)
J.B. Paterson (1925)
Lewis Lang (1926)
Lewis Lang (1927)
Wilfred M. Cox (1928)
J.W. Binnie (1929)
Colin E. Sword (1930)
P.L. Monkman (1931)
J.H. Riddel (1932)
J.H. Labelle (1933)
W.R. Houghton (1934)
W.E. Findlay (1935)

CANADIAN UNDERWRITERS' ASSOCIATION

John Holroyde (1936)
John Holroyde (1937)
John Holroyde (1938)
Edgar J. Kay (1939)
Sidney W. Band (1940)
J. Victor Owen (1941)
Kenneth Thom (1942)
Alex. Hurry (1943)
Alex. Hurry (1944)
W.C. Butler (1945)
R. DeGrandpre (1946)
R. DeGrandpre (1947)
Robert Lynch Stailing (1948)
W.E. Baldwin (1949)
R.H. Leckey (1950)
C. Stuart Malcolm (1951)
Norman G. Bethune (1952)
D.K. MacDonald (1953)
L.L. Lewis (1954)
S.M. Elliott (1955)
Alex S. Hamilton (1956)
G.D. Trusler (1957)
H. Douglas Coo (1958)
C.G. Angas (1959)
Ralph Sketch (1960)
W.B. Bell (1961)
H.D. McNairn (1962)
R.F. Swaine (1963)
E.A.W. Paterson (1964)
H. Douglas Coo (1965)
D.B. Martin (1966)
F.W. Pearson (1967)
Daniel Damov (1968)
D.B. Martin (1969)
R.H. Stevens (1970)
M.W. Donald (1971)
N.H. Manning (1972)
Donald McKay (1973)
J.M. McFadyen (1974)

INSURERS' ADVISORY ORGANIZATION

E.A.W. Paterson (1974-75)
J.D. Cassidy (1975-76)
W.R. Atkinson (1976-78)
J.E. Burns (1978-79)
F.A. Saville (1979-80)
W.L. Williams (1980-81)
J.B. Murch (1981-82)
J. Robitaille (1982-83)
L.J. Rawlinson (1983-84)
G.A. Chellew (1984-85)

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COLLECTIONS

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Layout and production were effected by Charles Whipp of Lambton Editorial Associates, Petrolia, Ontario, and Browns Printing, Petrolia, Ontario.

TORONTO, 2nd October, 1883.

The Committee met this day at 2.30 p.m.

PRESENT:

J. J. KENNY, (Western), Vice-President.

R. WICKENS,	Commercial Union.	W. A. SIMS,	London & Lancashire & Sov.
L. C. CAMP,	Phenix of Brooklyn.	H. SCOTT,	National of Ireland.
W. BLIGHT,	Lancashire.	S. F. MAGURN,	City of London.
T. R. WOOD,	Ætna.	J. HUTCHISON,	Norwich Union.

And the Secretary.

The Minutes of the previous meeting were read and adopted.

Letters were read from various parties regarding the operation of the Tariff, and the Secretary was instructed to reply.

The Minutes of the Montreal Committee held on the 27th ult. were read.

In consequence of the difficulty experienced by the Toronto Board in first acting on the mode of Assessment recommended in the Resolution adopted by the Montreal Committee, and which the Toronto Board has since abandoned, the Toronto Committee recommend in lieu of that mode, That the minimum income ~~on~~ of any member of this Association for assessment purposes shall be taken at $25,000, and that the Secretary be instructed to levy an assessment on all Companies having no Ontario income for 1882, or a less income than $25,000. on that basis

The question of Endorsements having been referred to by a member, it was unanimously ordered that Companies be notified that the charge for Endorsement be made to apply to all places in the Province of Ontario, including Toronto, Hamilton and London.

The following Constitution and Rules were adopted subject to the approval of the Montreal Committee:

CANADIAN

FIRE UNDERWRITERS' ASSOCIATION

CONSTITUTION.

ARTICLE 1.—This Association shall be known as "THE CANADIAN FIRE UNDERWRITERS' ASSOCIATION."

ARTICLE 2.—The objects of the Association are the Establishment and Maintenance of Fire Insurance Rates, and the Promotion of the Interests of Fire Insurance Business in Canada.

ARTICLE 3.—This Association shall consist of the following Companies (with such other Companies as may from time to time become members.) Here follow the names of the 30 Companies comprising the Association, to which is added, "Of which G. F. C. Smith is President, and J. J. Kenny and James W. Taylor are Vice-Presidents, and Robert McLean, Secretary-Treasurer.

