

CAR INSURANCE: All Eyes on B.C.

- Inquiry Draws Spotlight
- Rest of Country Watches
- Companies Are Worried
- But Critics Fumble

By RAY LOGIE
Sun Staff Reporter

British Columbia automobile insurance companies are fighting for their lives in the face of the wide investigatory powers given Mr. Justice R. A. B. Wootton's three-man Royal Commission on Automobile Insurance.

The whole North American insurance industry shows every sign of being fully aware of the implications of the probe.

A Canadian financial publication describes the investigation as the most searching examination into private insurance ever undertaken in Canada — a probe that has been told some B.C. drivers pay \$1,714 annually for car insurance.

The industry, of course, has been investigated before. But no previous inquiry into its affairs has been equipped with the carte blanche instructions given Mr. Justice Wootton and his two commissioners.

Only two other provinces (Ontario and Nova Scotia) have held major inquiries into the industry in the last two decades — and both these investigations were limited in scope.

B.C.'s commission means business. Under the terms of reference laid out by the provincial government, the commission has called upon the industry to explain the whole gambit of car insurance operations in B.C.

The industry is being asked to justify soaring premium rates, to explain the treatment and classification of "poor risk" drivers, to prove that open competition really does exist within the industry, to offer rational arguments against publicly-owned compulsory car insurance and to generally prove that their's is the best of all possible industries.

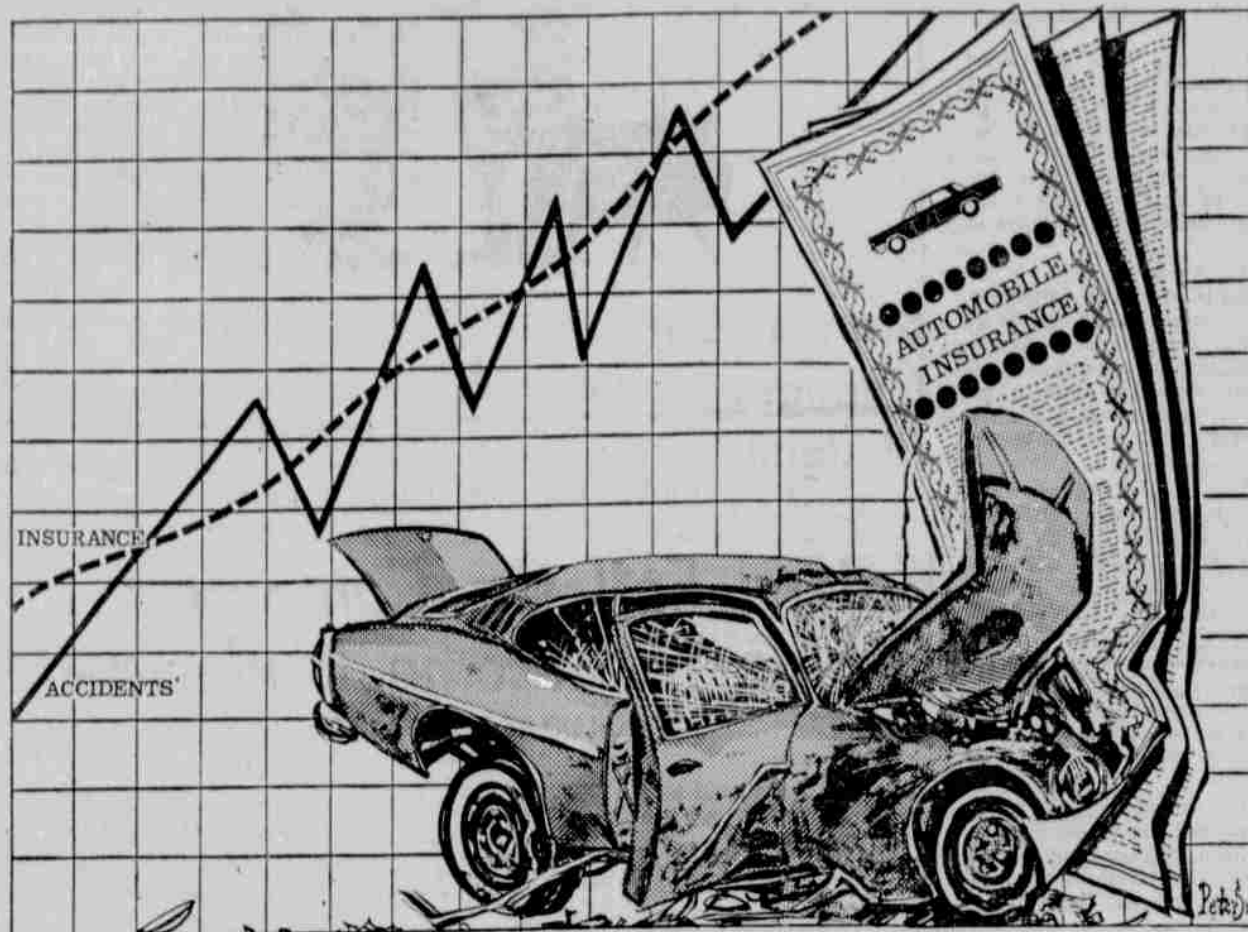
And Canada's automobile insurance companies have little doubt that the commissioners' findings will have a lasting effect on the future of privately-operated car insurance in North America.

