ROYAL COMMISSION

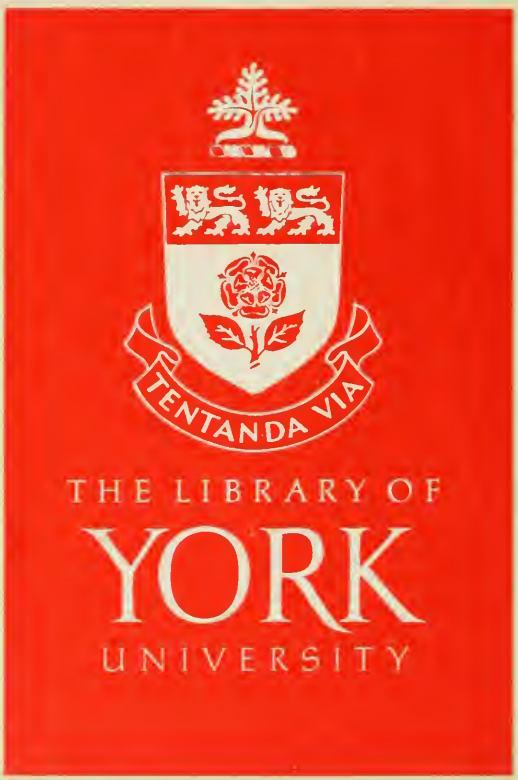
ON

AUTOMOBILE INSURANCE PREMIUM RATES

The Hon. Mr. Justice Hodgins
Commissioner

INTERIM REPORT

FINAL REPORT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THIRD
EDITION

ROYAL COMMISSION

ON

AUTOMOBILE INSURANCE PREMIUM RATES

THE HON. MR. JUSTICE HODGINS
COMMISSIONER

INTERIM REPORT

ON

COMPULSORY INSURANCE AND SAFETY RESPONSIBILITY LAWS

(including text of new Acts)

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Extract from Votes and Proceedings of the Legislative Assembly of the Province of Ontario, Toronto, March 6th, 1930:

"The Provincial Secretary presented to the House, by command of His Honor the Lieutenant-Governor:—

Interim Report on Compulsory Insurance and Safety Responsibility Laws by Royal Commission on Automobile Insurance Premium Rates, March 3rd, 1930. (Sessional Papers No. 15.)"

1st Edition, March 10th, 1930
2nd Edition, March 20th, 1930
3rd Edition, April 10th, 1930

Note to Third Edition:

The text of the Acts passed in the first session of the Eighteenth Legislature of Ontario, which ended on the 3rd day of April, 1930, in furtherance of the recommendations contained in this Report, has been included in this Edition.

The Acts were assented to on the 3rd day of April, 1930, and came into force as provided therein. (*See last Section of each Act.*)

INDEX

Appendices

Text of New Acts.

ROYAL COMMISSION

ON

AUTOMOBILE INSURANCE PREMIUM RATES

Commissioner - -	HON. MR. JUSTICE FRANK E. HODGINS
Counsel - - -	R. LEIGHTON FOSTER
Consulting Actuaries -	WOODWARD, FONDILLER AND RYAN
Secretary - - -	ERNEST M. LEE
Reporter - - -	WILLIAM C. COO

EXTRACT from commission issued to the Honourable Frank E. Hodgins, one of the Justices of the Appellate Division of the Supreme Court of Ontario, dated the eighth day of February, 1929:

"To enquire into, investigate and report to our Lieutenant Governor upon:—

(*a*) The reasonableness of automobile insurance premium rates in the province as fixed by the Canadian Automobile Underwriters Association and as charged by any licensed company.

(*b*) The methods, rules, regulations and practices of the Canadian Automobile Underwriters Association with regard to the making, promulgating, enforcing or controlling of rates, commissions, forms, clauses, contracts or the placing of insurance.

(*c*) The existing laws of Ontario and their practical operation in relation to the supervision, regulation and control of insurance premium rates in the province.

(*d*) Any matter which, in the opinion of the Commissioner, it is necessary to investigate in view of the above enquiries.

AND to make such recommendations in regard to the above as he may think advisable.."

REPORT

ON

COMPULSORY INSURANCE AND SAFETY RESPONSIBILITY LAWS

To His Honour,

WILLIAM D. ROSS, ESQUIRE,

Lieutenant-Governor of Ontario.