ARTICLE 4.—Representatives of Companies whose Head or Chief Offices are in the Province of Ontario shall be known as the Toronto Committee; and Representatives of Companies whose Head Offices are in the Province of Quebec, as the Montreal Committee. These Committees shall have concurrent jurisdiction. Each Committee may pass an Order, but such Order must be submitted to the other Committee, and approved by them, before it comes into force. The promulgation of an Order so approved shall be made by the Secretary of the Association.

In the event of an Order passed by one Committee, not being approved by the other, the said Order shall be re-considered and a vote taken thereon. The yeas and nays shall be taken in Committee and recorded, and the majority shall prevail. In such a division each Company shall have but one vote.

ARTICLE 5.—The Officers of this Association shall be a President, two Vice-Presidents and a Secretary-Treasurer.

ARTICLE 6.—It shall be the duty of the President to preside at all meetings of the Association, and also to call Special General Meetings at the written request of not less than one-third of the members—such request to state the object or objects of such special meeting. Notice of such meeting, containing a copy of the requisition calling for it, shall be sent by the Secretary to each member of the Association, stating the time and place of meeting, which must not be less than ten days after the date of such notice; and no business other than that stated in such notice shall be transacted at such meeting. The President shall also preside at all meetings of either Committee at which he may be present.

ARTICLE 7.—In the absence of the President, his duties shall devolve on one of the Vice-Presidents; and in the absence of all of them, the members present at the meeting may appoint a Chairman.

ARTICLE 8.—It shall be the duty of the Secretary to take minutes of all meetings of the Association, and also of the meetings of the Toronto Committee, and to copy them in a book kept for that purpose. He shall conduct all correspondence between the Toronto and Montreal Committees, and also between the Association and Local Boards, and he shall discharge such other duties in connection with the Association as may reasonably be required of him.

ARTICLE 9.—The office-bearers of this Association shall be elected by ballot (unless otherwise agreed to) at the Annual Meeting of the Association, which shall be held in the month of   , in each year, and on such day and at such place as the Association may determine, and the persons so chosen shall hold office for one year, or until their successors are elected. Any officer is eligible for re-election ; and should any vacancy occur during the year from any cause, the members present at any meeting may elect a person to fill the vacant position for the unexpired term of his predecessor.

ARTICLE 10.—All existing members, or Companies becoming members, shall be required to sign a copy of the Constitution and Rules of the Association in a book kept by the Secretary for the purpose, and such signature shall be considered as binding such Company not to violate the said Constitution or Rules.

ARTICLE 11.—Any Company may withdraw from the Association—all dues to the end of the current year having first been paid—by a written notice to the Secretary ; but such withdrawal shall not take effect, or release the Company so withdrawing, from the agreement entered into under Art. 10 of this Constitution, for the period of three months from the date of such notice.

ARTICLE 12.—On receiving such a notice from any Company the Secretary shall immediately notify all the members of the Association, and it shall be optional with the other Companies, or any one of them, to withdraw at the same time, by giving notice to the Secretary to that effect, unless such withdrawing Company is retiring from business, it being understood that all dues to the end of the current year must first be paid.

ARTICLE 13.—Ten members of the Association shall constitute a quorum for the transaction of business ; and five members shall constitute a quorum of either Committee.

ARTICLE 14.—The Constitution and Rules of the Association may be altered or amended by a two-thirds vote at the Annual Meeting, or at a Special Meeting called for the purpose—provided that not less than ten days' notice of such alteration or amendment be sent or given to each member of the Association.

Robert McLean Secy
9/10/83

S. J. Magurn
Chairman pro tem

RULES.

RULE 1.—The Tariff of rates adopted by the Association are for the various risks described therein, and are applicable to Renewals as well as to new business, and cannot be written for a longer period then one year—for periods less then one year short term rates must be changed as per short term rate table on pages 19, 20 and 21 in the Tariff books.

RULE 2.—The following risks are not subject to the operation of the Ontario Tariff, namely : Academies, Day Schools and Colleges, Banks and Insurance Offices, Barns, (when insured with dwellings, for three years,) Colleges, Court Houses, Churches, Charitable Institutions, Drill Sheds, Dwellings, Graperies, Greenhouses, Hospitals, Household and other Furniture and Effects, Houses of Refuge, Jails, Lunatic and other Asylums, Market Halls, Masonic Halls, (no mercantile or other hazardous risks in building,) Nunneries, Organs in Churches and Stained Glass Windows, Ornaments and Vestments in do, Odd Fellows' Halls, Public Schools, Stables, Private, (when insured with dwellings,) Stained and Painted Glass in Churches, Town Halls, Temperance Halls.

