

## 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.*

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 simplifi-

*P. L. Monkman, CFUA President, 1931.*



*J. H. Riddell, CFUA President, 1932.*

cation 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

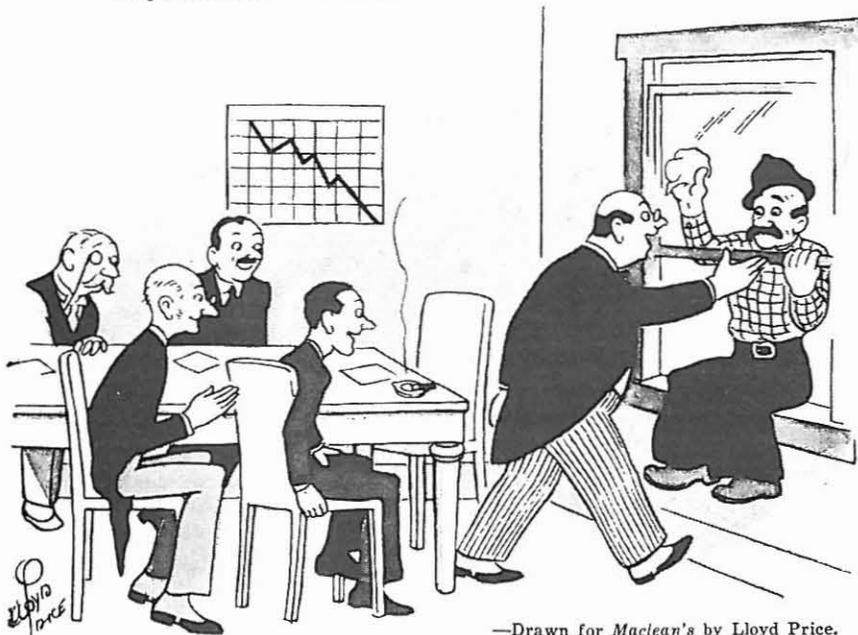
be issued subject to a surcharge of two percent effective March 1, 1933. This cost would appear as a separate item to show the public the increase was one of taxation and not of rates. As the deadline approached, hundreds — perhaps thousands — of labels to this effect were produced by the Stamping Department. 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.*

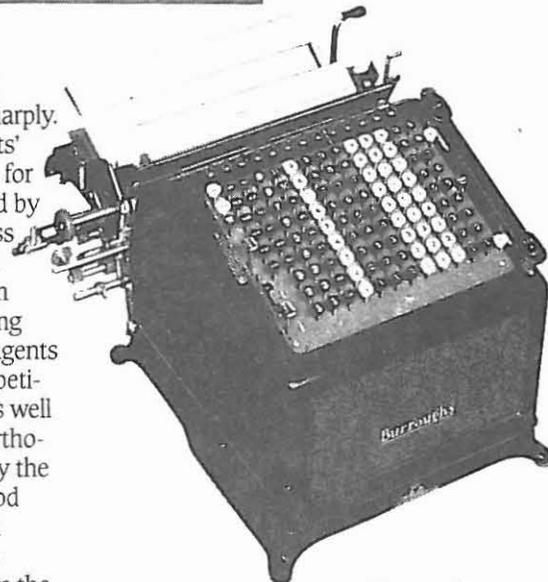
*Two advanced accounting and ledger posting machines current in 1931.*

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.