It is this certainty about the significance and weight of the commission's eventual findings that has prompted the insurance industry to budget more than \$500,000 on legal counsel and research in an effort to justify their operations and protect their image.

The report to be issued by Mr. Justice Wootton and his commissioners — Dr. Peter Lustig, University of B.C. finance and insurance specialist, and Mr. Charles E. S. Walls, former manager of the B.C. Federation of Agriculture and a member of the federal royal commission on taxation—could spell the end for privately-operated car insurance in B.C.



WOOTTON



industry, whereas only four briefs are actively hostile to private car insurance and recommend some Saskatchewan-style public system.

The remainder come from private individuals and safety organizations — the former bearing little weight and the latter observing a neutral position on the key issues.

This dearth of critical submissions is all part of the irony that pervades most public commissions and hearings. Although it was the public outcry against rapidly rising car insurance premiums that was responsible for the creation of the commission, few of the public or their organizations have submitted briefs.

Only three large opposition organizations which were vocal pre-commission critics of private insurance offered submissions — the NDP, The International Union of Mine, Mill and Smelter Workers and the B.C. Federation of Labor.

No Data

And in relation to the massive, statistic-laden industry briefs, these critical briefs have been short and almost dataless. All three groups explained the lack of statistics by telling commissioners their organizations were interested in general policy, not detailed operations.

On more than one occasion industry lawyers — who attend all commission sittings — have challenged the opposition briefs for this lack of data. They say the data is available in annual government-issued Superintendent of Insurance reports but that the labor briefs have avoided using these statistics because the figures show the insurance industry is doing its best for the people of B.C.

Such figures would only harm labor's case, they have told the commissioners.

The union and NDP briefs all have one thing in common — they each call for a system of automobile insurance controlled, regulated or entirely operated by the government.

Their scheme envisages a no-fault workmen's compensation-like payment of damages to traffic victims.

Such a plan would be modelled in part on the Saskatchewan Government Insurance Plan. Under the scheme proposed by the three groups, car insurance would be compulsory—ensuring minimum third party liability coverage for all B.C. residents who would pay for and obtain their insurance when buying their licence plates.

It Was 'Rubbish'

Full payment for all injuries suffered in an accident would be forthcoming to victims regardless of whether they were at fault or not. This would eliminate costly, delay-creating court actions presently undertaken by insurance companies to establish the degree of fault in an accident, say the labor briefs.

A fourth brief, critical of the industry, was submitted by the Coleman Creek Farmers Institute. It called for government car insurance subsidized by a special tax on gasoline. A driver would then be paying a rate for his insurance commensurate with the amount of gas he used. The Institute provided no witness.

Industry lawyers, spearheaded by All Canada Insurance

Federation counsel Douglas McK. Brown, QC, have spared little effort in discrediting the labor submissions. Brown has repeatedly described the briefs as an ill-informed and superficial attack on an industry that is doing its best to serve the public.

"You launch a vicious criticism of B.C. insurance companies without studying the relevancy of your figures to B.C.," Brown told B.C. Federation of Labor witnesses.

