

AUTO INSURANCE AND INDUSTRY-GOVERNMENT RELATIONS,
1929 – 1971

INSURING THE DEVIL'S WAGON:
AUTOMOBILE INSURANCE AND INDUSTRY-GOVERNMENT
RELATIONS IN SASKATCHEWAN AND MANITOBA,
1929 – 1971

By

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Abstract

This dissertation examines the development of automobile accident victim compensation law and its connection to the insurance industry in Canada. Exploring the evolution of the law revealed a complex relationship between the insurance industry and governments in Canada. Cooperation between the two groups was predicated on a stable political environment and governments interested in preserving private enterprise. The emergence of governments supporting public enterprise created an adversarial relationship between the government and the insurance industry. This relationship was important to the development of the law, because the focus on issues like the levels of compensation provided to victims and highway safety was replaced by concerns over the cost of insurance. Using Saskatchewan and Manitoba as case studies, the dissertation examines the period between 1929 and 1971 and explores the development of financial responsibility law, safety responsibility law, and public compulsory automobile insurance. The two provinces provide a useful point of comparison because, starting in the 1940s, each province takes a different approach to the issue of automobile insurance. The conservative government in Manitoba adopted voluntary private law, while the leftist Cooperative Commonwealth Federation government in Saskatchewan implemented compulsory public automobile insurance. As the political situation changed in both provinces in the 1960s, the laws again came under intense scrutiny and highlight the effect on business-government relations and the law. The dissertation closes by examining the introduction of public compulsory automobile insurance in Manitoba following the 1969 election of the New Democratic Party and the retention of public compulsory automobile insurance in Saskatchewan following the 1964 election of the Liberals. In both cases, the relationship with the insurance industry changed and in neither case was the industry able to effect positive change from the industry perspective. In both cases, cost became the central issue replacing concern for victim compensation and safety.

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HEN

Hamilton, Ontario, July 2006

TABLE OF CONTENTS

Descriptive Note	ii
Abstract	iii
Acknowledgements	iv
Table of Contents	vi
List of Illustrations and Tables	vii
Introduction	1
Chapter One: “Starting Cautiously and Conservatively”: Government Legislation, Regulation and the Canadian Insurance Industry	20
Chapter Two: “At the Point of a Legislative Gun”?: Manitoba and the Evolution of the Automobile Insurance Debate	46
Chapter Three: “The Farmer Will Pay!”: The Automobile Accident Insurance Act in Saskatchewan	73
Chapter Four: “The Attention-getter is Death”: The Aftermath of Automobile Insurance Legislation	104
Chapter Five: (Re)Negotiating Automobile Insurance in Saskatchewan and Manitoba	124
Conclusion	150
Appendices	156
Bibliography	180

LIST OF ILLUSTRATIONS AND TABLES

- 1.1 Number of Vehicles Registered in New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, 156.
- 1.2 Number of Motor Vehicle Traffic Fatalities and Injuries in Canada, 157.
- 1.3 Number of Railroad Fatalities and Injuries in Canada, 157.
- 1.4 Wawanesa Automobile Losses (and Net Losses to Earned Premiums expressed as a percentage), 158 – 159.
- 1.5 Wawanesa Gross Premium Income (until 1952) and Net Premium Income (1953 to 1962) in Ontario, Manitoba and Saskatchewan (Automobile) to 1962, 160 - 161.
- 2.1 Questionnaire Distributed by the Manitoba Highway Safety Commission, 162 - 164.
- 3.1 Wawanesa Mutual Insurance Company Automobile Insurance Premiums in Saskatchewan, 1946 – 1970, 165.
- 3.2 Automobile Premiums - Saskatchewan Government Insurance Office, 166.
- 3.3 Automobile Ownership – Saskatchewan, 167.
- 4.1 Wawanesa's Growth in Net Written Premiums (Canada), 168 – 169.
- 4.2 "Public Liability: What Would a \$10,000.00 Judgement Do to You?" (circa 1933), 170.
- 4.3 "Did You Ever See a Car Swallow a Whole Farm? Yours May!" (circa late 1930s), 171.
- 4.4 "Safe or Sorry?" (circa late 1930s), 171.
- 4.5 "Are You a Safe Driver?" (Circa 1934), 172.
- 4.6 "Don't Let Him Ride with You!"(1937), 173.
- 4.7 "Harvest of Death" (circa late 1930s), 173.
- 4.8 "Your Friendly Agent Says..." (Circa 1940s), 174.
- 4.9 "Are You Headed for An Accident?" (Circa 1940s), 175.
- 4.10 "A Safe Driving Rule..." (Circa 1940s), 175.
- 4.11 "Checked Your Driving Manners Lately?", 176.
- 4.12 "You are in this picture.", 177.
- 4.13 "Minutes that count..." (circa early 1950s), 178.
- 5.1 Comparison of Auto Insurance Rating Private Passenger Cars – Saskatchewan and Manitoba, 179.

**Insuring the Devil's Wagon:
Automobile Insurance and Industry-Government Relations in Saskatchewan
and Manitoba, 1929 - 1971**

Introduction

THE COSTS AND WORRIES OF MOTORING.

WE are told in our newspapers every day the stories of Accidents to Motorists, or to pedestrians caused by Motorists.

THROUGHOUT the Automobile Season you will read they are often expensive; they spoil the full enjoyment of motoring.

THE wise man takes the opportunity offered by the development of the Insurance idea and insures his Automobile against damage, and himself against claims for injuries, just as he insures his house against fire.

THIS is “good business” compared with the cost of repairs or the still higher cost of settling the claims of the public for injuries.

THOUSANDS of Motorists regard their annual outlay for this protection as one of their most satisfactory investments. It gives them freedom from worry.

“A RISK insured is a mind relieved.”

DAMAGE TO AUTO INJURY TO OTHERS
DAMAGE TO PROPERTY OF OTHERS
DAMAGE OR LOSS OF AUTO,
SPARE PARTS, ETC.
FROM THEFT OR PILFERAGE
DAMAGE IN TRANSIT

Quotations gladly sent on application.¹

On January 29, 1930, the Board of Directors for the Wawanesa Mutual Insurance Company, to that point a successful prairie insurance company specializing in insuring rural and farm properties, declared its intention to move forward with a

¹ Printed as part of the stationary on the back of letter from E.S. Clarke (St. Lawrence Underwriters Agency Toronto of the Western Assurance Company) to S.C. Oxton (Deputy Minister of Public Works) August 19, 1921. File: Insurance 1922 – 1926. GS 0082 GR 1611 G 8060 (Box 12) – Manitoba – Public Works – Deputy Minister. Provincial Archives of Manitoba [hereafter PAM].

new line: automobile insurance.² The decision appeared inconsequential at the time. The company was more interested in selling insurance across Canada under its new dominion license. In 1931, Wawanesa wrote \$112,078.18 worth of automobile insurance out of a total premiums of just over \$1.3 million or under nine percent of the company's total premium income. Thirty-four years later, automobile insurance peaked at eighty-four percent of total net written premiums. The dramatic shift cannot be attributed to a clear corporate business strategy to become a market leader in the field. Instead, the regulatory environment affecting automobile insurance changed, altering the company's focus by the mid-1930s.

The early twentieth century saw divisions within the insurance industry between stock companies that had long dominated the insurance industry and mutual insurance companies that were increasingly well positioned in the Dominion market.³ Government regulators found both groups troublesome. Stock companies were frequently accused of rate collusion while bureaucrats felt mutual companies lacked stability and reliability. Disagreement among regulators plagued the insurance industry and frustrated insurance companies. Both the federal and provincial governments claimed authority over the field in the early 1930s. Ultimately, the federal government would agree to supervise the financial security of Dominion licensed companies while the provincial governments would implement laws applying to local matters – including automobile accident victim compensation.

These issues, an irritant within the industry, would have resolved themselves were it not for the emerging social problems triggered by the automobile. Automobile accidents and related injuries and deaths reached alarming rates by the 1930s. In 1930, Justice Frank Hodgins identified poor compensation for victims as a key problem in his report to the Ontario government, which will be discussed at length in chapter one. As a result, Ontario introduced Canada's first financial responsibility law in 1930. The law required automobile owners to prove they could compensate victims for future accidents following a first accident. Before a driver could re-acquire a permit for the vehicle, the individual needed to deposit \$11,000 with the provincial treasurer or provide proof of basic liability insurance. For the first time, the law encouraged more drivers to carry insurance. Although a good first step, financial responsibility law failed in the face of a growing number of accident victims. By the early 1940s, governments across the country began looking to change the law. Manitoba led the way, amending the law and making settlements more accessible

² Board of Directors Minutes, January 29, 1930: p. 233. Box 10 File 4, Minutes 1926 – 1930. Wawanesa Mutual Insurance Company Archives (WMICA).

³ A stock company has shareholders who purchased stock in the company while mutual insurance companies are technically owned entirely by the policyholders. In a mutual, profits are placed in reserves or used to reduce the premium cost. In the 1940s, Wawanesa issued cheques to all policyholders as a way to return profits but the Dominion Department of Insurance quickly squashed the plan, arguing it was irresponsible.

for accident victims. This new safety responsibility law introduced harsher punishments, motivating more drivers to carry automobile insurance. That said, insurance remained voluntary. Starting in 1946, Saskatchewan chose another path. It required all drivers to carry basic liability insurance, and to purchase that insurance from a public corporation.

Political competition shaped the development of automobile insurance in Manitoba and Saskatchewan. Between 1930 and 1970, political leaders manipulated victim compensation and automobile insurance law to stave off political attacks and further political goals. In both provinces, but at very different times, a social democratic party would become a dominant force in provincial politics, displacing more traditional parties and triggering radical change in automobile insurance law. While the initial decision to create public compulsory automobile insurance was grounded in CCF/NDP ideology, ideology did not shape automobile insurance law in the long-term. Instead, politics in Saskatchewan and Manitoba decided the nature of government-insurance industry relations and, in the end, victim compensation law.

In Manitoba, political decisions were achieved through consensus instead of competition between the early 1930s and the late 1950s. The Liberal-Progressive party dominated the legislature and the Liberal and Conservative parties agreed not to compete over ridings during elections.⁴ The relationship with the insurance industry throughout this period reflected this consensus style of governing. There were few insurance industry-government squabbles throughout the period and the government relied heavily on industry advice when advancing automobile insurance-related policy. The election of Duff Roblin in 1958 represented a turning point in Manitoba politics. Premier Roblin, leader of the Conservative party, made party politics important in Manitoba and opened the door for inter-party competition. For the first time in three decades, Manitoba had a truly competitive political system. One of the consequences of the return to party politics in Manitoba was a strong New Democratic Party. The Manitoba NDP, influenced by the success of the CCF's introduction of public compulsory automobile insurance in Saskatchewan, made automobile insurance a political target in Manitoba. The election of the NDP government of Edward Schreyer in 1969 aggravated government-industry relations when, a year after the election, private automobile insurers were eliminated from the Manitoba market.

⁴ Chris Adams, "Manitoba's Political Party System: An Historical Overview," prepared for the Annual Meeting of the Canadian Political Science Association, York University, Toronto, June 3, 2006, 20 - 21. See also H.V. Nelles, "Public Ownership of Electrical Utilities in Manitoba and Ontario, 1906 – 1930, *Canadian Historical Review* 57 (December 1976): 461 - 484. The Manitoba government's willingness to compromise rather than jump headlong into government intervention in this period parallels, to some degree, Manitoba's treatment of hydro power, where the government allowed the continued survival of private hydro by regulating it. As H.V. Nelles points out, even the eventual public ownership of hydro was cautious.

Unlike in Manitoba, where consensus had prevailed throughout the 1930s and 1940s, Saskatchewan politics were rife with competition. Following the failure of the Cooperative Government in the early 1930s, the Conservative party disappeared in the province, to be replaced by a strong farmer-labour presence. Initially the Liberals, Saskatchewan's most powerful political party between 1905 and 1944, thought the emergence of this socialist movement would be temporary, but saw Cooperative Commonwealth strength grow throughout the 1930s and 1940s. As the economy rebounded in Saskatchewan, so did the CCF. At the same time, long-term Liberal Premier J.G. Gardiner's decision to move into federal politics left the Liberals without strong leadership. By 1944, Denis Smith argues, the Liberal party was not searching for victory so much as awaiting defeat.⁵

Between 1944 and the next election in 1948, the CCF advanced numerous social and economic policies, including the introduction of public compulsory automobile insurance.⁶ The goal of the CCF government was, according to A.W. Johnson, a CCF bureaucrat during these early years, to "play an active role in creating the economic and social conditions under which individual freedom and human well-being might flourish."⁷ Becoming an active player in the economy, however, involved alienating sectors of private industry. While historians like H.V. Nelles have asserted that the positive state survived in the early twentieth century because businessmen found it useful, in Saskatchewan, the insurance industry survived only because the government had some limited use for it.⁸ Companies offered insurance that supplemented the basic policies offered by the government. In offering competitive supplementary insurance, companies challenged the government position and asserted influence in the public domain. Between the government encroachment on the market and the industry's public challenge of the government's position, the industry-government relationship was reduced to public battles over cost rather than cooperative discussions over policy change.

Between 1944 and 1964, the Liberal party would make numerous attempts to restructure itself to reclaim victory, but it would be under W. Ross Thatcher that the Liberals would again find the leadership and policy direction needed to

⁵ See Denis Smith, *Prairie Liberalism: The Liberal Party in Saskatchewan, 1905 – 71*. (Toronto: University of Toronto Press, 1975), chapters 6 and 7.

⁶ Historian David Quiring argued that the CCF government attempted to apply a radical socialist policy to the heavily underdeveloped northern region in Saskatchewan in *CCF Colonialism*. David M. Quiring. *CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks*. (Vancouver: UBC Press, 2004)

⁷ A.W. Johnson, (with the assistance of Rosemary Proctor), *Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944 – 1961*. (Toronto: University of Toronto Press, 2004), 36.

⁸ H.V. Nelles, *The Politics of Development: Forests, Mines & Hydro-Electric Power in Ontario, 1849 – 1941*, 2nd ed. (Montreal & Kingston: McGill-Queen's University Press, 2005), xxvii.

challenge the CCF/NDP stronghold.⁹ Thatcher's commitment to free enterprise appealed to the insurance industry, but the election of the Liberals in 1964 did little to improve the insurance industry-government relationship. Thatcher's government did privatize some elements of property insurance lines but realized altering automobile insurance would be too expensive politically because increased short-term costs would inevitably lead to electoral failure. The Liberal party retained power through one election, but in 1971 it was again voted out of office.

While politics and the political players are important to the narrative as it advances, this dissertation examines the response of the insurance industry. The insurance industry in Canada in the early twentieth century was composed of property and casualty insurance companies and life companies. While life insurance companies have a compelling history, it falls outside of the scope of this dissertation. Instead, the focus here will be on property and casualty insurance companies. To suggest that these companies rallied behind a single flag would be misleading. Divisions between stock and mutual companies, adjusters, underwriters and agents all defined the industry. Each group had an organization that worked to represent professional interests, although the political influence of most of these organizations was minimal. Instead, organizations acted to educate insurance professionals and offered a social outlet for individuals. The only truly active political lobby group was the All Canada Insurance Federation, which worked to promote what it classified as industry interests at the federal level and only periodically at the provincial level. Even this organization, however, did not represent all companies. Long-time tensions between stock and mutual companies and later disagreement over how to lobby the government cause further fractures. Much of the documentary evidence available comes from the archives of one company – the Wawanesa Mutual Insurance Company – and makes it difficult to discern some of these differences within the industry. While Wawanesa did not always see eye to eye with other companies, it nevertheless represented a politically influential voice in the automobile insurance debates in Manitoba and Saskatchewan. Indeed, in spite of tensions between Wawanesa and the All Canada Insurance Federation, the national lobbying organization frequently allowed Wawanesa to represent the industry in those provinces. While the Federation did so because of the economic and political influence of Wawanesa, it also recognized that on key issues – such as compulsory insurance and the role of state corporations – similarities in industry attitudes frequently outweighed other differences.

This dissertation relies on a variety of government and private documents. In spite of the importance of government to this study, public records on automobile

⁹ See Smith.

insurance were spotty and difficult to access. The governments of both Saskatchewan and Manitoba restrict access to the few documents related to automobile insurance. In Saskatchewan, the material on the Saskatchewan Government Insurance Office is both restricted and not yet catalogued. This made accessing this document collection impossible because, without a finding aid, no access request could be made.¹⁰ As a result, the dissertation relies primarily on the T.C. Douglas papers, which are open to the public and held at the Regina Office of the Saskatchewan archives. Access to most documents cited from Manitoba required signing a research agreement.¹¹ As a result, I am required to make the following declaration: “the views, opinions and conclusions contained [here are my] own and have not been endorsed or approved by the Government of Manitoba.” In order to aid anyone interested in further exploring this issue, the footnotes indicate which documents I acquired under the research agreement because these documents continue to be restricted.

The private industry proved more willing to have its story told. The Wawanesa Mutual Insurance Company provided unrestricted access to its large archive and signed a release granting access to restricted documents related to the company held by the Government of Manitoba. Wawanesa’s holdings are vast and this project reflects only a very minute portion of the material held by the company. The archives exist because M.C. Holden, president between 1948 and 1970, started a book on the company after he retired. Throughout the course of his career with the company, which started in 1932, he saved most of the corporate correspondence he received. Unfortunately, there is some evidence to suggest that he purged parts of the material. Ironically, his untimely death saved a significant portion of the collection because a considerable number of documents were between himself and others, retained for the express purpose of writing the book. It remained untouched until the early 1990s, when Louis Macdonald, a graduate of a library studies program, was hired to organize the material. One ton of documents were transferred from British Columbia to Winnipeg, organized into files and catalogued in a database. I was asked by the company to rescue additional documents from the humid recesses of the Head Office in Wawanesa. These were transferred to the Executive Office in Winnipeg in 2003 at the

¹⁰ The only researcher to ever be allowed to view the document collection did not complete his project and as a result, there is also no material from this collection available from secondary sources.

¹¹ The research agreement came about following a year of negotiation on the part of Gerald and Jean Friesen of the University of Manitoba. Both worked with the Government of Manitoba to develop an agreement appropriate for academic researchers after the Government presented myself and another researcher with a broad and untenable agreement in the summer of 2004. Had it not been for their efforts, I would not have been able to see most of the documents held by the Provincial Archives of Manitoba related to this case study. It should be noted that the Ombudsman of Manitoba worked for over a year to gain fair access to documents controlled by the Manitoba Public Insurance Corporation following my Freedom of Information and Protection of Privacy Act violation complaint without any success.

company's expense. The documents remain organized by personality, time and, only occasionally theme, making the research challenging at times. The dissertation, therefore, relies heavily on company correspondence, minutes and financial statements as well as advertising material.

Wawanesa proved significant not just because I could get into its document collection. The company spent much of the mid-twentieth century lobbying against the introduction of compulsory public automobile insurance and fought the Saskatchewan government after the introduction of the Automobile Accident Insurance Act. The company lobbied for better, stronger laws in the 1940s and 1950s and worked with the Liberal government to create a plan to privatize the AAIA in the 1960s. Importantly, Wawanesa provided the impetus for the lobby in Manitoba in 1969 and 1970. Throughout much of the debate over automobile insurance on the Prairies, Wawanesa served as the voice of the industry because it dominated the automobile insurance market. Wawanesa sat as the most successful Western Canadian insurance company, making it a powerful political voice in a region dominated by distaste for all things Eastern Canadian.

In addition to the use of the limited government and extensive corporate records, several strands of scholarly work have influenced this dissertation. Historians study insurance, crown corporations and politics but have never managed to explore all three simultaneously.¹² The history of insurance focuses largely on fire and life insurance and the role of insurance companies in providing those services.¹³ Internationally, insurance is becoming more prominent with scholars asking good questions about the role of the insurance industry in society but as a field it continues to be confined largely to fire insurance.¹⁴ Robin Pearson has published extensively on the British insurance market, most recently with his book entitled *Insuring the Industrial Revolution: Fire Insurance in Great Britain, 1700 – 1850*.¹⁵ Dalit Baranoff's exploration of fire insurance examines the

¹² P.E. Bryden, *Planners and Politicians: Liberal Politics and Social Policy, 1957 – 1968*. (Montreal and Kingston: McGill – Queen's University Press, 1997). Bryden looks at the development of social policy and the evolution of the Liberal party federally. She suggests that politics and political parties are useful tools in tracing the evolution of policy.

¹³ See Robin Pearson, "British and European insurance enterprise in American markets, 1850 – 1914," *Business and Economic History* 26 (Winter 1997): 438 – 451.

¹⁴ For insurance and regulation, see Vincent C. MacDonald, "The Regulation of Insurance in Canada," *The Canadian Bar Review*, vol. 24 (April 1946): 257 – 275; Michèle Ruffat, "French insurance from the ancien régime to 1946: shifting frontiers between state and market," *Financial History Review*, vol. 10 (2003): 185 – 200; Robin Pearson and Mikael Lönnborg, "Regulatory regimes and the globalisation of insurance," (unpublished.); H. Roger Grant, *Insurance Reform: Consumer Action in the Progressive Era*. (Iowa: Iowa State University Press, 1979).

¹⁵ Robin Pearson, *Insuring the Industrial Revolution: Fire Insurance in Great Britain, 1700 – 1850*. (Hampshire: Ashgate Publishing Limited, 2004); Robin Pearson, "Moral Hazard and the Assessment of Insurance Risk in Eighteenth- and Early Nineteenth-Century Britain," *Business History Review* 76 (Spring 2002): 1 – 35; and Robin Pearson, "Mutuality Tested: The Rise and

relationship within the insurance industry and the insurance cartels that emerged.¹⁶ Finally, Mark Tebeau's recent book, *Eating Smoke: Fire in Urban America, 1800 – 1950*, examines the connections between the insurance industry and the development of fire prevention in the United States.¹⁷ In Canada, historians have also, on occasion, explored elements of the property and casualty industry but have typically confined themselves to the study of the nineteenth century. B.E.S. Rudachyk explored the nuances of inter-industry competition and its impact on the nineteenth century insurance market in Canada.¹⁸ The history of automobile insurance in Canada and internationally has been largely overlooked. Developing an understanding of automobile insurance, the twentieth century's single largest line for property and casualty insurers is important for scholars. Automobile insurance, unlike fire insurance, invited careful scrutiny by governments and led to government-industry relations unparalleled in the history of insurance. While fire insurance historians are inclined to look at the growth of markets, the creation of new markets by governments adds an important new dimension to the study of insurance.

Automobile insurance has not been overlooked entirely by scholars. Political scientists and economists have explored the effect of legislation on consumers over the last twenty years.¹⁹ The scholarship aims to shape present day government policy, overlooking crucial early developments in their attempts to explore recent policy. Of particular interest has been the adoption of private compulsory insurance in North America. Alma Cohen and Rajeev Dehejia assert compulsory – insurance that must be carried by all automobile owners - and no-fault insurance – which was meant to eliminate the problems surrounding responsibility for accidents - resulted in higher highway fatality rates. In exploring the transition to compulsory and no-fault insurance, they found a higher rate of deaths following the introduction of this type of legislation.²⁰ Safety was

Fall of Mutual Fire Insurance Offices in Eighteenth-Century London," *Business History* 44 (October 2002): 1 - 28.

¹⁶ Dalit Baranoff, "Shaped by Risk: The American Fire Insurance Industry, 1790 – 1920." (Ph.D. diss., John Hopkins University, 2003) and Dalit Baranoff, "A Policy of Cooperation: the Cartelisation of American Fire Insurance, 1873 – 1906," *Financial History Review* 10 (2003): 119 – 136.

¹⁷ Mark Tebeau, *Eating Smoke: Fire in Urban America, 1800 – 1950*. (Baltimore: The John Hopkins University Press, 2003)

¹⁸ B.E.S. Rudachyk, "'The Trade of Trades': Fire Insurance in Nova Scotia, 1805 – 1885." (Ph.D. diss., Queen's University, 1992).

¹⁹ See also Mark V. Pauly, "Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection," *The Quarterly Journal of Economics* 88 (February 1974): 44 – 62.; Edward L. Lascher, Jr., *The Politics of Automobile Insurance Reform: Ideas, Institutions, and Public Policy in North America*. (Washington: Georgetown University Press, 1999).

²⁰ Alma Cohen and Rajeev Dehejia, "The Effect of Automobile Insurance and Accident Liability Laws on Traffic Fatalities," *Journal of Law and Economics* 47 (October 2004): 357 – 393.

important for motivating politicians to examine automobile related laws initially, but was replaced by insurance cost in the 1950s and 1960s. Unlike the Pinto case in the United States that would serve as the impetus for a generation of consumer protection laws meant to prevent accidents, financial and safety responsibility laws aimed largely to protect consumers following an accident.²¹

Scholars of automobile safety argue a shift from practical product to consumer item resulted in costly changes to the way cars were built and marketed, which was calculable in rising death rates. Matthew Lee, in his article on the famous Pinto case in the United States, explained that between 1920 and 1966 the automobile industry made style changes to its vehicles that ignored safety concerns and decreased the life span of the average car. At the same time, the automotive industry moved from producing a durable item to a consumable by constantly updating and changing models and using cheaper materials in the production of cars at the cost of human lives.²² Lee argues the automotive industry reinforced the concept of safety as a driver and road condition issue by implying automobile accidents only occurred outside the normal operation of a vehicle. Lee suggested the American public automobile safety campaigns focused entirely on “the nut behind the wheel” before 1966. Richard Tedlow and Reed S. Hundt confirm this stance, explaining early automobile safety examined driver’s skill and few other factors in road safety.²³ These issues played a part in the development of automobile insurance in North America. The driver-centered focus of manufacturers was adopted by the insurance industry and was reflected in rating categories and its evaluation of risk. Regulating safe highways would be the domain of the government though. Safety would be a battle cry in 1930 and 1944 in Manitoba, giving the government reason to re-evaluate existing

²¹ Matthew T. Lee, “The Ford Pinto case and the development of auto safety regulation, 1893 – 1978,” *Business and Economic History* 27 (Winter 1998): 390 – 401. The early automobile insurance law examined here, therefore, was developed in “the public interest.” James Q. Wilson describes public interest regulations as regulation “mobilized by a broad social movement or energized by a dramatic crisis.” Regulation can either require an industry to become involve, as is the case here, or prevent an industry from continuing action, also the case here. See James Q. Wilson, “The Politics of Regulation,” in James W. McKie (ed.), *Social Responsibility and the Business Predicament*. (Washington: The Brookings Institution, 1974), 138.

²² Matthew T. Lee “The Ford Pinto case and the development of auto safety regulation, 1893 – 1978,” *Business and Economic History* 27 (Winter 1998): 393 – 394.

²³ Richard S. Tedlow and Reed E. Hundt, “Cars and Carnage: Safety and Hazard on the American Road,” *Journal of Policy History* 4 (1992): 436. See also Sam Peltzman, “The Effects of Automobile Safety Regulation,” *The Journal of Political Economy* 83 (August 1975): 677 – 726; Gerald T. Bloomfield, “No Parking Here to Corner: London Reshaped by the Automobile, 1911 – 61,” *Urban History Review* 18 (October 1989): 139 – 158; Stephen Davies, ‘Reckless Walking Must be Discouraged’: The Automobile Revolution and the shaping of Modern Urban Canada to 1930,” *Urban History Review* 18 (October 1989): 123 – 138; Robert W. Crandall and John D. Graham, “The Effect of Fuel Economy Standards on Automobile Safety,” *Journal of Law and Economics* 32 (April 1989): 97 – 118; Martin Friedland et al., *Regulating Traffic Safety*. (Toronto: University of Toronto Press, 1990.)

legislation. Regulation of the driver was important but not as critical as protecting accident victims from financial damages following an accident. As a result, during discussions of improving highway safety, automobile insurance always featured prominently.

Scholars in insurance have also explored the effect of regulation and legislation on the insurance industry in the United States in the 1970s.²⁴ Political scientist Richard A. Ippolito found that assigned risk plans, which saw government controlled boards assign high risks to all insurance companies, and state-controlled rating, which carefully monitored the cost of insurance, did not have a dramatic effect on the price of automobile insurance. The evidence did suggest that in states with more regulation, insurance companies were less willing to insure higher risk drivers, resulting in a heavier reliance on government-run programs like assigned risk plans. Regulation also affected intra-industry relations. In states where the government played an active role in controlling the overall cost of insurance, smaller, less efficient companies succeeded where they would otherwise have failed.²⁵ While the Canadian insurance industry operated under a more complex system of regulation, Ippolito's findings are interesting because they suggest a link between the price of automobile insurance, the effectiveness of the independent insurance market and government regulation. This dissertation examines the emergence of cost as a factor in regulating automobile insurance. Automobile insurance was initially important because it provided accident victims with compensation. Once this idea was ingrained in law and working properly, attention shifted to the cost of insurance. Industry-government relations in Saskatchewan in particular brought this debate to the fore as the industry focused on cost as a way to attack the government position in the insurance market. Cost eventually fueled the insurance debates and it is not surprising that scholars like Ippolito view it as central to understanding the adoption of later laws.

The absence of a standard study of early automobile insurance necessitated developing some way to measure the relationship between the government and the industry. Comparing Saskatchewan and Manitoba offered a perfect opportunity because the two automobile insurance environments appeared similar by 1971. Manitoba and Saskatchewan are unique in Canada because both provinces introduced public compulsory automobile insurance, replacing voluntary automobile accident victim compensation law. Although the laws were introduced thirty-five years apart, both laws were enacted almost immediately after the CCF/NDP came into power for the first time in the respective provinces.

²⁴ For a study of regulation generally, see Richard H.K. Vietor, *Contrived Competition: Regulation and Deregulation in America*. (London: The Belknap Press of Harvard University Press, 1994).

²⁵ Richard A. Ippolito, "The Effects of Price Regulation in the Automobile Insurance Industry," *Journal of Law and Economics*, 22 (April 1979): 55 – 89.

This suggests a political component to the introduction of public compulsory automobile insurance.²⁶

The comparative approach to be employed here has been utilized frequently. In *Prairie Capitalism*, John Richards and Larry Pratt use the comparative approach to examine resource development in Saskatchewan and Alberta. They compare the influences of political power on staple led economic development and business-industry relations, examining how policy evolved as a result.²⁷ Historians Christopher Armstrong and H.V. Nelles similarly use a “method of difference” to examine the Canadian business experience at the turn of the century.²⁸ As the label implies, historians compare and contrast two examples of a similar phenomenon to identify key elements that contribute to different approaches and outcomes. They looked for evidence of monopoly and competitive behavior in the hydroelectric industry and examined municipal-provincial government relations to ascertain whether this relationship was harmonious. Finally, they argue historians need to evaluate whether resources, in this case waterpower, were abundant or scarce. Each of these factors proved useful in evaluating the success of the private versus public hydroelectric companies in the cities. The comparative approach is useful in each of these studies because it reveals the key elements in policy development that might be overlooked if scholars only examined the policy in the context of a single province.

Saskatchewan and Manitoba are an excellent comparative case study because both provinces, at different times, introduced public compulsory automobile insurance under similar political circumstances. In Saskatchewan and Manitoba, governments and bureaucrats pursued different approaches and policies. The contrast in law in the 1940s reflects two governments with two different understandings of business-government relations and government-consumer interactions. The influence of CCF/NDP ideology in Saskatchewan in 1946 and Manitoba in 1969 suggests ideology does have an influence on policy decisions immediately after governments take office. Ideology, however, was quickly replaced by a desire to retain political power. The dissertation suggests that the CCF success was predicated on its domination of the regulatory environment in the province, limiting the ability of private enterprise to compete.

²⁶ See David J. Thomas and Peter Young, “Assuring the Ability to Pay: A Comparative Look at Automobile Insurance in Minnesota and Manitoba,” *The American Review of Canadian Studies* (Summer 1993): 203 – 215; Errol Black and Jim Silver, “In Defense of Public Ownership: The Case of Manitoba,” *Prairie Forum* [Canada] 15 (1990): 123 – 145; Joy Cooper, “The Struggle for Public Automobile Insurance,” *Canadian Dimension* vol. 8 4/5 (1972): 25 – 37.

²⁷ John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West*. (Toronto: McClelland and Stewart Limited, 1979).

²⁸ Christopher Armstrong and H.V. Nelles, “Contrasting Development of the Hydro-Electric Industry in the Montreal and Toronto Regions, 1900 – 1930,” in Douglas McCalla (ed.), *The Development of Canadian Capitalism: Essays in Business History*. (Toronto: Copp Clark Pitman Ltd., 1990), 167.

The Saskatchewan Liberal government decision to continue public compulsory automobile insurance following its assumption of office in 1964, in spite of its strong ideological support for free enterprise, represents an exception. By 1965, public compulsory automobile insurance was entrenched in Saskatchewan. The Liberals were trapped by their focus on cost. The insurance industry could not guarantee the same short-term policy costs following the proposed privatization of automobile insurance. This would have been disastrous at election time. While the safety responsibility law adopted in Manitoba allowed flexibility, the path chosen in Saskatchewan narrowed the options of future governments. Political choice, if not ideology, would be critical because the Saskatchewan Liberals knew an expensive reversal of CCF/NDP policy would be fatal to their re-election prospects.

The introduction and continued survival of the Saskatchewan Government Insurance Office raises questions in this dissertation about why it emerged. Historians and political scientists generally agree that the entrance of government into business was necessary in fields not served by private interests or where private interests found providing a basic service to all citizens was difficult. Each of these public corporations protected a vital national interest and emerged as a way to fill a need in Canada.²⁹ Scholars have not necessarily agreed on how best to explain the original development of corporations. Marsha Chandler cites environment, culture and pragmatism as the three reasons typically used to explain the creation of crown corporations.³⁰ The environment argument suggests Canada, as a vast country with a small population, needed government participation in the economy to provide services and promote economic growth. In terms of political culture, Canadians, it is argued, generally understand the need for some government intervention and participation, regardless of their political background. Finally, pragmatism is “a catchall explanation,” which sees crown corporations emerging as practical solutions to pressing problems.³¹ The most recent historical study on a crown corporation suggests the traditional explanations for crown corporations persists. Matthew Bellamy argues the

²⁹ The scholarship on public corporations is significant. Allan Tupper and G. Bruce Doern offer a number of interesting case studies of public corporations ranging from Telesat Canada to All Canada and the Cape Breton Development Corporation. See Allan Tupper and G. Bruce Doern (eds.), *Public Corporations and Public Policy in Canada*. (Montreal: The Institute for Research on Public Policy, 1981) See also Marsha Gordon, *Government in Business*. (Montreal: C.D. Howe Institute, 1981) and Robert M. Campbell, *The Politics of the Post: Canada's Postal System from Public Service to Privatization*. (Peterborough: Broadview Press, 1994) For a study of early Saskatchewan government ownership, see Ronald S. Love, “For the General Good: The Debate Over Private vs. Public Ownership of Telephones and the Canadian West, 1900 – 1912,” in *The American Review of Canadian Studies* 35 (Spring 2005): 67 – 97.

³⁰ Marsha A. Chandler, “The Politics of Public Enterprise,” in J. Robert S. Prichard, *Crown Corporations in Canada: The Calculus of Instrument Choice*. (Toronto: The Butterworth Group of Companies, 1983), 185 – 218.

³¹ Chandler, 186 – 189.

Second World War necessitated the creation of the Polymer Corporation. Unlike many of the crown corporations created during the war that were subsequently disbanded or privatized in the years after the war, the Polymer Corporation survived because it was financially efficient.³²

The Saskatchewan Government Insurance Office and the Manitoba Public Insurance Corporation alluded to the necessity of creating financially-efficient organizations and keeping profits in the province but here is where the parallels with the other crown corporations ends. Instead, Marsha Chandler's argument, which suggests politics drove the development of crown corporations, applies here. Chandler believed that the nature of the prevailing political system is important. Her argument for politics is convincing, pointing to a link between left governments and the development of crown corporations. Although crown corporations emerged under both left and "non-left" governments, analysis revealed that two-thirds of all left governments introduced crown corporations versus only twenty-six percent of non-left governments.³³ The CCF in the 1940s in Saskatchewan introduced almost half of the total number of provincial crown corporations.³⁴ Given that most of the over 200 crown corporations in Canada were founded during the 1960s and 1970s, this number in Saskatchewan is revealing. Interestingly, Chandler is one of the only scholars who mentions the Saskatchewan Government Insurance Office. SGIO, she argues, was "central to the general objectives of the government" and continued to be an important part of the public sector.³⁵ Provinces with competitive political situations, like Saskatchewan in the 1940s and Manitoba in the 1960s, were more prone to the development of crown corporations, primarily by leftist governments.³⁶ In Saskatchewan and Manitoba, this rings true.

While crown corporations have a unique relationship with governments, the relationships between governments and private business are influenced by various internal and external factors. Political scientists, in working to understand this complex relationship, have advanced a number of theories to explain how and why changes occurred. Not surprisingly, the bulk of the literature on business-government relations emerged in the 1960s and 1970s as governments increasingly became involved in private enterprise and as the nature of regulation in the United States changed. Carman Baggley, in *The Emergence of the Regulatory State in Canada, 1867 – 1939*, suggests five theories to explain the role of the state: the staple approach, an ideological explanation, the pluralist

³² Matthew J. Bellamy, *Profiting the Crown: Canada's Polymer Corporation, 1942 – 1990*. (Montreal & Kingston: McGill-Queen's University Press, 2005).

³³ Chandler, 202.

³⁴ Ibid., 200.

³⁵ Ibid.

³⁶ Ibid., 191.

model, the neo-Marxist explanation, and the corporatist model.³⁷ Only three of these models merit an explanation in this context: the ideological explanation, the corporatist model, and the neo-Marxist explanation.³⁸ The ideological explanation suggests Canadians, given their background, were more willing “to use the state to develop and control the economy.”³⁹ This explanation is used by scholars of crown corporations to explain, in part, the reasons for the development of the crowns and their acceptance in Canada as noted above.

Followers of the neo-Marxist explanation view business as having the agency in the business-government relationship. The state is a “weak” actor, allowing business to assert its interest with little opposition. According to Carman Baggaley, in this relationship “government intervention did not further the public interest...it subverted it.”⁴⁰ H.V. Nelles chronicles this type of relationship in *The Politics of Development*, arguing businessmen worked with government to ensure business interests were best represented in resource development. The resulting relationship placed the state as a client of business.⁴¹ A decade later Christopher Armstrong and H.V. Nelles argued in *Monopoly's Moment* that public utility industries negotiated their place in society and defended their right to monopoly by encouraging the introduction of friendly regulation.⁴² They pointed out that provincial legislatures were the focus of “regulatory struggle,” meaning regulation was dictated by varying configurations “of social, economic, and political power.”⁴³ Nelles and Armstrong minimized the role of ideology but suggested politics played a role in the decision-making processes.

Finally, corporatism, in the North American context, involves “elite accommodation, the avoidance of interest group conflict, and the visible participation of interest groups in the policy-making process.”⁴⁴ Governments in

³⁷ Carman D. Baggaley, *The Emergence of the Regulatory State in Canada, 1867 – 1939*. (Ottawa: Economic Council of Canada, 1981), 1 – 5.

³⁸ The staple approach is not applicable in discussing financial industries and I do not view the state as a neutral entity “balancing competing interests” as the pluralist model suggests. See Baggaley, 1-3.

³⁹ *Ibid.*, 2.

⁴⁰ *Ibid.*, 5.

⁴¹ Nelles, *The Politics of Development*, ix.

⁴² H.V. Nelles and Christopher Armstrong, *Monopoly's Moment: The Organization and Regulation of Canadian Utilities, 1830 - 1930*. (Philadelphia: Temple University Press, 1986.)

⁴³ *Ibid.*, 325.

⁴⁴ Baggaley, 4. For a critical account of corporatism in the United States, see Colin Gordon, “Why No Corporatism in the United States?: Business Disorganization and its Consequences,” *Business and Economic History* 27 (Fall 1998): 29 – 46. Gordon suggests that business, labour and politics, “the three pillars of a corporatist order,” are all weak, hampering the overall effectiveness of each group. Business, while weak, does manage to advance its platform, but to the disadvantage of the other groups. I would argue that the multi-party system in Canada and a stronger central government gives more agency to politics. Business has tended to advance its agenda in cooperation with the government when possible and publicly when necessary. The

this relationship are active participants in policy-making. Success for business under this model, however, is mitigated by other factors including an “interplay between the political, social, and economic factors.”⁴⁵ In examining business-government relations in the early twentieth century, Tom Traves argues that political instability and conflict between business interests limited the influence of business and empowered the government. He suggests that “there was never a simple translation of economic might into political power.”⁴⁶ The degree of regulation a business or industry was willing to accept depended on what purpose the regulation served. The result was tension over regulation and the expanded role of the state in the economy.

James Q. Wilson constructs a matrix to evaluate “the political circumstances under which business regulation occurs.”⁴⁷ Four types emerge: interest group politics, client politics, entrepreneurial politics and majoritarian politics. Wilson arrives at the four types by evaluating the costs and benefits of regulation in conjunction with the degree of concentration. The costs of regulation can appear as taxes, fees or price increases, while benefits can include lower taxes, improved products and services, or controls preventing, for example, fraud. He suggests demands for regulation are triggered by an increase in cost or a decrease in benefits, arguing individuals or groups are “threat-oriented” rather than “opportunity-oriented.”⁴⁸ Interest in regulation is also dictated, according to Wilson, by the concentration or dispersion of costs and benefits. He suggests a concentration of regulation on a single sector is less likely to trigger action than a regulatory action with a widely dispersed influence.

In interest group politics, Wilson argues that the cost and benefits of regulation are concentrated, leading to the organization of client groups to promote political goals with minimal political party interest. In the case of majoritarian politics, costs and benefits are dispersed, resulting in battles for interests through public debate. While both of these approaches are interesting, they are of limited value here.

Client politics, on the other hand, offers a good framework by which to understand the insurance industry participation in Manitoba until 1969. The use of the “iron triangle” of legislative committees, administrative agencies and interest groups allowed for cooperation, preventing “costly political battles.” In this situation, none of the groups dominated the relationship, all parties made continuously efforts to “renegotiate or amend” the agreement, and the situation was highly visible. As the relationship between the Manitoba government and the

strength of the CCF/NDP in Canada, with its challenges to business, are part of what makes the Canadian system, and this project, unique.

⁴⁵ Traves, 10.

⁴⁶ Ibid., 9.

⁴⁷ Wilson, 138.

⁴⁸ Ibid., 139.

insurance industry ages, and political changes make automobile insurance a more visible issue, the relationship between the government and business changes.⁴⁹

Starting in 1945 in Saskatchewan and Manitoba in 1969, business-government relations are better described by entrepreneurial politics. Here, the costs of regulation are concentrated but the benefits of regulation are dispersed. This leads to the public interest in the regulation. Under this system, politicians initiated policies to presumably win support from voters. Wilson points to the Sherman Antitrust Act, the Pure Food and Drug Act and Meat Inspection Act among others as examples of this type of policy change. Each act introduced regulatory controls in order to address public discontent over abuses by business in the United States. Political scientists, according to Wilson, see entrepreneurial politics emerging only following “a major crisis (a depression or a war) or a fundamental political realignment.”⁵⁰ For the Saskatchewan government, all three events by 1945 no doubt made the province susceptible to this type of politics. In late 1960s Manitoba, the model does describe the government’s behavior well. Wilson, however, argues that by the 1960s and into the 1970s, entrepreneurial politics emerged without the triggers of earlier years. Acts still addressed publicly popular topics but were not driven by the same level of social or political crisis. Politics, not social issues, drove decision-making frameworks by the 1970s. In both provinces, automobile insurance emerges as a key issue in the public realm only after the CCF/NDP won victories, suggesting entrepreneurial politics were at play.

Historians have demonstrated the importance of using comparative analysis to explore political choice. In Saskatchewan and Manitoba, the governments each chose to respond to the social crisis, the absence of appropriate compensation for automobile accident victims, in very different ways. The choice did not stop at the initial decision. Governments consciously agreed to continue policy, or, as in the case of 1940s Saskatchewan and late 1960s Manitoba, the politicians chose a different road. Some policy decisions were narrower and less flexible than others were. The approach of two governments to the same crisis explored here is important because it reveals two distinct responses: cooperative and adversarial. How and why did the governments come to different conclusions about the appropriate response to the automobile accident victim compensation problem? How important are business-government relations to choices made? Does retention of political power play a role in policy development? Finally, does the industry decision to challenge governments on the issue of automobile insurance affect the long-term stability of its role?

Initially, the insurance industry acted as a useful service provider. Governments integrated the industry into the law while at the same time

⁴⁹ Ibid., 143.

⁵⁰ Ibid, 144 –145.

introducing controls to prevent abuse in the system. While the government and the industry agreed to the regulation, the industry did worry about increased government involvement. Cooperation could only be sustained when governments agreed to participate. The election of leftist governments resulted in a shift from cooperation, or client politics, to an adversarial relationship and entrepreneurial politics. It is this shift that has the most dramatic impact on business in Canada. Without cooperation, the insurance industry lost its influence in government and without strong public support or a clear economic influence, the industry lost its agency in the business-government relationship.⁵¹

This dissertation approaches business-government relations from the industry perspective. Governments across Canada initially created a framework that depended upon private industry to deliver automobile insurance services. Industry leaders, therefore, were expected to participate in future decisions about automobile insurance. They were understandably puzzled when political leaders and government officials were seemed unwilling to listen to the industry. In looking at regulation from the offices of the Wawanesa Mutual Insurance Company, this dissertation treats the industry sympathetically, but not uncritically. The industry clearly failed to understand that not all political leaders shared its assumption that market freedom and regulation, not government intervention through the introduction of public insurance, best served the public.

This dissertation is divided into five chapters. Chapter one explores the legal context of the automobile accident victim compensation problem in Canada and the decision to develop positive law. Financial responsibility law provided an avenue for financial compensation following an automobile accident. More importantly for this study, financial responsibility law drew the automobile insurance industry into automobile accident victim compensation. This early legislation regulated the industry and developed a framework that made the industry and government co-dependent.

Chapter two examines the creation of automobile accident victim compensation law in Manitoba. In response to numerous injuries and high death rates as a result of accidents, the government acted on the ineffective financial responsibility law by 1944. The government introduction of safety responsibility law cemented the relationship between the insurance industry and the

⁵¹ As a note, this dissertation focuses on the passenger car, to the exclusion of commercial vehicles or motorcycles. Passenger vehicles, less than commercial vehicles, represented the majority of vehicles in Canada and insurance companies rated them according to the amount of time they spent on the road. The insurance companies and the government targeted the drivers of passenger vehicles with both legislation and safety campaigns to a larger degree than commercial vehicles. These campaigns received more attention from both the government and the industry because it targeted such large numbers. While commercial vehicles were quickly regulated through licensing and more careful attention from the insurance industry, passenger vehicles lagged behind because they were not viewed as problematic initially.

government. The government encouraged the growth of automobile insurance in the province by strongly encouraging the purchase of automobile insurance through the new law. The introduction of the unsatisfied judgment fund and the assigned risk plan allowed the government to appear distant from insurance industry indiscretions. That said, the two initiatives extended the existing relationship, introducing minor government regulation of the industry in exchange for the expanded automobile insurance market. This relationship remained relatively stable until the NDP challenged the sitting government's automobile insurance law. Under intense scrutiny, the insurance industry attempted to exert too much influence in an increasingly hostile environment, leading to government-industry tension.

Following the election of the CCF in 1944, the government of Saskatchewan embarked on a radical new approach to automobile accident victim compensation. By 1946, the government had introduced public compulsory automobile insurance. The effects of this change are explored in chapter three. Government intervention in the automobile insurance market destroyed the existing industry-government relationship. This non-existent government-industry relationship led to ongoing public debate over automobile insurance, a battle that benefited neither party. Ultimately, cost appeared as the key political issue, making automobile insurance contentious for political parties and the insurance industry for years to come.

Chapter Four examines how the insurance industry responded to changes in the automobile insurance field. The insurance industry, adverse to too much government intervention, sought ways to improve rating and intra-industry relations with minimal supervision. The industry also attempted to fill a social role, promoting good driving and highway safety throughout the 1930s and 1940s. In fact, the industry promotion of government policy was at least in part self-interested. Advertising the consequences of new laws promoted the sale of automobile insurance, the industry's primary goal. Ensuring the new laws were effective by promoting the law and highway safety guaranteed limited government scrutiny of the law, avoided further government interference and secured the position of private automobile insurers.

Finally, chapter five examines the effects of 1960s politics on automobile insurance in Saskatchewan and Manitoba. In Saskatchewan, the insurance debates reached a head following the election of the Liberal party in 1964. Election promises to reverse compulsory public automobile insurance were dismissed when the government discovered it would be expensive and unpopular. Retaining power was more important than free enterprise for the Liberals. In Manitoba, 1969 saw the election of the NDP. The unilateral decision by the government to intervene in the industry and introduce public compulsory automobile insurance created an industry backlash. Unlike earlier decisions regarding automobile insurance and the law, this decision focused on the potential financial benefits to the driving public through cost reduction. Intervention

replaced cooperation, with the new government eager to introduce policy that secured its future position.

Chapter 1:
“Starting Cautiously and Conservatively”¹
Government Legislation, Regulation and the Canadian Insurance Industry

In 1929, the Government of Ontario asked the Honourable Frank E. Hodgins, a Justice of the Appellate Division of the Supreme Court of Ontario, to address problems associated with high automobile insurance premiums. He believed the largely under-regulated insurance industry required increased controls but felt the government should also focus on reducing the cost in terms of human life. In the absence of coherent regulation of the car and driver, the early twentieth century saw death tolls rise and an awareness of poor compensation for automobile deaths increase. Victim compensation through the courts raised concerns because it placed the onus on the victim. The need to prove negligence prevented cases from moving forward and was the cause of acquittals. In an effort to address this problem, Hodgins recommended the introduction of financial responsibility legislation and improved regulation of drivers. The resulting law affected automobile owners and drivers and made insurance companies vital participants in victim compensation for the first time in Canada. Following the Hodgins report, provincial governments struggled to balance driver freedom, government control and industry interests.

The Hodgins report marked the beginning of change in Canadian law relating to the automobile. Based on the recommendation of the Hodgins report, Ontario created Canada's first financial responsibility legislation, meant to require financial compensation for victims following an accident and create better grounds for lawsuits. All provinces except Quebec followed over the next decade. They recognized that drivers needed to be regulated and automobiles insured. More importantly, the Hodgins report and the financial responsibility legislation drew the insurance industry into the business of automobile insurance and victim compensation. The decision to involve private insurance companies in victim compensation proved significant because it initiated insurance industry involvement in Canadian civil law. Henceforth, discussion about automobile injuries centred on the best way to compensate victims with insurance. Meanwhile, concerns about how to reduce accidents played a less significant role. Financial responsibility laws, which linked the financial consequences of accidents to a driver's future on the roadway, dominated legislation throughout the period. As death and injury tolls increased, some in government called for insurance, and therefore compensation, to be made compulsory for all drivers. This growing interest in automobile insurance would be the source of conflict in Saskatchewan and later in Manitoba when those governments decided to take over automobile insurance, which will be discussed in the chapters that follow.

¹ Mr. G. Gleason (Counsel of the Employers' Liability Assurance Corporation) cited in The Hon. Mr. Justice Hodgins (Commissioner), *Royal Commission on Automobile Insurance Premium Rates (Interim Report)*, (Toronto: Herbert H. Ball, 1930), 12.

Following a brief discussion of the events leading to the Hodgins report, this chapter focuses on the report and the industry and government response to it. This chapter ends with an analysis of a 1943 investigation into the law commissioned by the insurance industry.

Prior to 1930, victims of automobile accidents in Canada had few rights and claims against the offending driver proved difficult to pursue. The victim of an accident could initiate an action through the common law's specialized field of torts, but the precedents were vague and suits were expensive with little guarantee of a satisfactory judgment.² For victims, the focus on negligence in tort law and early precedents that placed the burden of proving negligence by the defendant and innocence of the plaintiff on the victim made automobile accident cases difficult to win. The early twentieth century also saw disagreement over the direction of tort law. Disputes within legal scholarship and the burden to prove negligence affected the way tort law was applied to automobile victim compensation prior to 1930.³ In the case of *Stock v. Moran*, for example, the appellate court ruled that the plaintiffs had failed to prove that the defendant was responsible for the injuries incurred and reversed the damages that the plaintiffs had originally been awarded. The ruling stated "the plaintiffs were in the usual position of persons bringing an action founded on negligence – they had to prove the negligence which they charged."⁴ In other cases, the award did not merit pursuing action. In the case of a seven-year old boy hit by a driver who was traveling at "an excessive rate of speed" and who failed "to keep a proper look-out," the boy and his family were awarded \$149, with costs.⁵ In the case of the seven-year old boy, the ruling implied that the boy did not suffer any long-term trauma. He was lucky. Curious six-year old Leana Marano was hit by an inattentive driver as she walked across the street to watch men load ice into a box car. The defendant ran over Marano with both the front and back wheels of his truck, without stopping. He was flagged down by a bystander who informed him of the accident. Marano suffered "very severe injuries to her by facial

² Automobile accident victims encountered problems similar to workers prior to the introduction of the Workers' Compensation Act of 1915. The cost of pursuing a claim was extremely high because there was no guarantee the court would find in favour of the plaintiff. If the plaintiff lost the suit, they could be held responsible for all of the fees associated with the suit. See R.C.B. Risk, 'The Nuisance of Litigation': The Origins of Workers' Compensation in Ontario," in David H. Flaherty (ed.) *Essays in the History of Canadian Law*. Vol. II. (Toronto: University of Toronto Press, 1983), 459 – 460.

³ Automobile victim compensation in the courts was also affected by the relative new and undefined nature of tort law as late as the 1930s. Legal scholars in the United States, in particular, disagreed about the influence social factors should have in advancing tort law through decisions. See R. Blake Brown, "Cecil A. Wright and the Foundations of Canadian Tort Law Scholarship," *Saskatchewan Law Review* 64 (2001): 169 – 217.

⁴ *Stock v. Moran*, 36 *Ontario Weekly Notes* 1929, 280 (First Divisional Court, June 4, 1929). Risk argues editors of law reports published cases only where they saw value "in making or illustrating doctrine." See Risk, 428.

