

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.

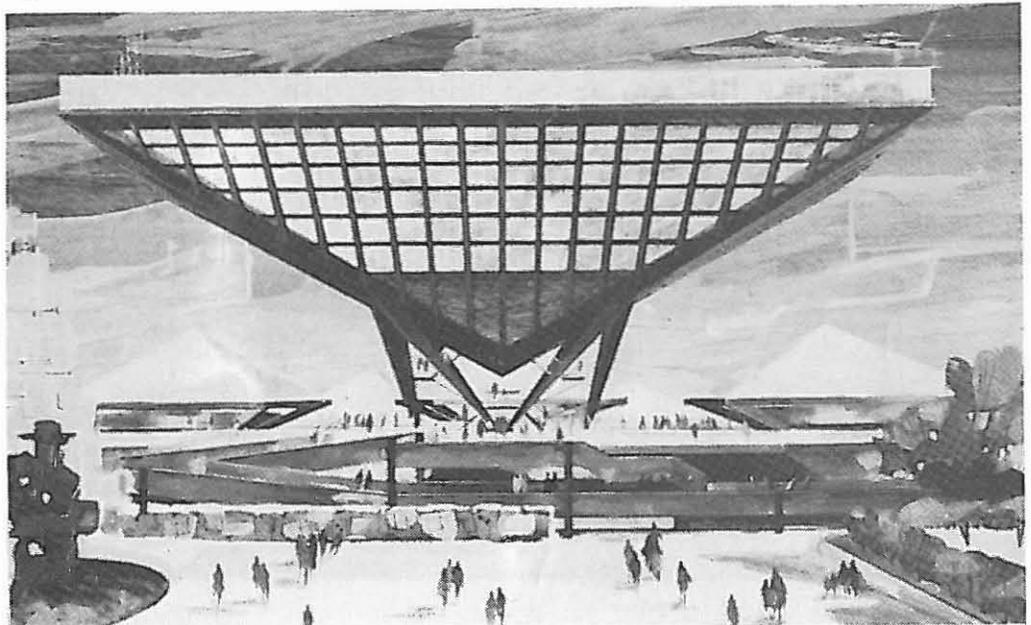
Competition was so fierce that at times the existence of the Canadian Underwriters' Association seemed threatened. At a time when the rates should have increased, competition promoted increased agents' commissions, reduced rates and greater coverage. The decade proved extremely trying for the CUA, but 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. McNair 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 mar-

keting 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, Newfoundland 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 com-

plaints 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 excerpt 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.

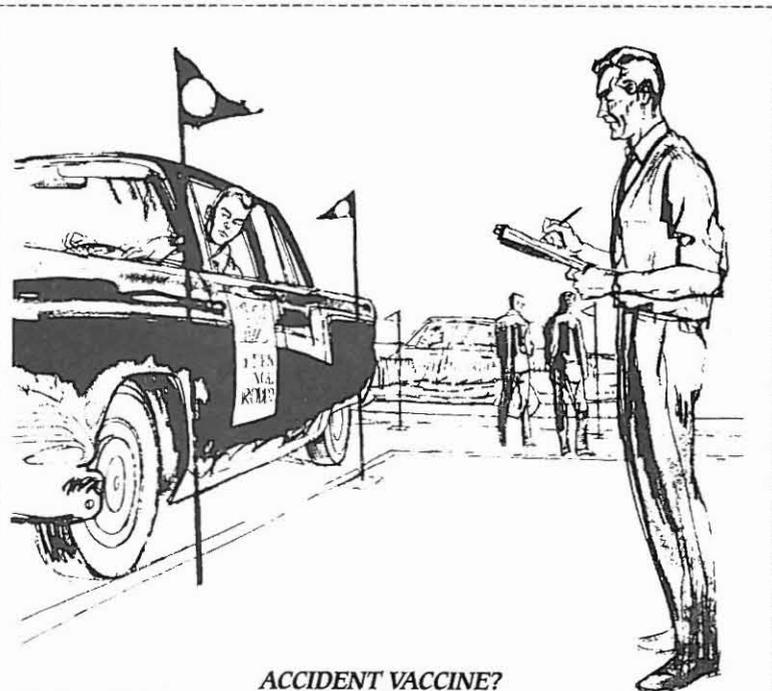
CUA's Property Department

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



ACCIDENT VACCINE?

WELL, NOT EXACTLY. Ten years ago, polio was a major killer of youth; today, vaccine has made the disease a comparative rarity. But, even when polio was claiming lives by the hundreds, traffic accidents were killing more people under 25 than any other single cause of death — and they still are.

Do we have an accident vaccine?

No. People can't be vaccinated against accidents, but the toll can be reduced through the teaching of correct driving habits — and safety habits — to our teen-age population at the formative stages in their lives.

This is what the automobile insurance business does through its sponsorship of the National Teen-age Safe Driving Championship — the culmination of a coast-to-coast series of safe driving competitions involving more than 30,000 young drivers in 225 Canadian communities each year.

ALL CANADA INSURANCE FEDERATION

on behalf of over 200 competing fire, automobile and casualty insurance companies



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 simplifications 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 remuneration 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 Coe 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' Associa-

tion, 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 Coe 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 UNDERWRITERS
460 ST. JOHN STREET, MONTREAL

HEAD OFFICE NEWS
by F. Rose Clark

RETIREMENT:



Leslie Ham, Q.C.
4, saw the retirement on pen-
counsel A. LESLIE H
well know

gree (cum laude) in 19 studies were interrupted Lieutenant in the Royal I
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 Vancouver. in 1926 became a member o. eral adjusting firm of Brewst & Ham, where he remained u resigned to accept the post o Branch Manager for the Cana pany.