Even commission chairman Mr. Justice Wootton was prompted to describe certain of the labor men's remarks as "rubbish" that day.

The last of the four critical briefs was heard early in October by the commission. Since then, the insurance men have had it all their way.

The industry's big guns — Canadian Underwriters' Association, Independent Insurance Conference, All Canada, and Allstate Insurance Co. — have monopolized the commissioners' time since Oct. 6.

These groups determine rates for and represent the vast majority of B.C.'s 209 insurance companies. Their member companies write more than two-thirds of all auto policies in the province.

Commission counsel Gordon S. Rae, QC, has waded into these groups' massive, multi-paragraph submissions with commendable tenacity, energy and thoroughness.

In more than 2,000 pages of cross-examination, Rae has carefully observed his role as impartial examiner for the three commissioners. He has functioned, generally, as a deferential devil's advocate — not a critic.

Strong Case

And because vocal opponents of private insurance have provided no counsel to challenge industry briefs and witnesses, the commissioners have been left to form their own conclusions unaided by hyper-critical cross-examination or hard core opposition viewpoint.

Although Rae regards himself as little more than a tool of the commissioners and their researchers, he has, however, caused the industry moments of embarrassment and discontent. He has repeatedly asked industry witnesses why their companies stay in the insurance business if, as they claim, they have been losing money.

Failing to get any cogent answer to this, Rae has suggested to them that an underwriting loss is bearable if returns on invested policy-holder money produce dividends for company shareholders. At one point he forced Canadian Underwriters' Association's Carl Wilken to admit that many rate categories are introduced by companies with no actuarial tables to justify the categories and the accompanying rate levels.

Rae has also met a blank wall of denials when suggesting that B.C.'s 209 car insurance companies represent a wasteful duplication of effort.

He has scolded All Canada counsel Brown for failing to produce documents and data obviously necessary to the commission and he has forced several companies to submit private records to the commission. In reply to Brown's pleas that such records be treated confidentially, Rae has replied that how they are to be treated is entirely up to the commissioners.

Further, Rae has challenged industry witnesses on their aversion to compulsory insurance.

"You say that all drivers should be insured, but you oppose compulsory car insurance," Rae has told witnesses. "You are trying to have your cake and eat it too."

If, as most industry spokesmen urge, unlicensed drivers should be more effectively policed and apprehended, why, Rae has asked, should not the same thing apply to uninsured drivers?

These same beleaguered witnesses have made a strong case for private auto insurance.

They have done their best to discredit the Saskatchewan compulsory government car insurance scheme, describing it as expensive, insufficient, monopolistic and in imminent danger of collapse.

They have produced figures indicating that more than 50 per cent of Saskatchewan drivers still take out private car insurance because, say the insurers, of the inadequacy of the government coverage. They have charged that Saskatchewan's low car insurance rates are possible because the general taxpayer is subsidizing the plan through "hidden charges" and general tax revenue.

Although in their four volume, 1,000-page brief All Canada accepted the Saskatchewan theory of compulsory limited accident coverage for all drivers, the federation maintains that such a scheme can be operated by existing private insurance companies.

Accidents Soar

The industry's two major rate-setting organizations — the CUA and the IIC — have defended the actuarial techniques used to predict costs and losses and set rates. Both groups admitted, however, that they had badly underestimated spiralling repair costs and the rapid increase in accidents over the past three years.

As a result the majority of B.C. companies (all of whom set rates based on CUA or IIC predictions) have suffered near disastrous underwriting losses since 1963, industry witnesses have told the commission.

These losses justify the almost 50 per cent hike in private passenger insurance premiums since January, 1965, said CUA actuary Carl Wilken.

All Canada, representing all but 33 of B.C.'s 209 insurance companies, has attributed the losses and resulting rate increases to increased accident frequency and rising average claims rates.

"The only way to reduce insurance rates and costs is to reduce accidents," said the All Canada brief.

Wilken, in a week of cross-examination by Rae, attempted to explain his mathematical rate-making system but achieved, according to the lawyer, only partial success. Wilken's predictions are used as a general rate-setting guide for CUA member companies, government insurance boards and the industry in general.

No Tables

Wilken later admitted that companies when introducing new rate categories usually set the new rates arbitrarily, having no probability tables for the new classes.