⁵ *Silcage v. Empire Plumbing and Heating Co.*, 1 *Dominion Law Reports* 1929, 390 (Saskatchewan Court of Appeal, December 20, 1922).

disfigurement and possible interference with the bearing of children if she attains womanhood.” Leana Marano, and Virginio Marano, sued the driver. The court awarded Leana \$2,000 and Virginio \$400.⁶ The Marano’s suffering did not end with the trial at the Alberta Supreme Court. In late 1929, the appellate court heard the case, again ruling in favour of the Marano’s. The Marano’s cross-appeal for additional damages did not bear fruit though. The court ruled that, while “the damages awarded at trial are somewhat moderate taking into consideration the extent and nature of the injuries,” there was no “proper ground on which to interfere with [the damages].”⁷ In all three cases, the judgments did not match the suffering the victims had encountered. As these cases highlight, tort law was strict in its conceptions of negligence and fault, making it difficult to pursue an action. Because the law on torts was customary, what was needed when automobile accidents became numerous was specific positive law (i.e. legislation) to guide the courts in how to act in circumstances that torts could not address efficiently.

The first recognition of the automobile and liability appeared when the Government of Canada revised the Insurance Act to allow for automobile insurance in 1910. It permitted insurance for bodily injury and death caused by an automobile but excluded insurance against loss or damage of a vehicle resulting from fire, accident, or theft.⁸ Early automobile insurance, however, did not play a significant role in the everyday lives of automobile users.⁹ Few individuals carried insurance and the coverage an insurance company might provide varied wildly among companies. The government did not regulate minimum policy limits, leaving consumers at the mercies of the insurance industry.¹⁰ In 1912, following the establishment of Dominion Government guidelines, the Government of Manitoba outlined what automobile insurance in the province meant. Automobile insurance was

⁶ *Marano et al. v. Lett*, 4 *Dominion Law Reports* 1929, 314 (Alberta Supreme Court, July 4, 1929.)

⁷ *Marano et al. v. Lett*, 4 *Dominion Law Reports* 1929, 984 (Alberta Court of Appeals, October 25, 1929.)

⁸ “An Act Respecting Insurance,” S. 2 (s), Canada. *Statutes of Canada*. 1910. 9-10 Edward VII, c. 32.

⁹ “The common law concerning the use of the highways goes back to ancient times, but Ontario law concerning motor vehicles commenced with Ontario. *Statutes of Ontario*. 1903. 3 Edw. VII. c. 27. It was amended in 1905 and 1906 and the then law is dealt with in *Smith v. Brenner* 12 *Ontario Weekly Report* 1908. The act was further amended in 1912, 1914, 1917, 1918 and 1923. The Act was consolidated in Ontario. *Revised Statutes of Ontario*. 1927. c. 251. It was again amended in 1928, 1929 and 1930. Most of these amendments concerned the liability and responsibility of the owner, which are dealt with in Sections 41 and 41 a.” Austin O’Connor, *The Highway Traffic Act: a digest of the cases on highway traffic and motor vehicles dealt with in Ontario Courts and the Supreme Court of Canada up to and including December 15th 1931: with related sections of the Negligence Act and certain sections of the Criminal Code and the Insurance Act*. (Ottawa: Overbrook Press, 1931), v.

¹⁰ As a point of comparison, following the introduction of financial responsibility law, all insurance companies were required to offer policies where the minimum policy limit was \$12,000.

insurance against accidental injury or death to the driver of an automobile, including insurance against loss or damage from accident to or injury suffered by an employee or other person caused by an automobile for which the owner is liable; and insurance against loss or damage to property from an accident caused by an automobile except by fire, and insurance against loss or damage to an automobile by accident, burglary or theft.¹¹

By definition, automobile owners could acquire insurance to protect against liability and property damage in the event of an accident. The number of people with insurance prior to 1930 would have been small, although no pertinent data survived from the period. The number of passenger automobiles in Manitoba in 1912, for example, numbered a mere 4,099, a jump from the 1911 total of 2,436.¹² It is fair to assume the number of people actually interested in purchasing automobile insurance in 1912 was minute. The small number of individuals interested in automobiles and therefore automobile insurance did not, however, preclude the government from discussing the issue.

In 1918, the Superintendent of Insurance for Manitoba pondered automobile insurance as a future problem. By 1918, the number of passenger cars on the road had jumped to 24,114, making issues surrounding the automobile worthy of note.¹³ The superintendent explained “I am of the opinion that the automobile situation today is one that will require a great deal of thought, and it will also be necessary for the companies to have some experience before we can know clearly what is required.”¹⁴ The Deputy Superintendent of Insurance for Manitoba expressed similar concerns. “The present situation of automobile insurance is as you know, very unsatisfactory, and it would seem to me more important to have these conditions standardized than even the health and accident conditions.”¹⁵ The two bureaucrats highlighted problems with automobile

¹¹ “An Act to amend ‘The Manitoba Insurance Act,’” *Manitoba. Statutes of Manitoba*. 1912. 2 George V. c. 20. 2 (r).

¹² Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 176. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005.

¹³ Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 176. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005

¹⁴ Superintendent of Insurance and Fire Commissioner to R.L. Nicholson (Deputy Superintendent of Insurance, Manitoba) January 29, 1918. Loose document, no file reference. CCA 119 GR 1292 F-1-3-12 (Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files), Provincial Archives of Manitoba (Access), Winnipeg, Manitoba [hereafter CCA – Superintendent].

¹⁵ R. L. Nicholson (Deputy Superintendent of Insurance) to A.W. Fisher (Superintendent of Insurance, Saskatchewan) January 26, 1918. Ibid.

insurance in Manitoba, and in Canada. First, companies lacked the experience writing automobile insurance policies. Premiums were difficult to estimate due to uncertainty surrounding the number and cost of claims. This resulted in fluctuations in the cost of automobile insurance. Second, they identified the automobile and automobile insurance as a significant issue, necessitating consideration by governments. The issue of victim compensation and its possible connection to an under-regulated automobile insurance industry appeared, therefore, at least a decade before the first substantial legislation in 1930 in Canada.

The automobile and automobile insurance problem grew as the number of vehicles owned in Canada increased. While the first Canadian automobile accident victim is unknown, the automobile claimed its first victim in North America in 1899 in New York.¹⁶ While the first victim marked the beginning of a significant trend, it seems unlikely observers would have viewed the incident as the beginning of a deadly century on the roads. In 1903, Canadians registered only 178 vehicles, hardly a cause for concern. By 1928, however, the number of passenger vehicles registered had jumped to 930,619.¹⁷ The rate of injuries and fatalities also increased dramatically. In 1921, the first year the government of Canada compiled statistics on death by automobile, 197 people died. By 1928, a staggering 1,082 individuals died in car accidents.¹⁸ Unfortunately, governments did not record the total number of injured until 1932. Automobile related deaths alarmed those in government and alerted consumers to the possible consequences of driving. The death tolls also highlighted the inadequacies of laws dealing with the financial compensation for automobile accident victims.

The advent of automobile accidents resulting in injuries and death revealed the limitation of torts as a path to a remedy for victims. Legal historian R.C.B. Risk argues judges were more comfortable recommending change through legislation than changing “the common law acting as a judge.”¹⁹ Thus, in common-law jurisdictions around the world, legislators almost concurrently started to address the inadequacies of torts by positive law. Inevitably, legislative innovations provoked opposition, controversy, and refinement. England and New

¹⁶ The first traffic fatality was a real estate agent in Manhattan who was hit by a car while helping a woman onto a trolley in 1899. Richard S. Tedlow and Reed E. Hundt, “Cars and Carnage: Safety and Hazard on the American Road,” *Journal of Policy History* 4 (1992): 437.

¹⁷ Commercial vehicles accounted for over 100,000 additional vehicles in Canada, but this study focuses on legislative change as it applies to the driver of passenger as opposed to commercial vehicles. As a result, an effort will be made to refer to passenger vehicle statistics only. For a listing of motor vehicle registrations for Canada in five-year increments, please see Appendix 1-1.

¹⁸ As a point of comparison, passenger deaths on the train numbered just 15 in 1928. Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 163, 167, 171, 175, 179, 183, 187, 191. From <http://www.statcan.ca/english/freepub/11-516-XIE/section/sectiont.htm>. Downloaded January 14, 2005. For a listing of motor vehicle fatalities and injuries in five year increments, please see Appendix 1-2. For train related statistics, see Appendix 1-3.

¹⁹ Risk, 475.

Zealand first initiated laws in the teens but these early laws lacked negligence and financial responsibility requirements.²⁰ In North America, Connecticut enacted the first financial responsibility law in 1926, although both supporters and critics agreed the legislation lacked force. Financial responsibility law, as the label suggests, made drivers legally liable for accident damages they caused by requiring drivers to prove they could pay for all future accidents. To this end, following the first accident, a driver would be required to purchase insurance or provide the government with a cash deposit, which would only be used in the event of an accident where the driver was found liable for damages. This strengthened a victim's legal position and made receiving payment for damages more likely. Unfortunately, there were few consequences for those who broke the law and it was difficult to enforce. Following the introduction of the Connecticut law, the American Automobile Association adapted the law and lobbied for the introduction of a revised version of the financial responsibility law, which several states adopted over the next ten years in varying forms.²¹ Massachusetts adopted a complex compulsory law in 1926, requiring all drivers to purchase automobile insurance before they could buy a permit for their car. This system required considerable government involvement, because the government's supervisory organization carefully regulated the cost of insurance sold by private companies. The Massachusetts law resulted in conflict among the government, the public and the insurance companies because none of the parties were prepared for the coordination or administration that compulsory insurance required. The benefits provided also proved poor, opening the door for criticism from legislators around the world.²²

These advances in the United States and overseas did not go unnoticed by governments in Canada. While individuals could pursue suits through tort law, there was no regulatory framework that required minimum payments following an accident or which imposed consequences on poor drivers. Governments explored two different types of legislation, financial responsibility and compulsory insurance. The Superintendent of Insurance files for Manitoba suggest a considerable fascination with the compulsory insurance debates in Canada and the

²⁰ There was considerable controversy over the exact nature of those early laws. Justice Hodgins claimed the English bill was not a safety bill because bad drivers could still gain access to insurance. See Hodgins, 15. The English and New Zealand systems are also discussed in John J. Robinette (Barrister, Osgoode Hall, Toronto) *Report on the Problem of Providing Compensation for Victims of Motor Accidents with Particular Reference to Compulsory Insurance and the Financial Responsibility of Motorists*. (Toronto: The Carswell Company, Limited, 1943); and O'Connor, 3.

²¹ The Honourable James O. McLennan, K.C. (Attorney-General of Manitoba), "Report on Indemnity for Motor Vehicle Accidents and Highway Safety," 21st January, 1944. p. 23. Box 7 File 46 Auto Insurance 1944. Wawanesa Mutual Insurance Company Archives, Winnipeg, Manitoba [hereafter WMICA]

²² Thorough critiques of the Massachusetts law can be found in every report referred to here. For examples, see Hodgins, 32 – 34 and Robinette, 46.

United States.²³ In Manitoba, the superintendent explained one of the ministers had “discussed the question” of compulsory insurance with him several times.²⁴ One pamphlet, entitled “Compulsory Automobile Liability Insurance: Report of Special Committee of the Canada Automobile Underwriters Association” explained the industry’s understanding of the issue and was well received by the superintendent. The pamphlet argued that the public and governments fundamentally misunderstood the meaning of compulsory insurance. Compulsory insurance would only pay accident claims where no liability for the accident existed. It would not provide compensation “for persons injured in automobile accidents happening through their own negligence nor for which some person other than the owner or operator of the motor vehicle is responsible.” With this definition in mind, it was estimated that “not more than 40%” of automobile accidents would be covered by compulsory liability insurance.²⁵ Government officials increasingly believed compensation in the event of an accident should cover all victims, regardless of fault, similar to the conclusions surrounding workers’ compensation at the turn of the century.²⁶ Creating legislation that reflected this reality, however, took time.

In spite of considerable interest in compulsory insurance, compulsory liability laws did not come into force in Canada in the 1920s. One insurance journal speculated in 1928 that “while the agitation for compulsory automobile liability insurance laws in Canada is still in evidence, it is not likely that any of the Provincial Governments will take hasty action, in view of what has taken place in regard to such legislation in the United States.”²⁷ The law in Massachusetts suffered from a number of bureaucratic difficulties including trouble applying the law and obstacles in working with insurance companies. This gave pause to superintendents of insurance interested in compulsory insurance. In Canada, the insurance industry also feared the development of a Massachusetts-style compulsory insurance law because it would introduce rigid regulation not present in the late 1920s. By 1929, despite insurance industry cold feet, governments across the country felt a pressing need to find a solution to the victim compensation problem but saw few workable solutions as they surveyed

²³ “Report of the Committee of Nine on ‘Financial Responsibility for Automobile Accidents’ with a Supplementary memorandum setting forth Some Aspects of the Problems Presented by Proposed and Pending Legislation for the Compulsory Establishment of Financial Responsibility for Automobile Accidents.” Attached to a letter dated February 17, 1926. File: Automobile – Compulsory Insurance. CCA 0119/0261 GR 2932 L-4-4-14 Box 1. CCA – Superintendent.

²⁴ Thomas B. Donaldson (Former Ins. Commissioner of Pennsylvania) to Charles Heath (Superintendent of Insurance, Manitoba) February 20, 1926. Ibid.

²⁵ “Compulsory Automobile Liability Insurance: Report of Special Committee of the Canadian Automobile Underwriters Association” November 1927. Ibid.

²⁶ Risk.

²⁷ *The Bulletin: An Insurance Journal* 37, 10 October 31, 1928. (Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files) File: Automobile – Compulsory Insurance.

international examples. Although industry and government had concerns about compulsory insurance, the introduction of financial responsibility law was not the obvious answer either. Instead, governments across Canada commissioned studies of the available options.

In 1929, the Ontario government appointed Justice Hodgins to head the Ontario Royal Commission on Automobile Insurance Premium Rates to investigate “the reasonableness of automobile premium rates,” the methods used in “making, promulgating, enforcing or controlling rates, commissions, forms, clauses, contracts or the placing of insurance,” and the “existing laws of Ontario and their practical operation in relation to the supervision, regulation, and control of insurance premium rates in the Province.”²⁸ The Ontario government appointed the commission in response to a rate increase in excess of fifty percent on some automobile insurance lines and twenty-five percent on others. Public pressure forced the commission to also look at the feasibility of compulsory insurance and the inclusion of financial responsibility in new legislation.²⁹ The mounting financial compensation and automobile insurance rating problems in Ontario proved more acute than in other places because it had over half of all vehicles registered in Canada and the highest rate of traffic accidents in the country. That said, it should be remembered the issue of rating in particular continued to affect a very small portion of the population.³⁰

Eighty-four individuals appeared before the Hodgins commission, forty-eight were from Canada and thirty-six were from the United States (interviewed in the United States), including individuals from Massachusetts. The majority of those appearing before the commission represented insurance companies, with thirty-eight in Canada and nineteen in the United States advocating the industry position. The remainder included members of the government, actuaries, and insurance organizations. The list contained only one insurance agent. This should not come as a surprise given the commission’s mandate. This commission heard no testimony from the public.³¹ After considering the issues, Hodgins

²⁸ Clerk (Executive Council, Ontario) Copy of an Order in Council approved by the Honourable the Lieutenant-Governor dated the 8th day of February, A.D. 1929. RG 18-92 Box 1 Records of the Royal Commission on Automobile Insurance 1930. Archives of Ontario, Toronto, Ontario.

²⁹ Mr. R. Leighton, K.C. (counsel to the Hodgins Commission) *Canadian Bar Association Proceedings*, (1933), 140 - 141 cited in Robinette, 66.

³⁰ It is nearly impossible to calculate the actual number of people who had automobile insurance in 1929 because the total amount of automobile insurance sold was never reported to any government department. This proved to be one of the issues the commission worked to resolve.

³¹ Also, agents existed as affiliates of larger organizations, instead of being entities onto themselves. The list suggests a concentration of organization within a single association, the Canadian Automobile Underwriters’ Association. Hodgins, 100 – 104. To compare, the Manitoba Government’s committee hearings in 1969 received testimony from five insurance companies, sixteen insurance agents and 2920 comments from the general public in addition to the thirty-five various groups for a total of 2976. By 1969, the insurance industry selected those it felt could best represented the interests of the industry as a whole, which accounts for the dramatic drop in

decided Ontario had two separate problems necessitating the creation of two reports, the first problem involved a premium increase of fifty percent in a year and the second related to the lack of adequate legal consequences for poor driving behavior.

The first problem, and the focus of the final commission report, examined the dramatic rate increase. According to the report, between 1923 and 1928, companies had engaged in an insurance rating war. According to the Canadian Automobile Underwriters' Association (CAUA), following five years of low rates, the insurance industry had to recover its losses through a large increase in premiums. After exploring the evidence, Hodgins viewed the situation differently. During the rate war, he hypothesized, many companies left the rating organization, the CAUA, in order to compete. The rating bureau then lowered its rates to entice these companies back to the organization. Once it achieved its goal, it increased rates for the entire automobile insurance industry.³² The insurance industry, according to Hodgins, was not comprised just of competitive companies who might engage in price wars, but was steered by a rating organization. That damaged consumers. The report also indicated the industry suffered at the hands of insufficient data to set rates and a general lack of actuarial experience to appropriately deal with a new line of business. In many respects, the industry had not changed in the ten years since the Manitoba superintendent commented on the need for more information to make automobile insurance a practical field. In the final report, the commission concluded the rating bureau acted in an unfair manner. In Hodgins's opinion, the bureau had too much power and he recommended limiting it by implementing regulations to prevent rate setting and called on the government to collect data to monitor the industry.³³ Hodgins envisioned the government as a supervisor and there is no indication he intended more aggressive intervention in the market. Instead, increased regulation would prevent and mediate industry disputes while controlling the cost for the consumer. Hodgins's report suggests the government was not sympathetic to the industry position, indicating there was no regulatory capture.³⁴

While the final report recommended changes to the way government supervised and regulated the insurance industry, Hodgins's interim report proved

insurance company representation. The insuring public, following years of regulation and legislation also became increasingly aware of the effect of automobile insurance on their daily lives, accounting for the appearance of larger numbers as time progressed. Manitoba. *Automobile Insurance Committee Report. October 29, 1969 (Legislated by Cabinet) November 3rd to 17th, 1969 (occurred)*, 4. The number of public responses to the 1969 committee hearings are a bit deceiving because a percentage of these comments were actually response cards distributed by the NDP and Wawanesa declaring an interest in either private or public insurance.

³² Hodgins, 6 – 18.

³³ Ibid., 76 – 80.

³⁴ Ken Cruikshank's study of sugar refiners and the regulatory state provides a useful discussion of the effects of intra-industry competition and resulting regulation. See Ken Cruikshank, "Taking the bitter with the sweet: Sugar refiners and the Canadian regulatory state, 1904 – 20," *Canadian Historical Review* 74 (September 1993): 367 – 394.

to be the first Canadian exploration of the automobile accident and financial compensation problem in Canada. The report became the standard interpretation of the issue, with his recommendations being adopted across Canada. Hodgins's interim report focused on introducing incentives for good driving to reduce accidents. He believed the government needed to pay closer attention to the question of public safety "to which protection against financial loss should be subsidiary." Any law applied to drivers should first consider, he asserted, "whether it has in it provision for the safeguarding of life, limb, and property."³⁵ Hodgins believed a lack of attention paid to the issue of automobile accidents originated in the growing sense of entitlement among the driving public. Few members of the public, he thought, viewed the motor vehicle with contempt rivaling his own.³⁶

Hodgins also addressed the existing problems with acquiring settlements in court. Hodgins sent a questionnaire to "every County Sheriff and local Master, County Judge, and Clerk of the County Court, and every law firm in the Province" to determine how many settlements remained unpaid or were non-collectable. Over a three year period, the respondents estimated that court action was not commenced or abandoned prior to judgment "by reason of the financial irresponsibility of the person liable" in 327 cases of personal injury and 537 cases where the claims for property damage exceeded \$100. The respondents estimated the total judgments would have amounted to \$250,350 and \$125,256 respectively. They also estimated that the 190 victims suing for personal injury and 292 suing for property damage who settled out of court should have received \$102,300 more for personal injury claims and \$55,085 more for property damage claims than they actually received. Finally, ninety-eight unsatisfied judgments (in whole or in part) translated into \$70,349.93 in unpaid judgments of the originally awarded \$98,659.95.³⁷ Hodgins argued that one unpaid judgment was too many. He hoped the introduction of positive law would improve highway safety by threatening to remove driving privileges while at the same time improving access to compensation and judgment for victims.

In addition to the problems with drivers, traffic fatalities and unsatisfied judgments, Hodgins complained that those members of the insurance industry who presented opinions to the commission did not truly understand the nature of compulsory insurance or the role the insurance industry would play following the introduction of financial responsibility legislation.³⁸ The industry viewed compulsory insurance and financial responsibility law as potentially oppressive legislation, which would increase government regulation of the insurance industry causing unnecessary interference with business operations. In spite of his frustration with the industry stance, Hodgins believed Canada had "businesses of a nature and quality that naturally would undertake, and do undertake, insurance

³⁵ Hodgins, (*Interim Report*), 5.

³⁶ *Ibid.*, 10.

³⁷ *Ibid.*, 19 – 21.

³⁸ *Ibid.*, 11.

against the risks incurred or suffered from motor traffic” and would be able to accept responsibility for automobile insurance.³⁹ His position appears to reflect a desire to provide the insurance industry with a chance to respond to a new law and increased regulation. Mr. G. Gleason, counsel for the Employers’ Liability Assurance Corporation in Boston, also shaped Hodgins’s views on the need for financial responsibility law over compulsory insurance. He advised Hodgins against taking “a drastic or long step” as occurred in Massachusetts with the introduction of compulsory insurance in the 1920s. He recommended “starting cautiously and conservatively, and not make the mistake which...we have made in Massachusetts, by taking such a bold step and having a law on our books with which almost nobody is completely satisfied.”⁴⁰ Gleason argued provinces and states entering financial responsibility law for the first time should instead gradually build on more conservative laws over a longer period of time.

Ultimately, the commission report recommended against compulsory insurance and instead favoured the introduction of a financial responsibility law. Financial responsibility law, it was hoped, would improve access to court judgments and relieve existing pressures on a legal system restricted by the strict common-law field of tort law. It also encouraged the purchase of automobile insurance because easier access to legal settlements also meant an increased likelihood of being sued into bankruptcy. Hodgins believed highway and driver safety, instead of compulsory insurance, could address the problems presented by traffic accidents and related compensation issues. Hodgins favoured a financial responsibility law because he saw it as a “more reasonable and less oppressive” piece of legislation, which avoided government involvement in the day to day lives of law-abiding citizens.⁴¹ The bill suggested to the Ontario government by the Commission received approval on September 1, 1930.⁴² The new law provided specific compensation for a victim and linked a defendant’s ability to pay court awarded settlements to automobile permits as recommended by Hodgins. The 1930 law required all judgements to be settled and proof of financial solvency provided before the government would reissue the permit for a car. Hodgins’ report and the Ontario financial responsibility law provided the foundation for the next forty years of automobile insurance legislation.

The financial responsibility law introduced insurance as a key component and worked to more carefully regulate the insurance industry but its more important role involved accident victims. In Ontario, the financial responsibility law was premised on the notion that all persons “found legally responsible for damages arising from an automobile accident should be in a position to pay those damages.”⁴³ To that end, the financial responsibility law offered a series of

³⁹ Ibid., 15.

⁴⁰ Mr. G. Gleason (Counsel of the Employers’ Liability Assurance Corporation) cited in Ibid., 12.

⁴¹ Ibid., 12 - 13.

⁴² Leighton, 140 - 141 cited in Robinette, 66.

⁴³ Ibid., 63.

clauses to ensure that victims were entitled to those rights. First, any driver convicted of, “or who forfeits his bail after having been arrested for, reckless driving, racing, speeding (if any injury to any person or property occurred in connection therewith), failing to remain at or return to the scene of an accident,” driving without a license, or any “criminal offence ... involving the use of a motor vehicle and any offence against public safety on highways” would have his or her license or owner’s permit suspended. The license would remain suspended until the individual could provide proof of financial responsibility. The license or permit would also be suspended in the event that an individual failed to “satisfy a judgment rendered against him by any court in Ontario or in any Province of Canada for damages in excess of \$100 occasioned by a motor vehicle.”⁴⁴ Proof of financial responsibility would also be required in the event that a driver was under twenty-one or over the age of sixty-five. Proof of responsibility was defined by the law as a maximum \$10,000 to cover the potential future costs of injury or death of “two or more persons in any one accident.” The limit any one individual could claim in 1930 was \$5,000 per person, “exclusive of interest and costs.” The law then required proof of an additional \$1,000 to cover “damage to property of others resulting from any one accident.”

Proof of financial responsibility following an accident could be provided either in the form of an \$11,000 deposit with the government or by providing proof of insurance coverage for these amounts.⁴⁵ If a driver could not afford the \$11,000 deposit with the government and was denied insurance, the individual could not drive a vehicle. The deposit could only be accessed in the case of an accident and would be held for three years. After three years, the money would be returned and the individual no longer needed to acquire insurance before operating a vehicle. Owners who refused to put forward proof and refused to pay judgements faced a permit suspension and fines if caught driving without a permit. One critic pointed out that citizens only became subject to financial responsibility after the first accident; they received a “first free bite” before being penalized to the full extent of the law.⁴⁶ The financial responsibility law did not cover all of the costs of a car accident. Instead, it focused on liability for injury to others instead of property damage. Payment for property damage did become more likely because lawsuits became more feasible under the law, but still remained out of reach for most victims. All insurance companies also had the right to refuse an applicant insurance. Critics argued that the act discriminated against the poor and gave insurance companies too much power over an individual’s right to drive. Having agreed to accept responsibility for automobile liability insurance, the industry valued this right to refuse an applicant as a way to guarantee automobile insurance remained feasible. This tension between the need for insurance and the industry and a company’s right to deny applications would

⁴⁴ Ibid., 67 – 68. Robinette notes Ontario changed the law during the 1930s to make the minimum \$25 rather than \$100.

⁴⁵ Ibid., 70.

⁴⁶ O’Connor, 160. The etymology of the phrase “first free bite” is unknown.

eventually result in the creation of the assigned risk plan in the 1940s, which will be examined in chapter two.

In addition to aiding those who wanted to reduce traffic accidents and prevent repeat offenders from avoiding judgement payments, the Ontario law also dealt extensively with insurance limits and how insurance policies should be constructed. For instance, it demanded standardized minimum limits for all automobile insurance, required companies to use standardized forms, and subjected companies to further scrutiny by the Superintendent of Insurance for Ontario. This regulation proved minor, compared with the type of regulation compulsory insurance would have brought. The industry's willingness to accept this regulation points to the growing importance of automobile insurance as a line. It also suggests the industry understood minor regulation, while not desired, was necessary by 1930. Cooperation would be more constructive for the industry and the government, signaling the beginning of corporatist behavior in automobile insurance.⁴⁷

Although the statutory regulations related to automobile insurance migrated from the Highway Traffic Act to the Insurance Act during the 1930s, the initial connection with the financial responsibility law is significant. The Ontario government clearly viewed regulating insurance as a component of financial compensation for accident victims. By linking insurance to a law controlling irresponsible drivers, the government viewed insurance as the most practical way to deal with victim compensation. The law also contained a section dedicated to reporting, statistics and rating because the government felt it important to track accidents and insurance company loss ratios, likely with the hope that the government could track the effect of the law. Justice Austin O'Connor, author of a book on automobile related laws in Ontario in 1931, claimed these records could help retain insurance companies in the automobile insurance market. "It must be remembered that if the insurance companies withdraw from motor vehicle insurance business in Ontario the Provincial Government would probably have to run an insurance department similar to that under the Workmen's Compensation Act, under this Act, and therefore proper records are very necessary."⁴⁸ The government aimed to create transparency for insurance companies that were building claims and rating experience and for government departments that monitored and implemented automobile related regulations.

The Government of Ontario also introduced a rudimentary rating system for the province, which regulated the cost of insurance following an accident. While it is often assumed insurance companies introduced higher rates for poor drivers, the government, in fact, introduced demerit rating in 1930 when it began

⁴⁷ Carman D. Baggaley provides a useful, if brief, description of the corporatist model. Essentially, the state becomes an actor in the development of policy and works in concert with the industry to develop policies that are advantageous for all parties. See Carman D. Baggaley, *The Emergence of the Regulatory State in Canada, 1867 – 1939*. (Ottawa: Economic Council of Canada, 1981), 3 – 4.

⁴⁸ O'Connor, 209. For a discussion of Workmen's Compensation law, see Risk.

regulating the automobile insurance industry. If convicted of a driving offence or after being considered financially responsible for an accident, drivers who required liability insurance under the new law were subjected to demerit rating. The system consisted of three classes based on the seriousness of the offence. For those falling into category A, a ten percent surcharge could be applied, for category B, twenty-five percent and C, fifty percent “in excess of the standard premium rate.” The names of individuals falling into these categories appeared “within one week in the *Ontario Gazette*.” The Registrar of Motor Vehicles reviewed the driving record of the individual on the anniversary of the initial decision and moved the person up or down in the rating categories as deemed appropriate. In the event of even the most serious conviction, three years without a driving conviction would return an individual to standard premium rates.⁴⁹ The law also closed loopholes for those with connections to insurance companies by explaining any person or company caught offering rates below those outlined would “incur a penalty of not less than \$25 and not more than \$500.”

The financial responsibility law established an insurance company’s liability in the event of an accident where a company insured a vehicle. Insurance companies would be liable for any damages experienced by a third party as a result of an accident, regardless of the circumstances. Even a criminal act on the part of the insured would require payment to the third party. One author considered this “very revolutionary” because it included all crimes, including manslaughter. One is to presume this entitled victim’s relatives to payment in the event of the death the victim. Additionally, the law provided recourse for insurance companies because the law granted insurance companies the right to sue an insured if the insured had violated the tenets of the “policy or agreement or of the contract.” One author speculated this would result in an increased interest in the financial position of each insured on the part of the insurer.⁵⁰ In essence, the law gave companies an incentive to discriminate against those who were not financially stable.

The financial responsibility law did not mean access to excellent levels of compensation in the event of an accident. “Damages are awarded as compensation for injuries suffered; the person injured by the negligence of another is to be restored to the position in which he would have found himself but for the negligence of another.”⁵¹ Damages included those commonly associated with a car accident like hospital and doctor bills. General damages “comprise all the loss sustained or likely in the future to be sustained by the claimant and is not capable of exact mathematical computation.”⁵² “Special damages,” which required a specific petition, included “special treatments, repairing automobile,

⁴⁹ O’Connor, 214 – 216.

⁵⁰ Ibid., 163 - 164.

⁵¹ Ibid., 169.

⁵² The Wawanesa Mutual Insurance Company Adjuster’s Manual. August 29, 1956: preface. Box 23 File 5 Manual 1956. WMICA.

ruined clothing, loss of income or use of car.”⁵³ Insurance companies applied two principles when assessing damages. First, they assumed “the wrongdoer is liable for all damage flowing from his wrongful act, whether or not the damage could be reasonably expected.” Second, “the money to be given for the reparation of damages should as nearly as possible be a sum which will put the party who has been insured in the same position as he would have been if he had not sustained the wrong for which he is now getting his compensation or reparation.”⁵⁴ In order to acquire damages under the financial responsibility law, some physical injury needed to be evident. Those not injured by an accident but with damage to their car could pursue a lawsuit under different laws. “A nervous or mental shock,” could not “be regarded as a consequences which in the ordinary course of things would flow from negligence.”⁵⁵ The reason psychological damage could not be claimed related to concern over who could sue in the event of an accident. Some worried a “nervous or mental shock” could occur as a result of witnessing a tragic accident. The inclusion of this clause, therefore, aimed to limit who could apply for compensation following an accident instead of reflecting an attitude toward mental health issues. All damages needed to be well documented and presented to the courts for review in order for a claimant to receive compensation. The complicated, and likely expensive, process involved in claiming costs against a defendant proved prohibitive for many victims. Insurance companies, for example, typically found lawsuits largely a waste of time and money, although companies like Wawanesa periodically would pursue a claim against a defendant in the courts if they thought they had a particularly good case. More often than not most parties appear to have found the financial responsibility laws only somewhat effective in the courts.

In the post-1930 period, the number of drivers with insurance increased but still remained relatively low. For those injured in an accident, or for the families of those killed in an accident, financial responsibility law represented an improvement over the pre-1930 period. Those who had insurance found they had better protection because the government had standardized the minimum coverage an insurance company could offer. Following an accident, victims were more likely to acquire compensation from either an insurance company or from the person who had injured them. Victims of accidents could be assured some degree of compensation if they were able to take their claims to court, even if they did not have insurance. When the victim had insurance, the insurance company paid the claim and would pursue losses through legal action, presuming the benefits outweighed the legal cost.

By 1941, the Government of Ontario hailed the Ontario financial responsibility law a success. A representative of the government explained the law addressed safety concerns and triggered a sense of responsibility in both the drivers and the pedestrians not present before. The representative stated

⁵³ O'Connor, 170.

⁵⁴ The Wawanesa Mutual Insurance Company Adjuster's Manual.

⁵⁵ O'Connor, 175.

“although over 28,000 accidents have been reported since 1930, only 217 suspensions have been imposed because of [a] failure to satisfy judgement.”⁵⁶ For the Ontario government the law was a success because people appeared to be abiding by the law with less than one percent failing to meet its criteria. With minimal interaction among the government, the highway safety departments and the insurance companies, people no doubt evaded suspension suggesting 217 suspensions underestimated the extent of the problem in Ontario. Only 217 individuals were caught without insurance or a deposit following a second accident. More than likely, far more people disobeyed the financial responsibility law. The Ontario law, however, proved the more progressive law in Canada, with most provinces copying it. When other provinces adapted the law, their variations tended to water down one feature or another.

While the Ontario law stands as the best documented, Manitoba and Prince Edward Island also introduced financial responsibility laws in the months following the 1930 Ontario law. Although Prince Edward Island created and implemented a law, it did so without consulting other jurisdictions. The law in PEI proved quirky but relevant to the population it served and will not be explored here.⁵⁷ Manitoba, for its part, already had a law in committee in early 1930 when Hodgins reported, but considered both the report and the Ontario law when enacting its own version of financial responsibility. The need for victim compensation law in Manitoba grew rapidly starting in the late 1920s and the early 1930s, as did the demand for automobile insurance.⁵⁸ The rise is attributable to an increase in automobile ownership and a growing awareness of the perils of driving. The introduction of the first financial responsibility law in 1930 represented the province’s initial foray into automobile victim compensation legislation and started a decades-long debate over the most appropriate form of victim compensation for the province. While the key elements of Manitoba’s law were the same as Ontario, there were sixteen differences. Manitoba’s law followed the pattern clearly laid out in the United States in the years following Connecticut’s landmark introduction of financial responsibility legislation in 1926. That influence produced some of the differences with the Ontario law.⁵⁹ One of the key differences between Ontario and Manitoba had to do with timing.

⁵⁶ “Financial Responsibility: Ontario Law 99% Effective,” *Canadian Insurance* 46, 29, (July 22, 1941): 10.

⁵⁷ Robinette, 80.

⁵⁸ Companies like Wawanesa, for example, largely avoided automobile insurance as a line throughout the early part of the twentieth century. During the 1920s, the Company diverted requests for automobile insurance to an affiliated stock company, suggesting the line was potentially profitable throughout the 1920s. Wawanesa’s provision for automobile insurance in the 1920s suggests a growing demand among its patrons. Wawanesa’s decision to enter the automobile insurance field in 1930 coincided with the advent of financial responsibility laws in Canada and a decision to grow the company beyond its traditional boundaries.

⁵⁹ Report on Indemnity for Motor Vehicle Accidents and Highway Safety by committee appointed by The Honourable James O. McLennaghan, K.C. Attorney General of Manitoba.” pp. 23 - 26. Box 7 File 46 Auto Insurance 1944. WMICA.

The Manitoba law stated all drivers would be freed of their commitments after three years unless the “judgment creditor” re-filed his or her certificate of judgment every three years. This meant a victim needed to re-file the certificate of judgment with the government department in order to keep the file active. Otherwise, the judgment could lapse without the defendant paying and it allowed the defendant’s driving privileges to be restored. Most importantly, after two years, an owner could acquire a new registration for his vehicle, regardless of whether he paid the victim’s claim. In Ontario, additional accidents during the three years under the financial responsibility provision could result in a new suspension of a permit, but in Manitoba no such requirement existed. In Manitoba, acquiring proof of financial responsibility allowed a person to avoid suspension. An owner could also transfer ownership of vehicle where the registration had been suspended. In Manitoba, therefore, the defendant could wait out the judgment or evade payment, making it difficult for victims to receive settlements in the province in part because there was little incentive to pay judgments.⁶⁰ Time ultimately voided any penalties a driver might face. Finally, the Manitoba law did not require drivers under the age of twenty-one or over the age of sixty-five to carry proof of financial responsibility. The inadequacies of the Manitoba law made it a target for those who found its flexibility in favour of defendants unsatisfactory.

Every province in Canada followed the Ontario model, with some variation. Saskatchewan, for example, enacted financial responsibility law in 1934-35 but appears to have done so to little fanfare or debate.⁶¹ This political indifference should not come as a surprise given the dropping rates of automobile ownership in the province during the depression. Naturally, the politicians in Saskatchewan throughout most of the 1930s focused their attention on drought as well as economic depression. Saskatchewan appears to have accepted the necessity of a financial responsibility law and adopted Ontario’s law, inserting only a few changes. In Saskatchewan, the law did not cover as many offenses as the Ontario law. The law did not require proof of responsibility from individuals under twenty-one or over sixty-five or require individuals to provide proof of responsibility “or the details of proof filed,” presumably in the event of additional accidents. The law, similar to the one in Manitoba, also did not prevent the transfer of ownership of the vehicle in the event of a suspension. The damages required for a lawsuit in Saskatchewan also needed to be a minimum of fifty dollars according to the financial responsibility law. Finally, after three years, proof of financial responsibility could be cancelled (if carried with an insurance company) or would be returned (if submitted as a deposit). The Saskatchewan government offered limited revisions in 1939 but increasingly saw the weakness

⁶⁰ Robinette, 78 – 79.

⁶¹ The Saskatchewan Archives Board appears to have no documents associated with compulsory insurance and no papers exploring the potential impact of different types of law on Saskatchewan.

of the existing financial responsibility law demonstrated through low rates of compensation and few convictions under the law.⁶²

The financial responsibility laws offered a base for compensation in Canada, but the laws led to other issues. Throughout the 1930s, governments increasingly shifted their focus to other elements they believed should be added to the law. Following the introduction of a financial responsibility law, governments looked for additional ways to compensate automobile accident victims and their families. "Expectancy of life" legislation, which was part of the Trustee Act and discussed in connection with financial responsibility law, represented one way to increase the settlement received by a victim of an automobile accident. The debates surrounding the legislation focused on the value of a life and proved controversial for the insurance industry because it would increase the overall cost of compensating victims of automobile accidents. One version of the Trustee Act passed in Manitoba in 1931, with revisions in 1935.⁶³ These laws in Manitoba recommended, but did not make mandatory, compensation for life expectancy. Settlements would be based on the expected value of a victim's future income and the financial needs of dependents left behind instead of awarding lump sums regardless of circumstances. In the event of the death of a forty year old employed husband with a thirty-eight year old wife and "four children (ages 16 (boy), 14 (girl), 10 (boy), 8 (boy)," the family could expect an award of about \$100,000 (by 1958 standard). A different lawyer approximated a settlement of \$45,000 to be apportioned as follows "\$30,000 to the widow, \$2,500 to the 16 year old boy, \$3,500 to the 14 year old girl, \$4,000 to the 10 year old boy and \$5,000 to the 8 year old boy." If the wife, instead of the husband had died, the family could expect anywhere from \$9,750 to \$15,000 as compensation because "there is a substantial value to the influence of a good wife in the home on the lives of the children."⁶⁴ The legislation drew the ire of insurance companies and other interested groups.

Throughout the late 1930s and into the 1940s, Wawanesa, in conjunction with other organizations, worked to revise the Manitoba Trustee act and prevent similar laws. In 1939, Wawanesa, in conjunction with the Board of Underwriters, Winnipeg Electric, C.N.R., C.P.R., the Association of Truck Owners and Bus Owners and others, hoped to prevent a revision requiring compensation for loss of life expectancy. According to Wawanesa, a group of lawyers lobbied in favour of

⁶² The law appeared in Part VI of the Vehicles Act. Saskatchewan. *Statutes of Saskatchewan*. 1934-35, c. 68 and "Vehicles Act," Saskatchewan. *Statutes of Saskatchewan*. 1939. c.83. and Saskatchewan. *Revised Statutes of Saskatchewan*. 1940. c. 275. Robinette, 78. The 1947 Saskatchewan government report suggested 96% of accident victims had no guarantee they would receive financial compensation. It argued "not more than five persons were required to show proof of financial responsibility during the last license year." Special Committee of the Saskatchewan Government Appointed to Study the Problem of Compensation for Victims of Automobile Accidents, *A Report on the Study of Compensation for Victims of Automobile Accidents*. (Regina: Thos. H. McConica, King's Printer for Saskatchewan, 1947), 24.

⁶³ "The Trustee Act" S. 48 (1), Manitoba. *Statutes of Manitoba*. 1931. c 52.

⁶⁴ Wawanesa Mutual Insurance Company Adjuster's Manual. No. 606 (pages 1 and 2).

making loss of life expectancy compensation mandatory and had succeeded.⁶⁵ The All Canada Insurance Federation and Wawanesa asked the government to reverse the law in 1940. It argued making “expectancy of life” mandatory acknowledged liability for all carriers, including common carriers like railways, and increased the number of third party liability claims. The federation did not, however, contest the right of the family to seek some compensation for a loss.⁶⁶ The industry suggested it would need to increase premiums to cover the rising cost of insurance, resulting in consumer outrage. The federation also hinted it would unduly burden the average citizen with the high cost of paying these claims.⁶⁷ One memo stated “the majority of users have not the means to pay more on their cars than the license fee, and a judgement under both the Trustee Act and the Fatal Accidents Act could financially cripple any of them for life.”⁶⁸ The Government of Manitoba, in an effort to divert the issue, appointed a committee and promised the insurance industry a report in early 1941, a compromise representative of the budding amicable relationship. The appointed committee did not meet but the All Canada Insurance Federation hesitated to push the issue because, although the federation believed it important, it did not want to invest in a losing situation. On the flip side, the federation worried its passive attitude indicated it was not interested in the issue.⁶⁹ By 1941, only Manitoba, British Columbia, and Nova Scotia retained the expectancy of life law.⁷⁰ The Wawanesa Mutual Insurance Company attributed the abolition of the law in Alberta to the province’s brief flirtation with automobile insurance, stating “now when it [Alberta] is in the insurance business it finds paying of the loss of expectation of life too burdensome and has abolished it.”⁷¹ Wawanesa’s contention that Alberta abandoned the bill because it proved expensive fits with industry assertions in the

⁶⁵ A.T. Hawley to Sirs (Wawanesa Mutual Insurance Company) April 26, 1939. Box 7 File 35 Holden – Acts 1939 – 1940. WMICA.

⁶⁶ The Trustee Act applied to a broad spectrum of lawsuits, not just ones arising from automobile accidents.

⁶⁷ W.E. Baldwin (President, All Canada Insurance Federation) Re: New Brunswick – Bill No. 73 – A Bill to Provide for the Survival of Actions after Death – 1939, p. 2. September 11, 1939. Box 7 File 35 Holden – Acts 1939 – 1940. WMICA.

⁶⁸ Unknown author, unknown recipient. “Re: Proposed Amendment to the Trustee Act,” As a note, the fatal accidents act refers to part of the financial responsibility law. Ibid.

⁶⁹ C.E. Hull to C.M. Vanstone (January 23, 1940); C.E. Hull to A.T. Hawley (February 22, 1940); A.T. Hawley to C.E. Hull (February 23, 1940); A.T.H. to Sirs (Wawanesa Mutual Insurance Company) (March 28, 1940); C.E. Hull to A.T. Hawley (March 29, 1940); C.E. Hull to A.T. Hawley (December 9, 1940); C.M. Vanstone to ? (date unknown). Ibid.

⁷⁰ I found no documentation elsewhere suggesting the industry lobbied vigorously to have the Trustee Act reversed in the other provinces.

⁷¹ Alberta was the first province to introduce a public insurance office, primarily with the intent of insuring government buildings. Alberta expanded its operations to include most property and casualty lines for all Albertans but could not effectively compete with bigger insurance companies in the market. In the early 1940s, the government terminated their affair with insurance because it was too difficult to successfully run the insurance office. “Re: Amendment to Trustees Act,” (circa 1941). Box 7 File 34 Holden – Acts 1934 – 35 Alberta. WMICA.

early 1940s that the cost of offering automobile insurance had been driven up by paying expectancy of life claims.

The insurance industry found the ongoing battle over the Trustee Act frustrating and similarly saw financial responsibility law failing to provide adequate compensation to victims. Insurance companies found themselves covering the cost of claims, particularly in cases where the defendants could not or would not pay judgments. While the Trustee Act was viewed as potentially expensive for insurance companies because the companies would have to pay very large claims for loss of life expectancy, financial responsibility compelled companies to pay an increasing numbers of claims. Financial responsibility law attracted two types of consumer: the individual who drove on a regular basis and those who needed insurance as a result of a conviction under the law. Neither group represented an appealing pool of policyholders because each was a high risk. This meant insurance companies primarily insured poor quality risks, which made sustaining automobile insurance difficult.⁷² In 1938, the Eastern Office Manager for the Wawanesa Mutual Insurance Company commented, in response to a statement by a government official expressing satisfaction with the automobile legislation, that “a more absurd statement could not be made by any person and the fact that no recommendation for amendment have come to the Standing Committee [in Ontario] this year does not suggest that they are not hollering for changes, but just never crystallized them in that form.” He went on to explain that “the legislation has done nothing to reduce accidents, and the Minister of Highways for Ontario states that the matter is beyond his control. If such a condition does not suggest that the present legislation is unsatisfactory, I don’t know what does.”⁷³ Companies like Wawanesa worried about the high costs associated with uninsured drivers and about the lack of enforcement. Improvements in the law would benefit the insurance industry, but would also prove beneficial for accident victims not covered by insurance. The government’s lack of willingness to improve the law for everyone’s benefit, therefore, frustrated the insurance industry.

The industry’s problems derived from growing demands on the financial responsibility laws. The number of automobile accidents resulting in injury and death had grown throughout the 1930s. The passenger vehicles registered in Canada increased from 1,028,100 in 1931 to 1,161,480 in 1938, an increase of thirteen percent, with the number of vehicles registered through the depression shrinking to a low of 919,917 in 1933.⁷⁴ At the same time, the number of people killed in an accident went from 1,316 in 1931 to 1,584 in 1938, an increase of

⁷² See Appendix 1-4 for a listing of the profit and loss for Wawanesa in Saskatchewan, Manitoba and Ontario and Appendix 1-5 for a listing of net premiums written.

⁷³ Howell Smith to A.T. Hawley, July 16, 1938. Box 7 File 45 Auto Insurance 1930 – 1945. WMICA.

⁷⁴ Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 147. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005.

twenty percent. The number of injuries, however, increased dramatically from 11,113 in 1931, the first year the Government of Canada has historical statistics on automobile injuries, to 24,585 in 1938, an increase of 111%.⁷⁵ The growing number of accident victims and more importantly injured automobile accident victims placed considerable strain on accident victim compensation laws.

The combination of challenges to the Trustee Act and the increasingly apparent problems with the financial responsibility legislation resulted in renewed calls for compulsory insurance. Debates over compulsory insurance had been reduced to whispers following the introduction of financial responsibility law in 1930 but lobby groups considered financial responsibility laws a failure and called for compulsory insurance. In 1935, the Manitoba Motor League, an advocate for highways and periodically for victim compensation, lobbied for the introduction of compulsory liability insurance to balance the existing law.⁷⁶ "Drivers," it was argued, "favor compulsion that will not wait until the owner has an accident for which he is unable to pay or fails to compensate the injured."⁷⁷ One contemporary attributed this demand for legislated insurance to the "appalling increase in accidents during the past year." The proposed amendment demanded all motor vehicle drivers acquire insurance prior to receiving a permit for their vehicles.⁷⁸ The Law Amendments Committee in Manitoba heard the suggestion at the prompting of the Associations of Railway Workers in association with the Manitoba Motor League and some bus companies.

The insurance industry strongly opposed the introduction of the amendment, alleging that compulsory insurance did not benefit consumers.⁷⁹ Under financial responsibility law, the insurance companies could refuse to insure individuals known for repeated abuse of the system and avoided those suspected of being too high a risk. Compulsory insurance would terminate this industry right. The All Canada Federation asserted, therefore, that the costs of compulsory insurance far outweighed the benefit for the average insured. Wawanesa attempted to persuade government officials during the Manitoba debate that compulsory insurance primarily served urban dwellers. A.T. Hawley, lawyer for Wawanesa, argued that the incidence of accidents and public liability claims

⁷⁵ Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 271 and 278. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005.

⁷⁶ While few documents remain with regard to the founders, an early newsletter suggests the League initially attracted an elite group of motorists interested in weekend driving. The League frequented lobbied government departments for more and better roads throughout the province. Given the concentration on rural roads leading to Manitoba's vacation areas, it seems likely the early league was composed of Winnipeg's urban elite.

⁷⁷ "Compulsory Auto P.L. for Manitoba," *Canadian Underwriter* 2, 4 (February 15, 1935): 22.

⁷⁸ The only way to achieve this goal would be the introduction of compulsory insurance, although improved financial responsibility laws would come close to this goal in the 1940s.

⁷⁹ Critics of compulsory insurance argued it would force good drivers to pay for the accidents poor drivers had. A similar notion appeared surrounding the good and poor employers safety records during the Meredith Commission on workers' compensation. Risk, 465.

among farmers was low because they only periodically used their vehicles for short journeys. He also indicated farmers only needed public liability insurance when they had the time and the money to travel longer distances, which occurred infrequently. He suggested the railways and street railways initiated the bid for compulsory insurance because, he believed, these two groups could gain business if compulsory insurance made operating a vehicle expensive.⁸⁰ The industry presented a seemingly consumer-cost centered motive for avoiding government intervention. The Manitoba amendment in 1935 did not pass and the government would not return to the issue for a decade.

The threat of government intervention via compulsory insurance appeared in British Columbia in 1939 when the government, frustrated by what it viewed as high rates and discriminatory underwriting practices within the insurance industry, threatened to implement compulsory public insurance. The government worried about the problems associated with acquiring settlements under the existing financial responsibility law. The onset of the Second World War temporarily pushed the debate into the background.⁸¹ The issue resurfaced in 1942 when the Greater Vancouver Traffic and Safety Council passed a resolution urging the provincial government to implement compulsory insurance.⁸² The council believed the insurance industry erred in not supporting compulsory insurance and stated “If the companies won’t, then let the government take it up...I have always hoped it would be kept out of government control, but if not it behooves us to direct our attention to the government.” Another council member believed compulsory insurance to be the solution to “ungodly high” rates.⁸³ These groups hoped introducing compulsory insurance would reduce the cost to the consumer by creating a larger pool of risk. Others expected compulsory insurance would reduce the financial risk to the public by guaranteeing access to financial compensation in the event of an accident.

Most in the industry worried about increased attention from government regulators, leading to an industry wide stand against compulsory insurance, even though insurance executives recognized that compulsory insurance could benefit Canadians.⁸⁴ The All Canada Insurance Federation vigorously lobbied against the

⁸⁰ A.T. Hawley to C.M. Vanstone (March 9, 1935). Box 7 File 34. Holden – Acts 1934 – 35 Alberta. WMICA.

⁸¹ “Memorandum” (apparently aimed at the All Canada Insurance Federation) from Superintendent of Insurance (September 27, 1939) RG 40 (Department of Insurance) Volume 22 File 2-A-1 Part 1 All Canada Insurance Federation. Library and Archives of Canada [hereafter LAC]

⁸² Unfortunately, I do not know anything more about the nature of this organization.

⁸³ “Automobile Insurance: Vancouver Traffic Council Urges Compulsory Insurance,” *Canadian Insurance* 47, 9, (March 3, 1942): 12.

⁸⁴ Compulsory insurance as an issue weighted heavily with the Wawanesa Mutual Insurance Company. When the Board of Directors considered the issue in 1943, the Board decided to support “the principle of compulsory automobile insurance not only for the owner of the car but also for the driver and that a brief be prepared” for the Government of Manitoba’s Special Committee on Automobile Safety. The motion did not received unanimous agreement. In a rare notation, the minutes explain the motion passed “with dissenting members.” Board of

introduction of compulsory insurance across Canada. The federation faced an uphill battle because compulsory insurance had been successfully introduced in Britain and in one of North America's leading automobile-insurance innovators, Massachusetts. The federation discounted events in Britain by pointing out Britain was "different," but the situation in Massachusetts proved more difficult to counter. As a result, the federation advanced a complex set of arguments, supported by members of the industry, which argued that compulsory insurance encouraged claims, thereby reducing the effectiveness of the proposed law by increasing rates with no discernable increase in coverage for the average policyholder.

In Massachusetts, where compulsory insurance was law, the injury and fatality rates associated with automobile accidents compounded the costs experienced by the insurance company. A dramatic increase in the incidences of personal liability claims had occurred in Massachusetts. Compulsory insurance, according to the insurance industry, encouraged claims-consciousness among consumers ultimately driving up premiums for "the man of moderate means." The industry viewed claims-consciousness as a problem because "regular" people made numerous small claims, generating high pay out rates for insurance companies, reducing profits and increasing premiums. The insurance industry believed compulsory insurance resulted in frequent litigation and an "indifferent attitude on the part of the forcibly insured owner."⁸⁵ The "indifferent attitude" referred to concerns about a presumed hazard of insuring everyone. Armed with unsubstantiated but plausible arguments, the All Canada Insurance Federation asserted financial responsibility legislation more than covered the insurance and compensation needs of Canadians while promoting safe driving.