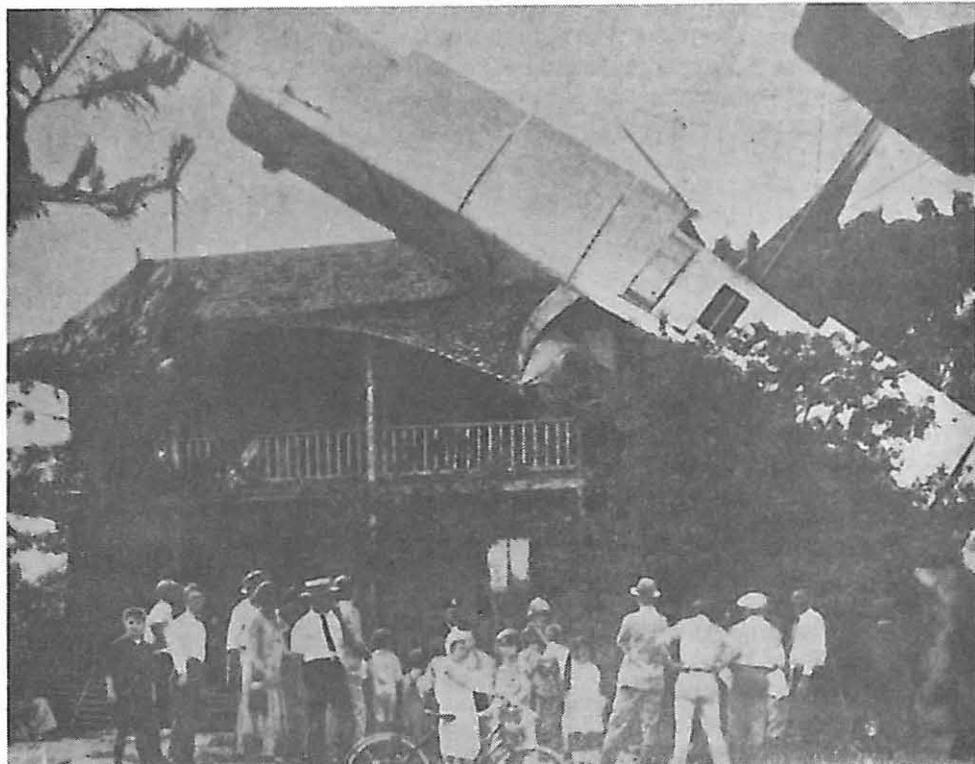
(Insurance and Financial Chronicle, June 30, 1933.)

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,

**WORLD'S GRAIN EXHIBITION and CONFERENCE**

**REGINA - CANADA**  
**JULY 24 to AUG. 5**

Canada will assume the role of host when leaders in her agricultural, industrial, financial and public life assemble in Saskatchewan's capital city on July 25, to welcome the official representatives of

**Over Forty Nations**  
**States and Provinces**

at the **Greatest International Gathering**  
ever held in Canada

The grain exhibits from the many competing nations will be housed in a specially-constructed quarter million dollar building, while ample seating capacity has been arranged to accommodate the thousands who will gather to hear leading scientific agriculturists from all parts of the world at daily sessions of the Conference.