"They set the rates and then start collecting probability data," Wilken said.

He also told the commission that the government-published insurance guide — the "Green Book" — is largely based on figures and analyses supplied by Wilken and the CUA actuarial staff. The Green Book has suggested in recent years that insurance companies should keep their operating expenses, exclusive of claims payments, down to 33 per cent of premium revenue.

This leaves 67 per cent of premium revenue to cover claims against the insurer, according to the guide.

Both CUA and the IIC — Canada's two competing rate-setting agencies — have advanced witnesses who denied there was any collusion between the two organizations. When Rae pressed them for an explanation of the three almost identical and simultaneous rate increases announced by both groups since Jan. 1, 1965, IIC rating committee chairman, Thomas O. Makin, attributed the incidents to coincidence.

The coincidence was born out of similar serious loss experiences by member companies of both groups in the years preceding 1965, Makin said. Across the board premium increases were announced Jan. 1, 1965, July 1, 1965 and Jan. 1, 1966 by both the CUA and IIC groups.

Industry witnesses have also denied that it is possible for companies to earn a sufficient investment profit on policyholder money to make an underwriting profit bearable. Even during good years — prior to 1963 — companies made a maximum underwriting profit of only 2.5 per cent, CUA spokesmen said.

Some Pay \$1,714

Companies cannot stay in the car insurance business with this sort of marginal profit if it is to be followed by a series of unprofitable years, they told the commission.

Some other opinions expressed by the more than 25 industry and non-industry witnesses:

A system of interim payment of special damages to victims pending final settlement and changes in B.C. laws so that passengers may recover damages without proving gross negligence on the part of the driver. (B.C. Trial Lawyers' Association.)

Testimony by body shop spokesman Donna Dean that modern "fancy" styling of autos adds to repair costs and a denial by Dean that body shops inflate customers' bills to cover the deductible part of collision coverage.

A defence, by B.C. Assigned Risk Plan manager Anthony McGowan, of the plan's success in keeping drivers on the road who otherwise would be grounded because of their inability to obtain liability insurance.

And submission of actual case histories of plan drivers, some of whom are paying \$1,714 annually for their insurance.

The commissioners are presently completing examination of the huge All Canada Federation brief.

And their report? Probably not due until the end of this year.

More Than Nerves

And this is more than a case of first inquiry nerves on the part of B.C.'s 209 insurance companies.

For a significant instruction given the commissioners enjoins them to determine whether automobile insurance "... should be administered privately or through a government department or governmental agency. ..."

The nation's insurance companies, naturally, fear any spread of compulsory government-run car insurance beyond the borders of Saskatchewan — the only province so far to "socialize" auto insurance.

But no matter who wins the royal commission game, the public is getting its money's worth.

As the commission went into its eleventh week by reconvening in Victoria Thursday, it had already examined 18 of the 32 briefs submitted, heard more than 25 witnesses, received 146 exhibits and filed 45 volumes with testimony.

Generally, the 32 briefs submitted before the June 10, 1966 deadline—including the 14 yet to be heard—reflect the industry's grave concern and reveal a strange apathy on the part of industry critics.

By dividing the submissions into three main categories it can be seen that over half of them represent either the industry itself or groups sympathetic to the insurance

crushed" at the party meeting in Ottawa last fall.

BUT PERHAPS TIME OUT SHOULD be taken to consider what is to be expected from Gordon in his return to cabinet.

It would seem evident he is unlikely to espouse some of the views he formerly advanced in trying to inspire greater Canadian control of the Canadian economy.

At the press conference where it was announced that Gordon was returning, Mr. Pearson emphasized that this was a party view and there must be a reconciliation between the case for more Canadian control and the need for foreign capital.

And the fact that Finance Minister Mitchell Sharp sat in on the final Pearson-Gordon talks before the announcement is evidence that accord was reached between the former and the present finance minister. They said this, to be sure, but the fact itself would appear to back the contention, Gordon, with Sharp firmly in the driver's seat, obviously had to make some concessions.

GORDON IS MORE THAN A FORMER finance minister who got into trouble because of some extreme views over what he thought was best for his country. He is an idea man — a main architect of the Liberal strategy that brought them back into power. And his staunch pro-Canadianism strikes a responsive cord across much of the land.