The insurance industry's public declarations about the potentially damaging financial consequences of forcing Canadians to purchase insurance masked more significant concerns. The insurance industry feared that compulsory insurance would create an obligation to insure all Canadians, regardless of whether they considered a potential customer a good risk. Under most provincial acts, insurance companies retained the right to refuse customers without explanation. This afforded the industry a degree of flexibility but offered few venues for the public to challenge a company's decision.⁸⁶ When the

Directors Meeting Minutes June 4, 1943, 233. Box 10 File 6 Minutes 1935 – 1943. WMICA. This simmering discontent and the retirement of both board members who introduced and seconded the motion accounts for the company's shifting position on this particular issue. Within a few years, the Company reversed its position, fearing support for compulsory insurance implied support for public compulsory automobile insurance.

⁸⁵ All Canada Insurance Federation to the Association of Superintendents of Insurance of the Provinces of Canada, received in Ottawa July 15, 1939. p. 2, 11, 18. LAC.

⁸⁶ While this likely would have resulted in escalating pressure on the government to more carefully control the insurance industry from groups unable to acquire insurance, I have found no documentation to support this view. One of the reasons for this may be class. Those most likely to be affected by the law because they could not afford the \$11,000 deposit or who were viewed as questionable by insurance companies also likely had limited agency in society generally.

government in Ontario introduced financial responsibility legislation in 1930, it gave agency in the decision making process to the insurance companies. The insurance companies used this power to deny bad drivers insurance and this power theoretically enabled them to help take bad drivers off the roads. Posing as a guardian of safety, the industry argued it protected the public from as many as 20,000 bad drivers.⁸⁷ One problem with the theory was its class bias. The wealthy driver, or a driver with a strong reputation in his community, could easily acquire insurance after an accident whereas others would have difficulty affording the \$11,000 deposit or would not be viewed as an acceptable risk by another insurance company. As a result, the system “protected” potential victims from the groups already viewed with suspicion among the middle and upper classes.

The debate over compulsory insurance continued to be unresolved into the early 1940s but would receive additional attention in both Saskatchewan and Manitoba in the mid-1940s as both governments worked to improve financial responsibility legislation. The insurance industry continued to see clear deficiencies in financial responsibility law and proposed amendments. The improved laws, companies hoped, would encourage higher rates of insurance while at the same time leave control over who would be insured with the industry. As a result, the industry favoured a New Hampshire law that forced insurance to be carried for three years after an accident, regardless of fault, and permanently for those who had driving convictions.⁸⁸ The All Canada Insurance Federation lobbied for the introduction of safety responsibility legislation, which made insurance mandatory for persons who had violated the Highway Traffic Act or had caused serious or fatal injuries.⁸⁹

In 1943, the All Canada Insurance Federation commissioned John J. Robinette, a lawyer, to draft a report backing their position on compulsory and financial responsibility law. Robinette, a solid legal scholar, was a little-known name when the federation made its request in 1943. Robinette would find fame just a few years later, not for his work in automobile insurance law, but for his defense of Evelyn Dick, the Hamilton woman accused of murdering her husband

Individuals who were comfortably middle class, for example, rarely had difficulty acquiring insurance because any accident would be viewed as an anomaly. The Superintendent of Insurance for Canada argued compulsory insurance would make it “very difficult for the administrator to refuse to insure any person who applies for it.” Superintendent of Insurance to C.E. Hull, Esq., Secretary, All Canada Federation, September 27, 1939. LAC.

⁸⁷ Address given by P.M. May, Assistant Manager, Royal-Liverpool Group, before the Ontario Insurance Adjusters Association, at April Meeting, 1941 continued. “Compulsory Automobile Insurance,” *Canadian Insurance* 46, 21, (May 27, 1941): 11

⁸⁸ *Ibid.*, 11 – 12.

⁸⁹ *Ibid.*, p. 25. To modern observers, the industry position appears contradictory because it suggests the industry would rely on bad risks for the bulk of the business required by the government. In reality, the insurance industry hoped the threat of punishment would lead good drivers to purchase insurance to spread the risk. One of the problems arising from financial responsibility law was the industry’s consistent denial of bad drivers who required insurance under the law. This led to the development of the assigned risk plan, which will be discussed in chapter two.

and child.⁹⁰ Robinette's *Report on the Problem of Providing Compensation for Victims of Motor Accidents* advocated the introduction of improved financial responsibility laws in Canada and became the central study in motor vehicle victim compensation law.⁹¹ Robinette went to great lengths to discount compulsory insurance, arguing that the Massachusetts experience had proved the ineffectiveness of compulsory insurance in North America and that the British system could not be transferred to Canada. He also pointed out that the Canadian financial responsibility laws typically proved more effective than British compulsory insurance. He explored and dismissed other systems, including those in places like in Australia and New Zealand.

Robinette offered six arguments. First, he suggested improved financial responsibility laws would encourage improved safety on Canadian highways and reduce the death tolls in Canada. He believed revised financial responsibility laws would also increase the number of insured cars, thereby "ensuring a greater degree of financial responsibility and that with improved laws and education a greater number will be insured." Third, he viewed financial responsibility laws as assisting victims in "securing the payment of damages." He also pointed out that compulsory insurance and the compensation plan (to be discussed in chapter two), while having "appealing titles," did not provide the implied universal coverage. Fifth, compulsory insurance and the compensation plan placed a great burden on citizens because it forced everyone to purchase insurance and distributed the cost of all accidents. Finally, he believed the existing financial responsibility laws already proved more effective in covering insured accident victims than any other system employed internationally and felt that strengthened laws would only improve this situation. The All Canada Insurance Federation distributed the report to governments across Canada, hoping to enforce its point; financial responsibility law better suited Canadians than compulsory insurance. While there is little contemporary comment on the report, the Robinette report is cited in all of the commissions and discussions that follow suggesting the report did help to shape government opinion on the issue of automobile insurance in Canada.⁹²

From the moment Justice Hodgins declared the need for financial responsibility law in 1930, governments across Canada struggled to find a solution to the joint problems of automobile accidents and financial compensation. Governments were not eager to restrict the freedom of drivers nor did they relish the idea of

⁹⁰ Robinette's work on this report was so insignificant in his career that neither of his biographers mentions the report in their chatty explorations of his life and work. For more on Robinette, see George D. Finlayson, *John J. Robinette: Peerless Mentor: An Appreciation*. (Toronto: The Dundurn Group, 2003) and Jack Batten, *Robinette: The Dean of Canadian Lawyer*. (Toronto: Macmillan of Canada, 1984)

⁹¹ Robinette.

⁹² Because the report is so heavily cited in Manitoba and Saskatchewan, I have limited my coverage of Robinette's report here to avoid considerable repetition. Discussion of many of the issues he raises makes more sense in the context of local debates over automobile insurance.

requiring all drivers to purchase automobile insurance. Governments needed to find a way to address the automobile accident victim compensation issue without creating a financially oppressive law or creating the need for a new government agency. Governments opted instead to use the insurance industry to provide this law and protected consumers by increasing government supervision of the industry. A law started “cautiously and conservatively” spawned years of debate over its effectiveness. Governments started by introducing financial responsibility laws, increasingly regulated insurance companies, decided the value of life and guaranteed the right to be compensated, and debated compulsory insurance. Financial responsibility law, favoured by the industry, found its way into law. Conversely, compulsory insurance did receive some consideration by public interest groups but never found its way into law prior to 1945. This is not surprising given the industry opposition to this type of legislation and the existing amicable relationship between the government and the industry. Cooperation was key as government increasingly regulated the industry responsible for providing the majority of compensation to automobile accident victims. Instead of establishing an insurance company and the corresponding bureaucratic frameworks, the government used the insurance industry to offer automobile insurance. The insurance industry also found the relationship with the government useful. The government provided the industry with guaranteed access to a growing market. As time progressed, the vague financial responsibility law would increasingly be defined and debated and compulsory insurance would signal the beginning of more contentious automobile insurance debates in Canada. Manitoba would be the first to act on the problems with existing financial responsibility law in 1945 but would be matched by the Saskatchewan government one year later. The differences in approach were startling. While Manitoba adopted a progressive, but relatively conservative law, Saskatchewan adopted compulsory insurance. Automobile insurance after 1945 moved more visibly into the mainstream of provincial politics across Canada. In hindsight, this early period would be the golden age of government-industry relations, with governments valuing the role of industry and the industry eager to prove its worth.

Chapter 2:
 “At the Point of a Legislative Gun”?¹
 Manitoba and the Evolution of the Automobile Insurance Debate

Charles Heath, the long time Superintendent of Insurance for the Province of Manitoba, and President of the Association of Superintendents of Insurance for the Provinces of Canada, reflected on the state of victim compensation in 1937. This field stood out, he asserted, as one of the most frequently amended. “The ink,” he declared “was hardly dry on the Statute Books before amendment became necessary.” In his view, increased demands by the public for protection of the ‘innocent third party’ accounted for the constant change. He suggested amendments would, over time, turn automobile insurance “end for end just as Employer’s liability insurance was turned end for end when it became ‘Workmen’s Compensation Insurance.’”² The slow and cautious approach to automobile legislation provided by financial responsibility law failed to properly address the growing number of problems associated with automobile accidents. By the early 1940s, the attorney general and superintendent of insurance viewed Manitoba’s financial responsibility law as inadequate. After review, the attorney general’s Special Select Committee on Highway Safety recommended the introduction of safety responsibility law. This would be the first positive step in rectifying problems. At the same time, the government adopted the assigned risk plan, which guaranteed that all high-risk drivers who qualified for insurance could gain access to it through a special review committee. The legislation also included an unsatisfied judgment fund, which aided the victims of uninsured drivers by providing compensation with money collected through a province-wide license fee. Changes to the insurance and motor vehicles acts in the 1940s and 1950s allowed for improved compensation, but did not resolve questions about access to insurance and the amount of required compensation following an accident.

Manitoba’s safety responsibility law of 1945 proved to be the landmark law. It stood out because it addressed all of the problems a decade of experience highlighted. The law emerged in response to high fatality and poor compensation

¹ W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) to Fred A. Swaine (Superintendent of Insurance, Manitoba) July 9, 1963. File: All Canada Insurance Federation. CCA 0119/0261 GR 2932 Box 1 (Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files) Provincial Archives of Manitoba, Winnipeg, Manitoba (Access) [hereafter CCA – Superintendent]

² Presidential Address by Charles Heath (1937), 3 – 4. 1937 Superintendents Conference. CCA 119 GR 1346 Box 75 F-6-4-14. CCA – Superintendent. The insurance companies did not lobby effectively to protect their limited interests in Workmen’s Compensation. R.C.B. Risk, ‘The Nuisance of Litigation’: The Origins of Workers’ Compensation in Ontario,” in David H. Flaherty (ed.) *Essays in the History of Canadian Law vol. II*. (Toronto: University of Toronto Press, 1983), 472. Companies insuring against worker injuries tended to be benevolent societies and mutuals, neither of which had strong connections to the larger insurance industry. For a discussion of benevolent societies, see George and J.C. Herbert Emery, *A Young Man’s Benefit: The Independent Order of Odd Fellows and Sickness Insurance in the United States and Canada, 1860 – 1929*. (Kingston: McGill-Queen’s University Press, 1999).

rates. Government bureaucrats did not arrive at safety responsibility lightly. They carefully considered all of their policy options, most importantly, compulsory insurance. The compulsory insurance system implemented in Massachusetts, the model, relied on a bureaucracy to control private industry and Manitoba's superintendent of insurance and attorney general had little interest in creating the additional bureaucracy needed to implement compulsory insurance and opted instead for a less restrictive law. The attorney general promoted a plan that increased government and industry collaboration, resulting in the adoption of safety responsibility law. This chapter argues government bureaucrats worked to further regulate the automobile insurance industry while continuing to entrust automobile accident victim compensation to private insurers. As cooperation between the government and the industry intensified over the next twenty years, the superintendent of insurance and other senior members of government became increasingly critical of the role played by insurance companies even as those companies became more comfortable in their role as the primary provider of automobile insurance. By the early 1960s, Premier Duff Roblin, under pressure from the New Democratic Party, worked with the superintendent of insurance to expand public control over the industry.

The less radical nature of Manitoba politics, especially when compared with Alberta and Saskatchewan, has resulted in limited historical study of politics in mid-twentieth century Manitoba. This chapter will not explore Manitoba politics in depth but instead will contribute to the understanding of complex bureaucratic relations between government and business. In Manitoba, this relationship evolved in a stable political environment. The province's relative political stability is demonstrated by the dominance of Premier John Bracken throughout the 1930s and into the 1940s, who managed to merge the interests of all political parties.³ Gerald Friesen noted that, in Bracken's view, "the province had no need...for a competitive party system."⁴ Historian William Neville recently described the period between 1922 and 1950 in Manitoba politics as an era of "non-party government." He argues the progressive coalitions dominating Manitoba politics to 1958 led to a politically apathetic province with stable policies. Consensus smothered political debate and few progressive policies entered the statute books. The politics of the period were dominated by rural, fiscally-conservative groups of politicians.⁵ Duff Roblin dramatically altered the

³ M.L. Morton, *Manitoba: A History*. (Toronto: University of Toronto Press, 1957). Unfortunately, Morton's commentary on Manitoba politics through the 1940s and 1950s is of limited use here. For a detailed account of John Bracken's tenure in Manitoba, and eventually federally, see John Kendle, *John Bracken: A Political Biography*. (Toronto: University of Toronto Press, 1979). For the interactions between Manitoba and the Federal Government, see Robert A. Wardhaugh, *Mackenzie King and the Prairie West*. (Toronto: University of Toronto Press, 2000).

⁴ Gerald Friesen, *The Canadian Prairies: A History*. (Toronto: University of Toronto Press, 1987), 401.

⁵ Neville portrays Manitoba's political history in this fashion in order to strengthen his portrayal of Duff Roblin, whom he argues reinvigorated Manitoba and Manitoba politics by reintroducing political discourse into government. See William Neville, "Duff Roblin," in Barry

way Manitoba politics operated, reintroducing politics into the political process in the 1950s. Roblin, according to Neville, was progressive enough to prevent the election of the NDP to power before 1969. He attracted voters by drawing on elements of the NDP platform, which made him appear left of centre.

Roblin's desire to insert himself into the automobile insurance debates can best be explained as part of this attempt to limit the effectiveness of the NDP in Manitoba. Roblin was only willing to go so far in reforming and in discussing the automobile insurance issue; he had no interest in introducing compulsory public automobile insurance. The insurance debates between 1935 and 1965, therefore, were influenced by the changing political nature of Manitoba politics. The conservative nature of Bracken's government contributed to interest in safety responsibility law over compulsory insurance. Twenty years later, Duff Roblin attempted to head off the NDP by reopening debate over the operation of Manitoba's automobile insurance. The insurance industry defense was also mitigated by politics. So long as Manitoba remained a conservative bastion, industry interests were assured a favourable hearing. The introduction of new policy invited scrutiny of industry practices and challenged previously stable industry-government relations.

In the early 1940s, after nearly a decade under financial responsibility law, Manitoba's insurance bureaucrats started to search for a way to improve financial responsibility laws.⁶ The need to alter the law proved more pressing in Manitoba than in other places because the original act contained more loopholes than most other Canadian financial responsibility laws. Early financial responsibility legislation threatened the suspension of licenses and vehicle registrations and required proof of financial responsibility following the first accident in the amount of \$11,000 (representing the total possible indemnity from an accident) but made it easy for some drivers to avoid paying claims.⁷ Critics argued the law did not promote safe driving and offered few incentives for accident victims to pursue claims.⁸

In 1943, James O. McLenaghan, the Attorney-General for Manitoba, asked five bureaucrats to review the state of victim compensation and highway safety around the world in order to recommend the most efficient way to improve

Ferguson and Robert Wardhaugh, *Manitoba's Premiers*. (Regina: Canadian Plains Research Centre, 2006).

⁶ For example, Manitoba sat on a special committee of the Association of Superintendents of Insurance for the Provinces of Canada with British Columbia, Ontario and Quebec. The committee explored compulsory public automobile insurance and concluded this would not be the best solution to the compensation problem. Digest of Proceedings (Association of Superintendents of Insurance of the Provinces of Canada) 21 Annual Conference, Victoria, BC August 1938. 1937 Superintendents Conference. CCA – Superintendent.

⁷ Report on Indemnity for Motor Vehicle Accidents and Highway Safety by committee appointed by The Honourable James O. McLenaghan, K.C. Attorney General of Manitoba," 23 - 26. Box 7 File 46. Auto Insurance 1944. Wawanesa Mutual Insurance Company Archives (hereafter WMICA).

⁸ Ibid.

Manitoba's existing law.⁹ The committee held public hearings to establish the direction of future legislation but only the committee report and its recommendations survive. This absence of documents is unfortunate because judging from its recommendations the committee did the bidding of the insurance industry and evinced little independent analysis. The committee believed reducing accidents needed to be the first priority of compensation legislation, with security from financial loss as a secondary objective.¹⁰ The decision to place accident reduction ahead of financial compensation came after a decade under compensation legislation, when accident and death rates increased nationally.¹¹ Accident reduction had public appeal and served the industry, which wanted to avoid too much scrutiny of its role as the provider of automobile insurance. The committee's assessment reveals the Liberal-Progressive approach to the issues of government involvement in the industry, the role insurance companies played in guaranteeing a degree of safety on the highways and, at times, the public response to the issues. When discussing insurance, compensation for bodily injury proved to be the central focus with the cost of property damage becoming a secondary issue.¹² To evaluate these issues, the committee classified and explored four potential types of victim compensation law: (a) the "compensation plan," (b) compulsory insurance, (c) financial responsibility and (d) safety-responsibility.

The committee wrote off the "compensation plan." Such a plan envisioned the government taking over the role of accident victim compensation in much the same way workers compensation aided in covering the costs following a work related accident.¹³ While the committee believed the plan offered a realistic approach to compensation because all worthy victims would be eligible for compensation, it raised concerns about cost and administrative congestion. The plan, according to the committee, could open the door to third party litigation, which could be problematic because it would allow more individuals to become involved in lawsuits following accidents. At the extreme, they worried that a witness could sue for the shock of seeing a bad accident. The committee also argued that the compensation plan would encourage recklessness

⁹ The five men appointed to the committee included the following: R.M. Fisher (Deputy Municipal Commissioner, Chairman), G.S. Rutherford (Legislative Counsel for the Superintendent of Insurance Office, Secretary), W.R. Cottingham (Chairman Municipal and Public Utility Board), G.L. Cousley (Commissioner of Taxation), and Herbert Hunter (Superintendent of Insurance).

¹⁰ "Report on Indemnity for Motor Vehicle Accidents and Highway Safety," 4.

¹¹ See Appendix 1 - 2 for automobile accident injury and death tolls. Unfortunately, I have not been able to find a breakdown of automobile injuries and deaths available by province.

¹² The ramifications of a non-work related accident in the 1940s had dire financial consequences for the victims because potential hospital, medical and long-term care bills were not covered by the government in the early twentieth century.

¹³ Risk argues the problems associated with workers' compensation law related to the construction of the existing laws and the attitudes of businessmen, necessitating government intervention through the introduction of a compensation plan. There is little evidence to suggest the insurance industry could have readily intervened to offer minimal coverage to workers.

because responsibility for actions would be removed, leaving no incentive for safe driving.¹⁴ More interesting, the committee raised questions about who was worthy of compensation. It suggested “a drunken pedestrian, a drunken driver, a reckless, irresponsible pedestrian or driver, [or] a criminal escaping from the police and knocked down in his haste to escape” would be eligible for compensation. The committee believed that by placing the irresponsible driver and the “hasty criminal” in the same category as the safe, responsible driver, good drivers would be helping to provide compensation for those the committee believed were unworthy. In the end, the committee concluded the demerits of the plan far outweighed any possible benefits.¹⁵ The compulsory insurance plan proved more difficult to dismiss.

Compulsory insurance raised more complex questions for the committee because it was in place in Great Britain, parts of Australia, New Zealand, and Massachusetts.¹⁶ The committee commenced its evaluation by stating “the advocates of compulsory insurance include persons who have not made themselves fully familiar with the subject and all the points that are involved.”¹⁷ While the insurance industry had been naïve according to Hodgins in 1930, by the 1940s, it was the critics who lacked a fundamental understanding of the plan. In assessing the British and Australian experience, the report suggested both of these regions were predisposed to compulsory insurance. In Britain, ninety to ninety-five percent of automobile owners had insurance prior to the introduction of compulsory insurance in 1930, meaning they “were accustomed to the fact that practically all motor car owners were insured,” leaving them less likely to make fraudulent or unnecessary claims.¹⁸ The committee argued compulsory insurance worked in Britain because automobile insurance existed under a single government. According to the committee, federalism prevented the adoption of compulsory insurance in Canada because all nine jurisdictions needed to enact relevant legislation before “it would be effective in the whole Dominion.” The committee believed the public would reject compulsory insurance in light of its poor reception and mediocre results in Massachusetts. This argument likely originated with the insurance industry, which argued that after two decades of compulsory insurance, the Government of Massachusetts found “the principle of a strong and efficient automobile financial responsibility law offers the better solution to the problem of curing the irresponsible driver.”¹⁹ This viewpoint suited an insurance industry that feared compulsory insurance would bring increased claims consciousness, a situation the Massachusetts experience

¹⁴ A similar argument is made with regard to compulsory insurance, regardless of whether it would be administered through a public or private format.

¹⁵ “Report on Indemnity for Motor Vehicle Accidents and Highway Safety,” 7 - 11.

¹⁶ It should be noted that Saskatchewan had not yet enacted the Automobile Accident Insurance Act and it did not play a part in these deliberations.

¹⁷ “Report on Indemnity for Motor Vehicle Accidents and Highway Safety,” 11.

¹⁸ Ibid. 11-12.

¹⁹ “Financial Responsibility: Ontario Law 99% Effective,” *Canadian Insurance* 46, 29 (July 22, 1941): 10

illustrated. The failure of compulsory insurance to reduce traffic accidents and improve highway safety proved the most important consideration. Compulsory insurance, the committee believed, encouraged reckless driving because all drivers knew they did not need to worry about the potential cost of an accident.²⁰ This skepticism was rooted in limited automobile insurance rating experience and high accident rates. As a result, the insurance industry and government officials could not discount the human factor and the potential for reckless behavior as a side effect of compulsory insurance. While issues of federalism, compensation cost and safety were important considerations, the committee's opinions followed unimaginatively and uncritically the industry's self-serving calculations on the issue of compulsory insurance.

One of the more striking arguments related to compulsory insurance surrounded the role of the insurance industry. The committee suggested a need for a connection between the driver's ability and the cost of insurance, an argument frequently asserted by the insurance industry. Compulsory insurance had the potential to spread the high-cost of bad drivers to the good drivers, which the committee refused to endorse. Under compulsory insurance, all companies would be obligated to insure all drivers. The committee hinted this would lead to premium inflation, government involvement in the insurance industry, and ultimately rate fixing as a political issue.²¹ The committee argued the insurance industry played an important role in guaranteeing the ongoing safety of highways, suggesting governments relied on companies to make decisions about good and bad drivers. Under the existing system, insurance companies had two options for dealing with poor drivers. A company could offer an applicant insurance at a much higher rate than those assessed for good drivers or it could refuse an applicant outright, claiming the individual was too high a risk for insurance. As a result, compulsory insurance "might become an anti-safety measure by allowing on the highway drivers whom sound judgment would remove." This argument was quite common within the insurance industry and its appearance in the report highlights the insurance industry influence on the committee's views. Finally, the committee believed compulsory insurance affected the ability of insurance companies to survive in the market and would result in government interference in rate setting as had occurred in Massachusetts. All these claims suggest strong support for the ongoing presence of private insurance companies in the automobile insurance market. The committee demonstrated an interest in staying out of all elements of the insurance industry and as a result, supported the

²⁰ This argument appears frequently in the literature. It is also supported by economist Mark Pauly who suggests that insurance can lead to "an underuse of preventative activity." He suggests that reduced insurance coverage makes individuals more cautious in their activities. Mark V. Pauly, "Overinsurance and Public Provision of Insurance: The Roles of Moral Hazard and Adverse Selection," *The Quarterly Journal of Economics* 88 (February 1974): 51.

²¹ "Report on Indemnity for Motor Vehicle Accidents and Highway Safety," 21.

industry's claim that compulsory insurance would have a negative impact on public safety, government, and the insurance industry.²²

After discounting the compensation and compulsory insurance plans, the committee explored the existing financial responsibility law. The committee argued the law permitted drivers with judgments against them back on the road too easily, permitting these individuals to drive insured cars after accidents because judgments affected the automobiles not the drivers. The original law also allowed financially insolvent drivers to avoid judgments by being too poor to pay because judgements expired after three years and there was no clause allowing the impounding of vehicles. Enforcement also proved important because the province had very few police officers enforcing traffic laws, thereby reducing the likelihood of finding drivers who violated financial responsibility laws.²³ Essentially, there was no incentive for drivers with judgments against them to pay. Finally, the law placed the onus on the victim of accidents, not on the offender. For example, the law required the victim of the accident to report the incident and then to pay most of the legal costs in order to pursue judgment. In some cases, following through proved useless because defendants had no means to provide compensation after the first accident or in the event a repeat offender had been driving illegally. Even if a victim pursued action and succeeded, victims needed to re-file claims against defendants every three years in order to keep the claim active until the defendant could pay. If the victim chose not to file a claim against the defendant, the defendant could drive without requiring any proof of financial responsibility three years after the accident.²⁴ The insurance industry also found financial responsibility law frustrating. Companies were required to pay their client if the client was not responsible for the accident. Companies, however, were not guaranteed that they could successfully sue a defendant for the damages. From the industry's perspective, an increased number of individuals with insurance would make it easier to recover losses. The committee agreed that the failures of the financial responsibility law needed to be addressed. Thus, the committee's final recommendation focused on safety responsibility legislation.

In light of the problems with the financial responsibility law, the committee recommended the creation of a safety responsibility law. A new law,

²² Ibid. 11-23.

²³ While I have been unable to gain access to the documents related to the police as a result of access restrictions, a comment submitted to the 1953/1954 Special Select Committee on Automobile Safety is telling. C.G. Carter and A.C. Emmett, Jr. of the Manitoba Motor League expressed dissatisfaction with the notion that the police in the future could monitor speed and ticket violators, believing that most people obeyed the rules and there was no need to monitor everyone because some sped. This suggests that the police are not being used as highway monitors to the extent that has become the societal norm. C.G. Carter (President) and A.C. Emmett, Jr. (Managing Director) (Manitoba Motor League) to The Chairman and Member, The Manitoba Highway Safety Commission (Manitoba Motor League Brief), Manitoba Legislative Assembly Sessional Papers – Special Select Committee on Highway Safety, 1953 – 1954.

²⁴ "Report on Indemnity for Motor Vehicle Accidents and Highway Safety," 23 - 27.

it argued, would improve safety on the highways by reducing accidents and allow for indemnification of drivers by making settlements easier to acquire by increasing the number of individuals with insurance and by making settlements easier to pursue in court when necessary. The proposed safety responsibility legislation required drivers to report all accidents, made **all** drivers in an accident subject to financial responsibility, made individuals convicted of certain offences subject to the law, allowed suspensions to proceed if an accident occurred in another jurisdiction, and eliminated the possibility of a new license or registration until all judgments were paid and proof of financial responsibility provided. Section 128H eventually proved to be one of the key features. It required all vehicles involved in an accident to be impounded until the vehicle owner could produce proof of financial responsibility.²⁵ This clause, more than any other, would motivate drivers to purchase insurance. While some critics rightly argued this type of legislation privileged the wealthy, but bad driver, while punishing the poor and incapable driver, the committee stood by its recommendations, arguing all bad drivers should pay.²⁶ The proposed bill, accepting the recommendations of the committee, aimed to “secure safety on the highways and also to secure reimbursement for injuries done to persons on the highway.” The committee felt one of the other “features of the proposed legislation is to encourage the taking out of insurance.”²⁷ It suggested the appointment of a registrar who would be responsible for the administration of the act. The law, enacted on March 23, 1945, served these purposes.²⁸ In the event a defendant could not pay damages resulting from an accident, the government suspended driving privileges for life or until the driver settled the judgment. Finally, the law introduced the assigned risk plan and the unsatisfied judgement fund.

In an effort to avoid the introduction of compulsory insurance, the insurance industry recommended the introduction of the assigned risk plan and the unsatisfied judgement fund. The assigned risk plan addressed high-risk drivers who could not acquire automobile insurance through normal channels. These drivers had poor driving records, were too old or too young for insurance or were considered unacceptable for socioeconomic reasons.²⁹ Access to insurance for all drivers had been a key argument for proponents of compulsory insurance. The assigned risk plan was a concession meant to mute potential criticism of the new plan on these grounds. Under the assigned risk plan, the insurance industry

²⁵ “An Act to amend the Highway Traffic Act.” Manitoba. *Statutes of Manitoba*. 1945. 9 Geo. 6, c. 23.

²⁶ “Report on Indemnity for Motor Vehicle Accidents and Highway Safety,” 27 - 47.

²⁷ G.S. Rutherford (Legislative Counsel) to T. Mackay Long (Messrs. Crawford & Long, Barristers, Etc. Winnipeg.) October 5, 1944. File: G.S. Rutherford – Legislative Counsel 1941 – Dec. 49. CCA 119 F-1-3-12 Box 78 GR 1292. CCA – Superintendent.

²⁸ “An Act to amend the Highway Traffic Act.” Manitoba. *Statutes of Manitoba*. 1945. 9 Geo. 6, c. 23.

²⁹ Insurance companies reasoned that financially poor drivers would not afford to maintain their vehicles, which led to accidents due to mechanical failures. Drivers who were considered moral hazards could also expected to be denied insurance.

agreed to insure all of these drivers at a higher premium. Drivers, after being declined by three companies, could apply to the assigned risk committee, which would determine if the high-risk driver was eligible for automobile insurance and at what rate it should be provided. The committee, composed of industry and later government officials, then assigned the risk to a company. This allowed for a dispersion of high-risk drivers among companies and, in theory, prevented the worst drivers from gaining access to the roads by denying access to insurance through this committee. It also increased accountability among insurance companies because the companies risked peer and later government scrutiny of underwriting practices.

The assigned risk plan originated in Great Britain as the “voluntarily formed ... Declined Risks Committee” and accompanied the compulsory automobile insurance act. Under the plan, board companies agreed to first send any potentially problematic risks to the committee before declining a risk. Nineteen American states later adopted a similar assigned risk plan in the early 1940s.³⁰ In the eyes of the Canadian insurance industry, however, the American program failed. In the United States, the government intervened, taking over the assigned risk plan after a number of insurance companies backed out of the plan threatening its ongoing existence.³¹ In Manitoba and across Canada, the assigned risk plan addressed one of the central industry concerns with regard to insurance, the undesirable risk. Companies had numerous criteria for defining the high-risk, with the most important being the incidence of accidents in the previous three years.³² In the late 1930s, an article published in the *Canadian Underwriter* explained how the insurance industry used terms like “moral hazard” to describe unsavory individuals, whose vehicles were “found parked night after night outside some night club or cabaret until the early hours of the morning.”³³ These

³⁰ “Automobile Assigned Risk Plan and How it Works in BC,” *Canadian Underwriter* 12, 1 (January 1, 1945): 16.

³¹ Chairman – Montreal Wing – Assigned Risk Plan Committee (of the North British & Mercantile Insurance Company Limited) to A.T. Hawley, December 1, 1943. Box 7 File 44 Auto Insurance 1943 – 1944. WMICA.

³² A 1966 document reviewing Wawanesa’s early selection practices indicate that 5% of all applications received were “poor” with another 25% falling into the “borderline” category. One document, submitted to the British Columbia Royal Commission on Auto Insurance in 1966, outlines the underage driver rating questionnaire used in the early period which ranked candidates from 1 to 3 (three being the best) on answers to twenty-four questions ranging from driving experience (0-2yrs, 3-4yrs, over 4 yrs) to temperament (erratic, nervous stable) and academic results (low, average, high). The same set of exhibits outlines the occupation categories set out by the State Farm Mutual Insurance Company. The best risk was the proprietor or manager of “whole establishments” while the worst was the enlisted military man. It is interesting to note that the student (62 of 64) improves status overnight by becoming an educator (7). Box 8 File 23 Auto Insurance – B.C. 1966. WMICA; “Supplemental Submission no. 1, exhibits 1 – 6(d)”

³³ “Better Selection of Automobile Risks,” *Canadian Insurance* 44, 2 (January 10, 1939): 14 – 15. References to the “moral hazard” as a problem for the automobile insurance industry appear in one of the earliest available issues of *Canadian Insurance*. The author stated “Nationality, territory and mechanical condition of the automobile all enter into the acceptance or declination of a risk. No form of insurance runs truer to form than automobile insurance. Here

individuals, based on experience, were considered more likely to drive drunk and as a result had a higher rate of accidents. The same article suggested the insurance industry witnessed a significant reduction in claims by not underwriting the “moral hazard.” As time progressed, while these factors continued to play a role, criteria for insurability widened, making the accident-prone driver the largest liability.³⁴ By refusing insurance to an automobile owner, companies denied the public at large access to compensation in the event of an accident.³⁵ Ironically, the group most prone to accidents was the group without access to insurance. The assigned risk plan addressed the issue of access to insurance, and to the highways, by guaranteeing that drivers would be able to acquire insurance making the new safety responsibility laws more palatable for drivers.

The assigned risk plan, however, would be controversial even for the insurance industry. The All Canada Insurance Federation spent much of the 1940s advocating the introduction of assigned risk plans across the country in order to avoid compulsory automobile insurance and government involvement.³⁶ The federation worked hard to promote the plan to the industry, the government and the public, making the benefits of the program clear. Although the superintendents of insurance generally supported the plan as an advance in insurance, some still expressed concerns about restrictions inherent in assigned risk, namely, extremely bad drivers could still potentially be denied insurance.³⁷ Wawanesa, an increasingly reluctant member of the All Canada Insurance Federation, objected to the assigned risk plan when it was initially suggested in the late 1930s because it feared having to insure all drivers under the assigned risk plan and worried the plan would undermine attempts to guarantee road safety.³⁸ The federation retorted that compulsory insurance would be inevitable without the assigned risk plan. The federation employed fear-mongering, suggesting

you are faced with a moral hazard as well as a material hazard.” “Can Underwrite Automobile Ins. Scientifically: Nationality, Territory and Mechanical Condition Enter Into Choice of Risk: Automobile Insurance Underwriting,” *Canadian Insurance* 39, 49 (December 4, 1934): 1, 7.

³⁴ The emphasis on driving record is apparent when examining the application for automobile insurance under the assigned risk plan in the 1940s. The questionnaire included a series of queries to determine the severity of previous driving convictions and the driver’s failure to pay previous losses. “Application: Automobile Assigned Risk Plan, British Columbia.” Box 7 File 44 Auto Insurance 1943 – 1944. WMICA.

³⁵ In 1932, the government of Ontario implemented a law aimed at preventing insurance companies from discriminating against a person by race. See “An Act to Amend the Insurance Act.” Ontario. *Statutes of Ontario*. 1932. c.24, s.4. For a more detailed discussion of moral and ethnic hazards as they applied to the property insurance industry in the early twentieth century, see Heather E. Nelson, “Moral Hazards and Other Such Perils: Risk Assessment and Canadian Property Insurance, 1896 - 1950,” (currently under review)

³⁶ A.T. Hawley to H.E. Hemmons, March 2, 1945. Box 68 File 2 Wawanesa Branch Documents – Auto Related Issues 1945 – 1956. WMICA.

³⁷ See Donald G. Maclean, “Favor Assigned Risk Car Cover: Insurance Superintendents Approve Introduction into Canada,” *Financial Post*. December 11, 1943.

³⁸ W.E. Baldwin to A.T. Hawley, October 1, 1943; and A.T. Hawley to M.C. Holden, November 16, 1943. Box 7 File 44 Auto Insurance 1943 – 1944. WMICA.

was] some other similar reason.”⁴⁹ For the insurance industry, the assigned risk plan represented a loss of agency when making decisions about the degree of risk posed by an applicant. The industry would find this government interference in the plan troubling, as the government expanded the original scope of the plan and placed unexpected demands on the industry. The assigned risk plan served its original purpose by preventing the introduction of compulsory insurance. In the long-term, the assigned risk would bring unwanted scrutiny of the industry as bureaucrats became critical of industry and the implementation of the plan.

The other section of the safety responsibility law was the unsatisfied judgment fund, which made the government accountable for uninsured drivers. While the industry was responsible for providing coverage to high risks, the government took responsibility for victims of uninsured drivers. This further reduced public pressure on the industry to provide coverage to the extremely undesirable risk by providing an avenue of last resort for victims. The government introduced the “unsatisfied judgement fund” or “mercy fund” in 1945 to compensate victims who could not pursue a claim for an accident either because the defendant could not pay or in cases involving hit-and-run accidents. The fund functioned as a compensation failsafe for victims. In Manitoba, the death of one young girl and serious injury of another by an uninsured driver highlighted the need for the fund, which would compensate those injured by uninsured and insolvent drivers, otherwise known as “judgment proof drivers.” These drivers received this classification because judgments and legal consequences proved ineffective against them. Victims could not collect settlements from these individuals because these drivers lacked adequate resources to pay settlements, regardless of the laws the government established. The unsatisfied judgement fund offered a solution. The fund applied when “an uninsured person is found liable for an accident and he is found to be judgment proof then the injured party can recover from the Unsatisfied Judgment Fund, damages insofar as personal injury is concerned.”⁵⁰ The initial fee of \$1.00 on all driver’s licenses issued went into a fund, which could be accessed by victims who had judgments that could not or would not be paid.⁵¹ In order to address concerns that the fund would subsidize drivers without insurance, the government suspended the license of the guilty driver until he or she “repaid the Fund in full, with interest, and files proof of financial responsibility for the future.” Once a driver had a claim filled against him or her through the fund, the individual would have considerable difficulty acquiring proof of financial responsibility in the form

⁴⁹ Herbert Hunter (Superintendent of Insurance) to H.E. Hemmons (Managing Director, Wawanesa Mutual Insurance Company) June 21, 1945. Ibid.

⁵⁰ Herbert Hunter (Superintendent of Insurance) to H.E. Hemmons (Managing-Director, Wawanesa Mutual Insurance Company) March 6, 1945. Ibid.

⁵¹ “Manitoba’s Financial Responsibility Law,” *Canadian Underwriter*, 12, 23 (December 1, 1945): 20. H.E. Hemmons to A.T. Hawley, March 1, 1945. Box 68 File 2 Wawanesa Branch Documents – Auto Related Issues 1945 – 1950. WMICA. The amount of the fee varied from year to year. The government only collected as much money as they thought they would need to pay claims. As a result, there were years where the government collected no money for the fund.

of insurance. Until a driver could provide this proof, the individual would be “removed from the highways so that he is no longer a source of potential danger to others.”⁵² The plan targeted the driver who lacked the wealth to pay judgments but offered hope to victims who otherwise would have been unable to collect judgments.

Insurance companies objected to the one-dollar driver’s license fee added to subsidize an unsatisfied judgment fund and worried the plan would lead to compulsory insurance but suspected motorists would not notice the difference.⁵³ A.T. Hawley, lawyer for Wawanesa and member of the board of directors, advised against protesting the unsatisfied judgment fund because he viewed it as a *fait accompli*.⁵⁴ The assigned risk plan and the unsatisfied judgment fund addressed the need to make insurance accessible and guaranteed all victims access to compensation. Collaboration between the insurance industry, the registrar of motor vehicles and the superintendent of insurance made these two plans feasible. Coordination between facets of the Manitoba government and the private industry suggests each party understood the role developed for it within this framework and the decision to legislate this relationship indicates the committee and later members of the legislature believed this new system would work. Failures in both the assigned risk plan and the unsatisfied judgment fund, however, would draw attention to this relationship and result in challenges that undermined the insurance industry’s role as an automobile insurance provider in Manitoba.

In the short-term, the safety responsibility law proved beneficial for the insurance industry. For most consumers, the threat of having a car impounded or of facing potential financial ruin following an accident motivated them to purchase insurance. Manitoba’s safety responsibility law, according to the *Canadian Underwriter*, created “a strong incentive to all owners of cars to carry Public Liability and Property Damage insurance in order to prevent the inconvenience and expense which would arise should the owner or driver be involved in an accident.”⁵⁵ The insurance industry monitored the effects closely.⁵⁶ Within weeks, an industry article declared the law the “most important feature in respect to Western legislation relating to insurance.” The article

⁵² E.H.S. Piper (Counsel, All Canada Insurance Federation) to The Editor (Insurance Agent and Broker) June 29, 1951. File: All Canada Insurance Federation.

⁵³ H.E. Hemmons (Managing Director, Wawanesa Mutual Insurance Company) to Herbert Hunter (Superintendent of Insurance, Manitoba) March 3, 1945. File: Wawanesa Mutual Insurance Company (1946 – 1978); CCA 102 GR 1420 Box 30. CCA – Superintendent; H.E. Hemmons to A.T. Hawley, March 1, 1945. Box 68 File 2 Wawanesa Branch Documents – Auto Related Issues 1945 – 1950.

⁵⁴ Hawley feared any opposition would result in a souring of relations not only with the provincial government but would exacerbate the already problematic association with the All Canada Insurance Federation. A.T. Hawley to H.E. Hemmons, March 2, 1945. Ibid.

⁵⁵ “Automobile Legislation in Prairies Explained by WCIUA,” *Canadian Underwriter* 12, 13 (July 2, 1945): 20.

⁵⁶ H.L. Kearns (Chairman, Independent Automobile Insurance Conference) “United Action Urged to Reduce the Automobile’s Ghastly Toll,” *Canadian Underwriter*, 13, 1 (January 1, 1946): 13.

explained, “approximately 50% of all cars involved in accidents were impounded because the motorist could not show proof of financial responsibility” during the first week following the implementation of the law. According to the author, this prompted Manitobans to drive out and buy automobile insurance to protect themselves against a similar fate.⁵⁷ The insurance industry supported the new safety responsibility law in part because it avoided compulsory insurance. More importantly, the law introduced near compulsory automobile insurance on terms the industry could accept. The industry retained the right to refuse applicants while at the same time was guaranteed access to a large market. While industry interests had not captured the government, the relationship typifies the corporatist model. The government had created regulation, appearing decisive and addressing specific concerns related to the role of the insurance industry while at the same time giving the industry considerable latitude.

While the insurance industry was satisfied with the new safety responsibility law, at least at the outset, some members of the public questioned the government’s decision to adopt voluntary instead of compulsory insurance. The Honourable J. McLenaghan, Attorney General of Manitoba, presented a radio address, “Death and Damage on the Highway,” to answer such questions. He justified Manitoba’s decision to stay with voluntary insurance by echoing insurance industry justifications. He reiterated five well-established industry assertions, arguing that compulsory insurance did not promote safety, increased the cost of insurance, resulted in rate fixing, encouraged more fraudulent claims, and removed the experienced judgment of insurance companies, thus putting bad drivers on the road. He argued too that once a government enacted compulsory insurance, it became impossible to undo. Retaining a voluntary system gave future governments the flexibility required to adjust to ongoing social change. McLenaghan’s remarks came on the heels of the introduction of compulsory automobile insurance legislation in Saskatchewan. The disproportionate amount of time spent discussing this issue, in the context of the ongoing social debate surrounding compulsory insurance, is understandable. McLenaghan, as a key player in the construction and introduction of these amendments, had a stake in the new law.

McLenaghan’s radio address also promoted the new law. He highlighted the social need for the new laws, pointing out that only twenty-seven percent of the population carried relevant insurance in 1945. He argued that the law had two objectives: to ensure greater safety for “persons using the highways” and to provide “compensation for personal injury suffered, and damage caused to property.” According to McLenaghan, the new laws provided legal rights with legal recourse. McLenaghan’s booklet is instructive because it highlights the extent to which the government readily adopted insurance industry arguments. The attorney general was willing to convey these opinions to the public, which

⁵⁷ C.W. Bolton (President, Western Canada Insurance Underwriters’ Association) “New Safety Law Chief Feature in West’s Insurance Year,” *Canadian Underwriter*, 13, 2 (January 15, 1946): 10.

represented a coup for the industry that could not as easily express these opinions with any expectation of credibility. Wawanesa reproduced McLenaghan's radio address and sent it to all of its agents in Manitoba with a brief introduction. Wawanesa explained drivers in Manitoba would likely require protection against Public Liability and Property Damage in light of the new safety responsibility law. The company intended the booklet to be informative but also used it to warn the agents about the impending flood of potentially poor risks and asked them to take "additional care in selecting risk," which would become important.⁵⁸

The consumers responded to the 1945 safety responsibility law by flooding insurance companies with applications. In 1948, Wawanesa reported that consumers flocked to the company seeking insurance. While consumers initially requested the basic coverage suggested by the law, the company pointed out to its agents that consumers had "since realized the need for complete protection and have added Collision, Fire and Theft."⁵⁹ Aware that this could result in increased sales of its other products, the company encouraged its agents to sell this type of insurance to everyone. It suggested a failure to sell this additional insurance would result in problems for the agent because the consumer would inevitably be disappointed when they discovered their policy did not cover fire, theft or collision coverage. Although the government generated the initial demand for insurance, the company used the new-found consumer base to sell increased quantities of insurance.⁶⁰ The company justified selling this additional insurance by explaining that it benefited the consumer, especially given the increased costs associated with automobile accidents. The superintendent of insurance monitored the sales, but it did nothing to interfere with this new line of business, tacitly agreeing the product benefited consumers. The superintendent in Manitoba likely was watching the emerging problems with basic compulsory insurance in Saskatchewan, where the government had to extend its policy coverage to meet the consumer demands. By leaving insurance voluntary and in private hands, the government did not need to fear the ramifications of the public disappointment with automobile insurance. As a result, basic insurance requirements remained low in Manitoba.

⁵⁸ "Death and Damage on the Highway," A Radio Address by Hon. J. McLenaghan, Attorney General of Manitoba. Box 7 File 42. Auto Insurance 1945 – 1967. WMICA. (It should be noted that a copy of this address is also available at the Provincial Archives of Manitoba, without Wawanesa's forward.)

⁵⁹ H.W. Lawrence (Underwriter, Wawanesa Mutual Insurance Company) to All Manitoba Agents. November 4, 1948. Box 4 File 2 Holden – Agent Letters 1943 – 1953. WMICA.

⁶⁰ The letters to the agents are interesting because they reveal how the company approached each aspect of its business differently. When dealing with the public, issues of public safety were clearly emphasized. Correspondence with agents, however, was decidedly profit driven. The company encouraged the sale of additional policy clauses by reminding agents that they would benefit from increased revenue. Whether this reveals a contradiction within the corporate philosophy with regard to automobile insurance is difficult to determine. In reality, the company was a business and agents were businessmen. It seems quite probable that the company appealed to that which drove the agent, money.

After the introduction of public automobile insurance in Saskatchewan, to be discussed in chapter three, the Manitoba government defended its alternative approach to automobile safety, accident prevention and victim compensation. More significantly, those whom they polled in the early 1950s had no interest in the creation of a public insurance agency. Leaving insurance voluntary but with strong incentives to purchase a policy reflects more than just a desire to introduce effective safety legislation. The implementation of the act suggests the government believed in the ability of companies to execute its plan and indicates a level of ideological commitment to free market. This reflects both Manitoba's more conservative politics as well as the influence of the insurance industry in the province. While both Saskatchewan and Manitoba had sizable insurance companies, personal and fund-raising ties in Manitoba may have strengthened the Manitoba government's ongoing commitment to free market automobile insurance. In 1948, Wawanesa wrote Manitoba's Superintendent of Insurance explaining that the insurance industry played an important role in guaranteeing that "the free enterprise system ... prevail in the Insurance World."⁶¹ Unlike Saskatchewan, Manitoba had few qualms about introducing legislation that increased the percentage of drivers with private insurance and gave the industry control over the new business generated.

The safety responsibility law proved important for the Manitoba government primarily because of ongoing comparisons with developments in Saskatchewan. The Manitoba government hoped to demonstrate it could offer similar protection without requiring compulsory insurance and by avoiding public insurance. The CCF were a viable political threat in Manitoba as the party received a larger percentage of the total votes in the 1945 election with 34%, but only 9 seats, while the Liberal Progressives received only 32% of the total votes but 25 seats. Starting in 1945, the CCF was also part of the anti-government coalition. This would be the apex of CCF strength in the province during the period, with support dropping to 16% in 1953.⁶² The apparent strength of the CCF in the late 1940s and the comparisons between the Saskatchewan and Manitoba style of automobile insurance prompted an aggressive defense of Manitoba's plan by the government. The insurance industry understood the strength of the CCF in Manitoba and Saskatchewan. In 1947, the casualty manager for the Wellington Fire Insurance Company argued the industry had "to assist Manitoba in setting up sufficient argument on the part of the Government to

⁶¹ M.C. Holden (General Manager, Wawanesa Mutual Insurance Company) to Herbert Hunter (Superintendent of Insurance, Manitoba) June 24, 1948. File: Wawanesa Mutual Insurance Company 1946 – 1978. CCA – Superintendent.

⁶² For voting statistics, see Chris Adams, "Manitoba's Political Party System: An Historical Overview," prepared for the Annual Meeting of the Canadian Political Science Association, York University, Toronto, June 3, 2006.

offset the threat of the C.C.F.” He added, “we don’t want this practice [public insurance] to spread any further east or west.”⁶³

The government did promote the safety responsibility law and implicitly supported the industry position. In 1948, McLenaghan addressed the issue in “Manitoba’s Safety Responsibility Law in Retrospect,” which offered evidence that the law proved just as effective as the law in Saskatchewan, although the comparison was implicit, not explicit. He compared the fatalities over the two-year period coinciding with an increase in the number of vehicles licensed for the road. “I hasten to add that our death and accident toll is still shocking but at least we can take some encouragement from the fact that we have devised a method of accident prevention which is producing tangible results.” While McLenaghan found the results satisfactory, the rates in Appendix 1-2 demonstrate that a year of bad weather, increased high-speed roads or higher efficiency automobiles could all affect the rate of accidents potentially skewing the results. The effectiveness of the safety responsibility law, for McLenaghan, was better measured in other terms.

When emphasising the success of Manitoba’s plan, McLenaghan focused on the importance of increasing claim costs and Manitoba’s flexible ratings systems to the overall cost of insurance for drivers. McLenaghan noted briefly the issue of rising claims costs, suggesting the Manitoba system worked well and had managed to adapt to changing circumstance. He dedicated more of his time to the issue of rating because by 1948, the differences in rates and rating systems between Saskatchewan and Manitoba had become contentious. McLenaghan stated, “we must continue to ... wage war on the irresponsible driver with the object in mind of reducing the toll of accidents and obtaining further reductions in insurance rates.”⁶⁴ He pointed out the number of people carrying insurance jumped from twenty-seven percent in 1945 to ninety-four percent in 1947 and noted the province had already seen a decrease in the number of people requiring compensation from the unsatisfied judgment fund. The law, in his opinion, achieved greater safety by threatening high risk, accident prone and uninsured drivers with high insurance rates, sometimes as much as thirty-eight percent higher than the good driver and/or the loss of driving privileges in the event a driver could not secure insurance. This cost incentive for good driving separated the Manitoba system from the Saskatchewan system. In a subtle dig, McLenaghan pointed out “the careful driver does not pay for the careless one. This is one of several reasons why Safety Responsibility is superior to Compulsory Insurance, because under Compulsory Insurance, all motorists, good and bad, pay the same rate.”⁶⁵ Given the comparisons drawn between the two

⁶³ Casualty Manager (Wellington Fire Insurance Company) to Mr. Larson (Mr. Francis M. Hann Ltd.) February 1, 1947. Box 9 File 1 Auto Insurance – B.C. 1947 – 1966. WMICA.

⁶⁴ “Manitoba’s Safety Responsibility Law in Retrospect.” Automobile Laws and Legislation, February 4, 1948. MG 14 B 47. McLenaghan, James O. PAM.

⁶⁵ When McLenaghan made this statement, Saskatchewan was still employing the flat rate system, meaning all passenger car drivers all paid the same amount, regardless of where they

provinces, rates were important. McLenaghan claimed the success of the law on this front by showing that annual rates dropped from \$10.00 in 1945 to \$7.00 in 1947 outside of Winnipeg and from \$26.00 to \$23.00 in Winnipeg. The distinction between urban and rural rating is significant because it was employed by the insurance industry to adjust rating to risk, something initially absent from the Saskatchewan system. The support for the safety responsibility law was motivated by a desire to defend the 1945 decision to adopt the law. The Manitoba government also endorsed the insurance industry position when it refused to license the Saskatchewan Government Insurance Office to sell insurance in Manitoba in 1947 and 1949.⁶⁶ By promoting the industry's rating and eliminating SGIO from the Manitoba market, Manitoba's superintendent, attorney-general and later Cabinet all declared support for the insurance industry in the province.

While all governments, except Saskatchewan and Quebec, eventually adopted forms of safety responsibility legislation, encouraging governments to introduce a plan as comprehensive as Manitoba's proved difficult. The Superintendent of Insurance for Manitoba commented, "Personally, I have heard it said on a number of occasions by Commissioners of Insurance that they consider the Manitoba Financial Responsibility Law the most efficient and up-to-date law, which has been passed but that they were afraid they could not get same passed by some of their politicians."⁶⁷ Government bureaucrats worried Manitoba's clause requiring a car in an accident be impounded until the owner could provide proof of financial responsibility would not be sellable in their provinces. In Nova Scotia, the All Canada Insurance Federation believed safety responsibility legislation would be introduced in full, but the impounding clause would either be removed or amended before the legislation would pass. Prince Edward Island created an unsatisfied judgment fund without introducing any other amendments to the existing laws. When the province found the initial fund inadequate to cover all of the claims, the government pondered increasing the levy placed on licenses from one dollar to three dollars.⁶⁸ A member of the All Canada Insurance Federation spent time in Prince Edward Island explaining the importance of introducing the rest of the legislation. He also used statistics showing a drop in traffic accidents to sell Manitoba's safety responsibility

lived or the risk they posed. Saskatchewan's flat rate compulsory insurance, however, addressed the issue of class, in essence making automobile insurance classless, which would have been an important point in 1948 given the social and political climate in Canada.

⁶⁶ "Memorandum for Winnipeg Chamber of Commerce, re: Saskatchewan Government Crown Corporations engaging in business in Manitoba." (circa 1950) Box 8 File 2 Auto Insurance. Sask. 1950 – 1954. WMICA.