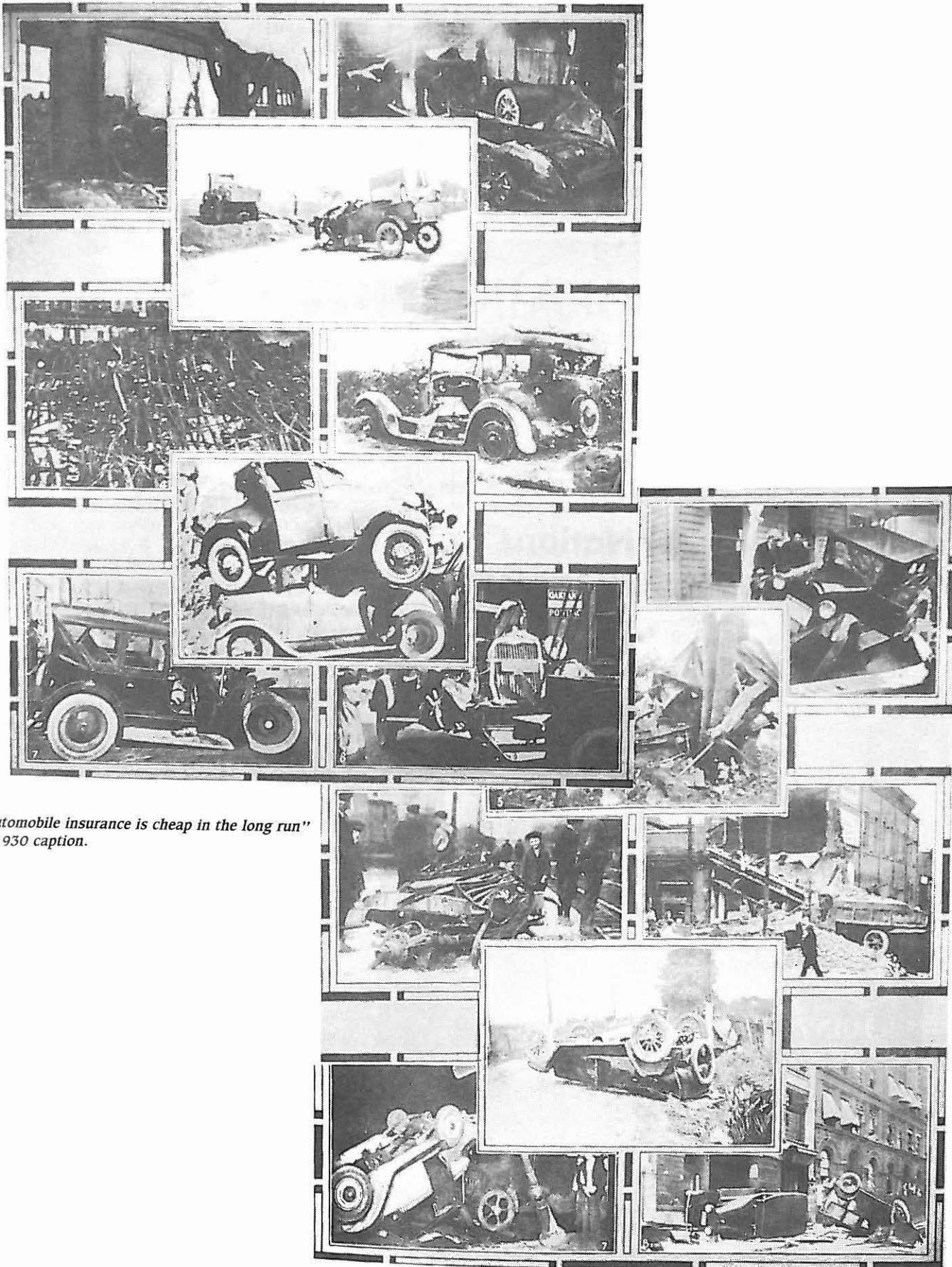
**To be held concurrently with the**  
**PROVINCIAL EXHIBITION**

Visitors seeking holiday entertainment will find NOT just a grain show but an Exhibition such as is seldom seen outside the greater cities of the world—including many of the great exhibits that were on display at Wembley and in the Argentine, an exact replica of the Prince of Wales ranch—and special grandstand attractions and entertainment features never before attempted in Western Canada.

Special rates on all railways. Plan your holiday now by train or by automobile, to include this great world-event. For particulars write "Accommodation Bureau" Merchants' Bank Bldg., Regina, Sask.