RULE 3.—No member of this Association shall accept a risk at less than tariff rate ; and if an agent of any Company take a risk under the Tariff rate, he shall be required by his Head Office to collect the additional premium immediately or cancel the risk, reporting his action on the matter to his Head Office without delay ; but if an agent of any Company take a risk which is expiring in another Company—a member of this Association at less than the Tariff rate—he shall be requested to cancel the insurance, and shall not be permitted to take a risk on the same property within one month from the date of such cancelment.

RULE 4.—An agent of any Company—a member of this Association—who has been proven to the satisfaction of the Association, to have knowingly taken a risk below the Tariff rate, shall for the first offence forfeit 25 per cent. of the premium on said risk ; 50 per cent. for the second offence ; 100 per cent. for the third and every subsequent offence ; and in the event of such fines not being paid into the funds of the Association within fifteen days after he has been notified by the Secretary of such penalty, then in such case it shall be obligatory on the Company or Companies such agent represents either to pay the amount of such penalty or dismiss said agent ; and he shall not be elegible to represent any Company a member of this Association for the period of one year from the date of such dismissal.

RULE 5.—When an agent of any Company shall report to his Head Office an alleged violation of the Tariff by an agent, or agents of other Companies, such Head Office shall immediately report the same to the Secretary with all the facts respecting the same in their possession. The Secretary shall investigate the matter, and unless it can be rectified to the satisfaction of the party complaining, he shall report all the facts of the case to the Association, whose decision in the matter shall be final.

(E) All places having Hand Fire Engines, or no fire protection.

CANADIAN FIRE UNDERWRITERS' ASSOCIATION.

TARIFF OF

MINIMUM FIRE INSURANCE RATES,

ADOPTED

1st October, 1883.

Printed by R. G. McLean, 13 Adelaide St. East, Toronto

CLASS E.—SCALE OF MINIMUM RATES.

OCCUPATION. **Hand Power, except otherwise mentioned.**	BUILDING. Class of Risk. Rate per $100. 1st.	2nd.	3rd.	4th.	CONTENTS. Class of Risk. Rate per $100. 1st.	2nd	3rd	4th.
1 Agricultural Implements and Seed Sale Rooms	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
2 Alcohol and Liquors in Casks	1.10	1.30	1.55	1.65	1.10	1.30	1.55	1.65
3 Auctioneers	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25
4 Bakers	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25
5 Barbers Shops	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
6 Billiard Rooms (no liquors)	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25
7 Blacksmith Shops	1.50	1.75	2.25	2.50	1.50	1.75	2.25	2.50
8 Boarding Houses, Public, (no liquors)	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
9 Bookbinders	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25
10 Bookbinders, Steam power	2.00	2.25	2.75	3.00	2.00	2.25	2.75	3.00
11 Book and Stationery Stores	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25
12 Boots and Shoes, Wholesale or Retail, (no manufacturing)	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
13 Boots and Shoes, Wholesale or Retail, manufacturing without steam, if less than 20 hands are employed	1.50	1.75	2.25	2.50	1.50	1.75	2.25	2.50
14 Over that number, see Specials.								
15 Bottling Cellars	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
16 Brass Founders and Coppersmiths	1.75	2.00	2.25	2.50	1.75	2.00	2.25	2.50
17 Broom Makers	1.50	1.75	2.25	2.50	1.50	1.75	2.25	2.50
18 Brush Makers	1.50	1.75	2.25	2.50	1.50	1.75	2.25	2.50
19 Builders' Risk, see under Workmen's Risk.								
20 Butchers' Shops	1.25	1.40	1.65	1.75	1.25	1.40	1.65	1.75
21 Cabinet Makers	2.25	2.50	2.75	3.00	2.25	2.50	2.75	3.00
22 When using steam same rate as Furniture Factories in Specials.								
23 Carpenters' Shops	2.25	2.50	2.75	3.00	2.25	2.50	2.75	3.00
24 When using steam same rate as Planing Mills in Specials.								
25 Carpenters' Risk, see Workmen's risk								
26 Carriage Sale Rooms, finishing and upholstering, but no wood work	1.25	1.50	2.00	2.25	1.25	1.50	2.00	2.25