⁶⁷ Herbert Hunter (Superintendent of Insurance) to H.S. Ferris (Executive Assistant, Wawanesa Mutual Insurance Company) January 3, 1949. File: Wawanesa Mutual Insurance Company, 1946 – 1978. CCA – Superintendent.

⁶⁸ E.H.S. Piper (Counsel, All Canada Insurance Federation) to R.B. Baillie (Commissioner of Taxation, Registrar of Motor Vehicles, Department of Provincial Treasurer) March 17, 1949. File: All Canada Insurance Federation.

legislation over the plan introduced in Saskatchewan.⁶⁹ The growing acceptance of the law across the country, with variations, proved a positive sign for the insurance industry and confirmed the government's decision to proceed with safety responsibility law. The safety responsibility law, however, did have its critics and by the early 1950s, the government again evaluated its law.

In 1953, just eight years after the Province of Manitoba introduced its landmark safety responsibility legislation, a Highway Safety Commission was struck to review the effectiveness of Manitoba's legislation. The committee reviewed the Unsatisfied Judgment Fund, the cost of insurance, the established minimum policy limits, the Assigned Risk Plan and "all other aspects of Highway Safety and Safety Responsibility in the Province."⁷⁰ The committee invited comment on the state of public safety and automobile insurance in the province and sent out a questionnaire to a number of interest groups. Although simplistic, the questionnaire did draw on a technique developed by the federal government during the preceding years. Daniel Robinson argues governments increasing relied on surveys to help mold and promote predetermined policies.⁷¹ The responses to the automobile questionnaire largely depended on pre-existing assumptions but offers insight into the role of insurance in the lives of Manitobans in the early 1950s.

The seven section government-constructed survey questioned participants about elements within the safety responsibility law with two sections tackling the issue of compensation.⁷² The questionnaire suggests government officials viewed

⁶⁹ E.H.S. Piper (Counsel, All Canada Insurance Federation) to Herbert Hunter (Superintendent of Insurance, Manitoba) March 22, 1949. Ibid.

⁷⁰ Press Release, November 23, 1953. LA 009 GR 247 G 7117 Box 4 Manitoba Legislative Assembly Sessional Papers – Special Committee on Highway Safety 1953 – 1954. Box 4 File 1. PAM.

⁷¹ See Daniel Robinson, *The Measure of Democracy: Polling, Market Research, and Public Life, 1930 – 1945*. (Toronto: University of Toronto Press, 1999.) While the entire book offers insightful commentary on the development of market research and polling in Canada, Chapter Four: Mobilizing Popular Consent: The Surveyed Home Front, is of particular interest here.

⁷² In addition to survey responses, the committee also received submissions from the community and the insurance industry. The community responses to the question of insurance, it should be noted, appeared largely as footnotes to other concerns. For the Manitoba Temperance Alliance see Wm. Potoroka (Field Secretary, Manitoba Temperance Alliance) "Drinking Drivers and Highway Safety: A Brief by the Manitoba Temperance Alliance for Presentation to the Highway Safety Commission of the Manitoba Legislature, January 1954," p. 19. For the Manitoba Joint Legislative Committee of the Standard Railroad Transportation Brotherhoods see "Excerpt from Questionnaire on Highway Safety received from the Manitoba Joint Legislative Committee on the Standard Railroad Transportation Brotherhoods," p. 2. For the Manitoba Women's Institute, see Brief from the Manitoba Women's Institute to the Highway Safety Commission – Province of Manitoba (Chairman – Hon. Ivan Schultz, Q.C.). For the Manitoba School Trustees see A.J. Thiesen (Chairman), Nan Murphy, G.F. Windsor (Manitoba School Trustees Association) to Honourable Ivan Schultz (Attorney General, Province of Manitoba) March 10, 1954. For the Transit Trainmen's Union of the One Big Union see R. W. Slocombe (Business Agent, Transit Trainmen's Union, One Big Union) to The Commission on Highway

the issues of highway safety and compensation as important issues and indicates both the government and the public understood the issues surrounding the safety responsibility law in broad terms.⁷³ The survey addressed two different sections of the law. The first dealt with the unsatisfied judgement fund to see if the public valued the program and viewed it as providing sufficient coverage. The survey writers asked if the amount of damages permitted under the legislation should be elevated from \$5,000 per person in light of court and settlement costs awarded, blaming the possible increase on the number of severe injuries. The mention of settlements and damages reflected the ongoing interest in bodily injury as opposed to property damage claims. With these issues in mind, the survey asked how high the maximum should be and if an increase in settlement minimums justified collecting “a small additional fee...as the need arises” to cover the cost of the plan.⁷⁴

The second section of the survey explored the assigned risk plan and examined its value for Manitobans. The survey explained how the government worked to protect the interests of the citizens from the insurance industry by providing this service, which guaranteed all worthy individuals could obtain insurance. This responded to the Saskatchewan government claim that private insurers could deny anyone they deemed an unsatisfactory risk. In Manitoba, the insurance industry was obligated to take risks recommended by the government. A failure to take one of these risks would result in the cancellation of the company's license. The survey writers explained the industry had the right to charge those with a bad driving record as much as forty percent more for insurance and reminded respondents that “it is the careless driver who causes accidents resulting in higher insurance rates.”⁷⁵ The survey writers asked how much insurance someone seeking coverage through the assigned risk plan should be allowed to purchase (if it was above the minimum amount), if the drivers should be charged higher rates to purchase insurance and if so, how much higher should the rates be. Government interest in these issues, while seemingly inconsequential, demonstrates increased government concern over both the assigned risk plan and the unsatisfied judgment fund. The survey questions suggests government officials were not interested in changing the type of insurance offered in the province, but instead sought to improve the existing act. Government officials did not attack the industry position. Instead, the survey

Safety and Safety Responsibility. For the Manitoba Motor League see C.G. Carter (President) and A.C. Emmett, Jr. (Managing Director) (Manitoba Motor League) to the Chairman and Member, The Manitoba Highway Safety Commission (Manitoba Motor League Brief). Manitoba Legislative Assembly Sessional Papers – Special Select Committee on Highway Safety, 1953 – 1954.

⁷³ The relevant survey questions and format appear in Appendix 2-1.

⁷⁴ Manitoba Legislative Assembly Sessional Papers – Special Select Committee on Highway Safety, 1953 – 1954.

⁷⁵ Questionnaire, Section (3) Assigned Risk Plan. Ibid.

questions suggest officials were recommending minor changes to existing legislation.

After reviewing the submissions of the public and the insurance industry, the government committee recommended against public automobile insurance, an issue it was not actually asked to explore, but favoured some increases in automobile insurance limits in light of inflation. The committee determined the public agreed with the 1945 safety responsibility law, with a few responses suggesting indifference. It also found the industry desired the preservation of the status quo in the province, in the form of no compulsory insurance and no additional advanced rating categories. In many respects, the insurance industry hoped to avoid legislation that increased costs, fearing public criticism. In the end, the committee recommended increasing the policy minimums and the amount payable from the unsatisfied judgement fund. These moves appeased most parties. The decision also confirms a continued amicable relationship between government officials and the insurance industry. The industry did not advance any position that jeopardized the government's position on automobile insurance and conversely, the government maintained the status quo for the insurance industry.

The minor changes recommended by the committee did not prevent continued comparison with Saskatchewan and exploration of automobile insurance in Manitoba. F.A. Swaine, the superintendent of insurance for Manitoba asked the All Canada Insurance Federation if it could provide a comparison of benefits offered by the law in Manitoba and the act in Saskatchewan, no doubt anticipating the type of response he would receive. Swaine explained, "The idea, I think, is to see whether the Saskatchewan plan, including compulsory insurance provided by the Saskatchewan Government Insurance Company, offers the Saskatchewan motorists any advantages over those enjoyed by Manitoba motorists."⁷⁶ The All Canada Insurance Federation expressed continued concern over the influence of the CCF party in Manitoba, suggesting CCF supporters continued to lobby for the introduction of a Saskatchewan style automobile insurance plan "or some form of compulsory insurance."⁷⁷ In 1956, the All Canada Insurance Federation also identified serious issues anticipated with automobile insurance in Manitoba and offered a series of recommendations. Among other matters, its fourteen recommendations dealt with driver licensing, classification of drivers and premiums rates. While the federation found improvements in driver testing resulted in improvements in both highway safety and the administration of the plan, it continued to worry about provincial variations in the assigned risk plan. The industry worried about weaknesses inherent in the existing safety responsibility law as automobile insurance increasingly became a political target. Although the 1953 committee

⁷⁶ F.A. Swaine (Superintendent of Insurance, Manitoba) to E.H.S. Piper (Counsel, All Canada Insurance Federation) June 16, 1955. File: All Canada Insurance Federation.

⁷⁷ "Memo for meeting of the All Canada Insurance Federation to be held in Toronto January 26th and 27th, 1956." Ibid.

had reinforced the industry position, Manitoba was less politically stable by the late 1950s. The reintroduction of competitive politics in Manitoba shook industry officials who had been accustomed to the stable environment. Government bureaucrats appeared less willing to accommodate minor weaknesses in the legislation and were eager to support the existing government position.

In 1960, the government in Manitoba, led by Conservative Premier Duff Roblin, justified industry concerns when he started to ask questions about the existing framework for automobile accident victim compensation.⁷⁸ His questions were triggered by his concern over the NDP interest in automobile insurance in the province. Weakness in the automobile insurance plan could be converted into political capital during an election, an eventuality Roblin hoped to avoid. Roblin's efforts to assuage his own political concerns, however, translated into industry concern over the government's interest in automobile insurance. The industry's long-time fear of government criticism of age restrictions came to haunt it as Roblin and other members of the government examined who was required to apply to the assigned risk plan and why. Roblin, in a meeting also attended by Attorney-General Sterling Lyon, expressed concern over the operation of the assigned risk plan because he felt too many apparently insurable drivers appeared before the assigned risk committee. Of the majority of the 1500 drivers falling into this category, the industry argued, most fell in the under twenty-one or over seventy age groups with many of the remaining drivers being classified as new drivers. Industry representatives believed they should not be scrutinized over the 0.5% of 1% of drivers who appeared before the assigned risk plan committee, explaining these denials should not "be made the subject of any comment, adverse to the Government, in the Legislature." As a compromise, the industry recommended removing any policyholders diverted to the plan who had an otherwise clear record following two years of good driving. The driver would "be recommended to make an application to his Agent of record, or if he has no Agent of record to his existing insurer, to see whether he can arrange for insurance outside the plan, but he will, of course, be told that if he prefers to continue insurance under the plan then the Plan will be happy to continue to insure him." Roblin accepted the agreement and assured members of the industry "that this problem was not one of significant importance."⁷⁹ Roblin, like the insurance industry, did not want to give automobile insurance any more public attention than necessary with the CCF/NDP again developing a strong following in Manitoba.⁸⁰

⁷⁸ Historian Gerald Friesen describes Roblin's administration as "progressive, business-oriented, and affiliated with the old British-Canadian elite of the province." Friesen, 420.

⁷⁹ The meeting was also attended by prominent members of the insurance industry, among them, E.S. Piper, head of the All Canada Insurance Federation. Chairman, All Canada Automobile Committee to A.L. Hall (Chairman, Manitoba Assigned Risk Plan) December 19, 1960. File: All Canada Insurance Federation.

⁸⁰ While support for the CCF had dipped to 16% in 1953 from a high of 34% of the total votes in 1945, the CCF was gaining strength in the province by 1958. During that election, the

Two years later, the insurance industry, having weathered initial criticisms posed by Roblin, worked to alter the assigned risk plan in Manitoba. The All Canada Insurance Federation believed Canada needed a uniform assigned risk plan in order to ease the administrative hassle for consumers, insurance companies and governments. The federation recommended increasing the minimum policy limits while at the same time adopting an all-inclusive limit to accommodate the increased cost of damage claims and compensation settlements. To avoid bad publicity, the federation explained that increased limits and corresponding rates should be implemented over a period of time to elude the anger of the motorist who already had “many present-day demands upon his pocketbook.” Finally, the federation suggested the Government of Manitoba transfer the administration of the plan to the All Canada Insurance Federation, as five other provinces had done. The federation believed it offered Canada-wide experience and would be better equipped to deal with changing laws in Canada.⁸¹ The federation proposal would have captured elements of government control. The Manitoba Government refused the offer, maintaining the status quo. Presumably, government officials wanted to maintain control over the insurance industry in the province. Acquiescing to these demands would have strengthened the position of the insurance industry in the province while at the same time, in the case of the assigned risk plan, removing an element of regulation from the existing system. In this case, the industry imperiled the relationship with the government, overreaching itself. This decision signaled the beginning of troubled relations between the government and the insurance industry over the assigned risk plan.

An attack by the *Winnipeg Tribune* on the assigned risk plan a year later, which targeted the insurance industry, again prompted a call for improvements to the plan, to no avail. Increasingly, the federation worried about public perceptions of the industry in light of the lack of action by government officials. Referring to its recommendations of the previous year, the All Canada Insurance Federation argued “the industry can be accused of discriminating against Manitobans. As you know, this is most certainly not our fault as we have tried everything that we could do to persuade the Manitoba Committee and yourself to go along with us.”⁸² In March 1963, the Manitoba government decided to review the assigned risk plan and invited the insurance industry to submit opinions.⁸³

CCF gained 10 seats in the legislative assembly, the most to that point, with 20% of the total votes. See Adams, 21.

⁸¹ B.V. Richardson (Richardson, Richardson, Huban & Wright, Barristers and Attorneys at Law.) to Hon. Sterling Lyon (Attorney-General – Manitoba) February 20, 1962. File: All Canada Insurance Federation.

⁸² E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) to the Honourable Dufferin Roblin (Premier of Manitoba) February 8, 1963 and W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) to Fred A. Swaine (Superintendent of Insurance, Manitoba) February 21, 1963. Ibid.

⁸³ Fred A. Swaine (Superintendent of Insurance, Manitoba) to E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) June 3, 1963. Ibid.

Premier Roblin explained the industry could reduce criticism if it could reduce the number of mid-term cancellations.⁸⁴ At the same time, a committee was appointed to review the federation's model plan, a plan that purported to make insurance more easily accessible.⁸⁵ The government did not make it clear to the public who initiated this plan. The federation complained that "the insurance industry is made to look as though it is being forced to provide such benefits of the Model Plan, as Manitoba has thus far seen fit to adopt, at the point of a legislative gun."⁸⁶ The federation thought the public should understand any change to the existing legislation to be voluntary. Swaine, the superintendent, found the criticisms of Manitoba's assigned risk plan by the All Canada Insurance Federation unacceptable. Swaine believed public concern about the assigned risk plan, highlighted by the Tribune article, related to "such things as the lack of compulsory insurance and cancellation of auto policies without giving reasons" and did not necessitate the change the federation had proposed.⁸⁷ In this respect, the insurance industry had potentially missed the emerging political and social concern over the role of the insurance industry in the province. Instead of focusing on making changes that would have made the existing automobile insurance system more palatable, the industry fixated on the administrative minutia. As public and political scrutiny of automobile insurance intensified, the government and the insurance industry lost sight of the effectiveness of earlier cooperation. Neither group benefited from the disintegrating relationship.

The government and the insurance industry needed to find some balance between an insurance company's need to cancel policyholders mid-term and the public desire to see this practice put to an end. The insurance industry argued it should be able to cancel a policyholder that it considered a "moral hazard" without having to justify its reasons to the government or the public.⁸⁸ E.S. Piper, manager and general counsel for the All Canada Insurance Federation, stated "As you know, under criminal law a man is innocent until proven guilty, but when we know that a taxicab operator is soliciting for prostitutes or is bootlegging alcohol

⁸⁴ Duff Roblin to E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) February 18, 1963. Ibid.

⁸⁵ Fred A. Swaine (Superintendent of Insurance) to W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) March 1, 1963. Ibid.

⁸⁶ W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) to Fred A. Swaine (Superintendent of Insurance, Manitoba) July 9, 1963. Ibid.

⁸⁷ Fred A. Swaine (Superintendent of Insurance) to W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) July 30, 1963. Ibid.

⁸⁸ The insurance industry used "moral hazard" as a label, identifying questionable behavior of individuals, unlike economists, who use the term to mean facilitating irrational choices with costs to many other than the party making the choice. Robin Pearson, a noted insurance historian, defines a "moral hazard" as "the possibility of unfavorable features of a risk arising from the character of the insured. It implied the need for insurers to scrutinize the lifestyle, mores, and financial liquidity of the person proposing an insurance, but it also entailed moralizing assumptions about social class, residential location and...ethnicity." See Robin Pearson, "Moral Hazard and the Assessment of Insurance Risk in Eighteenth – and Early – Nineteenth – Century Britain," *Business History Review* 76 (Spring 2002), 6 – 7.

and feel there is a strong incentive to cancel his liability insurance even if it might be financially dangerous to disclose the true reasons, we should be able to do so.”⁸⁹ While privately the industry aimed to protect its right to cancel policies, publicly, it understood the need for some concessions. The All Canada Insurance Federation pressured its members not to cancel policies sixty days after the policy had been issued “unless the reasons for cancellation are publicly justifiable.” The bulletin author explained, “If the automobile insurance industry is to avoid legal restrictions, it must take every precaution that policies are not cancelled in mid-term indiscriminately.”⁹⁰ The federation presented its recommendations to Premier Roblin in the hope of reducing public and private criticism of industry decision making with regard to policyholders.⁹¹ The government accepted the concession in the short-term. The solution would prove temporary. The industry no longer could make recommendations to the government and expect an immediate and cordial response. The government increasingly challenged the role played by the insurance industry and refused to let the status quo stand in areas where it believed improvements could be made.

Between 1945 and 1965, the relationship between the insurance industry and the government changed. The industry played an increasingly important role in the automobile insurance field following legislative changes in Manitoba that made automobile insurance all but mandatory. Neither the industry nor the government felt entirely satisfied with the role initially established. While the government had been a supporter of the insurance industry throughout the 1940s and 1950s, the industry and government increasingly diverged on issues like the assigned risk plan. Manitoba government officials throughout the 1940s and 1950s approached the issue of automobile insurance in a conservative manner. Officials carefully negotiated with members of the private industry, resulting in the safety responsibility law with the assigned risk plan and unsatisfied judgment fund as components, reflecting perfectly the spirit of the corporatist model. The law induced ninety-five percent of all drivers to carry insurance, guaranteeing a level of victim compensation, a success for both the industry and the government. Relations faltered as automobile insurance became a political target at the beginning of the 1960s. The industry overreached its assigned position in an effort to protect itself and government officials responded with minor compromise and public criticism. The Manitoba tale is far from complete because the post-1965 period would prove the most tumultuous for those involved in the automobile insurance debate. Public compulsory automobile insurance would

⁸⁹ E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) to F.A. Swaine (Superintendent of Insurance, Manitoba) February 10, 1964. File: All Canada Insurance Federation.

⁹⁰ E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) Manitoba Bulletin No. 29 February 17, 1964. Ibid.

⁹¹ Fred A. Swaine (Superintendent of Insurance, Manitoba) to E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) February 13, 1964. Ibid.

again beckon. This time the decision delivered a fatal blow to the private automobile insurance industry in Manitoba, as will be seen in Chapter Five.

Chapter 3

‘The Farmer Will Pay!’¹

The Automobile Accident Insurance Act in Saskatchewan

The general trend toward government interference in the insurance business is being viewed, in some quarters, if not with alarm, at least with some concern. In other quarters there is a complacency which will, we venture, be rudely dispelled someday in the not too far distant future. The business of insurance is not the kind of business anyone can understand or undertake. It is extremely complex and technical, and it is perhaps unfortunate that this fact is not more fully realized by those of our political leaders who seem to think that three hundred years of experience in all parts of the world can be substituted by a four or three year term in a provincial parliament, or some wild eyed theorist who is convinced that ‘three acres and a cow’ for everyone is the ultimate good for the people of Canada, and that the nationalization of all industry is the recipe for ‘Utopia’.²

By the time this insurance industry writer quipped about government interference, “wild eyed theorists” in the Saskatchewan government had already planned to introduce public compulsory automobile insurance. Saskatchewan had high rates of automobile accidents and related fatalities throughout the 1930s and 1940s, yet by the mid-1940s, an estimated eighty five percent of car owners drove without insurance.³ As in Manitoba, experiments with financial responsibility law were perceived to have failed. In Saskatchewan, how best to address shortcomings in the law would be considered by an avowedly social democratic party, the CCF, which came to power in 1944.

In 1946, two years after ascending to power, the CCF government introduced the “World’s Most Advanced Automobile Insurance Plan.” One critic labeled the plan “one of the biggest and gawdiest dummies in the C.C.F. Show window.”⁴ Insurance companies, with the exception of the insurance agents, did

¹ ‘The Farmer Will Pay,’ Advertisement placed in all Saskatchewan papers over a two-week period produced by the Insurance Agents’ Association. (circa 1946) Box 8 File 16 Auto Insurance 1962 – 1966. Wawanesa Mutual Insurance Company Archives, Winnipeg, Manitoba [hereafter WMICA]

² “Government Interference,” *Canadian Underwriter* 12, 2, (January 15, 1945): 14.

³ “The Farmer Will Pay.”

⁴ Clipping from the Calgary *Albertan*, attached to a letter dated March 19, 1952. File (i) Government Insurance Office. R33.1 T.C. Douglas Papers File 475 (12-1) SGIO 1944 – 1953. Saskatchewan Archives Board, Regina, Saskatchewan. [hereafter Douglas Papers].

not protest the introduction of government insurance because the new public insurance organization allowed for the continuation of private industry. Initially, companies remained silent because they feared potential retribution by the government that might eliminate the industry from the market completely. The conservative nature of the 1946 Automobile Accident Insurance Act (AAIA) may have soothed some industry concerns regarding its ongoing position, but the AAIA soon resulted in public dissatisfaction. By the early 1950s, the government had expanded the scope of public insurance, and was crowding out private insurers to address public concerns. As the amended AAIA limited the insurance industry's market, the industry found ways to fight back. The result was that the Saskatchewan Government Insurance Office was forced to alter its image from a protector of public safety to a dispenser of inexpensive insurance, which promoted, as the CCF frequently argued, "a dignified, and a rich and varied life."⁵ Throughout the 1950s and into the 1960s, critics and supporters from across North America looked to the AAIA and SGIO to evaluate the effectiveness of public compulsory insurance. Ultimately, with so much at stake for the government and the industry, public automobile insurance became a political endeavour rather than the solution to the victim compensation issue.

The creation of the AAIA and SGIO in Saskatchewan changed traditional insurance industry-government relations. Premier T.C. Douglas believed that the industry held "a complete monopoly" in the other provinces and deemed "their power over governments so great that any potential competitors are kept out of the way."⁶ Whereas the industry played an active role in policy development in other provinces, in Saskatchewan, the CCF government developed policy at odds with industry interests. The leading insurance company, the Wawanesa Mutual Insurance Company, defended the right of private enterprise to exist, and defined itself in what it viewed as a hostile political environment. By offering cost competitive insurance policies, Wawanesa and other private insurance companies challenged the government's automobile insurance initiative. Faced with public and compulsory insurance, the industry sought to cultivate public support for private enterprise in the insurance business. The insurance industry's decision to address the cost of public compulsory insurance and its success would cause problems for the insurance industry when the CCF reign ended in 1964. The focus on cost made it impossible for the Liberal government to reverse this law because it would have been too expensive, as will be seen in chapter five.

A.W. Johnson, Deputy Minister of Finance under Douglas, refers to automobile insurance as one of the CCF government's "banner programs"

⁵ A.W. Johnson (with the assistance of Rosemary Proctor), *Dream No Little Dreams: A Biography of the Douglas Government of Saskatchewan, 1944 – 1961*. (Toronto: University of Toronto Press, 2004), 26.

⁶ T.C. Douglas to Neil McColeman June 13, 1950. Douglas was responding to the Ontario government's decision to keep the Saskatchewan government's company out of the insurance business in that province. File (g) Government Insurance Office. File 475 (12-1) SGIO 1944 – 1953, Douglas Papers.

alongside universal hospital services, education advancements, trade union legislation and Canada's first Bill of Rights but offered no explanation for the creation of the AAIA.⁷ Historians generally have paid little attention to SGIO. While S.M. Lipset's retrospective of the CCF's early years in government discussed the creation and effects of SGIO, he focused on SGIO's progressive labour union and its failing, and had no comment on the Automobile Accident Insurance Act.⁸ Rare historical studies of SGIO have examined the CCF's commitment to socializing private enterprise. Lewis Thomas states "it is significant that ... observers have ignored the establishment of the Saskatchewan Government Insurance Office, which was violently attacked because it threatened the structure of capitalist society to a greater degree than many other government initiatives. The government proceeded with this measure, undeterred by fear of the electorate or of pressure groups."⁹ Thomas' argument is misleading because, as will be examined later, the CCF was aware of SGIO's influence on electoral success and repeatedly used policy change to influence election results. Thomas failed to examine these issues, exploring the changing nature of the CCF platform in the years preceding the 1944 election instead. He suggested the party adapted policies to reflect societal demands without alienating the voting population.¹⁰ Thomas and Peter Sinclair before him believed the CCF needed to balance a socialized state with the concerns that this would lead to a communist state. The resulting concessions revolved primarily around the retention of family farms. In addition to challenging the notion that the CCF government in Saskatchewan represented a movement, Peter Sinclair argues that the CCF worked as a political party with political ambitions. Electoral failures in the 1930s, he argues, led to policy moderation, away from the original goals of the Regina Manifesto. Radical socialist policies disappeared in favour of increased voter support, with few aggressive socialist policies remaining at the time of the election in 1944. One of the socialist policies preserved was social ownership of "financial institutions, some natural resources and public utilities."¹¹ Larry Pratt and John Richards also believed the CCF government had a moderate wing, but that Douglas and the CCF administration during the early years were more radical than Sinclair suggested, with radical party elements influencing policy on public utilities.¹²

⁷ Johnson, 66.

⁸ S.M. Lipset, *Agrarian Socialism: The Cooperative Commonwealth Federation in Saskatchewan: A Study in Political Sociology*. (Berkeley: University of California Press, 1967), 248.

⁹ Lewis Thomas, "The CCF Victory in Saskatchewan, 1944," *Saskatchewan History* 34 (Winter 1981): 14.

¹⁰ Ibid.

¹¹ Peter R. Sinclair, "The Saskatchewan CCF: Ascent to Power and the Decline of Socialism," *Canadian Historical Review*, 54 (December 1973): 431.

¹² Larry Pratt and John Richards, *Prairie Capitalism: Power and Influence in the New West*. (Toronto: McClelland and Stewart, 1979), 103.

A.W. Johnson spent two chapters outlining the evolution of the policy platform and its conversion into an election platform, focusing on natural resource and social policies but not automobile insurance issues.¹³ Johnson argued that the public ownership program, which included SGIO and the AAIA, evolved because of the vague nature of the original party platform. Johnson spent one paragraph highlighting the creation of both SGIO and the AAIA in the context of the problems with public ownership in a book spanning three hundred pages. Other CCF “banner programs” like Medicare received an introduction of three to four pages and were given chapters later in the book. He suggested the greatest appeal of compulsory insurance among citizens was “its equity: no longer were citizens penalized because of their inability to afford lawsuits or because of an offender’s inability to pay.”¹⁴ By this definition, compulsory insurance was the same as most other legislation in Canada. In contrast to Johnson or prior writers, this chapter argues the public ownership component made Saskatchewan’s law different. Its introduction in the context of an ambitious social and economic development program also separated it from other automobile victim compensation legislation. The government’s willingness to legislate other insurers out of the market also set Saskatchewan’s legislation apart from other acts.

While many scholars focus their attention on more popular elements of the CCF program, like health care, John Pratt and Larry Richards focused solely on the CCF’s development of resource industries.¹⁵ Pratt and Richards’ overall assessment of crown corporations on the prairies is useful because it suggests a growing awareness among provincial governments about the ability to control resources and capital. Pratt and Richards argued the CCF government was not captured by any capital interest and successfully used Saskatchewan’s resources to its advantage, although the CCF did go out of its way to promote development in the late 1940s and 1950s. In discussing Saskatchewan’s public utilities and the importance of economies of scale, Pratt and Richards identify SGIO as a success. SGIO turned an initial investment of \$12,000 into a “capital reserve of \$1.5 million” by 1948.¹⁶ This is an unfortunate choice of evidence because it would be one of the few times the organization had a substantial profit in its first fifteen years of operation.¹⁷ Pratt and Richards fail to acknowledge the problems that emerged in the years following the peak in profits in the late 1940s. While they

¹³ Johnson completed his book as a dissertation in 1963 revising and publishing it as a retrospective in 2004.

¹⁴ Johnson, 76.

¹⁵ For a recent study on the ineffectiveness of many of the Saskatchewan’s attempt to develop a manufacturing based economy, see David M. Quiring. *CCF Colonialism in Northern Saskatchewan: Battling Parish Priests, Bootleggers, and Fur Sharks*. (Toronto: UBC Press, 2004).

¹⁶ Pratt and Richards, 113.

¹⁷ Annual Report. Saskatchewan Government Insurance Office. 1946-47, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971. Saskatchewan Archives Board.

are correct in asserting that SGIO survived as a result of its monopoly control of basic automobile insurance, they overlook the long-term effect on private business in the province. In the case of the insurance industry, this chapter argues, the government unilaterally decided to limit private competition in the market. The elimination of industry agency occurred rapidly, instead of being the result of long term negotiations with an increasingly skilled government.¹⁸ While the insurance industry's ability to counter government challenges certainly improved, the frameworks in place favoured the Saskatchewan government.

The relationship with the insurance industry was of little concern for the CCF government when it came to power in 1944. The CCF government hoped to avert future social failures highlighted by the Depression and to create a strong economy coming out of World War Two. It recommended programs that provided social services and aided economic stability. The programs included the introduction of improved relief for farmers in times of drought and depressed agricultural prices, improvements to education and health care, and economic programs aimed at diversifying the economy. In addition to creating widespread social programs, the government wished to offer some solution to traffic accidents and related injuries and fatalities. Saskatchewan experienced dramatic increases in the number of accidents and deaths, in spite of the slow growth of automobile ownership following the depression. In 1944 Saskatchewan had 94,153 cars and 41,512 trucks, but also suffered from a large number of accident-related deaths.¹⁹ Saskatchewan, like most Canadian provinces, enacted a weak financial responsibility law in 1934-35, with limited revisions in 1939. Some observers saw the law as failing because accidents and deaths increased.²⁰

The new CCF government found the number of pre-war automobile injuries and deaths alarming and worried about the impact of post-war prosperity and "the return of many young men to civilian life who have grown accustomed to the operation of motor vehicles under war conditions."²¹ It also worried about

¹⁸ Pratt and Richards, 8 – 9.

¹⁹ For the automobile statistics see "Death is on the Upgrade!: Drive Safely, Sanely, Sensibly," 2. Box 8 File 3 Auto Insurance – Sask. 1946 – 1947. WMICA. See Donald Davis, "Dependent Motorization: Canada and the Automobile to the 1930s," in Douglas McCalla (ed.), *The Development of Canadian Capitalism: Essays in Business History*. (Toronto: Copp Clark Pitman Ltd., 1990), 191 – 218 and G.T. Bloomfield, "I Can See A Car in that Crop": Motorization in Saskatchewan, 1906 – 1934," *Saskatchewan History* 37 (Winter 1984): 3 – 24 for a summary of the pre-1940s Saskatchewan automobile experience.

²⁰ The law appeared in Part VI of the Vehicles Act. Saskatchewan. *Statutes of Saskatchewan*. 1934-35, c. 68 and the Vehicles Act, *Statutes of Saskatchewan*. 1939, c.83 and then *Revised Statutes of Saskatchewan*. 1940, c. 275. John J. Robinette (Barrister, Osgoode Hall, Toronto) *Report on the Problem of Providing Compensation for Victims of Motor Accidents with Particular Reference to Compulsory Insurance and the Financial Responsibility of Motorists*. (Toronto: The Carswell Company, Limited, 1943), 78.

²¹ Special Committee of the Saskatchewan Government Appointed to Study the Problem of Compensation for Victims of Automobile Accidents, *A Report on the Study of Compensation for Victims of Automobile Accidents*. (Regina: Thos. H. McConica, King's Printer for Saskatchewan, 1947), 8.

uninsured drivers. The lack of effective legislation in the province also concerned insurance companies, which hoped that improved regulation in the province would improve the opportunities for subrogation – the ability to regain losses through legal means. The CCF government considered safety responsibility law and compulsory insurance as feasible options, overlooking the compensation plan and revised financial responsibility law that other governments examined. The CCF government believed the continued attempts by other governments to resolve problems associated with financial responsibility laws was “an admission of failure.”²² Introducing compulsory insurance had a certain appeal for the government because it could guarantee access to insurance while protecting all citizens from potentially harmful and increasingly frequent liability judgments. Compulsory insurance also prevented companies from declining risks they did not like or want. The committee appointed to assess the feasibility of compulsory insurance worried it would mean guaranteeing the private insurance industry thousands of new insurance policies and millions in new premiums in a province where less than twenty percent of drivers were insured in 1944.²³ Granting the private insurance industry this level of new business was contrary to CCF policy, which aimed to secure and invest existing capital for use in Saskatchewan. Establishing a public insurance corporation allowed the government to keep money in the province while at the same time insuring access to compensation for all automobile accident victims. The CCF conception of public ownership echoes arguments presented for turn-of-the century public utilities. Carman D. Baggaley suggests early government ownership emerged because government regulation “had not yet demonstrated that it could do the job.” The failures of the financial responsibility law and early regulation of the automobile insurance industry would have made this justification plausible.²⁴ Severing any existing relationship with the insurance industry was not a concern.²⁵

In August 1945, an editorial writer for the *Canadian Underwriter* commented on how lucky the Canadian industry was because the government stayed largely at arm’s length from the industry unlike the United States where government seemed overly involved. To avoid government intervention in Canadian business, insurance companies and the insurance industry needed to take responsibility for the problems they faced. The author argued that highlighting problems with automobile insurance invited government interference. The weakened position of insurance before the public provided

²² Special Committee of the Saskatchewan Government, 7.

²³ “The Farmer Will Pay.” In fact, the government estimated only twelve percent of private automobiles had public liability insurance. The committee report explains the twelve percent included taxis, buses and those obligated to insure their vehicles under existing financial responsibility law. Special Committee of the Saskatchewan Government, 9.

²⁴ Carman D. Baggaley, *The Emergence of the Regulatory State in Canada, 1867 – 1939*. (Ottawa: Economic Council of Canada, 1981), 119.

²⁵ Unfortunately, there is no documentation to suggest what this earlier relationship looked like. I am inclined to assume it was amicable because pre-1945 law was not unfavourable to industry interests.

“opportunities for politicians and bureaucrats to push the whole insurance structure, if not into the arms of the State, at least into dangerous proximity to complete State control.” The author referred to this scenario as “socialistically-minded politicians” placing the industry in a “straight-jacket.” In order to maintain “personal freedom” and avoid nationalization, the industry needed to work problems out privately.²⁶ The actions of the CCF changed the way the industry viewed the Saskatchewan government and governments in general across Canada. Governments could, and would, exert power and influence on policy. The events in Saskatchewan in 1945 and 1946 would prove that industry participation was not a pre-requisite for advances in insurance industry regulation.

The first CCF speech from the throne declared that “the day is past when it can be left to the forces of private enterprise exclusively to develop the resources of the community and to organize its business activity. ... the time has come when governing bodies must realize their responsibilities in the sphere of economic life.”²⁷ In 1945, the Department of Social Welfare introduced one of the CCF’s many new crown corporations, the Saskatchewan Government Insurance Office.²⁸ The government hoped profits made by SGIO would be used to fund social programs, explaining the decision to place SGIO under the auspices of the social welfare department. The entrance into the insurance market was rooted in the CCF’s Regina Manifesto, which stated “Insurance Companies, which provide one of the main channels for the investment of individual savings and which, under their present competitive organization, charge needlessly high premiums for the social services that they render, must also be socialized.”²⁹ Unlike many of the elements of the Regina Manifesto that disappeared, the interest in taking over the insurance industry remained, although the interest in life insurance waned.³⁰ SGIO, the government argued, responded to an insurance market dominated by eastern Canadian and foreign insurance companies, an assertion common among insurance companies started in Western Canada,

²⁶ “The Editorial Viewpoint: Key to the Future and What Action is Proposed?” *Canadian Underwriter* 12, 15, (August 1, 1945): 12.

²⁷ “First Session of the Tenth Legislature of the Province of Saskatchewan.” (circa 1944) File (a) Speech from the Throne, 818 (35-4) Douglas Papers.

²⁸ The Saskatchewan Government Insurance Office was Canada’s second government insurance office. In September 1939, the Government of Alberta introduced Canada’s first public insurance office, a government run fire insurance office. Alberta advertised the office as a way to keep money in the province with the slogan “Keep Money in Alberta.” “Alberta Insurance Plan Developing into Opposite of Utopian,” *Canadian Underwriter* 12, 16, (August 15, 1945): 10. The Alberta Insurance Office lasted through the 1940s but not much beyond as the government quickly discovered insurance could be a costly business.

²⁹ Regina Manifesto in *The Decline and Fall of a Good Idea: CCF – NDP Manifestoes 1932 to 1969*, with an introduction by Michael S. Cross. (Toronto: New Hogtown Press, 1974), 20.

³⁰ SGIO was not licensed to offer life insurance and there is little indication that this line of insurance was considered. Life insurance, already well-established in Canada, was heavily regulated by the federal government.

including Wawanesa.³¹ While this dissertation examines SGIO in the context of the AAIA, SGIO offered a wide-range of other products similar to any other insurance company and competed for business.³² SGIO was initially licensed by the provincial government to sell thirteen forms of insurance focused on property and casualty insurance.³³ It expanded quickly, immediately attracting consumers.³⁴ In 1945, insurance industry observers noted a “flood of insurance flowing into the Saskatchewan Government Insurance Office.”³⁵ These other lines were never as successful as the automobile line, representing less than half of the corporation’s average income.³⁶ In order to be successful, the government needed a competitive advantage and did not hesitate to use its power to create the needed opportunity.

SGIO experienced part of its boost from a government initiative requiring any institution receiving money from the government, including hospitals and schools, to purchase insurance from the crown corporation as a condition of the funding.³⁷ A.W. Johnson pointed out SGIO catered “both to the public generally and to public agencies that either did business with the SGIO voluntarily or were called on to do so by legislation.”³⁸ Government officials concluded that legislating insurance would be an efficient way to compete in Saskatchewan. Oak Valleau, Minister of Social Welfare and minister responsible for SGIO, commented in 1947 on bonding insurance, one of the many forms of insurance offered by SGIO. He suggested “creating a socialist society” necessitated using

all of the weapons which are available. We have, in
Saskatchewan, started an insurance company which, in

³¹ The oft-cited ninety percent share of the market dominated by eastern insurance companies seems high, especially given the prominence of mutual insurance companies in the province, but it is difficult to prove this number is wrong without better statistics. The People’s Business: Saskatchewan Government Insurance: A Story of Progress (Saskatchewan Government Insurance Office) July 15, 1947. Box 8 File 3 Auto Insurance – Sask. 1946 – 1947. WMICA.

³² Without access to the corporate archive, the actual original objective of the organization remains unclear. SGIO quickly became so consumed by its importance as a provider of automobile insurance that the original objective of the organization has been lost. Even the first annual report, published around the time of the AAIA announcement, focused on the importance of SGIO as a Saskatchewan insurance company and the provider of an important public service.

³³ They were: fire, auto, accident, aircraft, boiler and machinery, guarantee, inland transportation, livestock, plate glass, property damage, public liability, theft and weather. Debbie Clark (SGI Communications) *Celebrating Our Fiftieth Year: A History of Saskatchewan Government Insurance*. (Regina: Printwest, 1995.), 9.

³⁴ “Growth of a Business,” in *Saskatchewan News: A Weekly Informational and News Bulletin* Issued by the Bureau of Publications 1, 41, (July 15, 1946): 2 – 4. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA.

³⁵ “Sask. Flood,” *Canadian Underwriter* 12, 17, (September 1, 1945): 7.

³⁶ See Appendix 3-2.

³⁷ While the Alberta government did offer insurance to government departments, there is little evidence suggesting the government linked insurance to funding in the same way the Saskatchewan government did.

³⁸ Johnson, 75.

of threat.⁴⁰ Although state intervention weighed heavily on the minds of those in the industry, its introduction loomed in the distance.

In September 1945, at the request of O.W. Valleau, the Highway Traffic Board and the Saskatchewan Government Insurance Office formed a committee composed of bureaucrats to explore “the problem of compensation for the victims of automobile accidents.”⁴¹ In January 1946, Valleau asked members of the CCF caucus to approach those who would have an opinion on “a plan of accident insurance” without revealing the government intention to “embark upon such a plan.” He cautioned “the opposition press are very anxious to secure some advance information in order to proceed to attack us.”⁴² Unlike Manitoba’s 1944 committee, which drew on public testimony and written documents, the Saskatchewan committee examined reports constructed by others without inviting public discussion because they believed the issues had already been outlined elsewhere.⁴³ The committee concluded public compulsory automobile insurance was the most effective method of dealing with poor compensation of automobile accident victims and recommended the Automobile Accident Insurance Plan to be administered by the Saskatchewan Government Insurance Office.⁴⁴ While the government received an internal preliminary report in early 1946, the official final report for the public would not be issued until February 1947, after the Automobile Accident Insurance Act came into effect.

The Special Committee’s full report, appearing in 1947, explained the introduction of the AAIA. The committee explored many of the same issues as the Hodgins and Robinette reports.⁴⁵ The report covered six areas, broken into two parts. The first part explored revised financial responsibility law, compulsory liability insurance and the compensation plan.⁴⁶ The second explored the

⁴⁰ Address to Insurance Institute of London by Neville Dixey (onetime Chairman of Lloyd’s) in November 1945 reproduced in part in “Service and Profit Not Opposed Says British Insurance Leader,” *Canadian Underwriter* 13, 2, (January 15, 1946): 11.

⁴¹ The committee was composed of W.H. Dunn (Assistant Manager, SGIO), John Green (Lawyer and later General Manager, SGIO), J.B. Grey (Highway Traffic Board), H.A. Forsyth (Secretary, SGIO?), C.W. Garth and M.F. Allore (Manager, SGIO). See Saskatchewan. *A Report on the Study of Compensation for Victims of Automobile Accidents*. (Regina: np., 1947).

⁴² O.W. Valleau to Members of the Caucus [Important, Confidential] January 14, 1945 – typo – sequence of documents suggests it should be dated 1946; O.W. Valleau to Members of the Caucus, January 25, 1946. File (a) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁴³ Special Committee of the Saskatchewan Government, 7.

⁴⁴ Preliminary Report of the Special Governmental Committee on Automobile Accident Insurance with particular reference to A Compulsory Insurance Plan submitted to Hon. O.W. Valleau, Hon. C.M. Fines on November 2, 1945. Committee M.F. Allore (Chairman, SGIO), W.H. Dunn, J.B. Greig, J. Green (B.A. LL.B.), H.A. Forsyth. File (a) Saskatchewan Government Insurance, 475 (12-1) Saskatchewan Government Insurance Office. Douglas Papers.

⁴⁵ This is not surprising, since the committee drew on both of these documents in the creation of the final report. See Appendix 6, Special Committee of the Saskatchewan Government, 132.

⁴⁶ The compensation plan, developed as a result of a study conducted by a Columbia University Council for Research in the Social Sciences research project, had five elements: (a)

proposed plan and highlighted the importance of a “socialized accident insurance plan.” In the forward, M.F. Allore, SGIO general manager, highlighted the committee position on victim compensation. He stated “that so long as any person is exposed to the risk of physical or economic loss by reason of the presence of the motor vehicle on the highway, there is a matter of concern to the organized community no matter how insignificant that person might be.”⁴⁷ Financial responsibility received a particularly critical review, not surprising given the government desire to implement compulsory insurance. The report attacked crucial elements of the Robinette report, arguing the industry-funded conclusions were “misleading.” The committee recommended retaining the elements of financial responsibility law applying to property damage, but replacing existing liability law with public compulsory liability insurance to guarantee bodily injury claims would be covered.⁴⁸ The new Manitoba safety responsibility law could be achieved by implementing a public safety program in conjunction with compulsory insurance.⁴⁹ The committee challenged Manitoba’s assertion that compulsory automobile insurance would result in increased rates. It suggested compulsory *public* insurance would avert the private insurance company rating rackets encountered in the United States.⁵⁰

The committee reviewed private compulsory insurance in other countries. Great Britain implemented private compulsory insurance in 1930 but it only applied to public liability insurance and coverage was minimal. The Saskatchewan committee believed the effect of “compulsory insurance with private companies has been to increase the numbers of insurance companies.” Britain’s law offered minimal protection to the general population and did not cover gratuitous passengers or hit-and-run victims and it placed the onus on the plaintiff to prove negligence following the accident.⁵¹ The Saskatchewan committee attributed these British failures to “the reluctance of Parliament to deviate from orthodox practice.” The committee scrutinized laws in New Zealand and parts of Australia looking for similar failings.⁵² The committee believed providing private companies with guaranteed access to a large market without creating laws to force companies to compensate all victims was troubling. The

limited liability for motor vehicle owners in the event of accident or death, (b) set guidelines for repayment by insurance companies, (c) third parties should be liable to subrogation, (d) all victims would be eligible for compensation (unless a person caused their injury) and (e) victims should receive medical coverage as well as compensation after the first week of disability regardless of occupation. While the committee found the findings of the study interesting and adopted a couple of the principles, they still felt the plan contained too much in the way of compensation for a provincial government to provide. Special Committee of the Saskatchewan Government, 56 – 60.

⁴⁷ Ibid. 3.

⁴⁸ Ibid. 24.

⁴⁹ Ibid. 27.

⁵⁰ Ibid. 27.

⁵¹ Ibid. 28 – 31.

⁵² New Zealand and Australia adopted compulsory automobile insurance between 1928 and 1943. Ibid. 32 – 43.

intervention.⁵⁷ By placing an automobile insurance plan in the hands of the Saskatchewan Government Insurance Office, insurance could be offered at “its proper cost” with any “reserves and surpluses” being reinvested “in human beings as such in the form of more adequate social services.”⁵⁸ In order to meet all of these goals, the committee recommended introducing public compulsory automobile insurance.⁵⁹ By the time the government published the report, it had already passed the Automobile Accident Insurance Act, requiring the purchase of limited liability insurance.⁶⁰

⁵⁷ Pratt and Richards argue the government saw SGIO as a public utility. Pratt and Richards, 113. The goals outlined here support this assertion, suggesting the desire to create a “public utility,” which is traditionally defined as necessary when “their uninterrupted operation was essential to the community and they had certain monopoly-like characteristics.” Governments interested in the creation of a public utility typically cite the importance of the utility for the “public good” and cite “the duty of the state” in their justifications. The creation of the AAIA to aid victims was the central goal. Preventing the exit of capital from Saskatchewan as a reason for developing their insurance company was a lesser consideration, albeit an important one in terms of assigning the AAIA to SGIO. The existence of prior Canadian interventions in the economy, however, did not make the CCF decision any less radical. Other governments had no problems placing responsibility for automobile insurance in the hands of the insurance industry. In 1945, the automobile insurance industry was not particularly profitable and the largest players in Saskatchewan were Canadian mutuals, lessening the impact of such an argument. See Paul Craven, *‘An Impartial Umpire’: Industrial Relations and the Canadian State, 1900 – 1911*. (Toronto: University of Toronto Press, 1980), 287 - 292. “The public interest rationale suggests that a government’s attention is drawn to some social or economic evil as a result of a public outcry, a scandal, a Royal Commission study, or a careful evaluation of a situation by the politicians themselves.” Baggaley, 9.

⁵⁸ Special Committee of the Saskatchewan Government, 64. Unfortunately, there is little discussion of how the government would “reinvest” this money if and when the plan turned a profit. By the early 1950s, there is also no profit and the government had to clear out any reserves in order to keep the plan afloat. Wawanesa invested in a wide variety of ventures. For example, the 1953 annual statement submitted to the Dominion Superintendent of Insurance listed the following bonds: Dominion of Canada, Canadian National Railways, Province of Alberta, Province of British Columbia, Province of Manitoba, Province of New Brunswick, Province of Ontario, Hydro Electric Power Commission of Ontario, Nova Scotia Savings, Loan & Building Society, Canada Permanent Mortgage Corporation, Eastern Savings & Loan Company, Brandon School District #129, Roseland School District #277, Rounthwaite School District # 1067, Town of Souris, Manitoba, Village of Wawanesa, City of Winnipeg, The Regina Branch – Canadian Legion, Souris Hospital District #11, The Bell Telephone Company of Canada, Imperial Tobacco Company of Canada, and Steel Company of Canada Limited. Wawanesa also held preferred stock in Canadian Industries Limited and common stock in British American Oil Company Ltd. and Ogilvie Flour Mills Company Ltd. Annual Statement required from Canadian Companies registered or licensed to transact the Business of Insurance other than Life Insurance in Canada, 1953. Box 3 File 1 Ann. Statement – Govn. Ins. – 53 1949 – 53. WMICA. One remaining earlier listing shows Wawanesa as holding Government of Saskatchewan bonds but the company appears to have sold all Saskatchewan holdings in the 1940s. See Board of Directors Minutes July 8, 1947, Box 7 File 24 Holden – Minutes 1947 – 1948. WMICA.

⁵⁹ Special Committee of the Saskatchewan Government, 71 – 89.

⁶⁰ Public liability insurance is defined as “insurance against loss or damage to the person or property of others which is not included in or incidental to some other class of insurance.” See Manitoba. *Statutes of Manitoba*. 24 George V Adjourned Session 1934 and 35 George V 1935, 59.

In 1946, the Automobile Accident Insurance Act created a special automobile insurance division within SGIO to accept premiums, adjust claims, and sell insurance by employing its own employees, agency staff and mechanics. The Automobile Accident Insurance Act also introduced a no-fault system. The ability to assign fault, and therefore back away from responsibility for paying claims, appeared prominently in automobile insurance in other parts of Canada. The committee had suggested that only a small fraction of those with automobile insurance received appropriate claims settlements because of the complexities of assigning fault. Insurance companies frequently found the insured partly responsible for an accident regardless of circumstance, relieving the companies of full responsibility. The report explained that the principles involved in assigning fault proved relatively simple initially but the “advent of high speed vehicles has proved extremely difficult and has led to a myriad of refining rules,” making establishing fault in an accident more difficult.⁶¹ The new legislation made automobile accident victims eligible for compensation by eliminating fault, except in cases involving criminal behavior or other excluded behavior, like suicide.⁶² In these cases, persons who violated any number of rules could have the claim refused. This limited the cost of a program that conceivably could cover anyone’s expenses. Making the plan no-fault reduced the quantity of court cases, making settlements more accessible to the public.

The plan created a two-tier system of coverage. Basic coverage was provided by a one-dollar charge on all driver’s licenses and a flat annual fee of five dollars per passenger vehicle registration, which provided limited liability coverage in case of an accident. All drivers had liability insurance, which would cover up to \$5000 for a death claim (\$3000 to the primary dependent and \$625 to secondary dependants to a maximum of \$2000). The policy also allowed for bodily injury claims to a maximum of \$3350 (\$3000 maximum for long-term disability, \$225 for pain and suffering and \$125 as a death benefit if injuries led to death).⁶³ The 1946 plan also covered bodily injury and death claims, not property damage. The key difference was accessibility; all citizens of Saskatchewan would be eligible for these benefits if injured.⁶⁴ Drivers interested in additional coverage could purchase insurance from private companies. This created the second tier. The insurance companies offered additional liability insurance in addition to

Limited liability referred to the maximum a plan would pay out in certain circumstance. For example, an individual could not expect to earn a profit following an accident. Liability was limited to the amount a person could reasonably have expected to earn prior to an accident. Saskatchewan. *Revised States of Saskatchewan*. 1953.

⁶¹ Special Committee of the Saskatchewan Government, 12-14.

⁶² See An Act respecting Insurance against Loss from Personal Injuries arising out of the Operation of Motor Vehicles in Special Committee of the Saskatchewan Government. Saskatchewan. Statutes of Saskatchewan. 1946. c. 11.

⁶³ Ibid.

⁶⁴ “Compulsory Automobile Insurance.” Large commercial vehicles, farm trucks and motorcycles paid a flat fee of ten dollars (plus the one dollar charge) to cover their higher risk status. Saskatchewan Government Publications Box 322 File 45. SAB.

property damage coverage. The insurance companies responded by providing appropriate policies, which continued to attract individuals who had traditionally required insurance. The continued industry involvement in automobile insurance explains the initially muted response to the AAIA by insurance companies.

The Saskatchewan Government Insurance Office and the Automobile Accident Insurance Act challenged the traditional understanding of insurance generally and automobile insurance specifically. The industry, and some in the public, argued voluntary insurance offered by SGIO and compulsory insurance under the AAIA existed as alternative forms of taxation. Critics saw SGIO and the AAIA as invented by the CCF to meet the ideological goal of socializing finance.⁶⁵ As the government entered various other business ventures, it would certainly be easy to see this as the primary objective. The government's stated intention of reinvesting profits into social programs fuelled critical assessments. The entrance into a relatively healthy local insurance industry opened the CCF government to scrutiny because critics argued the existing structure could have effectively met needs, pointing to Manitoba as an example. Members of the insurance industry took exception to the changes demanded by public compulsory automobile insurance. Agents protested because they would not be contracted to sell compulsory insurance. Instead, SGIO made patronage appointments to develop the agent network. Although many insurance companies did not consider the initial plan a considerable threat, companies supported claims made by agents in an effort to avoid further expansion of the plan. The insurance industry and other individuals opposed to public compulsory automobile insurance launched campaigns against the program. These programs caused CCF members to note "the opposition propaganda against the Insurance Plan has been many times greater" than the response provided by the government.⁶⁶ The campaigns signaled troubled relations between the insurance industry and the government.