**JULY 24 to AUG 5**

*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:—

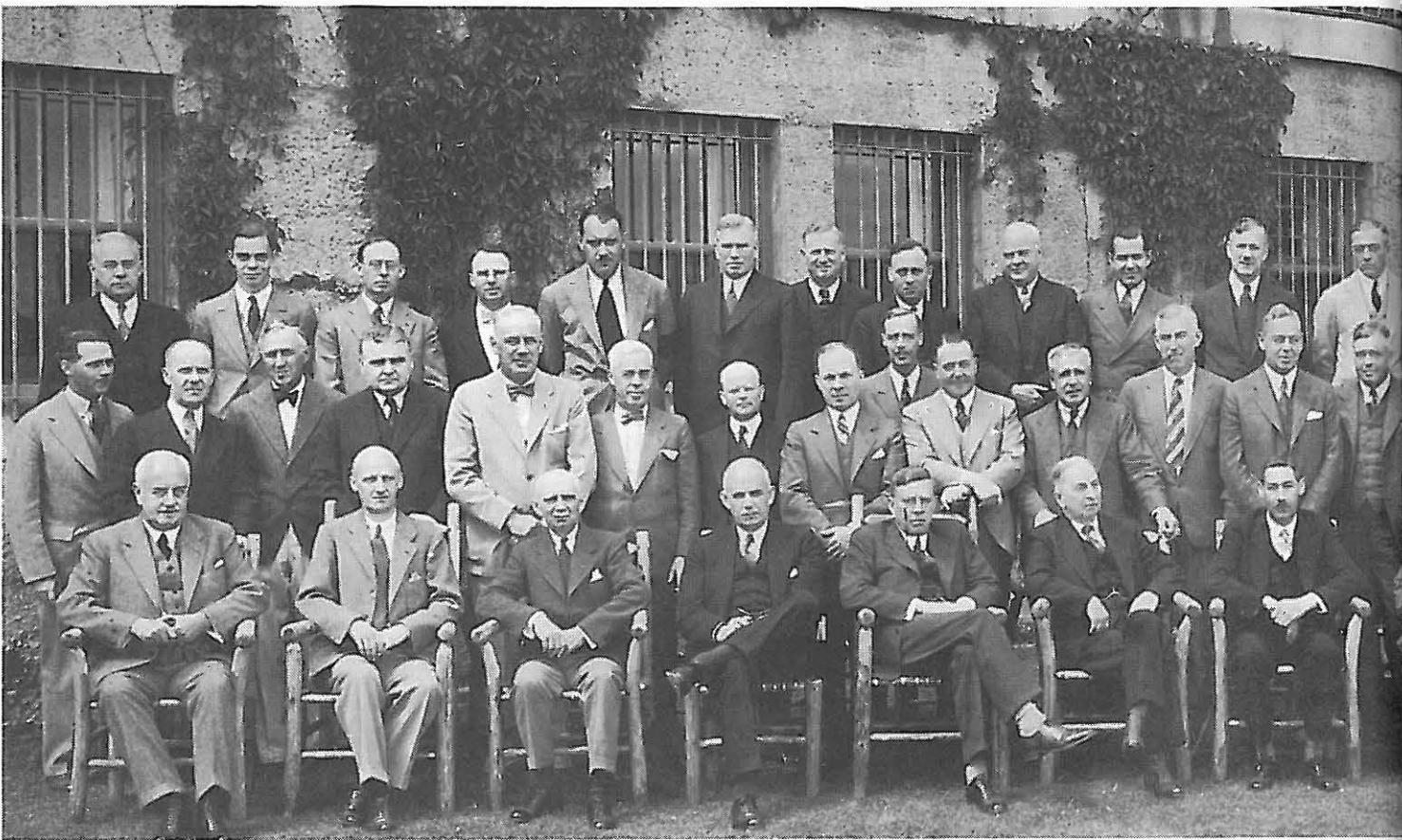
When the bold incendiary's not a firing,  
Or maturing his arsonous little schemes,  
The milliner her window is uttiring,  
With her "flimsies" close to where the gas jet gleams;  
Our feelings we with difficulty smother,  
When settling gouging claims has to be done,  
Ah! take one consideration with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