Anyone who has met him personally can hardly share the oft-expressed opinion that he is haughty and arrogant.

It would seem that one of his first jobs in the cabinet will be to investigate exactly how extensive is foreign ownership of Canadian business.

THERE ARE THOSE WHO CRY that there is too much and that it is undermining Canadian sovereignty. There are those who state that foreign capital is necessary for expansion and that it does not affect Canadian independence.

In all the arguing the issue has become even more confused. There is a wide conflict of opinion as to exactly how much foreign control there is in Canada. Until this is defined, the argument tends to the academic. Gordon could serve a vital service by getting down to the facts.

THE COST-OF-LIVING COMMITTEE recently recommended to the government that where public interest is concerned, disclosure requirements for private and public companies should be the same.

It was like a slap in the face with a pound of wieners to the committee when it found out how much of a stranglehold the Weston-Loblaws empire has on the North American grocery business — even if it is a Canadian-based operation.

And a recent survey taken for a Toronto newspaper showed that 60 per cent of Canadians are worried about the amount of foreign control of Canadian business.

In all, it would seem premature for any segment of Canadian society to start running up the wall because of the return of Walter Gordon.

HAD TO MAKE CONCESSIONS TO SHARP

Walter's Back — A Subdued Walter

By IAN MACDONALD
Sun Ottawa Bureau

OTTAWA — John Diefenbaker observed caustically this week that everyone was so happy about Walter Gordon's cabinet resurrection that he would not inject a sour note.

But that was this week. Next week, it's the same old gang back at the same old stand on Parliament Hill.

How the opposition will tackle Gordon's bounce back from the brink of political oblivion is a moot point.

BOTH THE CONSERVATIVES and the NDP had maintained that Gordon's exile from the cabinet was a sure sign that the Liberals were strictly a big-business party and becoming further out of touch with the little man.

And there is no doubt that Gordon's return in large degree was because of similar views expressed by those in cabinet and caucus who shared this view.

A leading Liberal observed Friday that the reaction across Canada to Gordon's return was much better than had been believed — particularly in Western Canada. The Ottawa post brass were pleased that Saskatchewan Premier Ross Thatcher, one of the most noisy anti-Gordonites in recent years, had taken the return quite calmly.

HE HAD NOT THREATENED TO GO out and throw himself down a potato mine, or Gordon for that matter.

The most upset figure appeared to be Ray Perrault, B.C.'s top Liberal. He pointed out that "policies of negative economic nationalism were decisively

Challenge

The WASPs, alas, are fighting a losing battle. Surely they must realize the futility of their rebellion against high food prices in light of the intelligent and responsible rebuttals of the supermarket spokesmen. The crusading ladies are off the beam. Housewives don't shop at the chains in an effort to stretch the shrinking food dollar; so help them, they go there for romance and happiness! I'magine, if you can, women in slacks and hair curlers being an invitation to romance. Yet we now have it on the authority of a Loblaws official that the housewife would "lose all the romance of life" if there were no supermarkets with costly trading stamps, contests and games, and other sales gimmicks. That's what the man said. He said it at the hearings of the Joint Senate - Commons Committee on consumer price investigations. The gimmicks, he added, "make people

Leave Romance To Husbands

happy," and this brings the housewives flocking to the store. Well, there you have it, WASPs: change your strategy, boycott romance and happiness, and you'll win hands down. Did you ever hear such nonsense? Such frivolous defence of rising food prices does nothing to improve the "profiteering" image, nor does it contribute anything to consumer acceptance of whatever valid case the chain retailers may have in their favor. At the same hearing, the president of Steinberg's big eastern chain also lamented: "If the people want stamps, you give them stamps." (Dominion Stores admitted that trading stamps cost them \$1.5 million a year.) It's an old broken record: "What the public asks for, the public gets." Shoppers asked for romance and happiness amidst cabbages, roast beef and soap flakes, so they've got it. Shoppers pleaded for "free" trips to Hawaii and all sorts of gimmicks, so let's not disappoint them. It's time that worn-out record went into the ashcan. The consumer didn't ask for deceptively - packaged bacon; nor towels and submarines and cups 'n

By Les Way

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