Insurance companies like Wawanesa initially believed agents were in the best position to fight government insurance because these small businessmen were primarily located in rural communities.⁶⁷ Early government press releases attacked the high cost and inefficiencies of the independent agents. The agents argued that the charges were erroneous, responding by claiming that public compulsory insurance threatened their livelihood. In early 1946, the Insurance Agents' Association (of Saskatchewan) sent a circular to approximately 2500

⁶⁵ See Langford and Swainson for a discussion of public corporations and the role of government in previously private sectors. John W. Langford and Neil A. Swainson, "Public and Quasi-Public Corporations in British Columbia," O.P. Dwivedi (ed.) *The Administrative State in Canada: Essays for J.E. Hodgetts* (Toronto: University of Toronto Press, 1982), 63 – 87.

⁶⁶ A.O. Smith (Provincial Secretary) to George Geary May 4, 1946. File (c) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁶⁷ M.M. Lehodey (Lehodey & Horsey, Insurance Agents) to H.E. Hemmons February 18, 1946. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA. In this letter Lehodey thanks Hemmons for providing "ammunition" for the agents to use against the provincial government.

agents explaining the government's proposal and the agents' response.⁶⁸ One of the campaigns included an advertisement placed in rural newspapers. Entitled 'The Farmer Will Pay,' the ad declared that government insurance would be used to "pay for accidents in cities, or where the traffic is heaviest. Such a law is unjust and a direct levy on the farmer." It explained the "law creates a monopoly controlled entirely by government" whereas under the previous system, consumers were "free to decide whether [they would] buy insurance and if so, from what sources." The ad argued insurance companies did reinvest in the province and the country. The agents asserted "You are free to support your own agent who is a member of your community and who spends his earnings in your community." Under the new plan, this "right" would be revoked.⁶⁹

The government responded to the agents' accusations by suggesting the agents had been lied to. M.F. Allore, manager for SGIO, explained that the government would be offering compulsory "insurance against loss from personal injuries, which would at the same time afford liability protection to the amount of the insurance" and not compulsory *public* liability insurance. The letter argued that agents sold very little public liability insurance and an increased "insurance conscious" among drivers would only increase general sales. Allore appealed to the agents as "public-spirited citizen[s] of Saskatchewan."⁷⁰ Agents viewed the prospect of compulsory government insurance not as "humanitarian" but as a financial ploy.⁷¹ The agents' fight against the government focused on the threat to civil liberties (the right to choose) and the financing of the urban dweller by the rural farmer as key arguments.⁷²

The agents and the insurance industry drew on the anxiety of those living in rural Saskatchewan. Many farmers felt alienated by the act, viewing the Automobile Accident Insurance Act as a subsidy of urban drivers.⁷³ The insurance industry fuelled this speculation by employing advertisements. The industry argued the AAIA only covered accidents occurring on public highways, defined as "a road allowance or a road, street or lane ... designed and intended for

⁶⁸ N.D. Wilkie (Chairman, Central Committee, Insurance Agents' Association) to "Agent," January 18, 1946. Ibid.

⁶⁹ "The Farmer Will Pay."

⁷⁰ M.F. Allore (Chairman of The Government Committee, Automobile Accident Insurance Special Government Committee, Saskatchewan) to "Agent," January 29, 1946. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA.

⁷¹ M.M. Lehodey (Lehodey & Horsey, Insurance Agents) to H.E. Hemmons, February 18, 1946. Ibid.

⁷² "The Farmer Will Pay."

⁷³ Economist Richard Ippolito has since demonstrated that regulation has less of an impact on urban than on rural drivers in relation to automobile insurance. See Richard A. Ippolito, "The Effects of Price Regulation in the Automobile Insurance Industry," *Journal of Law and Economics* 22, 1, (April 1979): 66. Baggaley suggests rural subsidies of urban costs, or "taxation by regulation," is part of an attempt to remedy market failures (allocative efficiency). Baggaley, 11 – 12.

or used by the general public for the passage of Motor Vehicles.”⁷⁴ This precluded coverage on farmland, arguably the area most frequently traveled by farmers. CCF support in some rural areas waned, with some CCF members claiming they had not voted for this type of legislative change. The *Financial Post* quoted a CCF organizer as stating “The people in my district who have supported the CCF movement from the beginning are 100% opposed to any form of compulsory insurance and if the member of this district votes in favor of this scheme, he won’t be elected again.”⁷⁵ One rural poll committee expressed dissatisfaction with the plan and sent Douglas a resolution “disapproving [of] the proposed legislation.”⁷⁶ The insurance industry drew on this growing frustration with the CCF’s AAIA. Discontent was not limited to insurance industry advocates and some rural politicians.

Letters written to Premier Douglas reveal the extent of public discontent. Numerous citizens declared their dissatisfaction with the AAIA. M.H. Pickering, a farmer and a World War Two veteran, classified “the compulsory insurance” as “just another item to burden the individual in Sask[atchewan].” He concluded his comments by stating “after armed forces discipline, we don’t want dictatorship at home.” Another frustrated citizen, C. Gamble, an insurance agent and a CCF member who “helped in the campaign at election time,” expressed frustration with the government plan as well. He did not believe the profits diverted from insurance companies would compensate for the money lost by agents and smaller insurance companies. He thought the government should run a competitive company, which CCF supporters would patronize. He spoke for “a large number of people” who, he declared, “are very much opposed to your compulsory method of getting this business.”⁷⁷ Other letters sent to Douglas emphasized the same themes.⁷⁸

Premier Douglas usually acknowledged complaints and forwarded them to the responsible minister, but from time to time he wrote lengthy responses. He told a church group in Kipling, Saskatchewan, “I would have thought that if there was any group of people in a community who believed in making some provision

⁷⁴ An Open Letter to Owners of Cars and Trucks: Re: The Automobile Accident Insurance Act (advertisement produced by L.E. Yingst Co. Ltd., Provincial General Agents.) May 1946. Box 8 File 1 Auto Insurance – Sask. 1944 – 1949. WMICA.

⁷⁵ M. Stinson quoted in “Saskatchewan Motor Accident Plan Said Compulsory Gov’t Insurance,” *Financial Post* February 23, 1946. Box 35 File 1 Company 1916 – 1970 (Scrapbook). WMICA.

⁷⁶ T.C. Douglas to Hon. O.W. Valleau February 21, 1946. File (a) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers. Original letter and resolution from A. Lyons of Brock and forwarded to O.W. Valleau do not appear to have survived.

⁷⁷ C. Gamble (Manager) to O.W. Valleau (Provincial Secretary) March 4, 1946. Ibid.

⁷⁸ See other examples: T.C. Douglas to O.W. Valleau re: letter from T.H. Mitchell. February 15, 1946; T.C. Douglas to W.A. Sexsmith. February 21, 1946; T.C. Douglas to Luverne Hoiland, March 19, 1946; T.C. Douglas to Morgan Wray, March 22, 1946; L.E. Hanson to T.C. Douglas, March 21, 1946; Dan Platz to T.C. Douglas April 1, 1946; George R. Lythe to T.C. Douglas April 20, 1946; E.R. Giles to T.C. Douglas April 23, 1946; Stuart Makaroff to T.C. Douglas April 13, 1946. Ibid.

to care for the maimed and the crippled, it would have been the church people. ...I think people have completely lost sight of the social objectives of Christianity when they change their allegiance because they are asked to pay \$6 a year toward the support of those for whom they are collectively responsible.”⁷⁹ Douglas responded to the claim that the government would be profiting from the AAIA, a side effect of the accusations made against the insurance industry. He explained the government did not intend to profit, but instead aimed to provide all potential victims of accidents with coverage. One of the more interesting exchanges occurred with C.A. Larson, an avid motorcycle enthusiast. Larson accused the government of tyranny and moving toward “nazification.” He declared his intention to go to jail for repeatedly violating the compulsory insurance law rather than purchase insurance. Douglas explained the high rate of motorcycle accidents and the high cost as well as the benefit of insurance to Larson. Douglas took exception to Larson’s accusations of “nazification” and declared time would prove the effectiveness of the law.⁸⁰ The immediate turn in public opinion Douglas hoped for did not occur. Instead, the government needed to make adjustments to the plan, which answered some complaints.

Within months of the creation of the AAIA, letters to Douglas shifted from frustration with compulsory insurance and the AAIA to irritation over specific limitations. Herman Brown wrote to SGIO and Douglas after having his claim denied when he fell out of a truck. “There is no man,” Brown explained, “who would jump out of a truck for the fun of it.” He could not understand SGIO’s refusal to pay his claim on the grounds that he had behaved improperly. In protest, he cancelled all of his SGIO fire insurance.⁸¹ J.S. Hall, the SGIO claims manager, informed Brown that his decision to cancel his fire insurance had no impact “in respect to our administration of the Automobile Accident Insurance Act.”⁸² Numerous individuals received similar cold responses from SGIO. T.J. Bentley, the Member of Parliament for Swift Current, wrote to Douglas in March 1947, protesting SGIO’s treatment of its insureds. He suggested SGIO officials were “rather cold and detached” and argued “a little warmth, a little of the milk of human kindness in applying regulation” would “obviate the irritation and therefore some of the adverse criticism.”⁸³ Ultimately, SGIO behaved no differently than a private insurance company. The realization that SGIO and the

⁷⁹ T.C. Douglas to Gabriel Mento April 3, 1946. Ibid.

⁸⁰ C.A. Larson to T.C. Douglas June 27, 1946; C.A. Larson to T.C. Douglas June 30, 1946; T.C. Douglas to C.A. Larson July 17, 1946; C.A. Larson to T.C. Douglas July 21, 1946; T.C. Douglas to C.A. Larson July 30, 1946. File (b) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁸¹ Herman Brown to The Saskatchewan Government Insurance Office November 5, 1946. Ibid.

⁸² J.S. Hall (Manager, Claims Department) to Herman Brown November 12, 1946. T.C. Douglas also explained the refusal in a letter date November 27, 1946. Ibid.

⁸³ T.J. Bentley (Member for Swift Current, House of Commons, Ottawa) to T.C. Douglas March 7, 1947. File (c) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

AAIA resembled insurance companies presented problems for the government. While the anger expressed in cases like Mr. Brown's are rooted in a claim refusal, the letters demonstrate a level of disappointment with the CCF's execution of the AAIA as well. As a result, the government widened its intentionally conservative plan to address some of the weaknesses that surfaced during the first year of operation.

The AAIA faltered shortly after its introduction as people discovered it covered limited liability and did not cover a number of the claims made. Within a year, liability coverage increased from \$5,000 to \$10,000. The revisions extended coverage to include farmland, a move meant to appease farmers. In addition, the reformulated Act extended coverage to dependents under 18, whose benefits had been limited to funeral expenses of \$125, providing \$500 to \$1,000 for the death of a child. The government refusal to cover citizens injured while riding in visitor cars was also addressed, following the denial of three of these types of claims in the first eleven months.⁸⁴ In response to public expectations about the plan, the revisions included collision coverage.⁸⁵ The inclusion of collision coverage prompted Wawanesa's managing director, H.E. Hemmons, to comment "I am still rather at a loss to understand why your government included collision under their act. I could quite understand that they might include property damage, but I am certainly at a loss to understand why they should be interested in damage to other people's property for which they themselves might be responsible."⁸⁶ Compulsory collision insurance seemed absurd to the industry because SGIO would always be held liable for damages resulting from an accident. In essence, the only people SGIO could sue to regain money lost through settlements were its insureds, the people the Act aimed to protect. The insurance industry protested that the extension of the plan took over business private insurance companies were writing in the province. Ultimately, the changes to the act provided the foundation for the automobile insurance industry's campaign against compulsory automobile insurance. There is no evidence to suggest the government considered the insurance industry position. Instead, the CCF worked to appease the public by expanding, instead of reversing the initial plan. The implications for already troubled government-industry relations were dire as the government increasingly captured the automobile insurance market through legislation.

In late 1947, after some necessary adjustments to the AAIA, the government considered, but did not pursue, an inquiry into the insurance business in Saskatchewan. Some interesting suggestions arose around the possible inquiry. One CCF supporter recommended designing a questionnaire to extract rates, sales, and policy development information from the insurance industry. The

⁸⁴ O.W. Valleau to Joe Exner October 12, 1946. File (b) Government Insurance Office. 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁸⁵ M.F. Allore (Manager, Saskatchewan Government Insurance Office) to H.E. Hemmons, February 4, 1947. Box 8 File 3 Auto Insurance – Sask. 1946 – 1947. WMICA.

⁸⁶ H.E. Hemmons to M.F. Allore (Manager, Saskatchewan Government Insurance Office) February 26, 1947. Ibid.

responses would be used to make SGIO and the AAIA more efficient. He suggested that the CCF “could get all the necessary information in about 2 months then we could make some amendments to the insurance being very careful to only pass amendments that would win us voters in the coming election if we have one this June.”⁸⁷ In his reply, Douglas agreed the questionnaire could be helpful, but suggested any action had to wait until after the Economic Advisory and Planning Board had reached its conclusions about the insurance business in the province.⁸⁸ That the government was being advised to use its power by a CCF supporter is telling, suggesting an understanding of the effectiveness of using legislation and legislative power to effect change that supported party ambition.

Douglas also did not hesitate to use the AAIA to the CCF’s political advantage. Douglas instructed the SGIO Manager, M.F. Allore, to “speed up the investigation and compensation” in a case where a man was killed in a car accident in an area that had been highly critical of the AAIA. He hoped it would “give us a chance to demonstrate that the insurance plan has some value.”⁸⁹ Douglas submitted the request on June 4, just 20 days before the 1948 election.⁹⁰ While the AAIA may have been introduced with certain humanitarian intentions it became clear it could be used as a political tool to win support. On June 24, 1948, public support for the CCF produced an electoral victory. The CCF and Douglas continued to use their influence over the insurance industry into the 1950s. In 1951, Douglas asked Allore to deal with a claim “as expeditiously as possible. [He] is a personal friend of mine and called this morning in my absence to enquire if his wife and daughter might be eligible for compensation...” Allore assured Douglas “that we will lose no time in looking after the settlement.”⁹¹

In March 1948, SGIO introduced the “package plan,” which offered insurance coverage beyond the minimums required by the Automobile Accident Insurance Act. For \$18.80, a driver could buy a policy that included fire and theft, public liability of \$20,000, collision insurance with a \$25.00 deductible, property damage coverage to a maximum of \$2,000 and “seven extra coverages,” which included damages from “windstorm, earthquake, riot, explosion, falling aircraft, flood, and loss to radio.”⁹² The government intended the package plan as a way to compete with private companies. The government also attempted to

⁸⁷ Landon F. Bailey to T.C. Douglas. November 17, 1947. (his emphasis) File (d) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁸⁸ T.C. Douglas to Landon F. Bailey November 19, 1947. Ibid.

⁸⁹ T.C. Douglas to M.F. Allore (Manager, SGIO) June 4, 1948. File (e) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁹⁰ Pratt and Richards point out the business community (both nationally and locally) campaigned against socialism and the CCF government during the 1948 election. This likely would have intensified the CCF need to defend the AAIA and SGIO. Pratt and Richards, 10.

⁹¹ T.C. Douglas to M.F. Allore (Manager, SGIO) August 20, 1951 and M.F. Allore to T.C. Douglas August 21, 1951. File (i) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

⁹² “Saskatchewan’s Automobile Accident Insurance Act,” Advertisement. The *Western Producer* March 25, 1948, 19.

make Saskatchewan an unappealing market for private insurers.⁹³ Once an individual purchased private insurance, the insurance companies became liable for the entire claim, not just the additional coverage. Where individuals took out private insurance, the government was no longer required to pay any part of the claim.⁹⁴ Aside from the problem of liability for accidents, companies like Wawanesa argued that the plan gave SGIO an unfair advantage because it was more work for a policyholder to seek out insurance from one of the private companies.

In 1949, minimum levels of fire and theft insurance were made compulsory under the Automobile Accident Insurance Act, further limiting the insurance industry's ability to compete. Between 1946 and 1948, the government revised the AAIA, making collision, personal injury, public liability and property damage compulsory. By 1949, basic compulsory automobile insurance covered most eventualities arising from an accident, but with high deductibles and low maximum limits. The insurance industry had been reduced to offering increased maximum limits and reduced deductibles. The government appeared to be responding to preexisting assumptions about the plan and worked to make it more appealing. Stanley Trachael, for example, was denied coverage after his car was destroyed by a fire after leaving it at the local garage. "We are very sorry," J.S. Hall, SGIO claims manager wrote, "to advise that your impression in respect to your car being covered for theft and fire under the provisions of the Automobile Accident Insurance Act is wrong."⁹⁵ By including provisions for fire, theft, collision, personal injury, and personal liability, the AAIA aimed to meet driver expectations instead of providing a practical insurance plan. The initial plan offered insurance too limited for the premium income, and consequently there were high profits. Attempts to expand the AAIA fashioned a plan too broad and expensive without increasing the cost to the consumer, eliminating profits. The decision to revise the act to cover a broad range of circumstance raised questions about the role of government in the insurance industry.

The inclusion of fire and theft insurance in the AAIA in 1949 left some uneasy because it widened the focus of the plan to include property damage. This was outside of the stated intentions of the AAIA, which focused on victim compensation and to a lesser extent, promoting safety on the highways. While making collision, personal injury, public liability and property damage compulsory could be viewed as aiding victims, fire and theft insurance protected the vehicle owner's investment. Even the editor of the Saskatoon *Star-Phoenix*, whose paper was less hostile to government insurance than others, found

⁹³ One memo suggests fire and theft insurance was added to the AAIA to obviate "the need for motorists to purchase separate fire and theft insurance from the Government Insurance Office or from private insurers." Memorandum to Hon. C.M. Fines stamped November 1, 1948, 5. File (e) Government Insurance Office 475 (12-1), SGIO 1944-1953. Douglas Papers.

⁹⁴ "Valleau explains excess auto risk," *Regina Leader Post* March 23, 1948, 12.

⁹⁵ J.S. Hall (Manager, Claims Department) to Stanley Trachael January 15, 1948. File (d) Government Insurance Office, 475 (12-1) SGIO 1944-1953. Douglas Papers.

compulsory fire and theft insurance to be “a fantastic use of the state.” One editorial argued it was “economic compulsion” and “foreign to a democratic system of government.” If the government was going to compel automobile owners to insure property, it might as well force individuals to buy home or wallet insurance.⁹⁶ Another critic commented that collision insurance represented greed on the part of the government. “It is not, to our mind, good government. A government which was content to be a government would never have got itself into this box by prostituting a social insurance program like the Automobile Accident Insurance Act, as it was originally conceived, before the commercial idol of collision insurance or insurance against paint scratches from hailstones.”⁹⁷ The *Montreal Gazette* commented “there is some feeling in the responsible quarters that the Saskatchewan Government had... ‘gone too far in this insurance business. It would have been better to have left the act at compensation and then no one would have thrown any stones.’”⁹⁸ The insurance industry agreed with these critiques of the move beyond basic liability insurance as companies began to feel the effects of government intervention.

Starting in 1948, insurance companies countered the efforts to push private insurance companies out of the market. The expansion of compulsory AAI forced the industry to rethink its approach, but did not cause companies like Wawanesa to withdraw from the market. Instead, Wawanesa focused on cost and the importance of additional insurance coverage for drivers. It reduced the premium costs to match the coverage it was “supplementing,” although it was still legally required to cover the whole cost of an accident, a distinction the insuring public would not have made. In 1948, Wawanesa introduced its version of the package plan, offering similar policies at competing rates to expand its market share.⁹⁹ A 1950 advertisement for Wawanesa highlighted cost as the key issue in its headline “Available Only to Saskatchewan Motorists!: Wawanesa’s Automobile Extension Policy Now...\$16.60.”¹⁰⁰ Wawanesa was determined to

⁹⁶ Clifford M. Sifton, editor, “Vicious Principle,” *Saskatoon Star-Phoenix* February 25, 1949

⁹⁷ “The Super-Salesman” date and newspaper unknown. Box 35 File 1 Company 1916 – 1970 (Dark Blue Scrapbook). WMICA.

⁹⁸ “Insurance News: CCF Insurance Plan Scored,” *The Montreal Gazette* February 23, 1951.

⁹⁹ Wawanesa, in conjunction with the Saskatchewan Mutual Insurance Company, developed a competing plan resulting in some discontent within the industry. A letter from the Western Canada Independent Automobile Insurance Conference demanded details related to the plan shortly after Wawanesa created it. Although the conference chairman acknowledged that “you have a great deal more at stake,” he suggested that the two companies would benefit from whole industry adopting this type of plan. Fred Edwards (Chairman, Western Canada Independent Automobile Insurance Conference) to M.C. Holden, April 15, 1948. For a discussion of the misuse of power by SGIO agents see Peter E. Scholtz (Agent) to Wawanesa Mutual Insurance Company, February 14, 1949 and M.C. Holden to P.E. Scholtz, February 21, 1949. Box 8 File 1 Auto Insurance 1944 – 1949. WMICA.

¹⁰⁰ “Available Only to Saskatchewan Motorists” (advertisement) *Saskatoon Star-Phoenix* March 31, 1950, 14. Box 35 File 1 Company 1916 – 1970 (Dark Blue Scrapbook). WMICA.

undercut its primary competition, SGIO, who advertised its extension policy as costing \$18.80. The debate, by 1950, had shifted from safety and victim compensation to premium cost. Wawanesa argued the reduction was based on experience and that it was not subsidizing its Saskatchewan policies. The extension policy offered by Wawanesa found consumer support. Premiums income grew in Saskatchewan between 1945 and 1971. (See Appendix 3-1) The extension policy received attention from Canadian and British press wire services. The company attributed this coverage to “the fact that a private company was able to compete with a Government Insurance Office.”¹⁰¹ Wawanesa’s extension policy also garnered interest from other insurance companies that wanted rating and policy information. The extension policy’s attraction, cost, proved to be problematic because SGIO suggested Wawanesa’s determination to undercut its competition proved public insurance had a salutary effect on the cost of insurance in Saskatchewan and across Western Canada.¹⁰² When members of other provincial legislatures saw merit in the accusation, Wawanesa countered that it offered the best policy at the best price in each province.¹⁰³

In 1950, Wawanesa adjusted rates to reflect the higher cost of urban drivers. It made it clear that the company did not intend to subsidize the under-rated, or under-priced, cities like Regina with money earned elsewhere in Canada. The rates increased for urban areas in Saskatchewan from \$16.60 to \$28.50, accompanied by a reduction in rates on the extension policy for the rural areas from \$16.60 to \$15.00. Wawanesa argued “that motorists in the large cities have unwittingly been getting a bargain on their insurance at the expense of policyholders in the smaller urban and rural areas.” The company claimed it would not experience any adverse effect because seventy-five percent of its business was rural. “This is not a war against socialism in which we are offering loss-leader insurance bargains to embarrass the C.C.F. Government and its insurance office. We have not lost money on our Extension policies, and our experience over the last two and a half years leads us to believe that the new rates will support themselves.” The press release stated “if Mr. Fines [Minister responsible for SGIO] renders thanks where it is due for automobile insurance which appears to be cheaper, it should go to the thousands of rural motorists who

¹⁰¹ M.C. Holden to All Wawanesa Agents July 8, 1950, 10. Box 8 File 2 Auto Insurance – Sask. 1950 – 1954. WMICA.

¹⁰² “It’s Proof, Says Fines,” *Leader Post* April 4, 1950. Box 4 File 27 Holden – Extension Policy 1950. WMICA.

¹⁰³ M.C. Holden to Hon. A.J. Hooke (Minister of Economic Affairs, Alberta) April 5, 1950, Box 8 File 2 Auto Insurance – Sask. 1950 – 1954. WMICA; “Manitoba turns down insurance resolution – Compulsory auto coverage defeated,” *Leader-Post* March 16, 1951 and H.S. Ferris (Assistant General Manager) to Thos. P. Hillhouse, Q.C. (MLA – Manitoba) February 1, 1956. Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA. “We are not at all surprised to learn from your letter of January 28th that you expect certain C.C.F. Members to bring a resolution into the current Provincial Session calling for enactment of compulsory Automobile insurance legislation similar to that in Saskatchewan. This has come to be pretty much an annual event in many of our Provinces.”

are paying the shot through the premiums they are compelled to pay the government.”¹⁰⁴ Wawanesa challenged SGIO’s rating system, which forced rural drivers to pay the same amount for coverage as higher risk urban drivers. The government decision to retain this system, therefore, drew criticism from rural residents. It also attracted low risk rural drivers to Wawanesa.

Press coverage of the reduction in premium cost proved widespread. The rate change appealed because the reduction in rural areas and increase in urban areas put SGIO in an interesting position. If SGIO rated rural and urban drivers the same, SGIO would likely end up carrying nearly all urban drivers and almost no rural drivers. Rural drivers interested in saving money would flock to private insurance companies while urban drivers would be inclined to stay with the less expensive SGIO package plan. The urban drivers posed a higher risk than rural drivers, meaning SGIO, if saddled with mostly urban drivers, could expect high losses. If SGIO increased the optional package plan rates in the cities and reduced them in the country, it acknowledged the validity of Wawanesa’s distribution of cost. C.M. Fines rejected rate change, stating “The principle on which the government insurance office is acting is that automobile insurance is a social problem, and as such premiums should be equalized as far as possible across the province.”¹⁰⁵ The government froze rates without acknowledging a rural-urban difference in risk and continued to do so after posting losses in 1950. This prompted some in the industry to suggest the rate freeze was political, a tactic meant to retain business and support.¹⁰⁶ In the contest for business, Wawanesa had struck a decisive blow, forcing the government to justify its rating system and take a stand on the rural-urban cost difference.

Wawanesa’s managing director, M.C. Holden, highlighted the problem with the rate freeze in a private letter for the information of Ted Davis, writer and Associate Editor of the *Regina Leader Post*. Holden pointed out that in Massachusetts, the only other jurisdiction adhering to compulsory insurance, it had rates that varied depending on where a person lived. Despite numerous attempts by legislators and eventually a public ballot to introduce a flat rate in Massachusetts, the plan had been quashed because many believed it favored the “careless minority.”¹⁰⁷ In Saskatchewan, the flat rate also meant the rate remained the same, regardless of the type of car a person drove. Critics could not understand why insurance on the \$6000 Cadillac was the same as the \$1585

¹⁰⁴ “Wawanesa Sharply Undercuts C.C.F. Government Auto Rate,” Regina, Sask., October 13, 1950. Box 4 File 27 Holden – Extension Policy 1950. WMICA.

¹⁰⁵ C.M. Fines cited in “Fines Claims Wawanesa Auto Rate Change Proves ‘Package Policy’ Most Economical,” Saskatoon *Star-Phoenix* and Prince Albert *Daily Herald*, October 17, 1950.

¹⁰⁶ “On the Banks of the Saskatchewan,” *The National Underwriter* (circa 1951) Box 35 File 1 Company 1916 – 1970 (Black Scrapbook).

¹⁰⁷ M.C. Holden to E.N. Davis (Associate Editor, *Regina Leader Post*) December 18, 1950. Box 8 File 4 Auto Insurance Sask. 1950 – 1951. WMICA.

Minor.¹⁰⁸ While insurance companies rated vehicles by wheel-base, in Saskatchewan the government believed rating based on the size and type of car would be “too cumbersome in administration and confusing to the public.”¹⁰⁹ The socialized flat rated insurance had consequences. The cost of operating an insurance business without attention to risk and place quickly put the government scheme in the red. The rural-urban rating issue also opened SGIO to criticism, particularly when outside reports investigated Saskatchewan’s automobile insurance plan as a potential alternative to safety responsibility laws like the one introduced in Manitoba.

Starting in the early 1950s, the AAIA and SGIO underwent scrutiny from other governments that hoped to ascertain how effective the plan was and whether or not public compulsory insurance would be practical. These reviews were important weapons in the battle between SGIO and the insurance industry. In 1950, the AAIA and SGIO faced the first “objective” external assessment when the North Dakota government appointed Arthur L. Bailey, chief casualty actuary for the New York State Insurance Department, to spend a year investigating the different types of automobile insurance plans.¹¹⁰ He studied the effectiveness of the Automobile Accident Insurance Act in Saskatchewan, the financial responsibility laws in Manitoba and compulsory insurance in Massachusetts to see if any adjustment to North Dakota’s existing safety responsibility laws would be desirable.¹¹¹ He spoke to employees of SGIO and interviewed 280 randomly selected residents of Saskatchewan. Bailey also talked to private companies. Holden, the managing-director for Wawanesa, wrote to another member of the North Dakota committee outlining the situation in Saskatchewan from the perspective of private industry. Holden suggested “this whole affair has been more than highly embarrassing to [SGIO], and has had a remarkably stifling effect on the CCF agitators in other Provinces.” He added the CCF had “been strangely silent” during automobile insurance debates in other provinces.¹¹²

The North Dakota committee’s final report suggested that politics played a role in everything from agency appointments to claims settlement in Saskatchewan. It hinted at patronage and expressed concern about the effect in North Dakota where private owned initiatives would be affected by government appraisers, garages and claims adjusters. The report claimed the private industry

¹⁰⁸ Morris Rod Weeder Co. Ltd. to C.M. Fines (Minister of Finance) February 9, 1953. File (j) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

¹⁰⁹ T.C. Douglas to L.M. Hodges (Owner, Morris Rod Weeder Co.) February 23, 1953. Ibid.

¹¹⁰ I have placed “objective” in quotation marks because the report was not initiated by any group invested in the Saskatchewan plan. On the other hand, the North Dakota government was interested in justifying the on-going existence of its non-compulsory financial responsibility laws.

¹¹¹ “New York Expert Studies Provincial Plan: Saskatchewan Auto Insurance Suffers Losses on Private Cars,” *Saskatoon Star-Phoenix* January 20, 1951

¹¹² M.C. Holden to Mr. J.B. Bridston (Grand Forks, North Dakota) April 15, 1950. Box 8 File 2 Auto Insurance – Sask. 1950 – 1954. WMICA.

in Saskatchewan subsidized the system to the amount of somewhere between \$25,000 and \$400,000 per year.¹¹³ While it is unclear where these numbers came from and what constituted a “subsidy,” one could speculate that these numbers came from the insurance industry. The report claimed the AAIA and SGIO operated at a loss and offered concessions to the agents that would not be replicated in North Dakota. The report accused the AAIA and SGIO of using higher rates on truck and commercial vehicles to subsidize private passenger vehicle insurance. One newspaper report cited underwriting profits and losses used by Mr. Bailey and otherwise unavailable to the public. The table suggested a net underwriting loss for the AAIA in 1949 (expressed as a percentage of the total premiums earned) of 50.2%, lost 29.6% on private passenger vehicle coverage and made a profit of 40.4% on commercial vehicle coverage for an overall net loss of 1.5%.¹¹⁴ The report argued this distribution of costs was unfair, requiring commercial vehicles to pay for passenger vehicle losses.¹¹⁵ In spite of operating at a deficit, SGIO was able to provide compensation by redistributing the cost of the policies. The report suggested the AAIA was the action of “an aggressive socialistic party” and should be avoided.¹¹⁶ The committee and the report concluded North Dakota’s private insurers could offer comparable insurance at similar prices.¹¹⁷

C.M. Fines, Provincial Treasurer and Chairman of the Board for SGIO, was unimpressed by the report and dismissed most of it.¹¹⁸ Fines adamantly denied claims that the system was plagued by patronage. He claimed that the report was advanced by “persons who were more interested in using their own ‘political influence’ in an attempt to smear the government plan than in presenting facts.”¹¹⁹ This resulted in a report that was an act of “willful

¹¹³ Early in the insurance debates in Saskatchewan, the insurance industry did claim they would be subsidizing the AAIA. High risk drivers, it claimed, would continue to purchase insurance from insurance companies, while low risk drivers, who had never had insurance because they did not need it, would acquire insurance through SGIO and the AAIA. Beyond these claims, there is little evidence to support this position.

¹¹⁴ Peter Hephner, “North Dakota Report: Profit and Loss,” Newspaper Unknown, February 5 (year unknown, 1951?), Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA.

¹¹⁵ “Insurance System Issues Analyzed.” Date and newspaper unknown. Ibid.

¹¹⁶ “N. Dakota Committee Report Hostile to Saskatchewan Plan,” *Canadian Underwriter* February 1, 1951. Ibid.

¹¹⁷ “North Dakotans report on gov’t auto coverage: Politics said influence in provincial insurance,” *Regina Leader Post*, January 22, 1951.

¹¹⁸ The responses are numerous in the newspapers and on the radio. A few examples include “Automobile Accident Fund: Mr. Fines’ Rebuttal,” Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA and “North Dakota Report: Profit and Loss,” newspaper unknown, circa February 4 & 5, 1951. “Radio Script – Presented by Hon. C.M. Fines, Chairman of the Board of Directors, The Saskatchewan Government Insurance Office, on February 2nd, 1951.” Box 8 File 4 Auto Insurance Sask. 1950 – 1951. WMICA.

¹¹⁹ “By Insurance Office: Fines Denies Charges of Political Patronage,” *Saskatoon Star-Phoenix* January 26, 1951.

misrepresentation.”¹²⁰ Fines indicated the press presented only part of the report, resulting in a misunderstanding of the operation of the AAIA and SGIO.¹²¹ Fines suggested the North Dakota report declared the AAIA successful. Private insurance companies in North Dakota had reduced the premium costs to avoid public insurance. For Fines this indicated public insurance had a salutary effect on the insurance industry as a whole.¹²² Fines worried about the growing potential for attacks from the insurance industry in the months after the report was released. In the *Government Insurance Agent*, sent out to all of SGIO’s agents across Saskatchewan, he commented “we are expecting any day to see some new evidence of anti-government-insurance activity.”¹²³ Fines would not be disappointed.

The insurance industry responded enthusiastically to the report. Wawanesa distributed hundreds of copies to news outlets and Members of Parliament. One writer for the *Leduc Representative* commented the report was “too lengthy and too technical for us to do any sort of analysis of it here but since it was forwarded to us by an insurance company we conclude that the distinguished ‘Legislative Research Committee’ had found in favor of the private system.”¹²⁴ The North Dakota report, because it was an independent assessment of the issue and received considerable media coverage, was a coup for the insurance industry. The industry latched onto the report’s assertion that commercial vehicles were subsidizing private vehicles, using this claim in advertising. It asserted that the industry financed the AAIA and SGIO because it continued to write high-risk drivers.¹²⁵ The public coverage of the North Dakota report highlights the poisoned nature of the relationship between the government and the insurance industry by 1951. Instead of negotiation, both groups looked to public support for their programs and sought any edge to undermine the other party.

In August 1952, two years after the North Dakota government examined Saskatchewan’s automobile insurance plan, Wisconsin commissioned a similar report to investigate compulsory automobile insurance. Saskatchewan appealed to mid-West politicians in the United States because of the proximity to their states. The investigation, conducted by a Senator, an Assemblyman and the

¹²⁰ “News Release” stamped January 26, 1951. File (g) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

¹²¹ “No Boost in Premiums Seen: \$800,000 in Auto Insurance Fund,” *Saskatoon Star Phoenix* January 24, 1951.

¹²² “Fines Says insurance vindicated,” *Winnipeg Free Press* January 26, 1951.

¹²³ *The Government Insurance Agent* vol. 6 no. 34 August 22, 1951. File (i) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

¹²⁴ “Automobile Insurance: Compulsory vs. Voluntary,” *Leduc Representative*, March 8, 1951. Although the comment appears to be skeptical, the article goes on to suggest that the best solution in Alberta would be solid financial responsibility laws, not compulsory insurance.

¹²⁵ “Sask. CCF Insurance ‘Subsidized by Others,’” *The Telegraph* (Toronto) April 10, 1951 and “CCF Car Insurance Claimed ‘Subsidized,’” *Toronto Daily Star*, April 9, 1951. Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA.

Research Director for the Motor Vehicle Accidents Committee, explored automobile legislation in Manitoba and Saskatchewan. The committee concluded that while the Saskatchewan plan had been widely accepted and was generally well suited to the area, it could not be implemented in Wisconsin. The committee believed Wisconsin's high accident rate, strong legal community and quantity of drivers on the highways would result in higher insurance costs for consumers. Based on statistics created for North Dakota, the committee estimated a plan costing \$10 in Saskatchewan would likely cost \$100 in Wisconsin. This would make the plan unacceptable to the public.¹²⁶ While the report itself did not differ substantially in tone from the North Dakota report, the Wisconsin report received substantial praise from the Saskatchewan government with C.M. Fines declaring the inquiry apolitical, at least in the Canadian context.¹²⁷ The insurance industry did not mention or utilize the Wisconsin report in advertising, suggesting the report failed to boost the industry's quest against public insurance. The industry had little use for a report that did not emphasize the dangers of political interference in rate setting and administration, and did not portray SGIO as a dangerous socialist experiment.

The Wisconsin report represented positive news for the government. The early 1950s, however, were stressful for SGIO and the AAIA. The mandate to include fire, theft, and collision throughout the late 1940s started to affect the bottom line in the early 1950s because the AAIA could no longer cover the cost of claims. The rising deficit prompted SGIO to increase the levy placed on all vehicles, which attracted media condemnation.¹²⁸ In March 1952, a couple sent

¹²⁶ Stuart H. Struck (Research Director) "Research Report on the Saskatchewan Plan to the Motor Vehicle Accidents Committee," submitted to the Legislative Council, State Capitol, Madison, Wisconsin, September 1952. Box 8 File 6 Auto Insurance – Sask. 1951 – 1967. WMICA.

¹²⁷ Wisconsin would not be the last interested party in the Saskatchewan AAIA. H. Wayne Snider and his research team from Temple University, the University of Saskatchewan Law School, the University of South Florida and Georgia State University explored the AAIA starting in 1963. The report took approximately 10 years to complete and covered a wide variety of topics, including the level of public satisfaction with the government insurance operation. While initially intended to offer direction to governments interested in the plan, high rates of turnover and other related problems with documentation in Saskatchewan delayed the project and ultimately shifted the focus of the final document from one offering a policy recommendation to one offering data and information on SGIO and the AAIA. The authors admitted the project would serve little purpose beyond documenting the organization for the purposes of historians. Even here, the usefulness of the document is limited. H. Wayne Snider, Rosella James, and John F. Adams. *A Descriptive Analysis and Evaluation of the Saskatchewan Program for Treating the Automobile Accident Problem, with Socioeconomic and Legal Observations on the Problem and its Environment*. (n.p. 1973); "Wisconsin Report Praises Sask. Car Insurance Plan." Saskatoon *Star-Phoenix*, date unknown (circa 1952) Box 35 File 1 Company 1916 – 1970 (Black Scrapbook), WMICA.

¹²⁸ The rate maximum jumped to \$10 (plus the \$1 license fee) in 1949 to help match the cost of offering \$10,000 accident insurance, \$5,000/person to a maximum of \$10,000 public liability, actual cash value collision; property damage to \$1,000 (\$100 deductible, in Saskatchewan only); fire to actual cash value with a \$100 deductible; theft to actual cash value

Douglas a copy of the Calgary *Albertan*, which argued the CCF government timed its rate increases to accommodate electoral success.¹²⁹ Douglas informed the couple that the Alberta government had visited Saskatchewan because it was considering “introducing a plan similar to our own.” Douglas explained “the Calgary paper will have more reason than ever to complain to say nothing of the insurance companies who will cry to high heaven about interference with their sacred right to gouge the public.”¹³⁰ The *Albertan*’s suspicion about the link between rate increases and elections was confirmed in November 1952, just a month after the CCF won the election. M.F. Allore, recommended a premium increase on compulsory insurance to between ten and one hundred percent of the existing premium. Allore cited the plan’s “operative deficit” as the reason for the increase.¹³¹ The Regina *Leader Post* argued the government could have managed the deficit with rate increases once the plan started to show a loss in 1950. C.M. Fines, the *Leader Post* asserted, “intentionally misled the people [in October 1952] because of the imminence of the election at which the government’s fate was at stake.”¹³² The events of 1952 suggest the government again manipulated features of its automobile insurance for electoral ends.

Those opposing the Saskatchewan Act lobbied for a shift to a Manitoba style plan because it had a number of the same features but was being offered at a reduced price and permitted an open market.¹³³ Wawanesa engaged in an intense

with a \$100 deductible. See “Higher Car Insurance Rate, Theft and Fire Coverage,” *Saskatchewan Gazette*, February 24, 1949. While there were two categories of premium in the passenger vehicle class in 1949, based on the age of the vehicle, SGIO created more elaborate categories starting in the early 1950s. By 1954, there were six categories with the lowest rate at \$6 for the 1932 or earlier vehicle, \$6 for the 1933, \$10 for 1934 – 1946, \$15 for 1937 – 1945, \$20 for 1946 – 1948, \$25.00 for 1949 to 1952 and 1953 or newer \$30. The cost of the package plan also increased to \$25. C.M. Fines cited a bad claims experience and a need to pay off the existing deficit on automobile insurance. He encouraged drivers to drive safer in order to reduce accident and ultimately reduce the overall cost of insurance. Radio Broadcast – Hon. C.M. Fines. (circa early 1954). Box 8 File 10 Automobile Insurance – Sask. 1950 – 1965. WMICA. Rates dropped by approximately 25% across the board in 1955 because the AAIA had eliminated the deficit and had a better claims experience in 1954. See Wilf Chislett, “A CCF Headache is Now Main Asset: Saskatchewan Swears By, or At, Insurance Plan,” *Winnipeg Tribune*, April 2, 1955. By 1957, Wawanesa argued its rates were lower overall. On a farm vehicle, SGIO (with driver’s license fee of \$4 and compulsory insurance of \$17) charged \$41, while Wawanesa would only have charged \$26.85. The numbers are speculative as opposed to premiums actually charged. Comparison of Insuring a Car in Saskatchewan with Manitoba. Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA.

¹²⁹ Clipping from the Calgary *Albertan*, attached to a letter dated March 19 1952. File (j) Government Insurance Office, 475 (12-1) SGIO 1944 – 1953. Douglas Papers.

¹³⁰ T.C. Douglas to Mr. and Mrs. Link (Saskatchewan), March 24, 1952. Ibid.

¹³¹ “Increase in Car Insurance Premiums Recommended; Plan Operating on Deficit,” *The Star Phoenix*, November 22, 1952.

¹³² “CCF Hypocrisy,” Editorial, *Regina Leader Post*, November 26, 1952.

¹³³ “Whereas the majority of Saskatchewan’s motorists are paying more for adequate auto accident insurance under the C.C.F. Government’s compulsory auto insurance than drivers elsewhere under comparable conditions...” (date unknown.) Box 35 File 1 Company 1916 – 1970. WMICA.

advertising campaign and made assertions like “IT ISN’T TRUE!: That ‘Government’ Insurance in Saskatchewan is the cheapest insurance in the world!: Read what happens in Manitoba.”¹³⁴ SGIO responded with “YOU CAN’T COMPARE a Bennett Buggy with a Buick!” SGIO suggested Wawanesa was losing business and had been “attempting to compare ordinary auto insurance with the Saskatchewan Plan.”¹³⁵ The Wawanesa ad offered a cost analysis but the SGIO ad did not. For SGIO, increased public hostility over increasing automobile insurance rates throughout the 1950s made selling its plan more difficult.¹³⁶ The battle between the two continued into the 1960s but followed the same pattern. Wawanesa argued it offered cheaper insurance and SGIO avoided citing the actual costs. SGIO focused on other criteria, including the quantity of insurance it sold. A 1960 ad, for example, stated “Government Insurance Sells Eight Times As Much Competitive Automobile Insurance in Saskatchewan as The Wawanesa Insurance Co.” The ad was careful not to include actual costs and avoided using the term “mutual” when talking about Wawanesa because this term would likely elicit some support in Saskatchewan. Highlighting the seemingly most beneficial aspects of the plans was important as the government – insurance industry relationship entered its third decade. The election of the Liberal party in 1964 promised to help the insurance industry but the focus on premium cost for over a decade hurt the insurance industry. Although the Liberal party had promised to privatize compulsory automobile insurance, it soon discovered reversing public automobile insurance would be too expensive in the short-term as will be seen in chapter five. The industry’s short-term strategy ultimately prevented it from achieving its long-term goal.

While historians have traditionally viewed SGIO as one of the CCF’s banner programs, in reality, the AAIA, SGIO’s most successful line, struggled during the early years of operation. The government soon discovered its radical program, which in fact was a conservative approach to compulsory insurance because it was initially limited, required numerous transformations to meet the public expectations. The crown corporation was plagued by initial problems and ultimately suffered from many of the sins of the industry it intended to replace. Strategic political decisions by the government improved support for the AAIA and the government while further alienating the insurance industry. The pressure applied by the insurance industry to limit and reverse Saskatchewan’s version of compulsory insurance complicated this transition to a broader program. As the government encroached on insurance industry business, relations between the two

¹³⁴ “It Isn’t True!” (circa 1956?) Box 15 File 15 Advertising 1960 – 1966. WMICA.

¹³⁵ “You Can’t Compare a Bennett Buggy with a Buick!,” *Regina Leader Post* January 16, 1956. Box 35 File 1 Company 1916 – 1970 (Dark Blue Scrapbook). WMICA.

¹³⁶ There are numerous letters to Douglas expressing frustration with the rate increases and denouncing public compulsory automobile insurance. See Saskatchewan Archives Board. File (j) Government Insurance Office 475 (12-1) SGIO 1944 – 1953, Douglas Papers; File 542 (13-31). (All files) Douglas Papers.

parties soured. The industry defended its right to be in Saskatchewan's automobile insurance market. Unlike in Manitoba where the relationship involved cooperation between the government and the industry, in Saskatchewan the two parties were constantly battling to publicly defeat one another. The resulting conflict produced a focus on the cost of insurance, which in the end benefited neither party.

Chapter 4:
“The Attention-getter is Death”¹
The Aftermath of Automobile Insurance Legislation

As governments across Canada developed laws governing the operation of automobiles and providing reasonable levels of financial compensation for accident victims, the insurance industry adapted to its new role. The first three chapters highlighted the immediate responses to specific legislation, leaving questions about the effects on the insurance industry unanswered. The insurance industry needed to adapt to its role as a provider of a crucial service for motorists. Developing rating and underwriting guidelines befitting increasing numbers of automobile owners became crucial. Wawanesa, among other companies, privately worked throughout the twentieth century to develop strategies meant to manage the automobile insurance line and used new laws and rising traffic accident fatality rates to sell its product. The industry adopted slogans stressing the financial cost of accidents, the threat of deaths and the importance of traffic safety. The industry played on people's thrift and anxieties, and projected companies as agents of the public good.

Automobile insurance redefined the property and casualty insurance industry in Canada. As governments increased industry participation in automobile accident victim compensation, automobile rating developed more nuances and led to thousands of variations in underwriting classifications. Underwriting focused on the driver in addition to the automobile, leading to challenges of the rating categories and industry requirements. Insurance companies attempted to achieve their new underwriting goals through public relations campaigns. These campaigns used fear to encourage better driving behavior, aimed to reduce claims, improve victims' compensation and reduce traffic accidents, the social impetus behind the responsibility laws. The industry used these campaigns in its lobbying efforts as evidence that it supported the government's policy position, particularly in Manitoba. This chapter argues that as legislation changed, the industry adapted its business strategies in order to strengthen its position in the automobile insurance market by becoming more efficient. The industry also used public relations to advance cooperation between the government and the industry in Manitoba. The adversarial relationship in Saskatchewan led to advertisements that were focused on improving the industry position while undermining government assertions about the cost benefits of public automobile insurance.

In order to examine on-going changes in automobile insurance, this chapter focuses on the response of a single company, the Wawanesa Mutual Insurance Company. The company reluctantly entered the automobile insurance field in 1930, but quickly became one of Canada's largest automobile insurance

¹ E.S. Russenholt to Milt (Holden) May 2, 1936 Re: Free Press Ad. Box 6 File 22 Holden – Russenholt, E.S. 1943 – 1949. Wawanesa Mutual Insurance Company Archives, Winnipeg, Manitoba. [hereafter WMICA.]

companies. Across the prairies Wawanesa became the largest automobile insurer. Between 1930 and 1965, Wawanesa learned how to defend itself in the eyes of the public and with governments. Wawanesa developed advertising strategies that increased the company's market share and promoted goals shared by the industry and the government in Manitoba.

When the Wawanesa Mutual Insurance Company decided to insure automobiles in 1930, it already had nearly 35 years experience in property insurance. The company started in 1896 when a group of farmers in the Wawanesa district of Manitoba created the Wawanesa Mutual Insurance Company to serve a relatively small group of men interested in insuring threshing machines. Alonzo Kempton and C.D. Kerr, the founders, believed the insurance companies dominating the local market did not understand the needs of farmers in South-Western Manitoba. The insurance sold against threshing machine fires was inadequate, overpriced and inaccessible because payment due dates fell in the spring when farmers had no money for insurance. The company developed a strong base of support in the Wawanesa district by addressing these concerns, but found the first few years challenging because the company had such a narrow regional scope. In 1899, the company entered the North-west Territories (Saskatchewan and Alberta) and expanded the lines of business to include property and fire insurance to manage its risk. The company focused on insuring schools and property in rural areas, with little interest in high-risk town and urban settlements, which lacked the advanced fire-fighting techniques needed.² By 1915, the company became the largest mutual insurance company in Canada. Over the next twenty years, it offered new lines of insurance to farmers, although it avoided crop insurance, and sought new clients in western towns. In 1920, the company entered British Columbia in order to serve, according to the company, long-term customers who had retired to the province.³ The company, still fearing conflagration, hesitantly started selling insurance in densely populated urban areas in the 1920s.

The early 1920s saw managerial change for Wawanesa with the chief accountant C.D. Kerr passing away in 1921. A year later A.F. Kempton, managing secretary, was fired. Kempton's termination and Kerr's death marked

² This interest in fire prevention in rural areas in particular resulted in the creation of the Little Wonder Lantern Snuffer in the early twentieth century, the purchase of the Canadian rights to the Liberty Fire Extinguisher in late 1920s and the introduction of the Liberty Fire Engine for use in rural communities in the 1930s. Only the fire extinguisher experienced success because Wawanesa gave them away to consumers at a small cost to Wawanesa. The Liberty Fire Extinguisher Company (which Wawanesa owned) continued producing extinguishers into the late 1960s. Meeting of Wawanesa Management Committee Victoria British Columbia, June 16 – 18, 1969. Box 2 File 17 Management Committee Meetings – Minutes 1966 – 73. WMICA. See also Mark Tebeau, *Eating Smoke: Fire in Urban America, 1800 – 1950*. (Baltimore: The John Hopkins University Press, 2003) and Jack Lufkin, "Property for Iowa Farmers: The Rise of the Mutuals," *The Annals of Iowa* 54 (Winter 1995): 25 – 45.

³ A.F. Kempton to H.A. McBurney. Box 9 File 28 Company – B.C. 1921 – 1972. WMICA.

the end of Wawanesa's early history. Kempton, Kerr and an ever-changing board of directors established the company on the Prairies and had diversified into several property related lines. When Dr. C.M. Vanstone became managing secretary in 1922, corporate growth had stalled and the board of directors were divided over the direction the company should take. Even the decision to appoint Vanstone as the managing-secretary represented uncertainty because he came to the company with a background that included two failed businesses and no experience in the insurance business.⁴ Some members of the board of directors hoped Vanstone would act as its puppet. Vanstone, however, challenged questionable directives and proposed alternatives, eventually earning him the title of managing director. Over the next twenty years, Vanstone led the company through its greatest period of expansion and growth in lines, including adopting automobile insurance.

Starting in the mid-1920s, the company recognized that the automobile catered to its target audience including self-sustaining farmers and the middle class, not just society's elite.⁵ Wawanesa's managers feared that if they failed to take advantage of this new line of business, the company would lose business to competitors that offered both property and automobile insurance.⁶ In the mid 1920s, members of Wawanesa's board of directors created a subsidiary called the Wapiti Insurance Company to sell automobile insurance to Wawanesa customers because Wawanesa lacked the needed Dominion charter.⁷ In 1924, Wawanesa initiated the process to acquire the charter, succeeding in 1928.⁸ While the

⁴ Vanstone came to the company with a varied résumé. He resided in the Wawanesa district working as a doctor until the early 1910s but moved West to breed and sell horses after a traumatic patient death. By the early 1920s the combination of the post-Great War depression and the increased popularity of the automobile left Vanstone's horse business in debt and Vanstone in need of work.

⁵ This decision is consistent with the company's corporate profile. The company appealed to the middle-class farmer and the decision to "go national" was directly related to the need to provide automobile insurance to this group. The company feared that not moving into automobile insurance would result in a loss of business in both the automobile and property lines.

⁶ Gerald Bloomfield argues the automobile became an important part of Saskatchewan's rural communities between 1906 and 1934, although the depression resulted in a significant decline in the number of vehicles registered in the province. See Gerald Bloomfield, "I Can See a Car in That Crop": Motorization in Saskatchewan, 1906 – 1934," *Saskatchewan History* 37 (Winter 1984): 3 – 24.

⁷ As a mutual, Wawanesa did not have shareholders, prompting members of the board of directors to periodically start profit making companies. The Wapiti was one of these stock companies. It is believed staff funneled all of the best insurance risks to the Wapiti, leaving Wawanesa, a mutual, to absorb the higher risks with reduced profits. The Wapiti did serve a useful function because it allowed the board to test a risky new area of business without endangering Wawanesa's reputation. This practice continued into the late 1930s, eventually drawing the ire of the Dominion Superintendent of Insurance, leading to the sale of the Wapiti to Wawanesa.

⁸ The shift from a provincially licensed corporation to a nationally regulated company is linked to the company's desire to enter the automobile insurance market. In 1910, the dominion government altered the insurance act, prohibiting a provincially legislated company from taking

government initially hesitated to provide the company with an automobile insurance license, it decided to allow Wawanesa to proceed in 1930, citing the company's previous aptitude for entering markets.⁹ With the Dominion charter, Wawanesa reclaimed customers served by the Wapiti. In 1930, the company also entered Ontario. Quebec, New Brunswick and Nova Scotia followed.¹⁰ Success in the automobile insurance line was largely attributable to the introduction of new insurance laws following the Hodgins report. The new regulations proved advantageous for Wawanesa because they created a new market for automobile insurers while at the same time providing access to much needed statistics on automobiles and insurance, without which the company would have been excluded from all but a local market.¹¹

Wawanesa's entrance into the automobile insurance market transformed the company. In 1931, the sale of automobile insurance accounted for just 8.6% of total net written premiums for Canada. Considering the company had engaged in the market for less than a year, even this number signals the beginning of a significant trend for Wawanesa and suggests consumer demand for its product.

on multiple types of business. The categories of insurance were as follows: (a) fire, explosion, cyclone or tornado and inland transportation insurance; (b) fire, cyclone or tornado, sprinkler leakage, weather and hail insurance; (c) accident, sickness, plate glass, steam boiler, and automobile insurance; and (d) guarantee, bond, credit, and burglary insurance. In order to sell both fire and car insurance, Wawanesa needed to be licensed with the dominion, as well as the provincial, governments. Presumably this protected the consumer to a degree because the federal government required substantial deposits to be placed with Ottawa. "An Act respecting Insurance 1910," Canada. *Statutes of Canada*. 9-10 Edward VII c. 32.