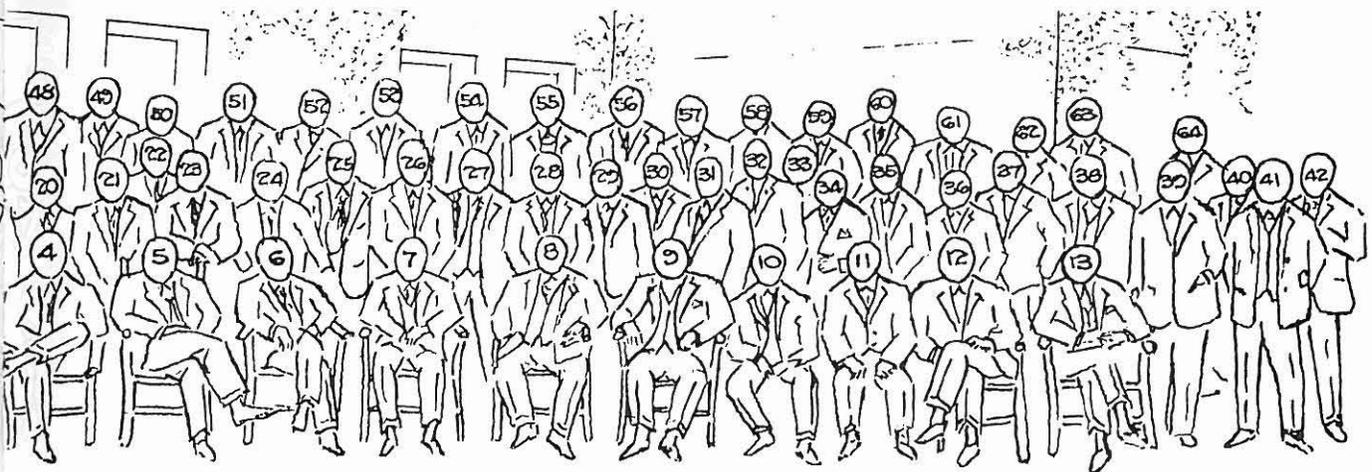
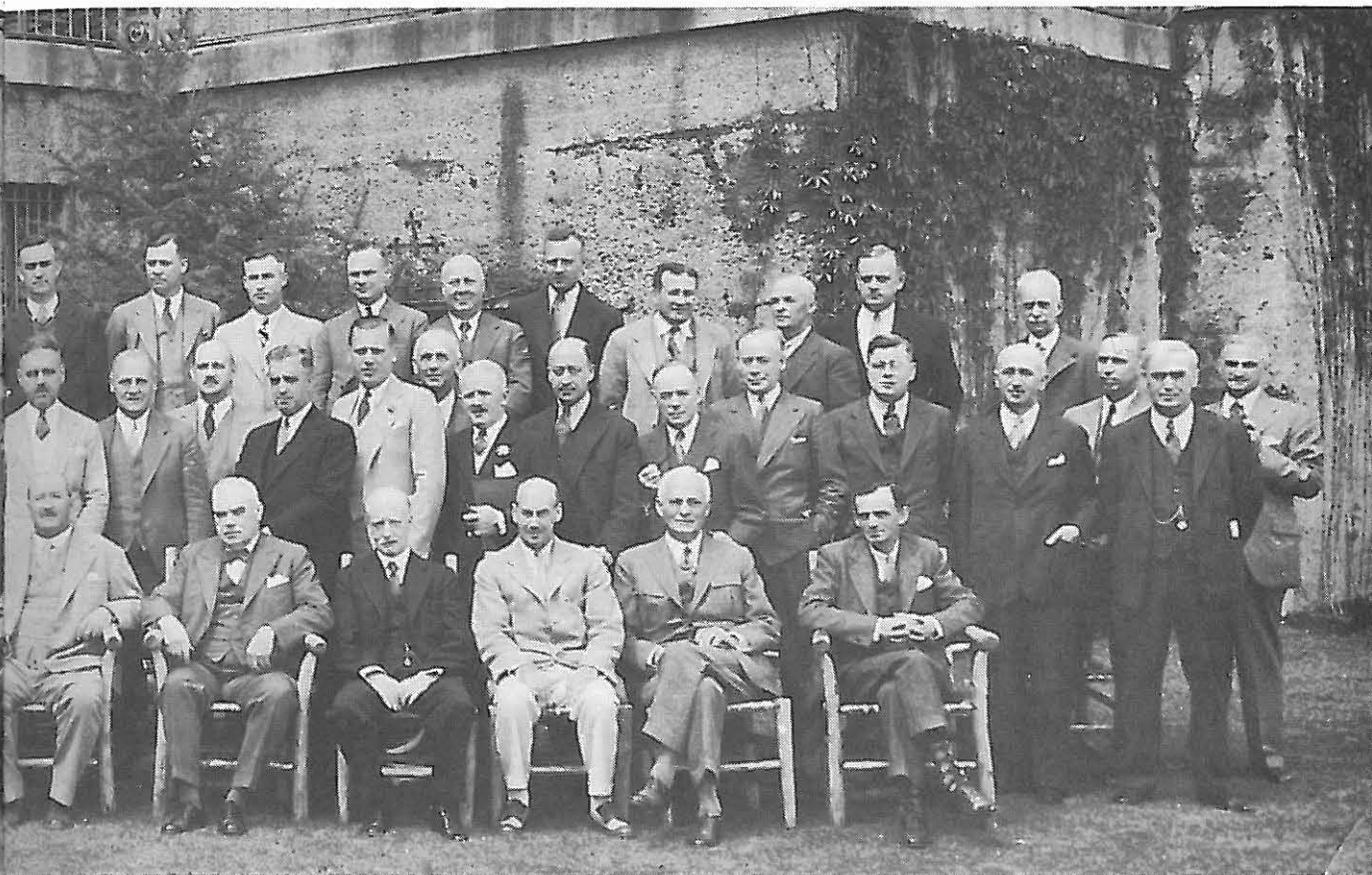
The need for an association was evident. But it was difficult in those early days to keep pace with events, perhaps because of the rapid increase in the number of cars. Proper statistics were of paramount importance. In 1916, 120,000 cars were registered with provincial governments. This number increased 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 insuffi-