May It Please Your Honour:

I have the honour to report that I have been appointed a Royal Commissioner by Commission under the Great Seal of Ontario, bearing date the 8th day of February, 1929, to make certain enquiries, and among others to enquire into the existing laws of Ontario and their practical operation in relation to the supervision, regulation, and control of insurance premium rates in the Province, and into any other matters which, in my opinion, it is necessary to investigate, in view of the other enquiries directed by my said Commission.

Having entered upon the Enquiry thus directed, I have the honour to submit this as a first Interim Report dealing with Compulsory Insurance and Safety Responsibility Laws, and amendments to the present Highway Traffic Laws and the Insurance Laws of Ontario.

I. SAFETY RESPONSIBILITY AND COMPULSORY INSURANCE LAWS IN GENERAL:

In considering laws originally conceived with the object and desire of protecting from pecuniary loss those injured by motors on the highways and roads of any community, it will be found that they dealt only with one aspect of careless driving, and that is its probable personal and financial results.

I have, therefore, thought it my duty to enquire whether some standard exists by which the usefulness of such laws may be judged, and whether there is not a larger problem raised by their consideration, which ought to be kept in mind, and provided for in their enactment. By this I mean the question of public safety, to which protection against financial loss should be subsidiary.

The principle which should underlie any law which treats of motor vehicle traffic on highways, and its consequences, social and financial, is that such legislation should be tested by considering first whether it has in it provision for the safeguarding of life, limb, and property.

To this end should be subordinated all provisions dealing with speed, road regulation, licenses, damages, offences etc., all of which have their proper place.

If viewed from this standpoint, the mind is focussed upon the fact that the use of swift moving and easily controlled vehicles on the highway may be made dangerous objects by dangerous drivers, or often by competent drivers who fail to do the right thing in an emergency, the consequence to others being just as deadly in the one case as in the other. The regulations dealing with the use of a motor, and its consequences, should not be considered as sufficient or reasonable, unless at the same time they contribute, in their working out, to the protection of the public from injury and damage, and, as well, afford and secure compensation for those injured by their breach.

It is in this spirit, and in the belief that Safety or Financial-Responsibility laws can, if carefully prepared and linked up with legislation or regulations dealing with speed road regulation, licensing of drivers, etc., make an effective contribution to the public safety that I submit my report.

II. GENERAL CONSIDERATIONS AND STATISTICS:

The rapid increase in the number of private passenger cars, due largely to the facilities afforded by finance companies for purchases on the instalment plan, brought about a strong demand for better surfaced roads. The Government of Ontario have responded to this demand, and are pursuing a comprehensive plan for smoothing out and bettering not only the King's Highway, but the smaller country roads.

The increase in automobiles is not confined to private passenger cars, but extends in two directions: the transport of passengers by buses for long distances, and the trucking of merchandise between the various cities, towns, and villages in Ontario. This development has brought upon highways designed really for smaller types of automobiles, two species of large, cumbrous, and often clumsy, vehicles, some of them steel structures on wheels, with regard to which any mechanical fault is apt to be serious, owing to the momentum which makes them doubly dangerous.

The result has been many accidents, and even where the conditions I have mentioned have not directly contributed to an accident, it cannot be denied that the highways, as a rule, both in the city and country, are, especially in some localities, congested so that careful driving is vitally necessary.

This Province has also, especially in the summer and autumn months, a very large number of visitors in motor cars coming from the States of Michigan and New York, and other States, as well as travellers who come into Canada by way of the Province of Quebec, going westward.

Increasing facilities are being, or have been, provided, at Windsor, Walkerville, Bridgeburg, Niagara Falls, and Sarnia, so that we may expect increasing numbers.

During 1929 enormous numbers of motor vehicles crossed the border into Ontario, the figures being as follows:

Bridgeburg	1,109,238
Niagara Falls	995,368
Sarnia	86,953
Walkerville	305,592
Windsor	864,962
Other Points	143,387

The registration in Canada of motor vehicles in 1928, in a population of 9,658,000, was 1,070,530, of which

921,395 were passenger cars
129,578 were motor trucks
2,190 were buses
8,315 were taxicabs
7,897 were motor cycles, and
1,155 were miscellaneous.

The registrations in Canada of motor vehicles was greater by 131,147 than the total of 1927.