⁹ Superintendent of Insurance (Ottawa) to Charles Heath (Superintendent of Insurance, Manitoba) June 20, 1930 and R. Leighton Foster (Superintendent of Insurance, Ontario) to Charles Heath (Superintendent of Insurance, Manitoba) July 11, 1930. File: Wawanesa Mutual Insurance Company 1916 – 1945. CCA 0102 GR 1420 Box 38 (Consumer and Corporate Affairs – Insurance Branch, Company Correspondence Files) Provincial Archives of Manitoba, Winnipeg, Manitoba. [hereafter CCA – Superintendent] (Access) Superintendent of Insurance to Manager (Wawanesa Mutual Insurance Company) December 2, 1924; Superintendent of Insurance to C.M. Vanstone (October 30, 1928); A.T. Hawley to C.M. Vanstone (copy) February 12, 1930; Superintendent of Insurance to C.M. Vanstone, February 17, 1930. File: Wawanesa Mutual Insurance Company. RG 40 Accession 1996-97/098 Box 36 File 8 – W1 – 10 pt 1 Library and Archives of Canada. [hereafter LAC]

¹⁰ A more detailed account of the company's expansion can be found in Heather E. Nelson, "'The Great City on the Prairies': The Wawanesa Mutual Insurance Company and Regional Expansion," in Claude Bellavance and Pierre Lanthier (eds.) *Les Territoires de l'entreprise, The Territories of Business*. (Sainte-Foy: Les Presses de l'Université Laval, 2004), 217 – 232. The company also received permission from the Dominion government to sell several new lines during the same period. See various letters in File: Wawanesa Mutual Insurance Company. RG 40 Accession 1996-97/098 Box 37 File 8 – W1 – 10 pt 2. LAC.

¹¹ Superintendents of Insurance worried Wawanesa's lack of experience in automobile insurance would prove disastrous. See Superintendent of Insurance (Ottawa) to Charles Heath (Superintendent of Insurance, Manitoba) June 20, 1930; R. Leighton Foster (Superintendent of Insurance, Ontario) to Charles Heath (Superintendent of Insurance, Manitoba) July 4, 1930; R. Leighton Foster (Superintendent of Insurance, Ontario) to Charles Heath (Superintendent of Insurance, Manitoba) July 11, 1930. File: Wawanesa Mutual Insurance Company 1916 – 1945. CCA – Superintendent.

By 1938, the number had jumped to 20.99%, by 1942, automobile insurance accounted for 29% and by 1949, for 54% of Wawanesa's net written premiums. By 1965, automobile insurance accounted for a staggering 82.4% of all business written by the company.¹²

The automobile challenged what the insurance industry and Wawanesa understood about rating. Unlike houses, where the industry had long established relative risks based on materials, contents, and location, the automobile presented new variables. Early underwriting focused on the age of the vehicle and offered some variation in premium cost depending on the manufacturer. The guidelines grew haphazardly during the 1930s, as manufacturers introduced new designs, which made automobiles faster and more dangerous.¹³ The Second World War, which effectively halted the production of new models and reduced the number of cars on the highways, gave the insurance industry time to develop better rating systems.¹⁴ By the end of the war, insurance companies appeared more secure in their knowledge and rating of the automobile. Companies were ready for the influx of cars needing insurance in the post-war years. New categories of insurance appeared as part of a company's standard offering. The industry used experience to rate the vehicle a person drove based on its age, where it was made, and what type of claims experience it had.

Early claims experience was plagued by minor nuisance claims, making rating difficult. Referred to as "claims consciousness," the industry worried these payouts would end up undermining the entire industry. Replacing fenders and repairing bumps became a major concern for the insurance industry and it increased insurance premiums to compensate. In 1937, Wawanesa started offering a "claims-free bonus" in order to reduce claims and promote driver awareness. This bonus deterred policyholders from making numerous small claims by offering long-term financial rewards to those who avoided filing claims. After three years of running the program, the company declared it a success and worked to increase incentives.¹⁵

While successfully dealing with "claims consciousness," Wawanesa, like other insurance companies, began developing rating systems based on the driver as well as the automobile. A 1938 article explained, the "Human element is becoming the biggest problem in automobile insurance today."¹⁶ Applying underwriting rules to the driver proved a natural extension of rules developed by Wawanesa when it insured properties. The company had traditionally explored a person's life to determine whether he or she could be considered a good risk. For

¹² A complete listing is available in Appendix 4-1.

¹³ Douglas Brinkley, *Wheels for the World: Henry Ford, His Company, and a Century of Progress, 1903 – 2003*. (Toronto: Viking of Penguin Books, 2003), 465.

¹⁴ "Bridging the Gap: In This Article Automobile Insurance," *Canadian Underwriter* 12, 9, (May 1, 1945): 10.

¹⁵ "Claims Consciousness – A New Hazard," *Canadian Insurance* 42, 15, (April 12, 1938): 20.

¹⁶ "Examining Individuals Risks," *Canadian Insurance* 43, 32, (August 9, 1938): 15.

automobiles, the company needed to add categories. As a result, Wawanesa created “accident prone” as a classification of driver. This catchall included drivers suffering from “defective vision, poor judgment, drinking habits or just plain recklessness.”¹⁷ Wawanesa viewed this solution as having a salutary effect. By the mid-1930s, however, the industry feared underwriting categories would not measure up when pitted against post-depression problems. The industry worried “more liberal liquor laws are contributing to the accident and resultant premiums costs, every automobile risk has got to be very carefully selected. This means that the companies must sift the business with a fine mesh, in order to make their rightful profit on this line.”¹⁸ One industry observer noted “the known reckless driver will soon have as much difficulty in securing automobile insurance as the man who has a dubious record of many fires in securing fire insurance. Perhaps those unworthy of insurance protection will be barred from it one day.”¹⁹ Implementing strong underwriting guidelines to eliminate the bad drivers proved difficult. While the insurance industry understood what constituted a good or bad driver, the industry felt pressure to avoid refusing too many applicants for fear of precipitating increased government involvement in automobile insurance. Financial responsibility laws did highlight some of the worst, presumably uninsured, drivers on the highway. The introduction of the assigned risk plan is one example of the government intervening to protect drivers prosecuted by these underwriting guidelines. Balancing the need to avoid high risks with the desire to limit government involvement would challenge the industry throughout the twentieth century.

Also troublesome was the industry’s decision to use data collected from automobile accidents to demonstrate a connection between the age of drivers and accidents. As noted in chapter two, the insurance industry refused to insure drivers under the age of 21 and over the age of 70 (male) and 60 (female), unless forced by the government to do so. While some healthy, fit, overage drivers could be good drivers, many insurance companies worried that underage and overage drivers represented too high a risk. The insurance industry cited statistics highlighting the susceptibility of the young and old to accidents and the high incidence of traffic fatalities. By denying these drivers access to insurance, the industry believed it served consumers by promoting traffic safety and keeping rates low.²⁰

In an environment where high risks could be difficult to detect because the individual was a new driver or had managed to avoid developing a claims record,

¹⁷ “The Wawanesa Mutual Insurance Company,” Annual Report 1938. Box 15 File 16 Advertising 1904 – 1965. WMICA.

¹⁸ “Haste and Habits,” *Canadian Insurance* 40, 14, (April 2, 1935): 5.

¹⁹ “Examining Individuals Risks,” *Canadian Insurance* 43 32 (August 9, 1938): 15.

²⁰ “Awakening Interest,” *Canadian Insurance* 43, 18, (May 10, 1938): 13. Private passenger vehicles, for example, the family car, would have lower rates because it was likely used less regularly. Vehicles used for “pleasure,” where the vehicle was driven infrequently could also expect much lower rates.

companies periodically took extreme measures. In one case, Wawanesa asked company employees who spent a considerable amount of time on the road to identify “anyone making a foolish move” by noting license numbers. Wawanesa hoped to identify “drunken or careless drivers.” It then compared these license numbers with those on file, canceling those deemed high risks.²¹ Wawanesa only used this ad hoc system of determining risky drivers sporadically and for a short time; there is no evidence to suggest that the company continued to use random encounters as a means of limiting who it insured after the introduction of safety responsibility laws in the 1940s. Nevertheless, the approach does suggest the importance to the company of personal knowledge either at the agent or company level. Using company officials to identify poor drivers exemplifies a level of desperation associated with creating guidelines for automobile insurance. While the industry had made the link between poor driving behavior and insurance claims, it continued to work on finding a way to limit the risks before accidents occurred.

Industry interest in safe driving increased following the government adoption of financial responsibility laws as companies insured more drivers and accepted the responsibility for accident compensation. A 1934 article appearing in *Canadian Insurance* warned insurance companies that one-tenth of the drivers caused six-tenths of all accidents and indicated “a battle should be waged...against the one-tenth of drivers who are making the roads unsafe for the other nine-tenths.”²² Improved road and driver safety would reduce the number of claims the industry saw and allow automobile insurance to operate “far more within reasonable bounds.”²³ Safety also became a political issue since increased accident fatality rates led to demands for greater government scrutiny of the insurance industry. To some extent, insurance companies fed concerns about accident rates by selling insurance with advertising campaigns that emphasized the dangers of driving and the unexpected costs of accidents. The companies therefore had good political reasons for wanting to show that private insurers could encourage greater safety on the roads.

Governments did assist the companies in their quest for safer roads by developing traffic rules, recommending the creation of driver education and improving driver licensing. Refined rules and improved regulation of drivers provided the industry with tools to measure and rate drivers, and had the potential to reduce accident rates. Companies nevertheless wanted to be seen as encouraging better driving, including driver safety as a part of the campaigns to

²¹ C.M. Vanstone to M.C. Holden, June 6, 1941. Box 4 File 21 Holden – Correspondence 1941. WMICA. For clarification, Vanstone spent time working out of the Toronto office following the death of the branch manager in the early 1940s. For all intents and purposes, Vanstone continued to reside and work out of the Wawanesa Head Office until his retirement in 1943.

²² “Says One-Tenth of Drivers Cause Six-Tenths of Accidents,” *Canadian Insurance* 39, 49, (December 4, 1934): 1.

²³ *Ibid.*

sell insurance. As a mutual insurance company, Wawanesa used its annual reports to call on policyholders to improve their driving behavior.²⁴ A 1934 report focused specifically on traffic concerns in rural areas, drawing attention to the dangers of travelling on rural roads and highlighting the importance of driver diligence.²⁵ In the report, C.M. Vanstone, Wawanesa's managing director, listed the top nine causes of accidents and fatalities.

People] (1) Drove too fast for conditions – this accounted for approximately three-fourths of all mishaps in 1933 assigned to driving blunders. (2) Failed to slow down at intersections. (3) Failed to keep to the rights. (4) Tried to pass another car going in the same direction when view was obstructed. (5) Failed to slow down on approaching pedestrians. (6) Passed on the right of a preceding vehicle. (7) Ignored important traffic control devices. (8) Parked at dangerous spots. Let me add No. 9 – Driving with only one hand on the wheel.²⁶

Wawanesa's experience suggested these were the top causes of automobile accidents and the company therefore encouraged drivers to curb these behaviors.²⁷ Wawanesa looked to agents to deliver the safety message, which focused on

²⁴ Throughout the first half of the twentieth century, Wawanesa used its annual report as the primary method of communicating with its customers. While it did not state who its annual report went to, it appears the company printed and mailed out the report to all of its insureds (or members as they were frequently referred to) because technically every insured was also a shareholder in the company.

²⁵ "The Wawanesa Mutual Insurance Company" Annual Report, 39th Annual Report 1934, 12. Box 15 File 16 Advertising 1904 – 1965. WMICA. Peter Norton argues people dominated the streetscape while the horse and buggy dominated roadways. The automobiles, however, increasingly pushed individuals off the streets and onto sidewalks because cars tended to move more quickly and were less likely to yield to pedestrians. The eventual result, for the sake of safety, involved the introduction of rules applying to pedestrians, including jaywalking. Peter Norton, "Whose Street? Jaywalkers versus Jay Drivers," presented at the Car in History: Business, Space, and Culture in North America, University of Toronto, Toronto Ontario, May 19 – 21, 2005. The dramatic effect on urban geography was also demonstrated by John Jakle and Keith Sculle, "Lots of Parking: Land Use Changes in America's Big City Downtowns," presented at the Car in History: Business, Space, and Culture in North America, University of Toronto, Toronto Ontario, May 19 – 21, 2005.

²⁶ "The Wawanesa Mutual Insurance Company" Annual Report, 39th Annual Report 1934, 14 – 15. Box 15 File 16 Advertising 1904 – 1965. WMICA. It was not uncommon for Vanstone to add criteria he felt were important, even if his assertions were conjecture.

²⁷ Davis, in his article "Dependent Motorization," talks about the difficulties carriage driving farmers had with early cars. Automobile tended to dominate the road, often forcing carriage drivers into the ditch. This caused tension on the roadways as people competed for space.

careless driving.²⁸ In 1938, the company started a newsletter for its agents entitled *The Friendly Agent*. Lasting only four months in 1938, the magazine addressed safety as the most important automobile insurance issue. One article introduced the “Good Drivers Fact Book,” a thirty-six page book available to the agents for distribution to existing customers, containing “concise, powerfully pictured facts.”²⁹

In seeking out new clients, however, the company relied heavily on campaigns using accident statistics and fear. Although distinct campaigns were developed for different parts of the country, the company’s advertising campaigns all emphasised three related points: the cost of judgments, the potential loss of wealth and the importance of purchasing insurance. Two surviving ads emphasized the random nature of car accidents hoping to warn those who might believe their good driving would prevent an accident. The first ad, produced by Wawanesa in the early 1930s, featured an automobile hitting a pedestrian. All of the possible costs the driver could incur including the hospital bill, the cost of repairing the car, the ambulance bill, and court costs were highlighted. It asked “Public Liability, What Would a \$10,000.00 Judgment Do To You?” (Appendix 4-2) Most accidents could not be avoided, it explained, “but public sympathy is always with the injured party and the CAR OWNER PAYS.” Automobile owners were therefore encouraged to cover their vehicles against public liability. The \$10,000 judgment refers to the amount assigned by the law as the maximum allowable claim for a single accident without explicitly mentioning financial responsibility. That said, the ad appears in “Automobile Insurance: An Outline of the Financial Responsibility Law and a General Explanation of the Standard Automobile Policy.” Agents distributed this pamphlet as part of the sales strategy. In distributing these pamphlets, the company targeted a specific group of consumers: good drivers already interested in purchasing automobile insurance.

A very different ad conveyed a similar message asking “Did you ever see a Car Swallow a Whole Farm? Yours May! Good Farmers Every Year Face Judgments of \$5,000 to \$25,000 because of Car Accidents.” (See Appendix 4-3) In the ad, a demonic looking car eagerly eats up the farm fence, and presumably the farm, much to the shock and dismay of its owner. Wawanesa clearly wanted to reinforce the potential consequences of car accidents and the financial

²⁸ One of the company’s earliest advertisements asked “Are You a Safe Driver?” with a questionnaire to determine the response. (See Appendix 4-5) The pamphlet explained “fewer accidents means lower insurance costs.” Companies contacted consumers through appointed insurance agents. There are two types of insurance agent: those on salary with a company and independent insurance agents who work on commission. Most companies relied on commissioned agents because it allowed companies to cover more area. For more information on the insurance agent, please see Dalit Baranoff, “A Policy of Cooperation: The Cartelisation of American Fire Insurance, 1873 – 1906,” *Financial History Review* 10 (2003): 119 – 136. Also Dalit Baranoff, “Shaped by Risk: The American Fire Insurance Industry, 1790 – 1920,” (Ph.D. diss. John Hopkins University, 2003).

²⁹ Although later versions of this book have survived, the first book has not. As a result, these examples are the ones provided in the *Friendly Agent*.

responsibility law. Finally, the cost of automobile accidents was emphasized in an ad that asked “Safe or Sorry?” (Appendix 4-4). It appealed to the middle-class driver when it stated “practically every wealthy man who drives a car has Full Automobile Covering, but only a very small percentage of men of moderate means carry any protection.” It goes on to suggest the wealthy man could easily afford the judgments while the “man of moderate means” could easily be “crippled or ruined.” The best way to be safe rather than sorry would be to purchase a Wawanesa policy to protect “your Car, your Home and your Future Earnings.” By promoting insurance as a sound financial decision, especially given government regulations, Wawanesa hoped to sell insurance.

In selling insurance through fear, Wawanesa had to be careful. In 1936, the company consulted E.S. Russenholt, an advertising specialist, about its advertising campaign. One billboard depicted a car accident featuring a young man surrounded by “glass and bottle.” Russenholt thought the billboard implied that most accidents involving young men included alcohol. He believed this would cause resentment with the public and the government. The “attention-getter is Death;” he argued, “that is good; the glass and bottle may do some harm – and will do little good.”³⁰ Heeding this advice, future advertisements did not feature alcohol, leaving the focus on other human elements like reckless driving and speeding. One agent used a billboard featuring the ride monster, a skeleton who instigated traffic accidents, and the slogan “Don’t Let Him Ride With You!” The ad also featured the 1936 and 1937 killed and injured statistics for the Port Arthur/Fort William region (Appendix 4-6). The statistics highlighted the growing accident problem in the region, where numbers had nearly doubled. The company found this type of advertising attracted numerous clients who found the image compelling.³¹ By employing fear and data to support its claim that accidents could kill, insurance companies hoped to affect consumers and their purchasing habits.

As governments came under pressure to reduce accident death and injury tolls, the insurance industry began to promote safety much more heavily in its advertising campaigns. Wawanesa attempted to educate the public about the link between rating and accidents. In 1941, the company declared: “In automobile insurance rates respond to consistent common sense. The Wawanesa brings together, for Mutual protection, automobile owners who are sensible and carefully concerned about a strong lead in working for public safety through the prevention of accidents. We ask the continued cooperation of all our members in making our highways Sane and Safe.”³² This program merged the desire to reduce costs with

³⁰ E.S. Russenholt to Milt (Holden) May 2, 1936 Re: Free Press Ad. Box 6 File 22 Holden – Russenholt, E.S. 1943 – 1949. WMICA.

³¹ *The Friendly Agent*, (date unknown, circa 1938), 7. Box 24 File 5 Publications 1938 – 1957. WMICA.

³² “The Wawanesa Mutual Insurance Company” 45th Annual Report 1940. The advertisement is laced with mutual insurance rhetoric (mutual interest, members). Box 15 File 16 Advertising 1904 – 1965. WMICA. In the late 1930s and early 1940s, the company frequently

promoting safety. One ad cautioned drivers about the “harvest of death” on the highways, explaining “too often good careful people are victims of careless crazy drivers. Any minute you may suffer hurt or damage. Any hour you may be involved in ruinous claims.” (See Appendix 4-7) The ad aimed to sell insurance but at the same time conveys a sense of urgency regarding the accident crisis on the highways. The emphasis on safety, and evidence that safety sold, appears in Appendix 4-8, where drivers are encouraged to purchase “safe insurance.” “Safe insurance” presumably protected drivers from the costs associated with accidents. The cartoon featured a presumably safe driver signaling “no” to the grim reaper. The ad featured in Appendix 4-9 asks “Are you headed for an accident? Seek Safety with Adequate Insurance Coverage in The Wawanesa Mutual Insurance Company.” The ad suggested insurance could protect a driver from an accident. An ad from the 1940s clarifies the safety message, offering a “safe driving rule,” which would “safeguard you against loss.” (See Appendix 4-10) Over the next two decades, the focus on safety would continue.

In 1941, Wawanesa mentioned its expansion of “public interest campaigning,” which was part of the “constant urge to prevent fires and accidents.” The aim of the distributed literature was “making Canada a better country for more people.”³³ Reducing accidents helped accomplish this goal. One *Canadian Underwriter* author argued that the insurance industry needed a three pronged approach to reducing traffic accidents “1 – Security for the accident; 2 – Eventual elimination of the dangerous driver from our highway; 3 – Increase the percentage of insured cars and drivers.”³⁴ The insurance industry wanted to increase the number of policies but also wanted to retain control over who it accepted as a risk, which was only possible under responsibility law. Insurance companies, therefore, engaged in safety campaigns in an effort to reduce automobile accidents. If accident numbers dropped, public pressure on governments to intervene in automobile insurance would presumably decrease. Unfortunately, records do not suggest how successful companies believed these campaigns would be.

The resumption of recreational driving at the end of the Second World War brought renewed calls for better driver safety programs. Many in the industry expected the number of cars on the road would increase dramatically, but that a shortage of essential automotive components would have devastating consequences for drivers and insurance companies alike. The insurance industry cited thinning old tires and the scarcity of new ones and increased access to

played up its heritage as a mutual insurance company, presumably in an attempt to retain support among the rural population. Cooperatives experienced considerable success during this period and Wawanesa developed connections with the cooperative movement. Instead of being an insurance company from Eastern Canada or from another company, it appeared as a business with the interests of the people as part of its mandate. This advertisement appears to be an attempt to draw on the cooperative movement following.

³³ Brochure “Wawanesa Leadership 1st in Alberta, in Saskatchewan, in Ontario.” (circa 1941) Box 15 File 12 Advertising East 1930 – 1953. WMICA.

³⁴ “New Financial Responsibility,” *Canadian Underwriter* 12, 1, (January 1, 1945): 22.

gasoline as concerns. It cited the age of vehicles, fearing thousands that “would normally be in the scrap-heap are still trying to function.” Finally, it thought pre-war speed limits on deteriorating post-war highways would be disastrous. Some in the industry called for “a program to minimize the death toll and the destruction of property on our highways.” It believed private insurers should “give leadership in reducing the ghastly toll by enlisting the support of all companies and that fine agency force throughout the Dominion.”³⁵ The solution lay in the promotion of safe driving and the “necessity of insurance to cover the accidents which do happen despite all efforts that may be made to prevent them.”³⁶ “Community campaigns to reduce the loss of life and property through traffic accidents” were one way to reduce claims and advance public relations strategy.³⁷

Members of the insurance industry viewed Manitoba’s safety responsibility as important.³⁸ A writer for the *Canadian Underwriter* argued revising financial responsibility legislation was a step in the right direction. “Public opinion is going to demand bold action on the part of our legislators in eliminating bad drivers” and “prevention of accidents is constructive whereas payment for injuries sustained can be termed reconstructive. They must, however, go hand in hand.”³⁹ Wawanesa officials agreed with this assessment, arguing that safety responsibility law encouraged “safe driving of motor vehicles in the interest of the public as well as of owners and drivers.”⁴⁰ Advocates of the safety responsibility law hoped anyone facing either the loss of a license or the cost of financial damages would drive carefully. In the event of an accident, it guaranteed other individuals would not become victims of the financially irresponsible repeat offender. The law ultimately improved access to compensation for victims and created demand for automobile insurance.⁴¹

By providing safety-specific advertising, the industry continued to fill a void the government felt existed. The minutes of the second annual Western Canada Association of Highway Officials in 1949 commented “we are placing too

³⁵ H.L. Kearns (Chairman, Independent Automobile Insurance Conference) “United Action Urged to Reduce the Automobile’s Ghastly Toll,” *Canadian Underwriter* 13, 1, (January 1, 1946): 13.

³⁶ It should be noted the article also points to claims consciousness, the “generosity of the law courts,” old automobiles, unskilled truck drivers, “and a general deterioration of our roads and highways” as causes for increased claims. “Public Service and Automobile Insurance,” *Canadian Underwriter* 12, 7, (April 2, 1945): 12.

³⁷ Ibid.

³⁸ Secretary (All Canada Insurance Federation) to Herbert Hunter (Superintendent of Insurance, Manitoba) February 16, 1944. File: All Canada Insurance Federation. CCA 0119/0261 GR 2932 Box 1 (Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files) PAM (Access).

³⁹ “New Financial Responsibility,” *Canadian Underwriter* 12, 1: 22.

⁴⁰ “Automobile Insurance: An outline of The Financial Responsibility Law and a general explanation of The Standard Automobile Policy by The Wawanesa Mutual Insurance Company,” 2. No accession number, in glass display case. Sipiweske Museum, Wawanesa, Manitoba.

⁴¹ A.T. Hawley to H.E. Hemmons, March 2, 1945, 2. Box 68 File 2 Wawanesa Branch Documents – Auto Related Issues 1945 – 1950. WMICA.

much emphasis on motor vehicle regulations and their enforcement in order to eliminate the number of accidents, and too little emphasis on safety education.”⁴² The insurance industry continued to provide some needed, if limited, education employing graphic representations of traffic accidents as part of its advertisements. The All Canada Insurance Federation initiated its driver safety campaign in the 1950s, producing a series of pamphlets and booklets that closely parallel modern driver education manuals. The federation explored the familiar issues of traffic safety, alcohol, and the role of the driver and decision making. One booklet entitled “Checked Your Driving Manners Lately?” conveyed the importance of obeying traffic laws and highlighted what it viewed as the most frequently violated rules.⁴³ Appendix 4-11 presents a variety of cartoons used by the federation, including the “speed artist” and the man at the “violent death service station,” filling up on alcohol with the help of the gas station attendant, a skeleton.⁴⁴

Later advertisements followed the same format, although advances in presentation are clear. One All Canada Insurance Federation advertisement offered a gory depiction of death on the highways.⁴⁵ (Appendix 4-12) The cover of the pamphlet features a wrecked car, with the dead driver still entwined with the automobile. The individual lost his arm during the accident in addition to head trauma. “You are in this picture,” stated the caption. The pamphlet explained that although they did not participate in the accident, readers likely paid for it. It argued safer driving would limit rate inflation. It blamed “that ‘under – 25’ group” who suffered fatal accidents at twice the national average and city drivers who, “faced with city traffic conditions, pile up much higher claims record than do rural drivers.”⁴⁶ Another pamphlet discussed “minutes that count,” arguing “more than 90% of all accidents are caused by human error, human carelessness or human discourtesy” and highlighted four statistics on traffic fatalities, speed, property damage and alcohol consumption.⁴⁷ (Appendix 4-13)

While the insurance industry had responded to safety responsibility law by embracing the law and cooperating with the governments, the introduction of public compulsory automobile insurance in Saskatchewan challenged the

⁴² Program Second Annual Group Conference of the Western Canada Association of Highway Officials, Hotel Palliser, Calgary Alberta, October 11 – 13, 1949. File: Minutes – Western Association of Highway Officials – 1929 – 1972. HT 0026 GR 262 G 8890 (Box 1) – Highways and Transportation. PAM. These meetings were usually attended by delegates from all four Western Canadian provinces.

⁴³ “Checked your driving manners lately?” Produced by the All Canada Insurance Federation. (circa 1940s) GR 247 G 7117 Box 4 File 1. Manitoba Legislative Assembly Sessional Papers. [hereafter GR 247 – papers]

⁴⁴ Part of the explanation for this may lay with the lack of enforcement during this period.

⁴⁵ Using accident scenes became quite common throughout the mid-twentieth century. See Appendix 4.6 and 4.10 as examples of car wrecks being used to sell automobile insurance.

⁴⁶ “You are in this picture,” [GR 247 – papers]

⁴⁷ “Minutes that count,” Produced by the All Canada Insurance Federation (circa 1950s) [GR 247 – papers]

industry. Early responses, however, were tempered by concern. In 1947, Wawanesa's Saskatchewan manager commented that "we do not pay much attention to the government competition, mainly we ignore it and sell our own goods because we cannot fight the law when it is all on the other fellow's side completely."⁴⁸ In another letter written only a month later, H.E. Hemmons, managing director, commented "I am inclined to agree with you that that government may hang itself if we give them enough rope, and as you say a large section of the public might consider it a matter of sour grapes if we started any active advertising against the Government."⁴⁹ The company did not want to provoke the government. "The Government," Hemmons argued, was "in a position to make it very awkward for us or for any other company who became too active in their opposition against the government set up."⁵⁰ This passive attitude toward public insurance underwent a radical transformation as the government encroached on its market and worked to drive private companies out.

Wawanesa's changing position can also be attributed to a change in corporate leadership.⁵¹ M.C. Holden occupied the position of managing director starting in 1948, which neatly coincides with Wawanesa's decision to wage a battle against the government of Saskatchewan. A long-time friend of M.C. Holden wrote him, complaining about the situation in Saskatchewan. "We snort," he proclaimed "about Government insurance plans and regulations, mutter in our beards that the ratepayer is meeting the deficit which we believe does actually exist, if not on paper, but we really do nothing about it. The public should not be damned for swallowing the hook, line and sinker of Socialist propaganda, for that is all it is." He went on to suggest "the day for conservative advertising is going with the dodo, we can only maintain our position in the very strenuous competition of the future by a virile, vigorous policy."⁵² Holden agreed. "Insurance companies" he declared, "have been utterly stupid in the past, and because we maintain a rigid silence the argument has gone by default to the

⁴⁸ Tom Purvis (Provincial Manager – Saskatchewan) to M.C. Holden, February 1, 1947. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA.

⁴⁹ H.E. Hemmons to H.R. Earl (Saskatchewan Mutual Fire Insurance Company) March 3, 1947. Ibid.

⁵⁰ H.E. Hemmons to H.R. Earl (Saskatchewan Mutual Fire Insurance Company) February 14, 1947. Ibid.

⁵¹ For the company, the 1940s had been a tumultuous time for senior management, in particular, the company's position of managing director. The long-time managing director, C.M. Vanstone (1922 – 1943) was asked to retire following a long and complex political battle that divided board of directors. Vanstone's successor, H.E. Hemmons (1943 – 1947), had worked as the assistant managing director under Vanstone but had little experience in running the company as a result of Vanstone's strict control over all aspects of the operation. By 1947, Wawanesa had a third managing director in five years, and the fourth manager in its fifty-year history. M.C. Holden, who managed the company for the next twenty years, was a long-time Wawanesa veteran who approached the operation of the company differently. Holden distributed power instead of attempting to micro-manage a massive national company from an isolated head office.

⁵² Fabian Hugh to M.C. Holden, December 30, 1948. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA.

Socialist.” He further suggested that “we have nothing to be ashamed of, and we should be telling our story.”⁵³ Wawanesa’s strategy involved commencing advertisements in the Saskatchewan market that focused on free enterprise and the affordability of its insurance policies in the months and years that followed.⁵⁴

Holden objected to the presence of public corporations in the insurance industry. While Wawanesa did not entirely object to the creation of public, competitive enterprise, it preferred the CCF stay out of insurance. Responding to a politician who supported Wawanesa’s position and continued to purchase his insurance from the company, Holden explained

The approach of the Saskatchewan Government to the problem of automobile insurance has been an interesting one, - but its virtues – and it has some – have been marred by the exaggerated claims as to the coverage and as to its cost, whereas the present low fee is one which is subsidized by our members and by the policy holders of the private companies.

I have wondered if these flaws – and there are others – are the inevitable result of the environment surrounding a Government’s being in a business as personal as Insurance.

We know that the Postal Service and the manufacture and distribution of Electric Power are economic areas where the State can function successfully; this is so because these services are largely mechanical and impersonal. There is generally but one choice; - and no one can err in making it. The letter is delivered or it isn’t; the power comes to my home or it doesn’t.

Because these services are impersonal, ‘politics’ is not a factor.

In the Insurance field, however, the human element, it seems to me, is hopelessly entwined. It is constantly on the surface when general policy is being determined, when rates are being considered, when the acceptance of a risk is at the point of decision, when estimating the amount of loss and when determining whether or not such loss lies within the four corners of the contract.⁵⁵

⁵³ M.C. Holden to Fabian Hugh, January 3, 1949. Ibid.

⁵⁴ Holden proposed commencing aggressive advertising campaigns before the legislature opened “in order that the fangs of the C.C.F. might be drawn prior to the meeting of the Legislature.” M.C. Holden to G.P. Shearer (Branch Manager, Winnipeg) December 29, 1948. Box 6 File 24 Holden – Shearer, G.P. 1948. WMICA.

⁵⁵ M.C. Holden to Mr. M.J. Coldwell (Member of Parliament, House of Commons, Ottawa) August 23, 1950. Box 8 File 1 Auto Insurance Sask. 1944 – 1949. WMICA.

For Holden, public utilities were acceptable, serving the public good and not requiring personal relations.⁵⁶ Automobile insurance was distinct. It was not a utility and the connection to “the public good” was obscure. Holden, a long-time insurance man, had worked in a system that promoted evaluation and treatment of the human element as key and found it difficult to see automobile insurance as an “impersonal” utility. From rating to claims, insurance traded in the quality of life. The assertion that the business of insurance was “personal” and public enterprise should be restricted to the “impersonal” was one the company latched onto. The company realized even if only for publicity and lobbying, insurance was about people.

Critics of the Automobile Accident Insurance Act suggested that the government’s focus on the cost of insurance had detracted from a proper analysis of the cause of high costs: accidents. Critics believed compulsory accident compensation promoted negligence and suggested that financial responsibility laws proved more effective.⁵⁷ “A government which was alert to its responsibilities ... would be more vigorous in conducting a highway safety program.”⁵⁸ Another critic pushed for increased public safety campaigns stating “insurance has its place – and an important one – but the provinces of Canada and states of the United States are finding that it must be accompanied by vigorous highway safety measures. It is to be hoped that the Saskatchewan government will not be satisfied with half-hearted measures to reduce highway accidents, but that vigorous steps will be taken.”⁵⁹ Wawanesa’s highway safety campaigns, which supported government safety responsibility law elsewhere, did not appear in Saskatchewan. By 1950 Wawanesa’s Saskatchewan advertising featured the low-cost, high-benefit elements of its insurance policies. Wawanesa saw highway safety as the purview of the government’s compulsory insurance plan. As the provider of additional coverage only, the insurance industry does not appear to have felt compelled to provide safety advertising, suggesting a link between support for government policy and industry advertising.

Publicly the insurance industry responded to laws using advertising campaigns to encourage the purchase of insurance. In provinces other than Saskatchewan, the industry challenged the nuances of the laws and worried about the long-term impact of government involvement in automobile insurance in its boardrooms and in discussions with governments. In drafting policies, Wawanesa considered the legal ramifications of financial responsibility law.⁶⁰ While the cancellation of policies was a minor issue when dealing with property insurance,

⁵⁶ For a discussion of public interest and its applicability to utility regulation, see Robert Britt Horwitz, *The Irony of Regulatory Reform: The Deregulation of American Telecommunications*. (New York: Oxford University Press, 1989), 23 – 31.

⁵⁷ “Views vary widely on future of compulsory car insurance,” Newspaper unknown January 26, 1951. Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). WMICA.

⁵⁸ “The Super-Salesman” date and newspaper unknown. Ibid.

⁵⁹ “Vigorous action imperative,” *Leader Post* March 8, 1950.

⁶⁰ Superintendent of Insurance (Manitoba) to The Wawanesa Mutual Insurance Company. June 19, 1931. File: Wawanesa Mutual Insurance Company 1916 – 1945. CCA – Superintendent.

financial responsibility law made cancellations complicated. The company's awareness of the Highway Traffic Act was apparent in its 1932 reading of the financial responsibility law. M.C. Holden, then Winnipeg branch manager, explained "I believe it would be rather risky trying to evolve some system that would bring about automatic cancellation as the Financial Responsibility Part of the Highway Traffic Act certainly gives the public the benefit of the doubt."⁶¹ His comments reveal the implications of even the earliest legislation on the insurance industry. The courts assumed the industry should keep individuals insured. The automatic cancellation of a policy demanded little follow-up because it was assumed the policyholder had either gone with another company or dropped the coverage. This would have made the company more efficient, but the long-term legal costs and responsibilities would have been significant. Without the ability to automatically cancel policies, automobile insurance became a more risky line of business because companies needed to be certain individuals would pay for insurance prior to its purchase.⁶²

Wawanesa, for its part, lobbied the government for changes to both the financial and safety responsibility laws. In the 1930s, the company recommended, for instance, a change allowing for short-term policies. It argued the policies would allow consumers in rural areas to insure their vehicles during the summer, when they drove them, without having to cancel the policy during the winter, when driving the vehicles proved impossible for many prairie automobile owners.⁶³ This would have reduced the bureaucracy consumers encountered and limited paperwork. The company also continued to worry about the stance of governments on the issue of compulsory insurance. The Superintendent of Insurance for Manitoba expressed frustration at the company's inquiries on the issue stating Wawanesa had "been digging up all kinds of unusual questions, for instance, 'compulsory automobile insurance.'"⁶⁴ Wawanesa also unsuccessfully lobbied for new, more flexible rating plans. One, the "use plan," was an American plan permitting lower rates if only two drivers used a vehicle. The superintendent did not believe the plan had substance, but listened to the company requests and allowed Wawanesa to present the use plan to the

⁶¹ M.C. Holden (Winnipeg, Manitoba) to C.M. Vanstone, March 3, 1932. Box 6 File 34 Holden – Vanstone C.M. 1932 – 1933. WMICA.

⁶² See GS 0082A GR 1611 G 8061 Box 13 – Manitoba – Public Works - Deputy Minister. PAM for an example of the relationship between the insurance industry and the Government. The Superintendent of Insurance of the time was particularly cautious when dealing with the industry and viewed any suggest made to his office by a company as suspicious.

⁶³ Superintendent of Insurance (Manitoba) to H.E. Hemmons (Wawanesa Mutual Insurance Company) February 12, 1937; H.E. Hemmons (Wawanesa Mutual Insurance Company) to Charles Heath (Superintendent of Insurance, Manitoba) March 6, 1937. File: Wawanesa Mutual Insurance Company 1916 - 1945, CCA - Superintendent.

⁶⁴ Superintendent of Insurance (Manitoba) to Hartley D. McNair (Superintendent of Insurance, Toronto) March 8, 1937. Ibid.

Association of Superintendents for the Provinces of Canada.⁶⁵ Wawanesa made little progress in its attempts to sway government bureaucrats between 1930 and 1945 but the relationship was amicable. Personality conflicts between the superintendents of insurance, particularly in Manitoba, and company representatives limited relations. Administrative changes within the company and within the Superintendents office in Manitoba improved communications and brought lobbying successes. By the early 1950s, the government of Manitoba, a leader in the field of automobile insurance legislation, turned to Wawanesa and the insurance industry when it looked for solutions to problems emerging from existing automobile insurance legislation.

Wawanesa's interest in Manitoba's laws developed because it was the largest automobile insurer in the province in addition to being the fourth largest automobile insurer in Canada. In 1953, when the public and, in turn, the government challenged the cost of automobile insurance in the province, Wawanesa responded. Wawanesa argued that existing premiums were in line with the company's experience. Wawanesa explained that although the size of the company allowed some independent rate experience, in practice "our own experience is considered along with the experience of all companies for any given territory or class when we set out to make rates." The rates charged allowed the company enough surplus to sustain operations as well as account for underwriting experience. Additionally, the company attributed higher costs to the effects of inflation on bodily injury and physical damage claims.⁶⁶ Wawanesa further suggested strict legislation in the province ensured consumers received adequate policies but this limited price competition in the field. Strict selection was difficult because "there is a conflict between careful selection and the spirit of the Safety Responsibility Law." Being more selective about whom it insured risked government scrutiny under the safety responsibility law and the assigned risk plan, making denying applications a more difficult task. To avoid additional government intervention, the company widened its underwriting parameters to accept higher risks but at a higher cost to the consumer.

The company applied lessons learned during the 1930s and 1940s when faced with public and governmental challenges in the 1950s. Wawanesa presented its case in terms of the greatest good for the greatest number and framed this argument by asserting that it, a good corporate citizen, ran its operations to abide by existing laws and government regulations. The company pointed to its commitment to safety as demonstrated by advertising campaigns as evidence of its dedication to government policy. The company focused on public need instead of arguing for changes that would improve circumstances for the company. The company and the industry were not entirely selfless. Insurance companies used

⁶⁵ H.E. Hemmons to H. Hunter (Superintendent of Insurance, Manitoba) June 5, 1939. Ibid.

⁶⁶ Submission to the Highway Safety Commission, Province of Manitoba by The Wawanesa Mutual Insurance Company, Head Office – Wawanesa, Manitoba, M.C. Holden, Managing Director. February 1954. Box 23 File 10 Auto Insurance 1954. WMICA.

cooperation and support of government policy to counter calls for compulsory automobile insurance. The industry demonstrated that it deserved to continue offering automobile insurance and provided reasonable explanations for its behavior, framing it in terms of providing a service as the government intended.

The All Canada Insurance Federation took a similar approach to the 1953 review of government policy in Manitoba. It, too, felt the best approach would be to acquiesce to government interests in an attempt to avoid conflict and appear cooperative. It offered its advertising material as evidence of support for promoting safety. The federation also asserted the unsatisfied judgment fund provided a necessary service in Manitoba and should not be changed. The federation worked to justify its rating system and the existing rate structure. In addition, the federation stated the assigned risk plan in Manitoba served the desired purpose and recommended no change as it felt insurers followed the established guidelines. However, it asked the commission to consult the organization further should any changes be desired. When the federation asked Wawanesa in late 1953 for the company's support of its report, Wawanesa chose to stand by its own submission. The All Canada Insurance Federation, while similarly interested in promoting private insurance industry interests, had alienated the Wawanesa Mutual Insurance Company a decade earlier with its stance on the assigned risk plan in British Columbia. Wawanesa had disagreed with the federation's back room lobbying and renounced its membership in the organization. This division proved troublesome for the insurance industry because Wawanesa was the largest insurer in Saskatchewan and Manitoba.⁶⁷

By the 1950s, individual companies like Wawanesa or trade organizations like the All Canada Insurance Federation were not the industry's only voice. Growing agent independence from companies and the insurance lobby appeared clearly by the 1950s. The agents challenged the government position on questions such as third party limits, an issue avoided by the rest of the insurance industry because of the potential cost implications. The agents also more eagerly addressed safety matters and the problems with drivers' licenses and certificates, issues agents dealt with in day-to-day operations. The agents, however, did not

⁶⁷ In the early 1940s, Wawanesa left the All Canada Insurance Federation over the issue of the assigned risk plan in British Columbia and over the Federation's assertion that compulsory insurance would have a negative impact on insurance companies in Canada. Although the federation and Wawanesa frequently espoused the same views, they remained separate entities. The federation was based in Montreal and represented 200 board companies (although there were a couple of mutuals among their membership). Wawanesa felt associating with the Federation would leave it at a disadvantage because it would lose some currency when advertising itself as an independent prairie based mutual. As Wawanesa engaged in a debate over the nature of automobile insurance in Saskatchewan, being a western mutual became important because it diffused a couple of the CCF's central arguments about private insurers: namely that they were all stock companies interested in making substantial profits for stock holders and that they were all based in Montreal. Wawanesa's continued refusal, as Western Canada's largest insurer, to rejoin the All Canada Insurance Federation resulted in ongoing tension between the two groups because the Federation believed they could be stronger together.

Chapter 5: (Re) Negotiating Automobile Insurance in Saskatchewan and Manitoba

The Liberals in Saskatchewan in 1964 campaigned on the privatization of the Saskatchewan Government Insurance Office and, after twenty years of CCF/NDP power, were elected. The insurance industry welcomed this news. The new insurance organization, the Insurance Bureau of Canada, and the Wawanesa Mutual Insurance Company tried but failed to convince the Liberals to follow through with the promised privatization. The new government discovered that abandoning compulsory public automobile insurance would be difficult, and worse, initially expensive for drivers. The government chose political survival over free enterprise ideology. The news would not be any better in Manitoba. Continuing debate between the government and the industry over the assigned risk plan and rates projected automobile insurance reform into the 1969 provincial election. Manitoba voters elected their first NDP government that year. The NDP introduced compulsory public automobile insurance in a market where approximately ninety-five percent of drivers insured their cars. Wawanesa, and to a lesser degree the entire insurance industry, aggressively campaigned against the government's public insurance program, spearheading the largest public protest in Manitoba's history. The government forged ahead, implementing compulsory public automobile insurance under the Manitoba Public Insurance Corporation in 1971, displacing private companies.

Throughout the 1960s, the industry's relationship with the moderate government in Manitoba faltered. Cooperation with provincial officials disappeared as the government increasingly held the industry publicly accountable for automobile insurance. In Saskatchewan, brief cooperation with the Liberal government yielded no results. The final blow would come with the election of the NDP in Manitoba that, like the CCF in Saskatchewan in 1945, paid no heed to the insurance industry. The insurance industry, having learned from Saskatchewan, aggressively challenged the NDP's compulsory public automobile insurance program. The result was an adversarial relationship, which led to the ejection of private industry from automobile insurance completely. Against this background of deteriorating industry-government relations, the automobile insurance debates had shifted focus from victim compensation to the cost of insurance, control over the automobile insurance line and the role of free enterprise in insurance. This transition placed the focus on the insurance industry as the provider of insurance instead of on the law, leading to the public conflicts between the industry and the government.

By 1964 and 1965, the insurance industry had increasingly become a target of criticism across Canada. Questions about the role of the industry appeared in political platforms and as part of government challenges but long-time advocates of the industry position also publicly reprimanded it. Proposed rate increases for 1966 in particular drew public criticism in 1965. Even the

economically-conservative *Financial Post* could not justify the increase. The *Post*'s journalist, Robert Catherwood, explained the industry position, stating it required this rate change because it had experienced a higher rate of claims, wage and salary increases, higher repair bills for expensive cars, increased claims frequency and higher hospital and medical bills. At the same time, Catherwood speculated that the higher premium rates would foster "grumbling."¹ The editorial in the same issue proved less forgiving. The author suggested drivers in 1965 and 1966 were paying for "years of over-violent competition and a chronic reluctance to price auto policies high enough to offset the fast rise in accident costs." "The insurers," he claimed, "are not fulfilling their expected and proper market function." He speculated that the relationship between the superintendents of insurance and the insurance industry prevented increased government scrutiny. He explained it was this type of situation "that brings government holus-bolus into business."² In this relatively hostile environment, the insurance industry attempted to work with governments in Saskatchewan and Manitoba to change government policy to its benefit.

Attempts to effect positive change from the industry's perspective in Saskatchewan proved difficult. The insurance industry identified a political ally as early as 1952 when the Saskatchewan Liberal party promised that, if elected, it would eliminate the SGIO monopoly on the AAIA and on the government properties. Although it intended to retain compulsory insurance, it hoped to open the market to all private insurers and allow customers to "buy their insurance and bonds from local agents who are taxpayers in their communities."³ The Liberal promise garnered significant support from within the insurance industry. Writing in 1954, a Regina adjuster for Wawanesa pointed out that two CCF party members were in poor health and suggested a by-election might be necessary. When the "Liberal Party come into power," he advised, "a meeting of the various insurance companies should occur to establish a protocol for lobbying."⁴ The adjuster clearly understood the non-existent government-industry relationship and felt the industry would have to organize itself to cooperate with a new government. The industry continued to place its hopes for a reversal of public insurance in Saskatchewan in the Liberal party. The Liberal interest in SGIO as a political target persisted, with its 1964 Saskatchewan election platform revolving around the elimination of monopoly elements from SGIO and the Automobile Accident Insurance Act.

¹ Robert Catherwood, "Car Insurance rates rising, may be up 5% - 10% in 1966," *The Financial Post* October 2, 1965, 1, 4.

² "Who's your insurer?" *The Financial Post*, October 2, 1965, 1.

³ "Liberal policy on insurance," *Leader Post*, March 18, 1952. Box 35 File 1 Company 1916 – 1970 (Black Scrapbook). Wawanesa Mutual Insurance Company Archives, Winnipeg, Manitoba. [hereafter WMICA]

⁴ B.K. Peterson (Adjuster, Regina) to M.C. Holden, December 6, 1954. Box 8 File 2 Auto Insurance – Sask. 1950 – 1954. WMICA.

Once elected, the Liberal government removed the SGIO monopoly on lines of insurance the government purchased, but introducing private compulsory automobile insurance proved more complicated. Initially Ed Odishaw, Executive Assistant to Premier Thatcher, contacted Wawanesa seeking help in finding two new general managers and an assistant general manager for SGIO.⁵ M.C. Holden, Wawanesa's managing director, agreed to help in a discreet search, possibly recognizing the opportunity this offered the company. It could place industry allies in those positions, gaining the ear of the new provincial government. The relationship evolved, with the government seeking advice on privatization of automobile insurance. Holden worked to aid the government, but minimized contact with the All Canada Insurance Federation, which became the Insurance Bureau of Canada (IBC) in 1965. The IBC agreed that Wawanesa, one of its members, should work with the government on its own.⁶ Wawanesa believed there were "tremendous advantages in having a Prairie man talking to a Prairie man on a subject such as this."⁷ Both parties understood the federation had generated ill will with the Liberals during the 1948 election in Saskatchewan when the federation was believed to have cost the party the election by not advancing the industry position.⁸ As a result, Wawanesa kept the IBC apprised of conversations in 1965 but kept it out of direct talks for the first several months. In doing so, Wawanesa gained favour with the government. In early 1965, the industry-government relationship started to heal and was on track to be as productive as the one in Manitoba. Hopeful members of the insurance industry started to formulate a privatization plan. The industry speculated it would be easy to alter the act because the NDP, late in its administration, had set up a little known fund equivalent to the unsatisfied judgement fund.⁹

The transition appeared easy in the summer of 1965, but by the fall trouble loomed. The government appointed a committee of Saskatchewan insurance executives, including Wawanesa's M.C. Holden, the Saskatchewan Mutual Insurance Company's Jack Hammill and the American Insurance Company's Jack

⁵ M.C. Holden to Ed Odishaw (Executive Assistant to Premier Thatcher, Saskatchewan Government) July 20, 1965. Box 8 File 14 Auto Insurance – Sask. 1964 – 1966. WMICA.

⁶ As a note, following the fall out from the events of the 1940s discussed in chapter two, Wawanesa terminated its association with the All Canada Insurance Federation. In 1965, the relationship between Wawanesa and the national insurance industry changed, as the All Canada Insurance Federation became the Insurance Bureau of Canada (IBC), an organization created to collect and distribute statistical information among insurance companies. It also intended to work as an inclusive national voice for the insurance industry. Wawanesa agreed to join, on a limited basis, the Insurance Bureau of Canada in 1965. Membership in IBC, however, was justified on the basis that the company needed access to rate information, not because the company believed it was an effective lobby group.

⁷ Don Martan (Royal London & Lancashire Insurance Companies) to M.C. Holden, July 19, 1965. Box 8 File 14 Auto Insurance – Sask. 1964 – 1966. WMICA.

⁸ M.C. Holden to W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) June 22, 1965. Ibid.

⁹ W.G. MacArthur (Assistant Manager and Counsel, All Canada Insurance Federation) to M.C. Holden, June 16, 1965. Ibid.

Humphrey to create a blueprint for a new private automobile insurance plan in the province.¹⁰ The committee discovered the difficulties in creating a plan amicable to both the industry and the Saskatchewan government. Issues included basic compulsory insurance, agents' commissions, and the role of the Saskatchewan health plan in the assessment of settlements.¹¹ The insurance industry valued the ability to deny risks and had consistently lobbied against compulsory insurance, worrying about the implications of insuring all risks. The committee expressed concerns about the ability of smaller agents to adapt to a traditional system of assigning commissions based strictly on the sale of automobile insurance. Under government control, smaller agencies relied on the standard fees provided by the government, including collecting licensing fees. Under a private system, this monopoly would disappear. Finally, the government health plan covered expenses arising from automobile accidents. This raised questions about how to deal with paying health care claims under a private insurance system.

As the committee and the industry considered these issues it became apparent that the situation could be grim if the industry did not meet the government's expectations. The industry rightly fretted about the potential publicity nightmare associated with attempting to privatize the Saskatchewan automobile insurance industry and failing. One insurance executive commented "if we encourage the Government to continue the SGIO monopoly on the cover of Compensation without Fault, it would make it much more difficult for us to enter into this field in the future and we would be giving the SGIO quite a healthy lease on life."¹² From the government perspective, any increase in cost or loss of coverage by the public could mean "political suicide for the present administration."¹³ After careful consideration of the Liberal government's requirements, the committee of insurance executives offered concessions.¹⁴ The final committee report recommended the introduction of a financial responsibility plan with an assigned risk plan and unsatisfied judgement fund similar to the one in Manitoba.¹⁵

¹⁰ Memo from Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) September 14, 1965. Ibid.

¹¹ E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) to Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) September 16, 1965; E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) to Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) September 17, 1965; and Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) to E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) September 21, 1965. Ibid.

¹² Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) to M.C. Holden, September 22, 1965. Ibid.

¹³ J.B. Hammill (Saskatchewan Mutual Insurance Company) to Hugh Ham (General Manager for Canada, Royal/London & Lancashire/Western Group) September 27, 1965. Ibid.

¹⁴ Memorandum to Members of Saskatchewan Committee from J. Matson (?) September 29, 1965. Ibid.

¹⁵ Memorandum from E.H.S. Piper (All Canada Insurance Federation) Re: Saskatchewan, November 12, 1965. Ibid.

At a meeting between Premier Thatcher and industry, representatives discussed the committee's conclusions. Thatcher informed the industry that the government would retain the Automobile Accident Insurance Act and compulsory public automobile insurance.¹⁶ Wawanesa continued discussions with the government separate from the IBC and the committee, but declined the opportunity to establish a plan meeting the government's guidelines.¹⁷ Wawanesa viewed the government's stipulations as contradicting the promise for a free automobile insurance market. In the end, the Liberal government focused attention on the removal of the monopoly on other lines of insurance without changing the Automobile Accident Insurance Act. The insurance industry's inability to provide the Liberal government with a plan balancing industry and political needs ended serious talk about privatizing the Saskatchewan plan.¹⁸ This failure provided the NDP with the ammunition it needed to advance a government insurance scheme in Manitoba.