cient 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                             | 23 A. N. DeWitt         | Anglo Scottish         |
| 2 Colin E. Sward         | President 1929-1930 Union of Canton            | 34 C. J. R. Coyle       | London Assurance       |
| 3 J. W. Binnie           | President 1920-1925 Union of Canton            | 35 E. E. Kenyon         | Alliance of London     |
| 4 John Jenkins           | President 1921-1922 Employers Liability        | 36 Geo. W. Picaud       | Tokio                  |
| 5 W. E. Baldwin          | President 1923-1924 Continental                | 37 Kenneth Thom         | Western                |
| 6 W. E. Findlay          | President 1924-1925 Springfield                | 38 Adam M. Bride        | Great American         |
| 7 W. R. Moughton         | President 1925-1926 London & Lancashire        | 39 Alex. Murry          | Northern               |
| 8 J. B. Patterson        | President 1926-1927 Phoenix of London (Living) | 40 J. Victor Owen       | Guardian               |
| 9 J. M. Labelle          | President 1927-1928 Royal                      | 41 Geo. C. Francis      | Sprinklered Risk Dept. |
| 10 Lewis Long            | President 1928-1929 Liverpool & London & Globe | 42 E. A. Long           | Underwriters Bureau    |
| 11 J. H. Riddell         | President 1929-1930 Eagle Star & British Port  | 43 J. A. Malo           | Home                   |
| 12 Col. LeGrand Reed     | Pacific Coast Century                          | 44 J. Malo, Jr.         | Visitor                |
| 13 A. W. Goddard         | Secretary Toronto                              | 45 B. W. Ballard        | Hartford               |
| 14 A. Samoisette         | Phoenix of Paris                               | 46 J. P. A. Gagnon      | Union of Paris         |
| 15 C. S. Freeman         | Ocean  | 47 G. LeBlanc           | Anglo Scottish         |
| 16 M. F. Roden           | Commercial Union                               | 48 A. J. Mylrea         | Pacific Coast Century  |
| 17 F. J. Knox            | Canadian                                       | 49 F. W. Lamont         | Norwich Union          |
| 18 J. Ross Stewart       | Aetna  | 50 K. M. Sabiston       | Canadian Surety        |
| 19 C. E. Sanders         | Atlas  | 51 J. W. Price          | North America          |
| 20 M. A. Joselin         | New York Underw.                               | 52 R. S. Thorp          | Prudential             |
| 21 F. E. Duffy           | Yorkshire                                      | 53 John Colverley       | Travelers              |
| 22 Douglas Cowrie        | Caledonian                                     | 54 Robert D. Safford    | Travelers              |
| 23 Edward J. Kay         | North British & Merc.                          | 55 Henry Parker         | Sun                    |
| 24 John Malroyde         | Commercial Union                               | 56 W. G. Drysdale       | Sea                    |
| 25 Robert Lynch Stirling | Bun  | 57 C. J. Malcolm        | Aetna                  |
| 26 C. Stuart Malcolm     | Royal Exchange                                 | 58 Lawson T. Hargreaves | Pearl                  |
| 27 C. W. C. Tyre         | Phoenix of London                              | 59 Wm. Thompson         | Security               |
| 28 C. M. Manson          | Alene Falls                                    | 60 S. M. Elliott        | Phoenix of Hartford    |
| 29 Wm. Lowrie            | Phoenix of London                              | 61 A. S. Booth          | London & Lancashire    |
| 30 A. M. S. Stead        | Dominion Board                                 | 62 G. M. Henderson      | Quebec Fire            |
| 31 D. K. MacDonald       | Guild Hall                                     | 63 A. K. Vallance       | Phoenix of Hartford    |
| 32 M. C. Mills           | North America                                  | 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 Hodgins'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 Win-

nipeg 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 explain-

ing 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.

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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.

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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 repetition 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 plaintiffs 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 plaintiffs 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 wilful 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....

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 Com-



*John Holroyde, First CUA President, 1936-38.*



*Edgar J. Kay, CUA President, 1939.*

panies 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.