In 1935, Mr. Ham left Winnic home in Montreal, when he was retary and Counsel of the Dom. Insurance Underwriters, and M. Quebec Branch of the Canadian Association. He held these dual 1948, when he was appointed Ma Dominion Board, and served in tl until 1958, when he was named G sel of the Canadian Underwriters tion.

An active member of th- the Canadian Br Ham has o' the "

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 indispensable:

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 dilapi-

dated 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 sup-

posedly 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.

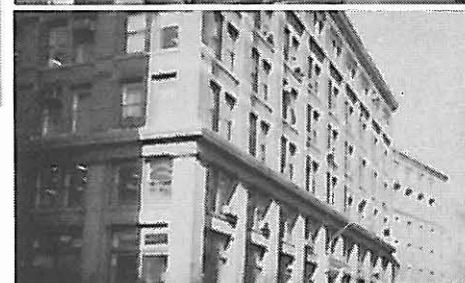
The CUA made numerous sacri-

fices 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.)

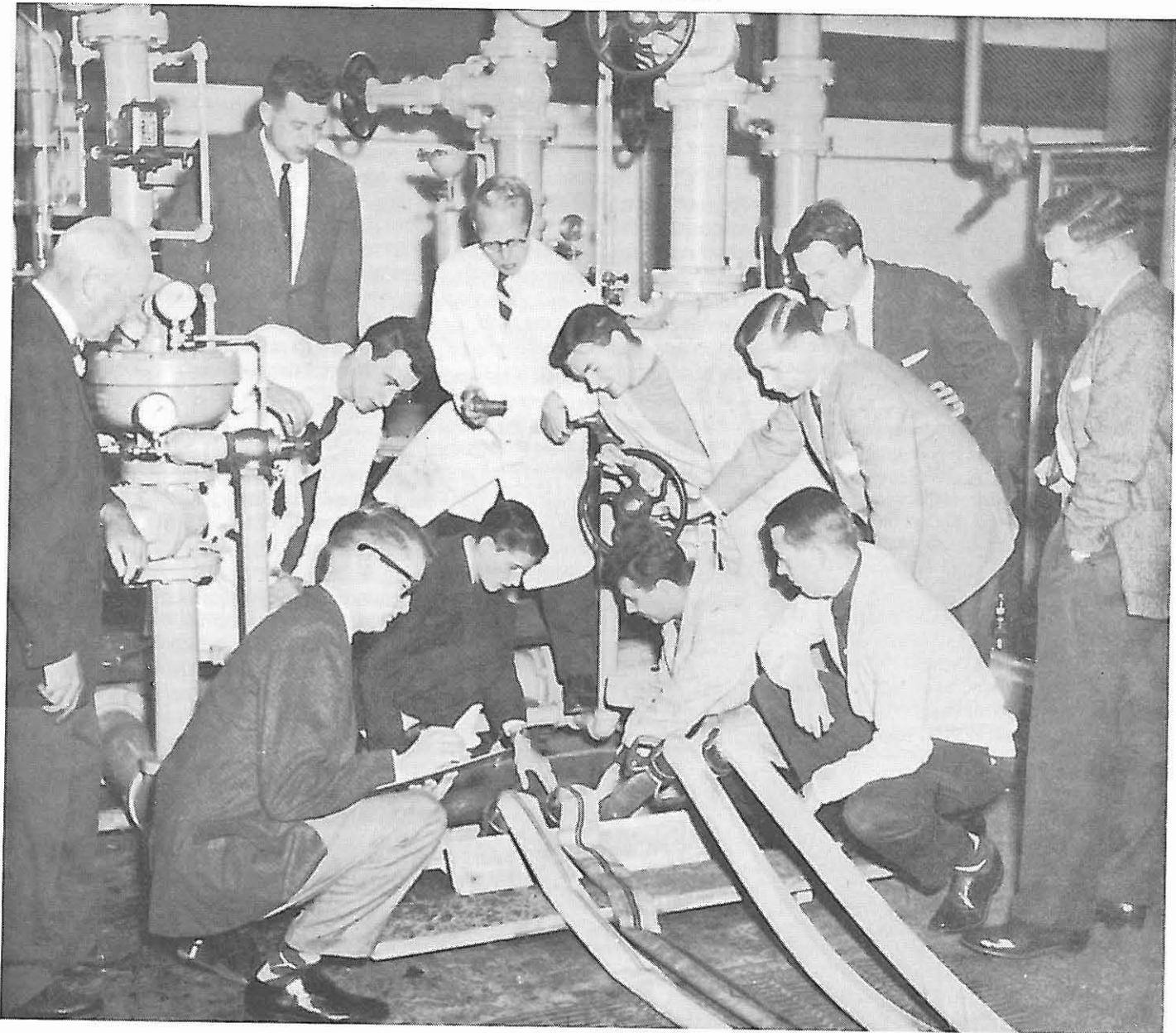
The 1960s was an extremely trying decade for the association. Despite a number of resignations, the CUA continued to provide strong leadership in the industry, as demonstrated by the formation of the Insurance Bureau of Canada. The ability of the association to survive ten years of vacillation between 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*



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"Our fire protection school in session," from the CUA Inspector, front cover, July 1963.