Automobile insurance had been on the NDP agenda since 1962 and, while the party was in opposition, unsuccessfully pushed for compulsory public automobile insurance.¹⁹ The NDP campaign made an impression on Progressive Conservative Premier Duff Roblin in Manitoba who, faced with increased rates and problems with the assigned risk plan, was searching for an appropriate solution. Roblin worked for moderate change to automobile insurance in an attempt to address issues raised by the NDP. Roblin and the insurance industry had disagreed on numerous issues surrounding automobile insurance since he became premier in 1958. While the All Canada Insurance Federation worried about the absence of "premium financing facilities" and the issue of full payment on policies issued under the assigned risk plan, Roblin appeared unconcerned. The federation worried these oversights in the assigned risk plan would give critics of the existing safety responsibility law ammunition. All other provinces had altered the law to make it user friendly. Only Manitoba retained a clause making insurance difficult to acquire for those without full premium payment at the time of purchase. The federation informed the government in 1964 that it would publicly explain the federation's position if criticized for the plan. It would highlight the offer to participate in an accessible payment plan and point out that the Manitoba government had refused.²⁰ The superintendent of insurance

¹⁶ Memorandum from E.H.S. Piper (All Canada Insurance Federation) November 12, 1965. Ibid.

¹⁷ W. Ross Thatcher (Premier, Saskatchewan) to M.C. Holden, December 28, 1965; and M.C. Holden to W. Ross Thatcher (Premier, Saskatchewan) January 27, 1966. Box 8 File 10 Auto Insurance – Sask. 1950 – 1965. WMICA.

¹⁸ M.C. Holden to J.B. Humphrey (Vice-President, Shaw & Begg, Limited) November 24, 1965. Box 8 File 14 Auto Insurance – Sask. 1964 – 1966. WMICA.

¹⁹ Nelson Wiseman, *Social Democracy in Manitoba: A History of the CCF-NDP*. (Winnipeg: University of Manitoba Press, 1983.), 107.

²⁰ Manager and General Counsel (All Canada Insurance Federation) to F.A. Swaine March 5, 1964. File: All Canada Insurance Federation. CCA 0119/0261 GR 2932 Box 1

declared a year later that the insurance industry needed to find a better solution to the premium payment problem. The superintendent accused the industry of creating “a tight market situation” every few years, referring to increased rates with limited competition among companies. This had “not been popular with anyone.”²¹ The federation attempted to convince the superintendent it had developed a plan to address these issues. The federation president argued his plan was not “necessarily the best, but [felt it] in the interests of the public that the industry needs a better method for insuring the less select risks.”²² Roblin and the superintendent of insurance disagreed with the federation’s reading of the situation.

By early 1966, the problems escalated. The Manitoba government’s disagreement with the All Canada Insurance Federation over the operation of the assigned risk plan came to include “compensation without fault.” Compensation without fault would have allowed at fault drivers to easily collect money from insurance policies. The insurance industry instead suggested it could offer “personal accident coverage” comparable to “compensation without fault.”²³ The industry stipulated the existing law needed to be amended, making it mandatory to carry this type of insurance. The government complained the amendment would lead to “an extra charge” for consumers. The superintendent of insurance told Roblin that “I doubt that we need All Canada to assist us with our legislation.”²⁴ The advice of the insurance industry was no longer crucial to policy development. Instead, the government considered industry proposals as self-interested. Distrust proved mutual. At the 1967 annual meeting of the Portage La Prairie Mutual Insurance Company, the company’s general manager blamed the government for driving up the cost of automobile insurance. The government, he claimed, “did not have the guts to say that certain people should not be driving a car.”²⁵ The government was gaining increasing agency in the business-government relationship as a result of public and political pressures. This increased autonomy was not well received by the industry, particularly as tensions escalated.

(Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files). Provincial Archives of Manitoba, Winnipeg, Manitoba (Access) [hereafter, CCA – Superintendent]

²¹ Provincial Archives of Manitoba (Access) CCA 0119/0261 GR 2932 Box 1 (Consumer and Corporate Affairs – Insurance Branch, Superintendent’s Policy Files) Fred A. Swaine (Superintendent of Insurance, Manitoba) to James Matson (President, All Canada Insurance Federation) October 7, 1965. Ibid.

²² Fred A. Swaine (Superintendent of Insurance, Manitoba) to Roger A. Camarais (Superintendent of Insurance, Quebec) November 8, 1965. Ibid.

²³ E.H.S. Piper (Manager and General Counsel, All Canada Insurance Federation) to Duff Roblin (Premier and Provincial Treasurer, Manitoba) January 10, 1966. Ibid.

²⁴ Fred A. Swaine (Superintendent of Insurance) to Duff Roblin (Premier, Manitoba) January 20, 1966. Ibid.

²⁵ “Cites Manitoba as increasing car-risk costs,” *Globe and Mail* February 10, 1967, B 14.

The industry's disputes with the sitting government paled when compared with its public feud with the NDP. Throughout the 1960s, NDP leader Russ Paulley engaged the industry in a debate over the assigned risk plan and the industry's role as automobile insurance providers. Early in 1967, the NDP criticized Manitoba's Conservative government for not taking more action against the automobile insurance industry. Paulley suggested industry-wide rate increases could be held responsible for the rising cost of insurance and recommended the government "consider the advisability of instituting compulsory motor vehicle insurance before motor vehicles can be registered, and that the government be the insurer." Paulley claimed that if the industry suffered losses and could not make a profit, the government should take over the industry. He demanded a commission to investigate automobile related issues, a process already commenced by the Conservative government.²⁶ The NDP hoped to use the government – industry debate in Manitoba and the survival of public insurance in Saskatchewan to its political advantage.

In 1967, a Special Committee of the Manitoba Legislature on Automobile Insurance heard public testimony on proposed rate increases.²⁷ Almost nothing remains of these hearings. The committee never produced a report, and apparently never completed its study, but existing industry submissions suggest it explored the issue of rate increases in Manitoba.²⁸ The new Insurance Bureau of Canada produced a brief in which it spent twelve pages emphasizing its new role as a statistical bureau and suggesting the data collected would help companies establish appropriate rates.²⁹ In spite of industry briefs justifying rate increases, the public exposure only drew fire from industry critics. During the hearings, Wawanesa conceded government automobile insurance could be cheaper in some instances because "there would be no policywriting costs, no agents' commission, ...no premium tax...[and] no income tax."³⁰ Much to the company's consternation, the NDP started using this quote, out of context. Wawanesa complained to the NDP leader, Russ Paulley, and attempted to clarify the company's position; public insurance would result in an increase in premiums for some with a decrease for others. The company pointed to Saskatchewan and

²⁶ Manitoba. *Legislative Assembly of Manitoba: Debates and Proceedings*. 8 (April 18, 1967): 2664 – 2666.

²⁷ "Public Notice of Meeting," from D.C. Pensack (Secretary – Manitoba) (circa 1967). Box 9 File 3 Automobile Insurance – B.C. 1967. WMICA.

²⁸ References to the committee appear in the 1967, 1968 and 1969 *Journals of the Manitoba Legislative Assembly* and the *Hansard*. At no point, however, does the committee offer a final report or any conclusions. Very little is known about the construction of this committee. The sparse records, however, suggest Gildas Molgat, leader of the Liberal Party and eventually senator for Canada, sat on the committee.

²⁹ Special Committee of the Manitoba Legislature on Automobile Insurance. Brief on Behalf of Insurance Bureau of Canada. November 1967. Box 68 File 3 Wawanesa Branch Documents – Auto Insurance 1967. WMICA.

³⁰ M.C. Holden to R. Paulley (MLA and Leader, NDP Party Manitoba) December 12, 1967. Box 9 File 3 Auto Insurance – B.C. 1967. WMICA.

suggested the difficulty with the government plan was that, “it was impossible to fashion a one size suit and expect it to fit every body.”³¹ Wawanesa indicated the company continued to sell more affordable insurance in Manitoba than the government provided in Saskatchewan.

The election campaign in 1969 in Manitoba proved traumatic for the insurance industry. The Conservative and Liberal parties had shifted toward more conservative leaders, who drew support from conservative rural areas. The NDP, on the other hand, sold itself as small “I” liberal.³² In the 1969 election, the NDP, led by Edward Schreyer, campaigned on five key issues: improved access to public health care, municipal reform, unification of Winnipeg, the South Indian Lake and the hydro-electric dam question, and public automobile insurance.³³ On June 25, 1969, the NDP won a minority government gaining 28 of Manitoba’s 57 seats and thirty-nine percent of the popular vote.³⁴ While Schreyer would address all of his campaign promises during his first term, the introduction of public automobile insurance would be the most contentious aspect of the NDP platform.

Schreyer, eager to advance his ambitious election platform, was one seat shy of a “workable” government. In the months following the election, Schreyer recruited Larry Desjardins, a Liberal, “to sit with the NDP caucus as a Liberal Democrat.”³⁵ Desjardins became a significant factor in the automobile insurance debates because he sympathized with small business and forced the government to make concessions to insurance agents.³⁶ The new NDP government hoped to attract new business and investment to the province, but at the same time proposed changing the “antiquated” safety responsibility law. Schreyer met with representatives of the insurance industry, assuring those present that “a cooperative approach between the Government of Manitoba and the industry” would characterize his approach to legislative change. In November 1969,

³¹ Ibid.

³² Wiseman, 120 – 124.

³³ Gregory P. Marchildon and Ken Rasmussen, “Edward Richard Schreyer, 1969 – 1977,” in Barry Ferguson and Robert Wardaugh (eds.). *Manitoba's Premiers*. (Regina: Canadian Plains Research Centre, 2006.) (Advance copy used, no page numbers available); James McAllister calls automobile insurance “a major plank” in the election platform. See James A. McAllister, *The Government of Edward Schreyer: Democratic Socialism in Manitoba*. (Kingston: McGill-Queen’s University Press, 1984), 64.

³⁴ Election Statistics for Manitoba are available from the Historical Database of Statistics Canada. Series Y30 Provincial government elections, party standing, and size of legislature, 1867 to 1977 (continued) and can be found at <http://www.statcan.ca/english/freepub/11-516-XIE/section9/section9.htm>. Downloaded on December 17, 2004. The Provincial Premiers of Manitoba and their terms in office are available from Elections Manitoba and downloaded at <http://www.electionsmanitoba.ca/main/history/premiers.htm>. Downloaded December 17, 2004.

³⁵ Marchildon and Rasmussen.

³⁶ #15 “Manitoba: Land of the future” an address by Premier Edward Schreyer to the businessmen of Montreal, Galerie No. 1, Queen Elizabeth Hotel, Montreal, October 1, 1969. File 9 – Speeches – Provincial Relevance – Various Speeches 1949 – 1976. Gildas Molgat Collection. P 4322. PAM. (Special Permission Received.)

however, the government announced the creation of a legislative committee to review automobile insurance in the province.³⁷

The committee was charged with investigating “the feasibility of initiating a program of public automobile insurance.” It reviewed the duplication in advertising and administration in automobile insurance, the high cost of pursuing compensation through the courts, and delays in claims settlement. According to Schreyer, these created expensive automobile insurance.³⁸ The editor for the *Winnipeg Tribune* argued that the committee was nothing more than a façade.³⁹ The decidedly NDP character of the committee led critics to assert that the committee’s purpose was to promote public automobile insurance through public hearings rather than examine the automobile insurance problem. The Manitoba Chambers of Commerce and Wawanesa chaffed at the absence of insurance industry representation and the limited time to respond to the public hearing announcement.⁴⁰ In spite of periodically strained relations with the Manitoba government throughout the 1960s, the industry and government managed to compromise on most issues. The announcement of a *public* hearing on the creation of a public automobile insurance corporation less than six months after a new government took office chipped away at the frail post-election industry-government relationship, challenging the well-established norm of private industry-government meetings. While committees under politically friendly governments had focused on amending existing legislation, this committee had the express purpose of evaluating compulsory public automobile insurance. The age of cozy collaboration had come to an end.

Submissions to the committee highlighted a number of themes, but the insurance industry and business arguments against public insurance dominated the presentations.⁴¹ Industry arguments had five elements. Industry representatives argued that the rural clients would be adversely affected by a flat rate system, and defended the existing complex rating system. Moreover, they argued that public insurance would be less efficiently administered than private insurance, would not produce safer roads, and would not have a significant impact on premium rates.

Insurance companies argued attempts to offer cheaper flat rates for the entire province would lead to higher costs for those in rural areas. The Portage la

³⁷ The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee, 8. Box 4 File 11 Holden – Briefs and Submissions 1945 – 1969. WMICA.

³⁸ Edward Schreyer cited in McAllister, 64.

³⁹ The *Winnipeg Tribune* supported the Progressive Conservatives and the Roblin government through the 1960s, while the *Winnipeg Free Press* tended to favour the Liberal party. See Wiseman’s discussion of the political situation in Manitoba in the 1960s. Although Wiseman focuses on the NDP party, he does offer useful insights into the changing political situation in 1960s Manitoba. Wiseman, 122 – 123.

⁴⁰ The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee, 8. Box 4 File 11 Holden – Briefs and Submissions 1945 – 1969. WMICA.

⁴¹ Of over two thousand public comments on the issue, unresolved consumer complaints accounted for most submissions. Tom Green (Editor) “Kidding the Public,” *Winnipeg Tribune* December 4, 1969.

Prairie Mutual, the second largest automobile insurer in the province with \$1.6 million in premium income, weakly argued it best served the average rural policyholder because of the way it insured members.⁴² Over 16,000 (of 27,000 in the province) of its 50,000 policyholders farmed for a living, allowing the company, it believed, to offer a better service to farmers than any public insurance corporation could.⁴³ Wawanesa claimed 40,000 of the 60,000 vehicles it insured belonged to individuals who resided in rural areas. Wawanesa also pointed out it experienced its highest degree of success in “the low rated rural areas.”⁴⁴ The Manitoba Chambers of Commerce joined the chorus of industry advocates who claimed a flat rate would subsidize urban drivers, and it adduced supporting data. There had been “8366 motor vehicle accidents in Greater Winnipeg area and 1003 in the whole area outside Greater Winnipeg.”⁴⁵

Defending the existing rating system proved more difficult. The Automobile Insurance Committee report indicated 840 possible basic premium rates for private passenger vehicles. The addition of collision or comprehensive insurance increased the possible variations to over 2000.⁴⁶ The complex rating system accounted for differences in vehicle maker and model, in the age of the vehicle, the age of the driver, where a driver lived, a driver’s record and how frequently the vehicle was used. Saskatchewan’s simple rating system included three different categories of wheelbase, twelve categories for the year, one driver rate, one comprehensive rate, one medical payment option and one territory. A breakdown of the rating system appears in Appendix 5-1. To implement a Saskatchewan style-rating system involved the separation of driver and motor vehicle premiums. Although Saskatchewan appeared to have only one rate for drivers, more complex systems existed in driver licensing because all drivers paid a small insurance premium, in addition to the premium paid for the vehicle itself.

Numerous submissions alluded to problems with the rating system, but the topic was best laid out in a series of 1970 comments to the Public Utilities Board. The Manitoba Federation of Labour and the Winnipeg & District Labour Council argued that the classification system needed revision, stating the system was “practiced to the point of absurdity by the private insurance industry.” The two

⁴² Premium statistic from McAllister, 65. By comparison, Wawanesa’s net written premiums on the automobile insurance line in Manitoba (the largest insurer in the market) were a little over five million dollars in 1969.

⁴³ J.C. Miller, Q.C. (President) and E.M. Brown (Secretary and General Manager), Brief to the Manitoba Automobile Insurance Committee, The Portage la Prairie Mutual Insurance Company, Head Office: Portage la Prairie Manitoba. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA.

⁴⁴ The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee, 4. Box 4 File 11 Holden – Briefs and Submissions 1945 – 1969. WMICA.

⁴⁵ The Manitoba Chambers of Commerce to the Chairman and Members, The Automobile Insurance Committee, November 14, 1969. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA.

⁴⁶ Report of the Manitoba Legislative Committee on Automobile Insurance 1970, 10 – 11. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA.

groups recommended better enforcement of traffic rules and the creation of “a stricter point system.” Part of the problem with the rating system was perception. The MFL and WDLC believed the industry “blandly pretends that a teetotaler (sic) is a safer risk than a stone-sober citizen who has been reported to some insurance company snoop as a man who drinks beer.” Outside of the issue of “company snoops” the MFL and WDLC believed the existing system permitted the bad, but wealthy driver, to own and operate an automobile whereas it denied the bad, but presumably less well off driver, access to insurance.⁴⁷

The problem of rating and access to insurance was an issue too for the insurance agents in the province. The agents had a clear desire for changes to the rating system. The agents expressed enthusiasm for simplifying the system in their 1969 committee submission, but did not advocate a complete conversion to a Saskatchewan style system. The agents recommended payment flexibility, the ability to obtain short-term policies, and the maintenance of most of the existing rating system. In particular, the agents suggested retaining elements like the driver rating categories which allowed “the safe, mature driver, the person who is least likely to have an accident” to insure himself and his vehicle at a rate less than the same Saskatchewan driver.⁴⁸ Although most insurance companies could adapt to the creation of public insurance by diversifying in other provinces or other countries, most insurance agents faced a loss of income. This caused concern among the agents. Consequently, they opposed the idea of a public insurance office.

Aside from its defense of the urban-versus-rural rating divisions, the insurance industry generally avoided commenting on the issue of rates and rating. Responding to suggestions that the insurance industry had the power to change rating systems and dictate rates, the Portage la Prairie Mutual pointed out that “no one except the Manitoba Legislature has power to change this policy or the regulations.” By 1969, the Superintendent of Insurance closely regulated many aspects of the average insurance policy, a fact frequently not acknowledged. For example, the superintendent of insurance required insurance companies to ask certain questions as a way of assigning applicants to certain rating groups. Both the Portage La Prairie Mutual and Wawanesa acknowledged the antiquated nature of some of the legislation and wished to help revise it to “meet the wishes of the insuring public.”⁴⁹ Under the NDP government, this type of cooperation was impossible. This focus on rates and rating also highlights the shift in the

⁴⁷ Submission to the Public Utilities Committee of the 29th Legislature, Province of Manitoba by the Manitoba Federation of Labour, C.L.C. and the Winnipeg & District Labour Council, C.L.C. July 4, 1970. Box 9 File 5 Auto Insurance 1970 Manitoba. WMICA.

⁴⁸ The Insurance Agents’ Association of Manitoba submission to the Manitoba Automobile Insurance Committee November 1969, 10. Ibid.

⁴⁹ J.C. Miller, Q.C. (President) and E.M. Brown (Secretary and General Manager), Brief to the Manitoba Automobile Insurance Committee, The Portage la Prairie Mutual Insurance Company, Head Office: Portage la Prairie Manitoba. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA; The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee. Box 4 File 11 Holden – Briefs and Submissions 1945 – 1969. WMICA.

automobile insurance debate. The committee addressed issues related to the operation of insurance companies, not the operation of safety responsibility law.

Most of the insurance industry, and indeed businesses in the province, worried about a government insurance office as part of a larger threat to private enterprise. The Manitoba Chamber of Commerce believed the insurance industry, and most industries in the province, needed to remain in private hands.⁵⁰ The insurance agents emphasized their important role as the primary source of contact for the consumer, arguing they better understood the public and its needs. They argued agents were “one of the facts of life in the insurance business, and when the government is the insurer it can be held responsible for the higher rates” to cover the cost of a new distribution system.⁵¹

Wawanesa dedicated the majority of its submission to the committee to a defence of free enterprise, an argument the Company had employed since Saskatchewan entered the public insurance arena in 1945.⁵² Wawanesa asserted that the government would not be able to compete in a free market. It saw the free enterprise argument as a strong one because its geographic support was in the conservative southwest corner of the province, where the NDP received only nineteen percent of the popular vote.⁵³ The free enterprise argument appealed because Schreyer sold himself as small-business friendly. The industry hoped to use the strength of mutuals with headquarters in the province to its advantage, given Schreyer’s sharp criticism of insurance companies based in Eastern Canada and outside the country.⁵⁴ Groups like the Chambers of Commerce of Manitoba also objected to the creation of public enterprise. The chambers argued public automobile insurance would discourage future private investment in the province, an initiative the NDP government had actively undertaken since entering office.⁵⁵

⁵⁰ The Manitoba Chambers of Commerce to the Chairman and Members, The Automobile Insurance Committee, November 14, 1969. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA.

⁵¹ Submission to the Manitoba Automobile Insurance Committee, November 1969, 17. Box 9 File 5 Auto Insurance 1970 Manitoba. WMICA.

⁵² “The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee.”

⁵³ Wiseman, 124. Chris Adams supports this division, arguing southern farmers account for Progressive Conservative support while the NDP drew from northern labourers and Aboriginal communities. Chris Adams, “Manitoba’s Political Party System: An Historical Overview,” prepared for the Annual Meeting of the Canadian Political Science Association, York University, Toronto, June 3, 2006.

⁵⁴ Indeed, it is often assumed the money to fund the protest movement, which will be discussed later, had its origins in Toronto. See Marchildon and Rasmussen, in Ferguson and Wardhaugh (no page numbers available) In fact, while the Insurance Bureau of Canada certainly aided in financing the campaign against public compulsory automobile insurance, the majority of money was raised privately through the “freedom fund” created by the former President of Wawanesa, Milton Holden.

⁵⁵ Premier Schreyer started assuring businessmen in Eastern Canada and the United States that the new NDP government in Manitoba would be investor friendly as early as October 1969. In one speech he stated “I hope to provide the assurance that we will continue to encourage private enterprise to locate in our province and to take advantage of the many investment

In the end, the chambers suggested automobile insurance could successfully be conducted by the existing insurance industry.

Returning to an old tactic to deflect government meddling, the industry, along with other groups, argued that the government needed to worry about better safety legislation instead of the introduction of public compulsory automobile insurance.⁵⁶ The Portage Mutual proposed that the Manitoba Vehicle Registration Branch should work to reduce accidents, increase penalties for youth, and more carefully assess the over 65 age category.⁵⁷ The Chambers of Commerce agreed improved safety legislation would resolve part of the automobile insurance problem. The chambers called for legislation requiring the removal of unsafe drivers from the highways, a program it believed the industry could operate in cooperation with the Motor Vehicle Branch.⁵⁸ This argument is reminiscent of the one made for the safety responsibility laws in the 1940s and 1950s in Manitoba. Wawanesa encouraged the use of breathalyzers to reduce drunk drivers and suggested that the government look for ways to reduce traffic accidents. "It is in the area of accident prevention that the Government of Manitoba could play a vital role," Wawanesa argued, "a much more productive one than is possible by the diversion of energy to the system by means of which insurance costs are financed."⁵⁹ Wawanesa's perspective on the role of the government proved single minded. The government should control safety and regulate the industry; the insurance industry should abide by the regulations and sell insurance to the consumer.

The government remained vague about how much insurance would cost under a public system and remained quiet on the issue of merit and on rating zones. The Portage la Prairie Mutual pointed out that the cost of automobile insurance in Manitoba had dropped, or only marginally increased depending on where one resided. Its report explained that "in 1931 our Company received \$28.60 per year for \$20,000 third party coverage from a farm owner; his 1969 cost for \$35,000 limits is \$25.00." In 1931, a Winnipeg driver paid \$37.70 and in

opportunities that exist." This proved ironic given his desire to eliminate the private automobile insurance industry. "#15 "Manitoba: Land of the future."

⁵⁶ In the late 1960s, the issue of safety, and more specifically automobile safety, was a hot topic with the publication of books like Ralph Nadar's *Unsafe at Any Speed: the designed-in dangers of the American automobile*. (New York: Grossman, 1972). See also Richard S. Tedlow and Reed E. Hundt, "Cars and Carnage: Safety and Hazard on the American Road," *Journal of Policy History* 4 (1992): 435 - 452; Matthew T. Lee, "The Ford Pinto case and the development of auto safety regulations, 1893 - 1978," *Business and Economic History* 27 (Winter 1998): 390 - 401.

⁵⁷ "J.C. Miller, Q.C. (President) and E.M. Brown (Secretary and General Manager), Brief to the Manitoba Automobile Insurance Committee, The Portage la Prairie Mutual Insurance Company, Head Office: Portage la Prairie Manitoba."

⁵⁸ "The Manitoba Chambers of Commerce to the Chairman and Members, The Automobile Insurance Committee, November 14, 1969."

⁵⁹ "The Wawanesa Mutual Insurance Company submission to the Manitoba Automobile Insurance Committee, 17."

1969, \$42.00.⁶⁰ The industry likely picked 1931 as a point of comparison because it was the first full year of government regulation of automobile insurance in Manitoba. Although the government had declared public compulsory automobile insurance would reduce the costs for consumers, the Chambers of Commerce argued the government had not provided any exact data related to the plan. It pointed out that even Saskatchewan residents experienced an increase in insurance premiums that amounted to “well over 100%” over a ten year period.⁶¹ The private businesses and businessmen presented recommendations to the government arguing automobile insurance legislation in the province needed change, but believed “change and improvement should come by evolution as opposed to revolution.”⁶² The government adroitly inverted the statement. It deemed revolution, not evolution, as necessary.⁶³

The government committee made its recommendations in the spring of 1970 after receiving 2976 submissions, 2920 from private individuals.⁶⁴ The committee supported public compulsory automobile insurance. Its proposed plan contained a number of changes to the way automobile insurance would operate. The committee recommended replacing the existing safety responsibility law (including the assigned risk plan and unsatisfied judgement fund) with a compulsory insurance law. The committee suggested separating the insurance on drivers from the insurance on vehicles, meaning all drivers would be insured and all vehicles would be insured. There would be separate premiums for each. Finally, the committee recommended revising the way liability was assigned and claims were made. Tort liability would continue to apply to bodily injury claims, meaning a victim could sue for damages. At the same time, it recommended the creation of a no-fault clause, which would make the claims process less complicated and applicable to a larger percentage of drivers because drivers would no longer have to prove they were without fault in order to get payment for a claim. In other words, all property damage claims would be paid unless the driver had broken a law. This first step toward “complete no-fault insurance”

⁶⁰ “J.C. Miller, Q.C. (President) and E.M. Brown (Secretary and General Manager), Brief to the Manitoba Automobile Insurance Committee, The Portage la Prairie Mutual Insurance Company, Head Office: Portage la Prairie Manitoba.”

⁶¹ “The Manitoba Chambers of Commerce to the Chairman and Members, The Automobile Insurance Committee, November 14, 1969.”

⁶² “The Automobile Insurance Committee, November 14, 1969. The Manitoba Chambers of Commerce to the Chairman and Members.”

⁶³ Bill 56, The Automobile Insurance Act. Hon. Howard Pawley to “Mr. Speaker,” May 8, 1970. Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA.

⁶⁴ The majority of the letters from private individuals were actually form letters supporting public automobile insurance provided by the NDP. The rest of the submissions to the committee seem to divide support between public and private insurance. The submissions break down as follows: insurance companies, 5; insurance agents, 16; adjusters, 5; barristers & solicitors, 5; Canadian Bar Association, 1; Chambers of Commerce, 4; trade unions, 10; other groups, 10. See Manitoba. *Automobile Insurance Committee Report*. October 29, 1969 (Legislated by Cabinet) November 3rd to 17th, 1969 (occurred). (As a note, the end date is incorrect.)

would eliminate the tort system in cases of bodily injury as well.⁶⁵ By separating bodily injury claims from other claims and leaving the door open to lawsuits for those types of claims, the committee widened who would be eligible for claims without regulating and/or restricting the victim's right to sue. This made implementing public compulsory automobile insurance easier and more affordable to implement but did not assuage any committee concerns. In presenting its recommendation, the committee argued it was "aware of the many adjustment problems to be overcome and it is anxious to see its recommendations carried out in the most effective manner. We therefore feel that the responsibility for and the control of a new system should be undertaken by one government agency. ... We recommend that the government create a Crown Corporation to administer the Insurance Plan."⁶⁶ While other governments would later separate compulsory insurance from the need for a public corporation, the existing precedent in 1969 was Saskatchewan where compulsory insurance and public insurance were linked. Unlike in Saskatchewan, upwards of ninety-five percent of all drivers were already insured in Manitoba, which limited debate over the introduction of compulsory insurance. Instead, conflict centered on the role of government in the insurance business.

The committee suggested the government should return to consumers eighty-five percent of premiums received by the insurance corporation in the form of claims benefits (compared with the existing sixty-seven percent). Additionally, the new corporation should demand payment of premiums at the time of licensing to increase investment income potential, centralize claims service, and provide reasonable basic limits of protection. Unlike Saskatchewan, where numerous insurance companies offered automobile insurance in addition to the AAIA, in Manitoba only the Manitoba Public Insurance Corporation, to be created by the Government of Manitoba, would sell automobile insurance, allowing for "mobility and freedom to innovate improvements in the Plan with a minimum of resistance." The creation of this new company and compulsory public automobile insurance would mean the elimination of all private automobile insurance companies from the Manitoba market. The committee did not want to see the development of an adversarial relationship like the one that had emerged in Saskatchewan. Instead, the industry challenges would be short-lived, with the government eliminating opportunities for the industry to express its dissatisfaction. The committee asserted that the "government would, through its responsibility for insurance premiums, more likely be motivated to minimize accident costs through progressive traffic legislation. If it were not thus inclined, premiums would rise and the government would assume responsibility for the increase."⁶⁷ Forcing government participation in the industry, the committee

⁶⁵ "Report of the Manitoba Legislative Committee on Automobile Insurance." Box 9 File 7 Auto Insurance 1970 Manitoba. WMICA. In the early 1990s, the Government of Manitoba did implement an entirely no-fault system, removing a victim's right to sue in the event of an accident.

⁶⁶ Ibid.

⁶⁷ "Report of the Manitoba Legislative Committee on Automobile Insurance."

asserted, would be the best way to motivate the government to improve laws and keep premium costs low. This suggests the government, much like the insurance industry before it, would introduce self-interested insurance guidelines.

The province's other political parties strongly opposed the introduction of a government insurance company. In spite of increasingly difficult relations between the Progressive Conservatives and the insurance industry, the previous government had stood behind the existing automobile insurance framework. The advent of the NDP plan called the Conservatives to action. They proposed the PC – People and Car-plan. The plan outlined a strategy for more efficient claims service, a rating board, the inclusion of investment interest in rates, revision of the rating system, review by the superintendent of insurance in cases of unsatisfactory claims service, elimination of the young drivers fee, optional collision coverage, increased public liability minimums to \$50,000 and improved death and accident benefits. The Conservatives advocated “comprehensive” as opposed to compulsory insurance, although they never explicitly stated whether they were for or against compulsory insurance.⁶⁸ The Liberal party came out in April 1970 in favour of compulsory insurance but “unalterably opposed to the establishment of a government monopoly because this would deny Manitobans freedom of choice and would destroy an existing industry.” The Liberals did not readily oppose the introduction of a competitive government scheme, although they favoured legislative change over government insurance. The Liberals recommended a rate review board, an increase in the minimum liability limits, a no-fault clause, an overhaul of the unsatisfied judgment fund and the removal of the gross negligence clause for passengers. They argued that their recommendations offered “a concrete alternative to the doctrinaire socialist document produced by the government committee.”⁶⁹

Schreyer appointed the committee to review the feasibility of public compulsory automobile insurance, but did not commit to the scheme one way or another. As late as January 1970, Schreyer indicated that “the Government has not decided to proceed with the establishment of a Government Insurance Office,” and expected that “Mr. Pawley’s committee will recommend regulatory or operational changes within the existing industry rather than a government operated plan.”⁷⁰ Growing controversy surrounding the sustained industry-inspired campaign may account for his hesitance. The insurance industry began a public campaign to retain private insurance in December 1969. Agents rallied to fight the government because the agents stood to lose their livelihood. Starting in late 1969, the Insurance Agents’ Association of Manitoba carefully considered the message it wished to send. In November, the association sent out an “urgent message” to all members begging them not to comment publicly on the pending

⁶⁸ Manitoba Progressive Conservative Party Association, People and Car Plan, circa 1970. Box 9 File 6 Auto Insurance 1969 – 1971 Manitoba. WMICA.

⁶⁹ Statement on Automobile Insurance by Liberal Party in Manitoba, April 29, 1970. Ibid.

⁷⁰ Manitoba. Edward Schreyer (Premier, Province of Manitoba) to Secretary-Treasurer (Strathcona Association for Progress, Belmont, Manitoba) January 2, 1970. Ibid.

government automobile insurance committee. Refraining from comment, President George Tatlock suggested, “is in the best interest of your business in particular and the agency force in general.” By recommending this course of action, the association hoped to put up a united front against the government.⁷¹ For the most part, the agents appeared to have complied. By January 1970, the association calculated that it only had one month to get its message to the public and “influence the government.” Its two-pronged strategy first recommended local insurance agents approach newspaper editors and publishers and community leaders to explain the importance of local agents to the community. The second strategy involved getting “a minimum of fifty letters to the Premier” per person.⁷² If nothing else, the agents hoped to get their message to the Premier by swamping his office with mail.

Wawanesa’s Manitoba manager also called on agents to contact clients and encouraged involvement in a letter writing campaign against public automobile insurance. By the late 1960s, Wawanesa insured nearly twenty percent of the market in Manitoba, one shared by 125 individual companies. For the company this represented nearly five million dollars in net premiums written in the province in 1969, divided nearly equally between urban and rural Manitoba. To compare, the company wrote nearly six million dollars in Ontario in the same year.⁷³ When the government proposed entering the automobile insurance field, the company was alarmed. Wawanesa’s initial response utilized both a public and a private component. Noted for its quiet approach to public relations up to this point, the company embarked on an advertising campaign and worked on developing public support through rallies that enlisted all available resources including the village of Wawanesa, Manitoba and agents in the province. Wawanesa’s Manitoba manager, H.W. Lawrence, argued that the insurance industry remained the best-equipped group to handle the insurance needs of the province, adding, “if we do not act now, we may not have this business at all in a few months.”⁷⁴

By April 1970, Wawanesa was working closely with the insurance agents to convey the industry message by appearing on a couple of call-in talk shows. One show proved revealing as Claude Trites, a senior manager with Wawanesa (and a year later President), teamed up with Dick Cooper, a member of the agents’ association, to promote private insurance companies. The two men argued that the insurance industry, and the insurance agents, stood to lose money if the government developed public automobile insurance. Wawanesa’s decision to

⁷¹ George Tatlock (The Insurance Agents’ Association of Manitoba) to “All Members,” November 18, 1969. Ibid.

⁷² Agent’s Plan of Action – January/February 1970. Ibid.

⁷³ The Wawanesa Mutual Insurance Company Financial Statements, December 31, 1969. Box 1 File 17 Fin. State. 1968 – 69. WMICA.

⁷⁴ H.W. Lawrence to “Our Manitoba Agents” Re: Automobile Insurance, November 25, 1969. Box 9 File 6 Auto Insurance 1969 – 1971 Manitoba. WMICA.

align itself with the agents proved a strategic one.⁷⁵ The company's limited direct contact with consumers made agent support crucial in Wawanesa's quest to prevent public automobile insurance. One caller, however, showed that not all agents shared the industry's viewpoint. This Winnipeg agent contended fewer jobs would be lost to government insurance than the industry claimed, and it would help eliminate the many smaller and unprofessional "one foot agents," who had one foot in the insurance industry and one foot in another business.⁷⁶ Public insurance, he hoped, would eliminate this group and make agents more efficient.

The insurance industry rallied in its own defence. The potential job loss in the village of Wawanesa at the corporate headquarters mobilized the community. The village of Wawanesa submitted a brief to the Automobile Insurance Committee, focusing on the economic effects of public insurance on the community.⁷⁷ One eager Wawanesa citizen wrote to the editor of the *Tribune* in December 1969 pointing to the perceived flaws in Saskatchewan's plan, arguing government insurance would lead to bureaucratization and a lack of zest for customer service.⁷⁸ In a rallying cry he wrote to the citizens of the village: "WE MUST CONVINCE THEM THAT WE MEAN BUSINESS! WE MUST CONVINCE THEM THAT WE ARE PREPARED TO FIGHT THIS OUT TO THE FINISH AND ARE ORGANIZED TO DO SO."⁷⁹ The Brandon Constituency Association of the NDP fueled the fire when it labeled supporters of Wawanesa's campaign "loud-mouthed pressure groups who have dollar signs where their Christian hearts ought to be. If the New Democratic Party means anything, it means government FOR THE MAJORITY and not for the affluent cliques..."⁸⁰ The comment provoked one supporter of the industry to respond that

⁷⁵ Claude Trites and Dick Cooper, April 24, 1970 Winnipeg, Manitoba, and CKY Radio Interview – Howard Pawley and Ron Blackburn., April 27, 1970 Winnipeg, Manitoba. Heather Nelson Tape Summaries – Milton Holden Oral History Project. WMICA.

⁷⁶ The debate over large and small agents is a fascinating one, and one that caused ongoing friction between the company and a number of Winnipeg agents. Many larger agents argued that Wawanesa used the smaller agents as leverage against larger professional agents because the company was able to undermine the demands for higher commissions by spreading the business over a large number of smaller agents. It should come as little surprise that a large Winnipeg agent was not eager to support Wawanesa in its quest against the government given previous animosity. Further discussion of this can be found in Heather E. Nelson "The End of the Agent?: Canadian Insurance Agents and Professionalization: 1896 – 1970" presented at the Northern Great Plains History Conference, Bismarck North Dakota, October 2004.

⁷⁷ Citizens and Council of the Village of Wawanesa (approved by the Deputy Mayor), Brief for Presentation to the Manitoba Automobile Insurance Committee Investigating the Feasibility of the Operation of a Government Sponsored Automobile Insurance Scheme in Manitoba. November 13, 1969. Box 4 File 11 Holden – Briefs and Submissions 1945 – 1969. WMICA.

⁷⁸ [Wawanesa citizen – name removed to protect this individual's identity.] (Wawanesa, on Wawanesa United Church stationery which also included the tag "Come to Church on Sunday") to Letters to the Editor, *The Winnipeg Tribune*, December 10, 1969. Box 9 File 6 Auto Insurance 1969 – 1971 Manitoba. WMICA.

⁷⁹ His emphasis. [Wawanesa citizen] "Save Our Village" December 1, 1969. Ibid.

⁸⁰ NDP Newsletter – Brandon Constituency Association, December 1969. Ibid.

the NDP government was elected by “barely 25%” of the voting population.⁸¹ Four months later, villagers staged a car trek from Wawanesa, Manitoba (about 250 kilometers southwest of Winnipeg) to the legislature in Winnipeg. The lead car carried a sign reading “Ed! Ed! Go to Bed with Auto Insurance” and “Is Wawanesa for the Freezer?” When they marched on the legislature, the villagers donned slogans like “Save our Wawanesa” and “Pawley’s Folly” and “The Issue is Freedom of Choice.”⁸² One report later commented “10,000 people marched on the Legislature and the gallery was packed, 500 strong, every day of debate as the NDP government inched the legislation into law.”⁸³ Although it is difficult to verify, some believe that the protest against public automobile insurance went down as “the largest assembly of its type in Manitoba’s history.”⁸⁴ The apparent strength of the insurance lobby during the spring of 1970 caused Schreyer to assert that it was the most powerful lobby in Manitoba.⁸⁵

The industry’s campaign against public compulsory automobile insurance focused on the creation of a public insurance corporation. The industry objected specifically to the creation of a public insurance corporation that would take over the sale of automobile insurance. Unlike earlier debates over automobile insurance, which focused on the nuances of automobile insurance and the problems with compulsory insurance, this debate centered on the right of the government to enter the business. The absence of compulsory insurance from the debate is interesting. Under different circumstances, the insurance industry may have been up in arms about the proposed insurance legislation. The effectiveness of safety responsibility laws and the presence of the unsatisfied judgment fund and assigned risk plan, however, made the shift toward compulsory insurance a minor step, not a major leap in automobile insurance law. While the government in Saskatchewan had used the introduction of compulsory insurance as its primary justification for introducing public insurance, in Manitoba, it appears as a footnote. The lobbying against the creation of public automobile insurance made it an important political issue in the province. For Schreyer, passing a bill on automobile insurance became crucial to the survival of his government.

On May 8, 1970, Howard Pawley, minister of municipal affairs and future premier, presented Bill 56, the bill to create the Manitoba Public Insurance

⁸¹ [Wawanesa citizen] to Premier Schreyer December 19, 1969. Ibid.

⁸² Photograph of protest on the Manitoba Legislative Grounds and photograph of car trek to Winnipeg. Box 29 File 10 Pictures 1969 – 1970. WMICA.

⁸³ Mike Maunder, “Insurance lobby seems resigned to Autopac,” *Winnipeg Tribune*, May 1, 1971.

⁸⁴ Wawanesa Mutual Insurance Company, *Old Pathways, New Horizons: A History of the Wawanesa Mutual Insurance Company 1896 – 1996*. (Canada: Great Plains Publications Limited, 1996), 56 – 60.

⁸⁵ Joy Cooper argues in her MA thesis that the creation of compulsory public insurance in Manitoba resulted from political maneuvering and strength of will on the part of the New Democrats in Manitoba. She argues the insurance industry manipulated the public into protesting the introduction of compulsory automobile insurance. Joy Margaret Kathleen Cooper, “The Politics of Automobile Insurance: A Case Study.” (MA Thesis: University of Manitoba, 1977.)

Corporation and develop compulsory automobile insurance in the province. Pawley noted automobile insurance represented one of the most important political issues in Manitoba and aligned the bill with socially progressive legislative such as compulsory schooling in the nineteenth century, Medicare, the Canada Pension Plan, and hospital insurance. He argued social progress necessitated the construction of radical challenges to the status quo. Although progressive and even radical, Pawley emphasized that the government “is introducing this Bill at this time not for dogmatic reasons, not because of any ideology, but because we believe that the system we are proposing is the most practical way to solve the auto insurance problem.”⁸⁶ A significant portion of the debate surrounding public automobile insurance in Saskatchewan, and prominent part of reports prior to 1970, focused on public automobile insurance as an ideologically motivated policy. By presenting public insurance as a practical measure, the government hoped to limit discussion of ideology thereby reducing the ammunition of opponents. The government also tried to transform the issue into a regional one. Pawley suggested “with public auto insurance, the coverage that Manitoba motorists will have can now be decided by their elected representatives, not in some boardroom in Eastern Canada.”⁸⁷ In rallying support for the west, the government conveniently overlooked that the two largest insurers in the province, Wawanesa and the Portage Mutual, were not eastern corporations, but local companies.

The decision to focus on the practical rather than the theoretical is best illustrated by the government “solution” to the automobile insurance problem. Up to this point, the law in Manitoba stated that drivers needed to provide proof of financial responsibility. This differed from compulsory automobile insurance, which required all motorists to carry minimal liability insurance. Bill 56 recommended the introduction of compulsory automobile insurance with a no fault component, meaning all motorists would be eligible for benefits, regardless of fault. This represented a departure from traditional legislation because under the old law fault could result in a company’s refusal to pay a claim. The government argued “if we require all motorists to purchase such insurance as a condition of driving, then the government has an equal obligation to provide that insurance in the most efficient manner possible.” A public insurance company, the government argued, would be able to reinvest up to eighty-five cents versus sixty-three cents on the dollar into the province, as a result of a reduction in “the

⁸⁶ “Bill 56, The Automobile Insurance Act. Hon. Howard Pawley to “Mr. Speaker,” May 8, 1970.”

⁸⁷ Ibid. It is interesting to note that the Portage la Prairie Mutual made a point of separating themselves from the insurance industry entirely when it stated “Our Company is completely independent; it does not belong to the Insurance Bureau of Canada, or any other association of insurers” in late 1969. “J.C. Miller, Q.C. (President) and E.M. Brown (Secretary and General Manager), Brief to the Manitoba Automobile Insurance Committee, The Portage la Prairie Mutual Insurance Company, Head Office: Portage la Prairie Manitoba.”

cost of advertising, bookkeeping, legal fees, and agents' commissions."⁸⁸ The government nevertheless remained vague about the specific cost of the plan and the future cost of premiums.

In response to Bill 56, Wawanesa launched a vigorous advertising campaign. The ads entitled "The Truth About Automobile Insurance: 75% of Wawanesa policyholders would pay more under a Saskatchewan-type plan," "The Truth About Automobile Insurance: It Runs All Through the Piece – The Second Open Letter to the Citizens of Manitoba," and "85.00 for a \$70,000 Business: Another Open Letter to the Citizens of Manitoba." The advertisements stressed the problems with the proposed Manitoba plan, which included the creation of a monopoly, the impact on the agent, and the potential for higher costs. The company's managing director, M.C. Holden, created the "Freedom to Choose" fund, which paid for the advertising campaigns. The effectiveness of the fund and its advertising campaign are difficult to determine. Holden claimed that the fund received enough contributions to pay for the second advertisement in "numerous weekly newspapers plus this ad in the *Free Press*, the *Winnipeg Tribune* and *Brandon Sun*." He stated the fund flatly refused any money from insurance companies, no doubt to increase the credibility of the campaign. In September 1970, the company admitted "through means of publicity and persuasion we attempted to stop [Bill 56's] passage and we were unable to do so."⁸⁹

Even before the legislature passed Bill 56, Wawanesa started looking for other ways to thwart the government's attempt to enact the legislation and create the Manitoba Public Insurance Corporation.⁹⁰ In September 1970 Wawanesa, with the aid of the Insurance Bureau of Canada, sought legal opinions from constitutional lawyers across Canada regarding a challenge of the legislation.⁹¹ The board of directors for Wawanesa feared that not contesting public insurance in Manitoba could mean the creation of public automobile insurance across Canada.⁹² After reviewing legal opinions, the company determined that a constitutional challenge would be futile.⁹³

⁸⁸ "Bill 56, The Automobile Insurance Act. Hon. Howard Pawley to "Mr. Speaker," May 8, 1970."

⁸⁹ Unsigned letter to Honorable Edward Schreyer (Premier of Manitoba) September 18, 1970. Box 5 File 3 Holden – Freedom Fund 1970 – 1971. WMICA.

⁹⁰ Board of Directors Minutes August 14, 1970, 2. Box 11 File 3 Minutes 1967 – 1975 (Vault) WMICA; "Carcare Court Action Likely: Insurance Men to Pick Firm to Test Constitutionality," *Winnipeg Free Press*, November 20, 1970. "Test care firm chosen," *Winnipeg Tribune*, November 30, 1970.

⁹¹ Board of Directors Minutes May 18, 1971, 3. Box 11 File 3 Minutes 1967 – 1975 (Vault). WMICA. The Board of Directors Minutes from this period are unfortunately brief, accounting for only the actions of the Directors without detailed explanation.

⁹² As a result, the Insurance Bureau of Canada and Wawanesa proposed two different constitutional challenges as a direct result of Wawanesa's Dominion license and Dominion charter. The first challenge related to the jurisdiction of the Dominion government in matters related to insurance. The Insurance Bureau of Canada and Wawanesa asked a number of different lawyers to answer the following question: "Is the legislation beyond the jurisdiction of the Province to enact in that it is outside the scope of Head 11 of Sec. 92 of the B.N.A. Act (the

While Wawanesa and the insurance industry worked unsuccessfully to launch a legal challenge, Schreyer worked to ensure that the bill would pass. With a minority government, Schreyer had to woo Larry Desjardins, MLA for St. Boniface, in order to get enough support for the bill.⁹⁴ Desjardins had a strong affinity for small business, largely “opposed government ownership of the insurance industry” and had been moved by the insurance agents’ arguments. Desjardins demanded the creation of a “committee ‘to deal with any problems that might arise after the legislation was passed,’” a severance package for affected agents, and assurances that the government would include the agents in its planned changes to the insurance structure.⁹⁵ The insurance companies could expect little once Bill 56 passed, but the insurance agents would continue to operate in the market, making these concessions crucial to their survival.

incorporation of companies with provincial objects)?” E.D. Fulton (Fulton, Cumming, Bird, Richards: Barristers & Solicitors) to A.M. Harper, Esq., Q.C. (Barrister and Solicitor) August 2, 1971. All of the lawyers consulted agreed the Company would not succeed if it followed through with this challenge. The second question, however, elicited a less definitive answer. They asked if the legislation destroyed “the status and capacities of Dominion companies.” The lawyers queried could not agree on the long-term impact of the legislation on the company and as a result, did not think it would be possible to prove that the Manitoba legislation would incapacitate companies in the province. See John J. Robinette (McCarthy & McCarthy: Barristers Solicitors) to Messrs. Day, Wilson, Campbell (Barristers and Solicitors) September 3, 1970; E.D. Fulton (Fulton, Cumming, Bird, Richards: Barristers & Solicitors) to Roland F. Wilson (Messrs. Day, Wilson, Campbell (Barristers and Solicitors)) November 12, 1970; E.D. Fulton (Fulton, Cumming, Bird, Richards: Barristers & Solicitors) to A.M. Harper, Esq., Q.C. (Barrister and Solicitor) August 2, 1971; C.F.H. Carson (Tilley, Carson & Findlay: Barristers & Solicitors) to A.M. Harper (Messrs. Harper, Gilmour, Grey & Company: Barrister &c.) September 28, 1971. That said, at least one lawyer believed if the Company could statistically prove it would suffer a tremendous loss, challenging the legislation may have been worthwhile. The company asked a third question of a single firm related to the Insurance Act about a seemingly never implemented clause but unfortunately the firm never clearly outlined the nature of the question and the answer sheds little light on the exact nature of the query. John S. Lamont (Aikins, MacAulay & Thorvaldson: Barristers and Solicitors) to H.F. Stevenson (The Wawanesa Mutual Insurance Company) January 18, 1971; A.M. Harper (Harper, Gilmour, Grey & Company: Barristers & Solicitors) to C.F.H. Carson Esq., Q.C. (Barrister and Solicitor) August 4, 1971. It is important to note that A.M. Harper had recently joined the Wawanesa Board of Directors and appears to be acting in that capacity here. Box 9 File 10 Auto Insurance 1970 – 1974 Manitoba. WMICA.

⁹³ Board of Directors Minutes October 1, 1971, 6. Box 11 File 3 Minutes 1967 – 1975 (Vault). WMICA.

⁹⁴ The Desjardins/Schreyer agreement has been the focus for historians mentioning the introduction of MPIC.

⁹⁵ Marchildon and Rasmussen, (no page numbers available). The government appears to have initially intended to introduce a direct writing system in Manitoba. This would have eliminated the agents from the equation completely. The government would have employed individuals to act as representatives for the new corporation. This type of system is common in the insurance world. In fact, Wawanesa utilizes a direct writing model in Quebec. For a discussion on this system and reasons for its implementation see Heather E. Nelson, “Region, Regulation and Writing: The Wawanesa Mutual Insurance Company in Quebec, 1935 – 1960,” presented at the Congress of the Humanities and Social Sciences, Canadian Historical Association. University of Western Ontario, London, Ontario, May 2005.

Schreyer's concessions to the insurance agents increased the cost to implement public compulsory automobile insurance and reduced the benefits the government promised to consumers.⁹⁶

After Bill 56 received assent, Howard Pawley established the Advisory Committee on Automobile Insurance requested by Desjardins, to report on issues not covered by the 1969 report and make recommendations to aid the implementation of public compulsory automobile insurance. Significantly, the committee included George Tatlock, the head of the insurance agents' association. After receiving the Advisory Committee report, Pawley declared the committee fully supported the findings of the original report. The committee commented on issues ranging from contributory negligence to claims settlement and the remuneration of agents to surcharges on under twenty-five year old drivers. It did not review, as Premier Schreyer would claim, "the basic assumptions and statistical data, information and conclusions ... again in as dispassionate and objective a manner as possible." The committee believed the results of its inquiry had been overlooked by Schreyer and as a result "an amendment to Bill 56 has been disregarded in its entirety." It explained "Mr. Desjardins wanted to ensure that the views and advice of insurance companies and insurance agents be obtained and Premier Schreyer seemingly agreed to such a proposal."⁹⁷ The committee expressed dissatisfaction with the "conditions imposed" upon them. In part, the government required a promise of secrecy preventing the committee from acquiring opinions from the insurance companies and agents. The committee found its situation frustrating because the government held it up as a sign of its open-minded approach. At the same time, the committee experienced paralysis because it could not investigate the issues further nor could it publicly express its annoyance with the process.⁹⁸

Once Bill 56 passed through the legislature and received royal assent, the insurance lobby stopped fighting the public battle. The industry only periodically commented that the private industry could still provide cheaper insurance. One local reporter commented that "their actions [by 1971] seem merely shadows of the lobby's strength during the great days of the 1970 debates."⁹⁹ The insurance industry turned to survival instead of battling against the government. Publicly, Wawanesa vowed to fight on. One advertisement read "Look. A nice chair on the front porch. Thanks. But we aren't ready to retire just yet. It's behind us now: the struggle for your basic automobile insurance business. We lost. And frankly it hurts." The ad further explained the company intended to pursue other

⁹⁶ Marchildon and Rasmussen, (no page numbers available) and McAllister, 66 – 67.

⁹⁷ Manitoba. *Advisory Committee on Automobile Insurance Report*. George Tatlock (and another member of the committee whose signature is unreadable) to The Hon. Howard Pawley (Minister of Municipal Affairs, Manitoba) March 31, 1971: 9.

⁹⁸ Ibid.

⁹⁹ Mike Maunder, "Insurance lobby seems resigned to Autopac," *Winnipeg Tribune*, May 1, 1971.

lines of insurance in the province and strengthen its sales elsewhere.¹⁰⁰ Privately, in reviewing 1971, Wawanesa's president commented the company would need to "make up for the loss of the automobile business in Manitoba. This will likely slow down our premium growth in the parent company but except for this we look for another year of progress."¹⁰¹ The company newsletter downplayed the significance of the loss of business.¹⁰² In reflecting on the company's experience in the Manitoba debate, Claude Trites, Wawanesa's president at the time, suggested the introduction of Autopac, Manitoba's equivalent to the Automobile Accident Insurance Act, presented by far the largest challenge of his career with the company, referring to it as "a traumatic experience." In retrospect, he believed the company did not see government automobile insurance as a *fait accompli* and, in many respects, did not realize the company was spinning its wheels in the battle against the government.¹⁰³

Unlike in Saskatchewan where Wawanesa continued to sell the package plans to supplement public insurance, the creation of Autopac in Manitoba drove companies from the automobile insurance market. In the years that followed, Wawanesa needed to reconsider its position in the province. Although the company pondered the possibility of expanding beyond Canada in the years prior to the advent of government insurance, the developments in Manitoba pushed the company to look south. By the mid-1970s, the company established itself in California in the automobile insurance market. The company applied the experience it acquired in Canada to develop an alternative market. The absence of American government interest in developing its own automobile insurance company in places like California no doubt appealed to the company.