In Ontario alone the registrations in 1928 were 488,804, or nearly 50% of all Canada. In 1929 this figure had increased to 536,666, of which 473,227 were passenger cars, and 63,444 commercial cars, etc., vehicles and motor trucks.

In Toronto there were registered in 1928, 80,347 passenger cars, and 13,316 commercial cars, while the Police Department gives the numbers for 1929 as 90,000 private passenger cars, and 16,000 trucks and commercial vehicles.

The total fatal accidents are reported by years as follows:

1926 – 81
1927 – 87
1928 – 80

III. ACCIDENTS—THEIR CAUSES AND PENALTIES:

How many of the accidents which are daily occurring in our Province are due to careless driving of some sort, is a subject on which data already collected elsewhere gives a sure indication. For instance: In England the General Secretary of the Safety First Association, Col. Pickard, D.S.O., gave evidence before the Royal Commission on Transport, that the estimate made by his association (aided by the coroners) was that 83% of the accidents were due to failure of the human element, 6% to vehicular defects, 7% to road defects, and 4% to weather, (skids, etc.)

Compare this with the latest experience collected in California, which ranks next to New York in the number of its registered cars, and in its influx of cars foreign to that State, as shown by the report issued in 1929, made by a joint Legislative Committee of the California Senate and Assembly, in the thirteen southern counties from 1923 to 1927:

Number of deaths from:

1.	Careless driving	1,054
2.	Speeding or Recklessness	568
3.	Incompetence	442
4.	Intoxication	220
	Total from failure of the human element in the driver	2,284
	Total Deaths:	4,024

This gives a percentage of 56% due to this cause, as against 5% for defective equipment.

The United States National Conference of Street and Highway Safety, covering 244 cities, or 44 States, report the following:

Careless or Reckless Automobile Driver	32.7%
Careless or Reckless Pedestrian	29.3%
Both Parties Jointly	18.7%
Other Highway Users, including wagons, trains, street cars, bicycles, motor cycles, etc	16.4%
Defective Automobile	2.7%
Physically Defective Driver	0.2%
	100. %

In Ontario the number of motor accidents was as follows:

	Fatal	Non-Fatal
1923 –	236	2,348
1924 –	254	3,020
1925 –	298	3,912
1926 –	298	4,114
1927 –	422	3,976
1928 –	477	5,397
1929 –	576	5,699

In these totals accidents to foreign and domestic cars are included, but the relative proportions are not given.

These statistics are given by the Ontario Safety League. They differ slightly from those collected by the Dominion Bureau of Statistics, which gives the deaths in Ontario as follows:

1923 –	208
1924 –	205
1925 –	256
1926 –	242
1927 –	387
1928 –	395

The Chief Statistician of the Metropolitan Life Insurance Company, has recently said: "The automobile fatality problem is becoming more acute in Canada; The death rate has almost doubled in the last

two years." He gives in 1927 the death rate figures: In Canada it was 4.3 per 100,000; in 1928 it was 5.8, and in 1929 8.4. "The Province of Ontario is in the lead with the high rate of auto fatalities, and is closely followed by the Province of Quebec." These he gives as 18. per 100,000, in Ontario, and 16.6 in Quebec.

The discrepancies in some of the figures I have quoted emphasize the absence to-day of a compulsory and uniform system of accident reporting, concerning which I make some recommendations in this Report. Statistics based upon voluntary reports are frequently misleading.

The efforts of the Department of Highways, and of the Minister in charge, have been constantly directed to this subject. Mr. J. P. Bickell, the Registrar of Motor Vehicles in Ontario, in a recent address, speaking of the Department's activities in investigating accidents, said:

> "These inquiries revealed the fact that the majority of accidents were not caused by:
>
> 1. The Incompetent or Inexperienced driver.
> 2. Excessive Speed.
> 3. Glaring Headlights.
> 4. Defective Brakes.

True, a percentage of accidents could be attributed to these causes, but the great majority were obviously caused by apparently competent drivers with vehicles in good mechanical condition.

Highway accidents were then, and still are, caused chiefly by the selfish, thoughtless, and careless drivers – drivers who are subject to momentary lapses of traffic consciousness."