SPECIAL RISKS.—*Continued.*

OCCUPATION.—**Steam or Water Power**	Rates on Buildings and Contents. Class of Risk. Rate per $100. 1st	2nd	3 & 4
17 CANNING WORKS	1.75	2.00	3.00
When no benzine, naphtha or any other product of Petroleum is used, coal oil for light excepted	1.25	1.50	2.00
18 CATTLE SHEDS, when over 80 feet distant from Distillery	1.00	1.25	1.50
If nearer than 80 feet an extra rate to be charged.			
19 CHEESE AND BUTTER FACTORIES	1.00	1.25	1.50
20 CHEMICAL WORKS	2.75	3.00	3.50
21 CIGAR FACTORIES	1.50	2.00	2.50
22 COACH AND CHILDREN'S CARRIAGE BUILDERS, (steam power)	3.00	3.25	4.00
When Boiler house is first-class and separated from Factory by fire-proof doors	2.75	3.00	3.75
When Boiler house is first-class and outside of Factory, with no communication between them (except by shaft, belt or pipes)	2.50	2.75	3.50
23 COACH AND CARRIAGE BUILDERS, (without steam)	2.00	2.25	3.00
24 CONFECTIONERY, (steam power), with box-making	2.50	3.00	3.50
25 CONFECTIONERY, (steam power) without box-making	1.50	2.00	3.00
26 COTTON AND WOOLLEN MILLS, (steam power)	3.00	3.50	4.50
When Boiler house is first-class and separated from the Mill by fire-proof doors	2.75	3.25	4.25
When Boiler house is first-class and outside of the Mill with no communication between them (except by shaft, belt or pipes)	2.50	3.00	4.00
For picker outside of the Mill and in a separate building ....Deduct .75			
For automatic sprinklers and tank in tower......Deduct .50			
If cotton or shoddy is used in *Woollen Mill* see rates No. 105.			
27 COTTON AND WOOLLEN MILLS, (water power)	2.50	2.75	3.50
The same deductions for picker outside, and automatic sprinkler to be made as in steam power Mills.			
If cotton or shoddy is used in *Woollen Mill*........Add .25			
The minimum rate on a standard Mill, either steam or water power will be	1.25	....	....
Note.—All stand pipes should be placed in the stairway outside of the Mill			
28 COTTON AND WOOLLEN STOREHOUSES, (bulk not broken) not nearer than 25 feet to a standard Mill	.60	.75	.. .
When nearer than 25 feet to a standard Mill	....	Mill	rate
When not nearer than 100 feet to a standard Mill	....	..	1.00
When not nearer than 30 feet to an ordinary Mill	.75	1.00	1.50
When nearer than 30 feet to an ordinary Mill	....	Mill	rate.

Boiler house when mentioned is understood to be Brick or Stone with 1st Class Roofing.

SPECIAL RISKS.—*Continued.*

OCCUPATION.—**Steam or Water Power.**	Rates on Buildings and Contents. Class of Risk. Rate per $100. 1st	2nd	3 & 4
29 DISTILLERIES	3.25	3.50	4.50
When Boiler house is first class and separated from Distillery by fire proof doors	3.00	3.25	4.25
When Boiler house is first-class and outside of Distillery, with no communication between them (except by shaft, belt or pipes)	2.75	3.00	4.00
30 DREDGES, see Vessels.			
31 ELEVATORS (Floating), see Vessels.			
32 ENGINES, 4 horse power and under, no extra charge.			
Over 4 horse power, when not otherwise provided for, charge extra 25 cents.			
33 FLAX MILLS	4.00	4.50	6.00
34 FLOUR AND GRIST MILLS, (steam power)	2.75	3.25	4.25
When Boiler house is first-class and separated from the Mill by fire-proof doors	2.50	3.00	4.00
When Boiler house is first-class and outside the mill with no communication between them (except by shaft, belt or pipes)	2.25	2.75	3.75
35 FLOUR AND GRIST MILLS (water power with steam auxiliary)	2.40	2.75	3.50
When Boiler house is first-class and separated from the Mill by fire-proof doors	2.25	2.50	3.25
When boiler house is first-class and outside of Mill, with no communication between them (except by shaft, belt or pipes)	2.10	2.40	3.00
36 FLOUR AND GRIST MILLS, (water power)	2.00	2.25	2.75
37 FLOUR MILL STOREHOUSES, when adjoining Mill, and separated from the Mill by fire guard wall, having all openings between them protected by fire-proof doors, ...Deduct .50 from Mill rate.			
If not so separated, rate same as Mill.			
38 FOUNDRIES, see Iron Foundries.			
39 FRUIT EVAPORATORS	2.00	2.50	3.00
When evaporating chamber is constructed entirely of brick, with metal roof	1.25	1.50	1.75
40 FURNITURE FACTORIES, (steam power)	4.50	4.75	5.50
When Boiler house is first-class and separated from Factory by fire-proof doors	4.25	4.50	5.25
When Boiler house is first-class and outside of Factory, with no communication between them (except by shaft, belt or pipes)	4.00	4.25	5.00

Boiler house when mentioned is understood to be Brick or Stone with 1st Class Roofing.