In late 1971, the Manitoba Public Insurance Corporation started selling insurance to the public as per the Automobile Insurance Act. The crown corporation sold insurance under Autopac, much the same way SGIO sold the compulsory version of its automobile insurance under the Automobile Accident Insurance Act division. Autopac experienced technical problems during its first two years of operation. Slow claims service and disagreements with repair shops, tow truck drivers and even the agents provided fodder for the insurance industry and critics of the program. While the short-term problems resolved themselves over time, the corporate structure of Autopac and MPIC became a long-term source of frustration for future governments. Shortly after the election of

¹⁰⁰ "Look. A Nice chair on the front porch. Thanks. But we aren't ready to retire just yet." [advertisement – Wawanesa] *Winnipeg Free Press* October 30, 1971.

¹⁰¹ G.C. Trites (President, Wawanesa Mutual Insurance Company) "Wawanesa 1971," *The Wawanesa PowWow* 15, 6 (March-April 1972), 4.

¹⁰² Once the bill moved through the legislature, Wawanesa hoped to rally support for an amendment to the law to "allow open and free competition on automobile insurance." The company's outward passiveness proved to be a cover for wider concerns that appeared in the boardroom. Annual Meeting Minutes March 10, 1972, 11-12. Box 11 File 6 Minutes 1970 – 1989 (Vault). WMICA.

¹⁰³ Claude Trites (and Gordon Hesse) January 17, 1994 Winnipeg Manitoba. Heather Nelson Tape Summaries, Centennial Oral History Project. WMICA.

Progressive Conservatives in 1988, the new government commissioned a study of the crown corporation, a report which heavily criticized both its creation and operation. The report argued MPIC's attempt to level the rating scheme in the province failed. There were unexpected inequalities in rates applying to high and low risks.¹⁰⁴ The study recommended increased separation from the government and encouraged the corporation to develop a structure that promoted less dependence on the government and its officials. It stated "MPIC requires a sense of corporate identity, one that will permit it to take greater responsibility for its actions. Intimate government involvement is likely to undermine the responsibility of corporate officials themselves. ... The function of the chairperson and the minister should be separate." The committee found the corporation lacked "sensitivity to consumer concerns and marketing." The organization also lacked transparency in the way it operated. MPIC did not provide consumers with breakdowns of coverage associated with driver's licenses and was unable to do so. Nor did it explain the "allocation of premiums collected."¹⁰⁵ The commission's criticisms of MPIC, while provided for the benefit of the Conservative government, suggest the crown corporation had failed to meet a number of its objectives. The commission argued the corporation needed to develop an arm's length relationship with the government, which would have placed MPIC in the same position as the insurance industry in the years prior to the introduction of Autopac. The Conservative government under Gary Filmon did not reverse public automobile insurance. Instead, his government removed the right to sue, implementing no-fault insurance in the mid-1990s. While this no doubt reduced claims costs for the corporation, it has left increasing numbers of accident victims and their families unhappy with the coverage received. In 2005, Gary Doer's NDP government limited further any future possibility of privatizing automobile insurance in the province by folding the Department of Motor Vehicles and Licensing into Manitoba Public Insurance. While victims and consumers may find the increasing strength of MPIC troubling, the insurance industry has not demonstrated any interest in reentering the Manitoba market. For the industry, the battle ended in the early 1970s.

The 1960s in Canada presented unexpected challenges for the insurance industry. The election of a Liberal government in Saskatchewan should have been good news for the industry. The Liberals had long promised to reverse the monopolistic aspects of the Saskatchewan Government Insurance Office. When

¹⁰⁴ Judge Kepstein stated, "It does not discriminate as much as [other insurance companies] do between higher risks and lower risks. This rating system was seen initially as a benefit in the sense that it makes insurance affordable to those who are in the high risk classes without penalizing too severely those who are in the low risk classes." His Honour Judge Robert L. Kepstein (Provincial Court of Manitoba) Commissioner. *Report of the Autopac Review commission. Volume 1: Summary of Main Conclusions and Recommendations submitted to the Honourable Glen Cummings Minister Responsible for the Manitoba Public Insurance Corporation.* (Winnipeg: Queen's Printer for Manitoba, 1988), 4 - 6.

¹⁰⁵ *Ibid.*, 2 - 21.

the new government realized its promise would be expensive and likely surface in future elections, the government left the Automobile Accident Insurance Act in place. More traumatic for the industry than the loss of market potential proved to be the loss of an actual market, Manitoba. The election of the NDP in 1969 reversed a long-standing, if strained, relationship between the insurance industry and the government in Manitoba. Instead of negotiating the introduction of compulsory insurance with the industry, the government decided a public insurance corporation would be the best option for selling automobile insurance in the province. In Manitoba, in 1969/1970, then, the automobile insurance debate in Canada took a dramatic turn. Unlike in 1940s Manitoba or Saskatchewan, the social impetus for automobile insurance legislation improvements had largely disappeared. Although the safety responsibility law likely did require revision, the issue was not pressing. Instead, the NDP effectively converted automobile insurance into a political issue. In Manitoba, the NDP government used public compulsory automobile insurance as a way to garner support. Underestimating insurance industry support and resolve, public compulsory automobile insurance quickly became critical to the NDP's survival in the province. The NDP decision to hold public hearings on the issue challenged the previous cozy relationship between previous governments and the industry. The industry was further challenged when the government proposed ejecting it from the automobile insurance market completely to prevent future industry challenges of government policy. With the passage of Bill 56, the government terminated its relationship with the automobile insurance industry permanently. The industry lost all of its agency in the Manitoba market, marking an end to an era of negotiated and renegotiated automobile insurance legislation in the province.

Conclusion

In 2003, the Wawanesa Mutual Insurance Company stopped selling supplementary automobile insurance in Saskatchewan, ending decades of competition with the Saskatchewan Government Insurance Office. While the company had successfully offered supplementary insurance throughout the twentieth century in the province, the line had dwindled and the company focused on other property lines instead. Its main competitor, SGIO, managed to survive several dramatic changes in government, including the neo-conservative government of Grant Devine, and had expanded beyond its borders to sell automobile insurance in other provinces thus further spreading its risk. In spite of the seeming success of early challenges in the 1940s and 1950s, it was SGIO and public insurance, not private industry that would flourish in Saskatchewan market. The industry did not fair any better in Manitoba after 1970. Changes in government offered glimmers of hope, but no real progress in reestablishing a private insurance market for Wawanesa, or any other company, in that province.

Although the insurance industry suffered following its ejection from Manitoba and later British Columbia, it survived. Wawanesa chose to expand its business in the 1970s to account for the loss in Manitoba in particular. The result was expansion into the United States, where the company thrived. The sale of other property insurance lines in Saskatchewan, Manitoba and later British Columbia continued, although sales in this region could never match the income lost following the creation of public automobile insurance. Elsewhere in Canada, however, the sale of automobile insurance secured the company as an insurance provider in Canada. Wawanesa continued to be a leader in the insurance industry, remaining one of the largest automobile insurers in the country. The Insurance Bureau of Canada, for its part, increasingly came to represent the voices of all insurance companies, not just the stock companies. Throughout the late twentieth century, the insurance lobby strengthened, presenting its arguments more effectively to governments and the public.

Compulsory public automobile insurance survived in Saskatchewan and Manitoba, but did not become the policy model adopted by other governments. Throughout the 1970s, governments across North America enacted compulsory insurance legislation with varying degrees of policy coverage. Compulsory insurance did not represent the leap it had in earlier years. In most places, safety responsibility laws had increased the number of insured drivers to more than ninety percent and assigned risk plans had facilitated access to insurance for high-risk drivers. The result was little controversy when governments phased in compulsory insurance. Only one other provincial government, the NDP government in British Columbia, adopted a public insurance plan. The plan represented a departure from the Saskatchewan and Manitoba models because compulsory insurance had already been enacted in the province. This meant consumers, already required to purchase insurance, now had to buy it from the government. By the late twentieth century, after decades of debate over

automobile insurance, provincial governments and private insurance companies found different ways to accommodate the coming of the automobile, and the property damage, personal injuries and death that accompanied the car.

The automobile insurance debates in Canada began in earnest in the late 1920s as a growing number of automobile accident victims failed to receive compensation. The solution to the problem emerged in a report on high rates of automobile insurance, a topic of little concern for most Canadians at the time. The advent of financial responsibility law linked, for the first time, the automobile insurance industry to victim compensation. Requiring drivers who were responsible for causing accidents to acquire insurance was not without controversy. Some groups believed the law was too lax, leaving too many victims without access to compensation. Instead, they lobbied for the introduction of compulsory automobile insurance. The insurance industry rejected the idea of compulsory automobile insurance because it worried about the potential for additional government intervention in the industry. Industry officials also expressed concerns about having to insure all drivers. No company wanted to insure the highest risks, no matter how much premium income a high-risk driver might offer. Contemporary thinking also suggested a link between these high-risk drivers and increased accidents on the highways. The industry periodically framed its need to deny these high-risk drivers in terms of safety on the highway. More importantly, the industry focused attention on increasing the number of drivers with insurance and promoting safer driving. As debates intensified in the 1940s, the industry pointed to these early campaigns as evidence that it was concerned about safe driving and was interested in promoting it.

The 1940s brought significant change to the automobile insurance industry. Increases in automobile accidents and failures in financial responsibility law led to calls for changes to financial responsibility law. The result was two very different responses to this need for change. In Saskatchewan and Manitoba, political circumstance and the approach to government-business relations affected the response and focused the direction of automobile insurance for the remainder of the twentieth century.

The Cooperative Commonwealth Federation government in Saskatchewan adopted public compulsory automobile insurance in 1946. While the government offered compulsory insurance under the Automobile Accident Insurance Act, the private insurance industry was permitted to sell supplementary insurance. The government entered the compulsory insurance business with modest expectations and a conservative, relatively expensive automobile insurance plan. The growing realization that the public insurance company behaved in the same ways private insurance companies did caused complaints. Basic policy coverage and low maximum limits of coverage also contributed to early public frustration with the act. Throughout the late 1940s, the government addressed these complaints by expanding the plan to include minimum levels of fire, theft, collision, personal injury, public liability and property damage

insurance. While the industry had been hesitant to oppose the CCF government, fearing repercussions, as the compulsory public plan expanded and the supplementary market narrowed, the industry responded. The industry had not been consulted on any issues related to automobile insurance and had lost its voice in policymaking in the province. As the market narrowed, the industry, worrying silence would make it easy to eliminate private insurers from the automobile insurance market, voiced its concerns publicly. Wawanesa developed a competitive supplementary insurance plan that attacked the Saskatchewan Government Insurance Office. These attacks had two long-term consequences. First, it focused the automobile insurance debate in Saskatchewan on cost. This would be critical in 1964 following the election of the Liberal party to power. The government could not afford to privatize the plan because the short-term costs would have been too high. In order to remain in power, the Liberals needed to maintain the status quo. Second, the industry fight over supplementary insurance highlighted the adversarial nature of the relationship between business and government under the CCF. Debates occurred in public, not in private meetings between the government and the insurance industry.

Instead of adopting compulsory insurance, Manitoba opted for a different approach to the problem of poor automobile accident victim compensation in the 1940s. The government committed itself to a stronger voluntary automobile insurance law. Unlike in Saskatchewan, Manitoba politics in the 1940s were dominated by consensus politics. It is in this environment that automobile insurance law was revised through government-insurance industry cooperation. The industry, as noted, were interested in preserving voluntary insurance law, fearing the possible consequences of having to insure all drivers. The industry agreed to cooperate with the government on the assigned risk plan and unsatisfied judgment fund. The government support of the industry position extended beyond the adoption of safety responsibility law. The industry position appeared in government campaigns to educate the public about the new law and promoted the sale of automobile insurance, guaranteeing a market for companies. The result was increased sales for the insurance industry and improved victim compensation in the public. Between 1945 and 1969, industry-government cooperation continued.

The different responses to the automobile insurance problem in the 1940s raise questions about why the two governments diverged in such a significant way. One response suggests automobile insurance purchasing practices prior to 1944 were important. The number of automobiles in Saskatchewan per capita was high but low population densities, in theory, reduced the likelihood of an accident. Automobile insurance was a more difficult sell in Saskatchewan for the private industry because consumers did not see a need for coverage. In Manitoba, by comparison, population density was higher, as was the risk of accidents. Automobile insurance companies insured twenty-seven percent of the automobile owning public by the early 1940s in Manitoba. By contrast, only fifteen percent of Saskatchewan's automobiles were insured. The public in Manitoba had

demonstrated an interest in purchasing automobile insurance under voluntary law, unlike residents of Saskatchewan.

Politics, ideology and competition also account for the difference in approach. The election of a CCF government in Saskatchewan undoubtedly was key to the adoption of public compulsory automobile insurance. Insurance had long been an aspect of the CCF platform and the SGIO and the AAIA emerged at the same time as other leftist policies advanced by the government during its first four years in office. While political ideology was initially important, ensuring the ongoing survival of SGIO and the AAIA became important to political survival. SGIO emerged as a success but early developments hinted at problems with the structure and strategy employed by the company. Additionally, the early act provided insufficient insurance resulting in complaints. Quelling these complaints in time for the 1948 election became a priority for the CCF government, suggesting the CCF linked its political survival to the success of automobile insurance in the province.

Manitoba's decision to introduce voluntary insurance also suggests political ideology and, to a lesser degree, competition was at play in decision making. Advocates of compulsory automobile insurance had lobbied the government, but it was the insurance industry advanced voluntary insurance plan that the government adopted. This was a conscious decision on the part of government bureaucrats and highlights the growing strength of the government-industry relationship in the province. Proceeding with voluntary private automobile insurance can also be, in part, attributed to a commitment to free enterprise in the province, a notion popular with both rural and urban voters. More importantly, the government in the 1940s was dominated by more conservative rural elements in the province. Supporting compulsory insurance in rural areas was certain to garner unwanted attention in these areas. While less overt than the situation in Saskatchewan, adopting moderate policy in Manitoba best represented the political undercurrents in the province. Strong business-government relations and dominant conservative values underwrote voluntary private automobile insurance in Manitoba.

The differences in approach to business government relations are important to understanding the evolution of the automobile insurance debates in Saskatchewan and Manitoba. In Manitoba, the government accommodated the insurance industry by providing a market, implementing controls on the industry agreed to by both groups. By contrast, the Saskatchewan government's decision to become an active participant in the insurance industry altered industry-government relations. More importantly, the government entered automobile insurance without consulting the industry. The government-industry tension that emerged in the late 1940s, as the industry responded to government participation in the market, further complicated industry-government relations. As relations between the two groups deteriorated, automobile insurance appeared more prominently as a public issue. This is an interesting development because it suggests a link between business-government relations and the degree of publicity

an issue received. The same situation arose in Manitoba in the 1960s and 1970s. Public discussions over issues signaled troubled or terminated private negotiation on these issues.

The growing strength of the NDP in Manitoba, tension over the rising cost of insurance, and public disputes over the assigned risk plan all signaled a strained government-insurance industry relationship by the 1960s in Manitoba. Duff Roblin's efforts to retain power in the province increasingly saw attention focused on the role of automobile insurers. The industry contributed to this tense relationship by attempting to secure legislative change to relieve public scrutiny without demonstrating an understanding of the changing political dynamic in the province. With automobile insurance as an important issue, Roblin's government could not appear as too cooperative with the industry, nor did it feel compelled to act in that manner. The introduction of increased political competition had given the government agency in the relationship with the insurance industry. The government, if not the industry, understood that an NDP government would be the end of insurance industry power in the province.

The election of the NDP in 1969 ended the industry's access to a private industry-government relationship. Similar to the events in Saskatchewan between 1944 and 1946, the NDP contemplated the introduction of public compulsory automobile insurance without any private discussions with the insurance industry. While the government allowed for a public forum for discussion, the affair appeared as more of a publicity stunt than an effort to ascertain the best direction for automobile insurance in the province. The NDP used rising insurance costs and the complex automobile insurance rating systems to justify its examination of automobile insurance in 1969. The NDP proposal to introduce public compulsory automobile insurance forced the industry to publicly defend its role and its behavior as the provider of insurance. The industry, while garnering some public support, failed to sway the government. The NDP followed with a public automobile insurance program that, it asserted, would reduce the cost of automobile insurance by creating an administratively efficient organization. Long gone were debates over safety and the role of compulsory automobile insurance. By 1970, the debate was over money. The NDP had learned valuable lessons from the Saskatchewan experience. The NDP did not intend to leave the insurance industry as a decades long critic of its program. Instead, Bill 56 legislated automobile insurers out of the market. As a government entering the insurance business for the first time, creating a monopoly also made good sense. The Saskatchewan government derived significant revenue from the sale of supplementary insurance. Developing Autopac as the only automobile insurance provider in the province guaranteed access to all of the potential profits from the line.

The automobile insurance debates are important to understanding the effects of political choice on business in Canada. Conscious decisions by all political parties led to continued debate over automobile insurance. The industry-government relationship throughout the period needed to respond appropriately to

political change and adapt to the choices made. Understanding industry-government relations and the consequences of political choice is useful for scholars examining the history of business and government in Canada. All business-government relations are prone to shifts in political power. For example, even before the NDP ascended to power in Manitoba, the business-government relationship was affected by the potential threat the party posed to the governing party. This study also reveals that public discussion of issues occurred not because business or government wanted to highlight the issue but because the relationship between the two groups was failing. For scholars of government, the industry response to change is crucial for linking abstract policy change to practical implementation. Importantly, the influence of politics on business-government relations molded a social policy – one aimed at protecting the financial interests of the average citizens affected by automobile accidents. Business and government, not the public, shifted the focus away from this key social issue to one of cost, the modern rallying cry for critics of automobile insurance law. The case studies presented offer scholars an understanding of the connection between social problems, policy development and the role of business in affecting change.

The debate over the best method of providing automobile insurance to consumers continues. Premier Dalton McGuinty of Ontario appeared as the savior of automobile insurance consumers two years ago when he lessened the compulsory liability limits and the amount of coverage required for bodily injury claims. He quashed NDP calls for public automobile insurance, took automobile insurance out of the limelight and made his electorate happy. McGuinty actually used his power to change the legislation applying to automobile insurance companies, making it possible to offer cheaper insurance. The insurance industry did not object. The cooperation between the insurance industry and the government in provinces with private compulsory automobile insurance continues. More conservative governments and the insurance industry learned important lessons in Saskatchewan and Manitoba. Cooperation was important to sustaining industry-government relations and crucially, keeping political opponents out of office. The NDP also demonstrated it understood the lessons of Saskatchewan, applying them in Manitoba. Insuring the “devil’s wagon” throughout the twentieth century challenged governments, the industry and the relationship between the two revealing that this relationship, not the importance of advancing social policy, explains the automobile insurance debates in Saskatchewan and Manitoba.

Appendix 1-1:
Number of Vehicles Registered in New Brunswick, Quebec, Ontario, Manitoba,
Saskatchewan, Alberta, British Columbia, Northwest Territories¹

Year	Total Vehicles Registered	Total Passenger Vehicles Registered	Passenger Vehicles Registered (Manitoba)	Passenger Vehicles Registered (Saskatchewan)
1903	178	178	0	0
1908	3058	3,054	418	74
1913	53,843	50,142	5,596	4,659
1918	268,123	251,636	24,114	50,531
1923	555,313	494,661	39,192	60,931
1928	1,028,745	895,340	63,336	103,796
1933	1,035,590	880,629	58,254	69,713
1938	1,335,647	1,113,744	71,450	83,635
1943	1,444,619	1,146,115	71,603	93,895
1948	1,947,334	1,439,038	91,860	109,718
1953	3,251,246	2,405,749	145,052	157,942
1958	4,481,792	3,458,038	190,964	199,495
1963	5,747,885	4,546,174	247,105	250,183
1968	7,465,096	5,842,165	288,750	287,611
1973	9,629,843	7,471,088	355,175	304,885

¹ Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 163, 167, 171, 175, 179, 183, 187, 191. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005.

Appendix 1-2
Number of Motor Vehicle Traffic Fatalities and Injuries in Canada²

Year	Traffic Fatalities	Traffic Injuries
1923	355	Unknown
1928	1,082	Unknown
1933	955	14,947
1938	1,545	24,585
1943	1,437	20,390
1948	1,976	38,098
1953	2,921	56,749
1958	3,118	80,061
1963	4,210	126,086
1968	5,318	173,901
1973	6,706	223,777

Appendix 1-3
Number of Railroad Fatalities and Injuries in Canada³

Year	Railroad Fatalities	Passenger Fatalities	Railroad Injuries	Passenger Injuries
1908	449	28	2,347	345
1913	545	47	2,437	485
1918	383	32	2,549	322
1923	321	15	3,645	406
1928	479	15	3,257	326
1934	295	16	2,106	417
1938	284	4	1,741	314
1943 ⁴	318	9	3,945	417
1948	352	15	3,841	284
1953	290	3	2,781	133
1958	304	1	1,462	83
1963	226	2	1,587	157
1968	215	6	1,910	235
1973	196	1	1,903	169

² Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 271, 278. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005.

³ Historical Statistics of Canada. Section T: Transportation and Communication. 11-516-XIE: 251, 252, 255, 256. From <http://www.statcan.ca/english/freepub/11-516-XIE/sectiont/sectiont.htm>. Downloaded January 14, 2005. It should be noted that the difference between total fatalities and injuries and passenger fatalities and injuries is largely accounted for by workplace accidents.

⁴ 1943 saw the highest number of injuries of any year between 1907 and 1975, largely because of the 2,963 employee injuries, also the highest number for those years.

Appendix 1-4
Wawanesa Automobile Losses (and Net Losses to Earned Premiums expressed as
a percentage in brackets)⁵

Year	Ontario ⁶ Automobile	Manitoba Automobile	Saskatchewan Automobile
1937	110,352.87 (69.41)	14,185.54 (42.48)	20,006.49 (49.98)
1938	44,313.17 (42.34)	7,543.15 (22.59)	20,279.46 (122.60)
1939	35,869.42 (38.00)	22,182.07 (31.88)	16,147.87 (42.28)
1940	52,412.40 (55.06)	34,955.70 (42.54)	14,311.87 (31.86)
1941	71,355.29 (55.7)	52,963.52 (53.00)	18,359.16 (34.8)
1942	95,095.90 (47.46)	29,514.34 (27.71)	10,761.67 (20.20)
1943	123,754.07 (43.79)	32,002.68 (31.64)	13,065.95 (25.62)
1944	59,768.90 (31.18)	50,167.52 (46.87)	18,808.59 (33.38)
1945	77,604.02 (39.59)	49,598.71 (38.40)	28,399.95 (43.69)
1946	117,064.27 (43.62)	135,432.80 (47.99)	34,462.91 (46.66)
1947	222,908.00 (58.39)	178,058.00 (52.55)	49,828.00 (61.08)
1948	217,821.09 (46.21)	217,908.77 (53.28)	37,299.50 (42.78)
1949 ⁷	240,582.47 (44.08)	261,989.90 (52.64)	35,427.06 (45.75)
1950	352,488.89 (54.37)	249,003.67 (42.65)	42,955.11 (52.38)
1951	449,562.55 (57.06)	378,937.19 (55.57)	62,770.02 (65.16)
1952	507,516.29 (54.46)	501,363.54 (60.55)	132,948.87 (126.20)
1953 ⁸	628,834.23 (49.08)	335,898.28 (31.63)	73,652.44 (52.38)
1954	645,976.52 (51.25)	453,213.50 (40.35)	84,287.62 (42.23)
1955	606,654.87 (46.67)	481,784.95 (44.20)	140,254.02 (62.57)
1956	703,060.12 (59.67)	623,360.83 (58.27)	172,196.70 (70.26)

⁵ Box 1 File 1 – File 14 Financial Statements. Wawanesa Mutual Insurance Company Archives, Winnipeg, Manitoba [hereafter WMICA] NOTE: Percentage of loss was calculated by Wawanesa's accountant to 1952 and by myself from 1953 forward. As a point of reference, C.M. Vanstone, Wawanesa's Managing Director, considered 40% a high loss ratio in 1935. C.M. Vanstone to M.C. Holden, September 16, 1935. Box 4 File 15 Holden – Correspondence 1935. WMICA.

⁶ The totals for both Ontario automobile and property exclude amounts from Western Ontario (everything West of Thunder Bay). It should be noted the Winnipeg branch office controlled the Western Ontario business but calculated Western Ontario numbers separately. No totals for Western Ontario are included here.

⁷ In 1948, the Board of Directors appointed M.C. Holden as Managing Director for the Company. Holden viewed the corporate operations as a whole, instead of divided by East and West. At the same time, he worked to decentralize the company to give the branches more autonomy in recognition of regional differences in business.

⁸ In 1953, the financial statements stopped showing the gross premiums written. Instead these numbers are the net premiums written.

Appendix 1-4 (continued)

	Ontario Automobile	Manitoba Automobile	Saskatchewan Automobile
1957	691,165.03 (54.37)	747,417.57 (60.06)	192,872.76 (74.12)
1958	877,349.27 (56.12)	954,805.35 (62.73)	135,755.67 (52.12)
1959	866,416.89 (54.97)	959,202.56 (57.70)	116,214.21 (49.76)
1961 ⁹	762,793.74 (48.99)	984,673.94 (59.06)	97,971.40 (53.59)
1962 ¹⁰	989,479.00 (56.75)	1,000,379.00 (57.27)	102,614.00 (54.90)
1963	1,152,341.00 (54.71)	1,067,264.00 (68.80)	132,835.00 (60.82)
1964	1,758,542.00 (64.12)	1,383,138.00 (56.02)	154,655.00 (56.28)
1965	1,822,855.00 (60.35)	1,623,368.00 (55.73)	143,568.00 (42.92)
1966	1,894,121.00 (52.92)	1,657,373.00 (49.88)	206,295.00 (55.68)
1967	2,282,123.00 (53.20)	1,941,188.00 (51.15)	157,273.00 (39.64)
1968	3,246,374.00 (68.25)	2,300,733.00 (56.16)	246,146.00 (59.51)
1969	3,776,006.00 (69.07)	2,721,592.00 (54.61)	251,917.00 (54.84)
1970	4,097,404.00 (65.11)	2,948,362.00 (64.90)	322,270.00 (59.48)
1971	6,087,654.00 (76.46)	3,210,211.00 (82.22)	322,566.00 (51.94)

⁹ The year end financial statement for 1960 is missing.

¹⁰ In 1962 Price Waterhouse & Co. became the auditor for the Company.

Appendix 1-5:

Wawanesa Gross Premium Income (until 1952) and Net Premium Income(1953 to 1962) in Ontario, Manitoba and Saskatchewan (Automobile) to 1962¹¹

Year	Ontario ¹² Automobile	Manitoba Automobile	Saskatchewan Automobile
1922 ¹³	-	-	-
1923 ¹⁴	-	-	-
1934	N/A	N/A	N/A
1936	N/A	N/A	N/A
1937	158,988.71	33,627.69	20,006.49
1938	104,665.38	33,392.36	17,540.24
1939	94,399.61 ¹⁵	69,579.43	38,193.14
1940	95,369.71	82,174.83	44,923.29
1941	127,846.58	99,806.67	52,763.72
1942	200,380.19	106,520.64	53,281.74
1943	282,556.22	101,129.50	50,996.04
1944	191,652.58	107,029.00	56,340.73
1945	195,997.84	129,163.06	65,002.18
1946	268,358.34	282,229.00	73,859.36
1947	381,789.00	338,884.00	81,574.00
1948	471,343.02	408,966.30	87,177.30

¹¹ Box 1 File 1 to File 14 Financial Statements. WMICA.

¹² The totals for both Ontario automobile and property exclude amounts from Western Ontario (everything West of Thunder Bay). It should be noted the Winnipeg branch office controlled the Western Ontario business but calculated Western Ontario numbers separately. No totals for Western Ontario are included here.

¹³ Totals combines for assets and premiums on financial statement and not broken down by line, although in 1922 in Manitoba, property insurance presumably represented the majority of premium income.

¹⁴ Same as in 1922.

¹⁵ In 1939, Wawanesa decided to try to limit the amount of automobile insurance it wrote in order to avoid one of Ontario's taxes. In late 1940, the Company accepted that limiting the number of automobiles it insured would be almost impossible and reversed the decision, accounting for the significant jump in business between 1940 and 1941.

Appendix 1-5 (continued)

Year	Ontario Automobile	Manitoba Automobile	Saskatchewan Automobile
1948	471,343.02	408,966.30	87,177.30
1949 ¹⁶	545,798.97	497,684.33	77,427.20
1950	648,267.95	583,782.96	82,012.78
1951	787,770.67	681,965.68	96,325.83
1952	931,953.83	827,996.09	105,345.30
1953 ¹⁷	1,281,129.43	1,061,960.65	140,603.63
1954	1,260,277.62	1,123,013.48	199,577.20
1955	1,299,745.21	1,089,823.50	224,129.22
1956	1,178,223.81	1,069,754.09	245,074.30
1957	1,271,125.92	1,244,447.26	260,189.13
1958	1,563,193.90	1,521,994.55	260,434.13
1959	1,576,251.61	1,662,394.55	233,570.45
1961 ¹⁸	1,556,905.88	1,667,171.40	182,796.72
1962 ¹⁹	1,743,462.00	1,746,546.00	186,884.00
1963	2,106,189.00	2,010,102.00	218,399.00
1964	2,742,314.00	2,468,703.00	274,764.00
1965	3,020,451.00	2,912,680.00	334,425.00
1966	3,579,012.00	3,322,655.00	370,464.00
1967	4,289,291.00	3,794,806.00	396,725.00
1968	4,756,004.00	4,096,677.00	413,599.00
1969	5,466,223.00	4,983,038.00	459,290.00
1970	6,292,386.00	4,542,472.00	542,794.00
1971	7,961,455.00	3,904,332.00	621,020.00

¹⁶ In 1948, the Board of Directors appointed M.C. Holden as Managing Director for the Company. Holden viewed the corporate operations as a whole, instead of divided by East and West. At the same time, he worked to decentralize the Company to give the branches more autonomy in recognition of regional differences in business.

¹⁷ In 1953, the financial statements stopped showing the gross premiums written. Instead these numbers are the net premiums written.

¹⁸ The year end financial statement for 1960 is missing.

¹⁹ In 1962 Price Waterhouse & Co. became the auditor for the Company.

Appendix 2-1

Questionnaire Distributed by the Manitoba Highway Safety Commission²⁰**Section (2) Unsatisfied Judgment Fund**

This is a fund built by a levy on motor vehicle license owners (\$1.00 was charged in 1946, 50¢ in 1947 and 50¢ in 1953 which works out at an average of 25¢ per year) for the indemnification of victims and their dependents with respect to motor vehicle accidents where death or injuries were sustained and a judgment was uncollectable, due to the fact that the responsible individual could not be identified (i.e. a hit-and-run driver), or the driver or owner of the motor vehicle was uninsured and unable to pay the judgment.

When the legislation was introduced the amount of damages payable from the fund (irrespective of the amount of the judgment) was limited to a maximum of \$5,000 per person and \$10,000 per accident. These amounts are still the maximum payable. In recent years the damages awarded by the Court have often been much larger than these amounts, particularly in cases where the person injured is very seriously incapacitated or possibly even made completely helpless. It has been argued that the maximum payable from the Unsatisfied Judgment Fund should be increased and at least doubled. This would involve increasing the levy on motor licenses, above referred to, to at least 50¢ per year. This would be levied at intervals as the demands on the Unsatisfied Judgment Fund required.

Question 2: (a) Would your Council be in favour of increasing the maximum amount payable under the Unsatisfied Judgment Fund?

(Yes or No) _____

(b) If the answer is 'Yes', to what extent do you think it should be increased from the present maximum of \$5,000.00 per person and \$10,000.00 per accident?

(c) Does your Council think the present method of assessing motor vehicle owners a small additional fee (50¢ or \$1.00 as need arises) is the most equitable way of obtaining the necessary revenue for the Unsatisfied Judgment Fund? (Yes or No)

²⁰ Questionnaire, Manitoba Legislative Assembly Sessional Papers – Special Select Committee on Highway Safety, 1953 – 1954. Box 5 File 8. LA 009 GR 247 G 7118. Provincial Archives of Manitoba, Winnipeg, Manitoba. Winnipeg, Manitoba.

Appendix 2-1 (continued)

- (d) If answer to (c) is 'No', what method would you suggest?

Section (3) Assigned Risk Plan

Since 1946 a market has been provided by the insurance industry for substandard risks who cannot obtain insurance for Public Liability and Property Damage through normal channels. This is done under what is known as 'The Assigned Risk Plan.'

Persons desirous of obtaining Public Liability and Property Damage insurance, who find that they cannot purchase insurance direct from an insurance company, may apply to the manager of the Assigned Risk Plan who investigates the eligibility of the applicant and in practically all cases directs one of the Manitoba licensed insurance companies to furnish the applicant with insurance in standards limits (Public Liability \$5,000/10,000 and Property Damage \$1,000). Refusal of the company to write the policy in accordance with the Plan would result in cancellation of the company's license to do business in Manitoba.

At the present time 'clean risks', i.e. applicants who are undesirable through normal channels merely because of age, etc., but who have a good driving record may obtain insurance through the Assigned Risk Plan at standard rates plus an investigation fee of \$3.00, whereas applicants with a bad driving record, such as driving while intoxicated, are charged approximately 40% above the standard rates. Remember it is the careless driver who causes accidents resulting in higher insurance rates.

- Question 1: (a) Should 'clean risks' have the option of purchasing higher limits than the minimum of \$5,000/\$10,000 and \$1,000 in cases where they desire so?

(Yes or No) _____

- (b) If the answer to (a) is 'Yes' what limits would you suggest?

- Question 2: (a) Should substandard drivers with a bad driving record be charged an additional premium?
(Yes or No) _____

- (b) If the answer to (a) is 'Yes' should the additional premium be 40% as at present?

Appendix 2-1 (continued)

(c) If the answer to question (b) is 'No' what additional premium would you suggest?

(Answer to this question is relating to Insurance Co. reports)
(Compulsory Insurance should be considered)

Appendix 3-1:
Wawanesa Mutual Insurance Company Automobile Insurance Premiums in
Saskatchewan, 1946 – 1970.²¹

Year	Total Premiums Written
1945	69,627.85
1946	76,755.12
1947	87,903.25 ²²
1948	85,541.63 ²³
1949	70,989.61
1950	92,841.79
1951	96,323.08
1952	110,049.45
1953	140,603.63
1954	199,577.20
1955	224,129.22
1956	245,074.30
1957	260,189.13
1958	260,434.13
1959	233,570.45
1960	117,190.01 ²⁴
1961	182,796.72
1962	186,884.00
1963	218,399.00
1964	274,764.00
1965	334,425.00
1966	370,464.00
1967	396,725.00
1968	413,599.00
1969	459,290.00
1970	542,794.00
1971	621,020.00

²¹ Box 1 File 6 to File 18 Financial Statements 1945 – 1971. WMICA.

²² The premiums from 1945 and 1946 are gross premiums written, 1947 and 1948 are “premiums written,” and from 1949 to 1971 the premiums are net premiums written.

²³ “Premiums written”

²⁴ Starting in 1960, Wawanesa changed accounting firms and practices, resulting in lower totals in most regions.

Appendix 3-2
Automobile Premiums - Saskatchewan Government Insurance Office²⁵

Year	Net Written Premium (AAIA) ²⁶	Premiums Written (SGIO – All Lines except AAIA) ²⁷	Net Written Premiums (Automobile)
1947 (nine months)	849,791.91	620,102.20	162,473.04
1948	1,544,488.14	869,809.13	286,504.77
1949	1,955,686.04	1,522,815.17	363,555.78
1950	2,186,511.55	1,524,598.73	487,225.12
1951	2,386,253.64	2,084,718.80	646,394.27
1952	2,719,493.81	3,431,591.28	950,655.59
1953	5,136,639.82	5,403,561.37	1,711,852.10
1954	6,815,807.70	5,134,589.01	2,752,915.17
1955	5,636,470.28	4,889,505.39	1,422,051.43
1956	4,933,281.00	4,464,051.00	1,593,707.00
1957	5,441,380.00	4,611,912.00	2,565,153.00
1958	6,088,418.00	5,064,281.00	1,823,923.00
1959	6,915,789.00	5,687,660.00	2,024,191.00
1960	7,494,829.00	5,648,450.00	2,118,446.00
1961	8,065,532.00	5,306,510.00	2,197,127.00
1962	8,710,536.00	5,416,307.00	2,279,777.00
1963	10,602,703.00	5,925,288.00	2,544,936.00
1964	12,018,906.00	6,816,455.00	N/A
1965	13,758,924.00	7,696,041.00	N/A
1966	16,875,126.00	8,364,901.00	N/A
1967	20,797,797.00	8,950,194.00	N/A
1968	23,274,592.00	9,124,452.00	N/A
1969	24,391,466.00	9,850,041.00	N/A
1970	25,690,957.00	11,573,189.00	N/A
1971	26,445,225.00	12,282,346.00	N/A
1972	28,887,085.00	14,173,170.00	N/A

²⁵ Annual Report. Saskatchewan Government Insurance Office. 1946-47, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971. Saskatchewan Archives Board, Regina, Saskatchewan.

²⁶ Starting in 1964, it is listed as earned premiums instead of Net Written Premium. "Net" refers to the premiums written after accounting for policies that were not be paid or cancelled mid-term.

²⁷ Note: The Saskatchewan Government required all government departments as well as schools and hospitals to insure with the Saskatchewan Government Insurance Office.

Appendix 3 – 3:
Automobile Ownership – Saskatchewan

Year	Number of Passenger Cars ²⁸	Year	Number of Passenger Cars ²⁹
1906	22	1948	109,718
1911	1,304	1949	120,291
1916	15,900	1950	129,303
1921	61,184	1951	137,038
1926	87,118	1952	147,824
1929	109,537	1953	157,942
1930	108,812	1954	162,980
1931	91,805	1955	166,864
1932	75,685	1956	179,986
1933	69,713	1957	186,543
1934	74,050	1958	199,495
1935	75,727	1959	207,612
1936	81,519	1960	213,147
1937	83,905	1961	228,269
1938	83,635	1962	242,271
1939	89,471	1963	250,183
1940	93,176	1964	259,919
1941	94,973	1965	267,771
1942	89,742	1966	272,749
1943	93,895	1967	282,374
1944	98,412	1968	287,611
1945	96,268	1969	284,356
1946	100,905	1970	284,251
1947	105,329	1971	277,690

²⁸ Between 1906 and 1921, the historical statistics provide data for all cars. After 1922, the statistics provided here are for passenger cars only.

²⁹ Between 1906 and 1921, the historical statistics provide data for all cars. After 1922, the statistics provided here are for passenger cars only.

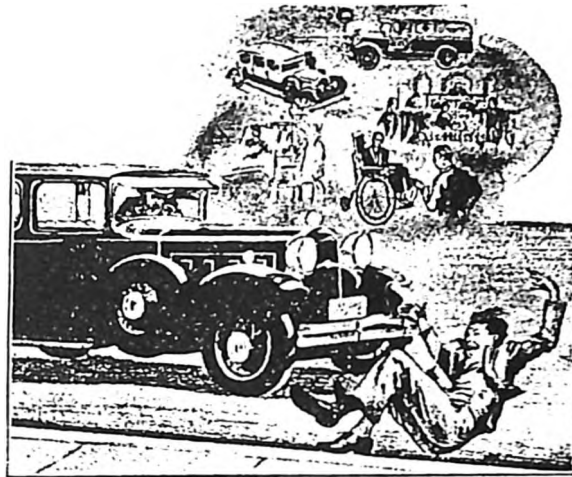
Appendix 4-1
Wawanesa's Growth in Net Written Premiums (Canada)³⁰

Year	Net Written	Net Written Automobile	Automobile's Percentage of Total Net Written
1926	1,328,494.87	-	-
1931	1,303,170.68	112,078.18	8.6
1932	1,625,392.19	-	-
1933	952,862.16	-	-
1934	1,046,684.28	-	-
1935	1,269,117.12	-	-
1936	1,505,923.07	-	-
1937	1,535,190.56	322,274.53	20.9
1938	1,462,021.98	230,525.85	15.8
1939	1,896,295.33	322,440.44	17.0
1940	1,858,622.40	433,023.43	23.3
1941	2,155,042.63	434,112.21	20.1
1942	2,444,287.02	710,238.50	29.0
1943	2,543,439.08	791,975.62	31.1
1944	2,550,665.84	730,803.12	28.7
1945	2,777,403.82	827,398.03	29.8
1946	3,595,115.45	1,295,118.07	36.0
1947	4,413,892.12	1,911,436.00	43.3
1948	5,352,594.69	2,592,053.25	48.4
1949	6,390,621.44	3,450,962.14	54.0
1950	6,917,897.33	4,068,903.29	58.8
1951	7,421,092.43	4,407,269.82	59.4
1952	8,934,075.74	5,679,986.00	63.6
1953	10,375,050.25	7,092,356.35	68.4
1954	11,088,405.50	7,872,363.00	70.9

³⁰ Financial Statements. Box 1 Files 1 – 18. WMICA. The company actively discouraged the sale of automobile insurance in 1937 and 1938, accounting for the drop percentage drop.

Appendix 4 – 1 (continued)

1955	11,503,375.22	8,053,075.35	70.0
1956	11,041,634.27	7,554,396.66	68.4
1957	12,302,131.51	8,681,969.55	70.6
1958	14,565,885.12	10,586,235.29	72.7
1959	15,066,363.53	11,042,450.50	73.3
1961	18,194,905.20	13,833,784.88	76.0
1962	19,990,600.00	15,534,950.00	77.7
1963	23,166,589.00	18,471,223.00	79.7
1964	28,920,851.00	23,681,443.00	81.9
1965	28,868,526.00	23,777,445.00	82.4
1966	30,780,931.00	25,240,020.00	81.9
1967	34,407,826.00	28,196,771.00	81.9
1968	37,508,679.00	30,480,932.00	81.3
1969	40,565,575.00	32,832,312.00	80.9
1970	44,867,425.00	36,024,701.00	80.3
1971	51,930,083.00	40,322,717.00	77.6



PUBLIC LIABILITY

**WHAT WOULD A \$10,000.00 JUDGMENT
DO TO YOU?**

This driver may not have been at fault. It may have been just one of those unavoidable accidents which happen every day; but public sympathy is always with the injured party and the CAR OWNER PAYS.

What greater consolation than to know that you are protected financially, and that the injured party will have every possible assistance in what may be a desperate fight for his life.


**THREE CENTS PER DAY COVERS THE COST
of a Public Liability Policy with—**

The Wawanesa Mutual Insurance Co.

SEE OUR AGENT TODAY!

Appendix 4-2 "Public Liability: What Would a \$10,000.00 Judgement Do to You?" (circa 1933) Source: Automobile Insurance: An Outline of The Financial Responsibility Law and a general explanation of The Standard Automobile Policy by The Wawanesa Mutual Insurance Company, Sipiweske Museum, Wawanesa Manitoba

**Did you ever
see a Car
Swallow
a Whole Farm?
YOURS MAY!**



Good
Ontario Farmers
Every Year
Face Judgments
of
\$5,000 to \$25,000
Because of
Car Accidents

WAWANESA will protect you

For Safe Insurance at Lowest Cost see our Agent :

The
Wawanesa
Mutual Insurance Co.
York & Harbour St., Toronto

Appendix 4-3 “Did You Ever See a Car Swallow a Whole Farm? Yours May!”
(circa late 1930s) Source: Box 15 File 12 Advertising – East 1930 – 1953.
WMICA.

SAFE or SORRY?

EVERY time your automobile goes out you are running a risk of damage from or to **Reckless Drivers**—Slippery Roads—Fire—Theft of Car, or worse still—Damage to the Person or Property of others. You may not be to blame, but judgment may be secured against you for enough

to leave you penniless. Practically every wealthy man who drives a car has **Full Automobile Covering**, but only a very small percentage of men of moderate means carry any **protection**, yet the former could pay an ordinary Judgment without inconvenience, and the latter might be crippled or ruined. You can be **SAFE** instead of **SORRY** if you have a **WAWANESA POLICY** protecting your Car, your Home and your Future Earnings. See our Agent.

Absolute Protection--Broadest Policy--Lowest Cost

THE WAWANESA MUTUAL INSURANCE CO., Wawanesa, Man.

Appendix 4-4 “Safe or Sorry?” (circa late 1930s) Source: Box 15 File 17
Advertising 1930 – 1960. WMICA.

AUTOMOBILE VICTIMS IN ONTARIO

According to statistics provided by the Ontario Safety League almost 1500 persons were killed by automobiles in Ontario in the three years 1931 to 1933. The following figures show the toll:

	Killed	Injured
In 1931	571	6582
In 1932	502	8231
In 1933	403	7877

A fair percentage of these accidents may have been unavoidable, but most of them would be eliminated if all drivers could measure up to a score of 90 or better on honest answers to the "Personal Examination Questions" on the inside of this folder. It costs nothing to undergo this examination. Extra copies will be supplied by our local agent

or write
**The WAWANESA MUTUAL
INSURANCE CO.**

341 Church St., Toronto

Ask for information and rates on Automobile, Fire
or Windstorm Insurance



Answer the
Questions
Inside
. . . and See



Fewer Accidents Means
Lower Insurance Costs

**The WAWANESA MUTUAL
INSURANCE CO.**

Appendix 4-5 "Are You a Safe Driver?" (Circa 1934) Source: Box 15 File 12
Advertising – East 1930 – 1953. WMICA.



Appendix 4-6 “Don’t Let Him Ride with You!”(1937) Source: *The Friendly Agent*, (date unknown, circa 1938), 7. Box 24 File 5 Publications 1938 – 1957. WMICA.



See your friendly Wawanesa agent

Every year death and destruction take bigger toll on our highways.

Too often good careful people are victims of careless crazy drivers.

Any minute you may suffer hurt or damage.

Any hour you may be involved in ruinous claims.

Drive Safely . . with full protection in

The Wawanesa Mutual Insurance Company
TORONTO 12, ONTARIO

Appendix 4-7 “Harvest of Death” (circa late 1930s) Source: Sipiweske Museum, Wawanesa Manitoba



See your friendly Wawanesa Agent :

**"Cars, trucks, are wrecked, burned,
stolen. Accidents cost 21,000
lives and \$100,000,000. yearly."**

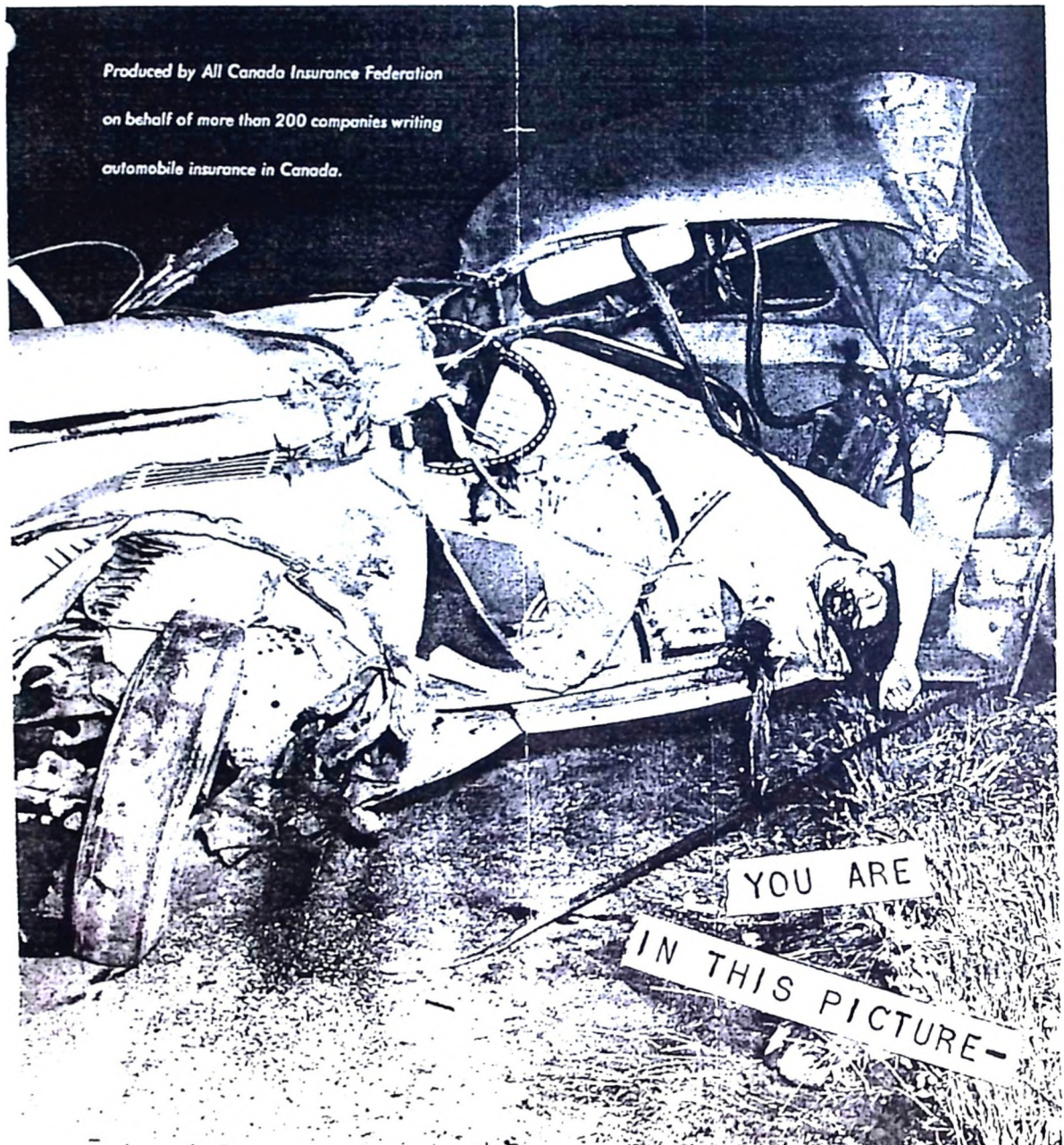
**Get the best insurance
that money can buy—
at the lowest rates
that buy safe insurance.**

in the

Wawanesa Mutual Insurance Co.

Head Office — Wawanesa, Manitoba
Eastern Office — York & Harbour Streets
Toronto, Canada

Appendix 4-8 "Your Friendly Agent Says..." (Circa 1940s) Source: Box 15 File
12 Advertising – East 1930 – 1953. WMICA.



Appendix 4-12 "You are in this picture." Produced by the All Canada Insurance Federation. (circa early 1950s) Source: GR 247 G 7117 Box 4 File 3 Manitoba Legislative Assembly Sessional Papers. Provincial Archives of Manitoba.

think
a
minute

More than 90% of all accidents are *caused* by human error, human carelessness or human discourtesy.

Automobile insurance rates in each section of Canada are determined by the *number* and *cost* of claims arising out of accidents to vehicles insured in that area.

For your *life* and
for your *pocketbook*

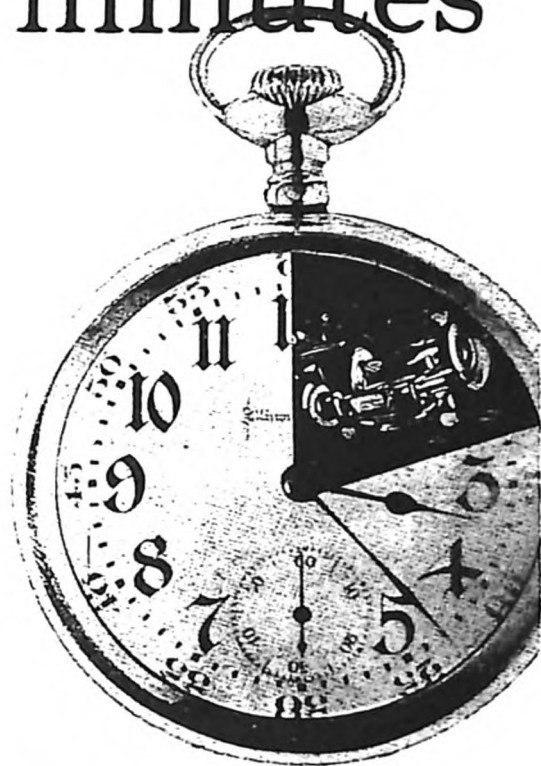
drive carefully



**ALL CANADA
INSURANCE FEDERATION**

on behalf of more than 200 Automobile Insurance Companies

minutes



that
count...

Appendix 4-13 "Minutes that count..." (circa early 1950s) Produced by the All Canada Insurance Federation. Source: GR 247 G 7117 Box 4 File 3 Manitoba Legislative Assembly Sessional Papers. Provincial Archives of Manitoba.

Appendix 5-1
Comparison of Auto Insurance Rating Private Passenger Cars –
Saskatchewan and Manitoba³¹

	Saskatchewan	Manitoba	
<i>Classification</i>	<u>AAIA</u>	<u>Package</u> <u>Policy</u>	
<i>Vehicle Rates**</i>	32	1	256
<i>Driver Rates</i>	1	6	44
<i>Comprehensive Rates</i>	1	3	8
<i>Medical Payments</i>	1	1	3
<i>Rating Territories</i>	1	2	3

**Vehicles in Saskatchewan, for example, broke down into three categories of wheelbase (under 100", 100" to 120", and over 120") and twelve model year categories (starting pre-1936 to 1970). For example, a pre-1936 passenger vehicle paid \$6 regardless of wheelbase, while a 1970 vehicle would pay as little as \$79 for the under 100" wheelbase and as much as \$94 for the over 120" wheelbase. No explanation is provided for Manitoba's decidedly more complex vehicle and driving rating system, although it is highly unlikely that the rating accounted for things like the make of vehicle.

³¹ The Insurance Agents' Association of Manitoba Submission to the Manitoba Automobile Insurance Committee November 1969, 8. Box 9 File 5 Auto Insurance 1970 Manitoba. WMICA.

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Automobile – Compulsory Insurance (GR 2932)
Insurance Branch – Company Correspondence Files – Wawanesa Mutual
Insurance Company (GR 1420)
Insurance Branch – Superintendent's Policy Files – 1937 Superintendents
Conference (GR 1346)
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2932)

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Saskatchewan Gazette
Saskatchewan News
Saskatoon Star-Phoenix
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