For reasons I give later, I am of the opinion that accidents caused by the class described in the last paragraph of Mr. Bickell's speech, while caused without evil intent, or recklessness, are just as much to be deplored and their perpetrators penalized, as those who have not that excuse. It is only by insistence that the motive or intent is of no consequence, (save in the criminal aspect of negligence), and that those two, by want of ordinary foresight, prudence, or by want of thoughtfulness, injure others, are the cause of as much (and perhaps more) injury, damage, and serious personal suffering, and should not be exempted from the provisions of any safety law.

The suspension during 1928, by the Department of Highways, of 1883 Ontario drivers' licenses, of which 726 were for driving while intoxicated, and the rest for reckless driving, causing serious accidents, etc., needs no comment. The publication of the names of the persons involved is much to be commended.

IV. CONDITIONS SURROUNDING AUTOMOBILE TRAFFIC, AND ITS CONTROL:

The condition surrounding automobile traffic are not in any way peculiar to Ontario, but prevail in neighbouring States of the United States to a very great degree, and in many of them legislative action

has been taken in two directions: (1) To create a sense of responsibility in a driver, to conduce to his carefulness in handling his machine, and (2) Providing relief from pecuniary loss to those injured by the carelessness of others on the highway.

Looking at the matter broadly, it is impossible not to be struck with the change in public sentiment as to the use of the highways due to the introduction of motor traffic. Under old conditions a very swift moving vehicle on a highway would have been regarded as a danger, and its progress surrounded by whatever conditions were possible to safeguard those using the highway with equal right. One would have thought that the habit of caution, and the instinct of preservation, would have led public sentiment to regard the increase in the number, speed, and ease of management of motor cars, as creating a menace to public safety, and to insist upon adequate safeguards being secured; but there is no denying that the ownership of enormous numbers of motor cars, both on this continent and in Europe, has turned public sentiment completely around, and now speed and priority are claimed as of right for motors on highways. Cities have streets which are narrow and where motors are allowed to park on both sides, and where double lines of street cars run along the middle of the street. Safety islands are often regarded only as obstructions to the free circulation of traffic, regardless of the fact that pedestrians outnumber motorists by a very large majority.

Sentiment is, therefore, becoming perceptible that perhaps too much license has been given to motor cars; that they occupy too much space upon the highways, and so obstruct travel when parked and that their speed in a thickly populated area renders extremely skilful driving necessary if accidents are to be reduced to a minimum, and that those on foot should be protected in crossing streets and intersections. The overcrowding of front seats in motors is said to be a frequent cause of careless, or worse, driving. The greater mileage driven by the average motor owner to-day, and consequently the greater time spent at the wheel, accentuates these conditions. And having regard to the imperative need for reducing the enormous number of fatalities and injuries, I might almost borrow the words of a well-known Canadian professor writing on another, and even larger, subject: "The Individual and His Rights are giving place to the Community and Its Needs—indeed, the man who is ceaselessly gadding about talking of his rights, is rapidly being classed among dangerous public nuisances."

I have examined with a great deal of care, by personal visits to centres in the United States where laws known either as Safety Responsibility Laws, or, as in Massachusetts, the Compulsory Insurance Law, have been enacted and are being administered, and I have heard at first hand the opinions and criticisms of those most familiar with the subject as affecting the acceptability, the workability, and the psychological effect, in the direction of safety, of these laws in the various States of the Union.

I have been fortunate enough to have had the views of the several State Superintendents of Insurance, as well as of some who have now retired from such an office, who have had to administer these laws, so far as they affect insurance companies and motor casualty insur-

ance, both from the point of view of public safety, insurance rates, or of financial responsibility for injury due to motor accidents. I have also been able to examine those responsible for the administration of those laws affecting highway traffic, and their consequences. Some of these are eminent in their own sphere, and of large experience.

In addition to these I have taken a great deal of testimony in order to ascertain the views of those familiar with the subject, as to the effect of these laws from the point of view of increasing safety on the highway. I have not only made these personal inquiries, but have secured from these witnesses all the material and literature which has been issued while the subject of compulsory insurance or safety responsibility was a controversial subject, both while the legislation now in force was in the making, and afterwards, when passed into law, and these have been studied with great care, both by myself and by both Counsel associated in this Enquiry

A list of those who testified before me is appended to this Report, which is accompanied by the written pamphlets, arguments, reports, resolutions, and decisions, regarding this important subject.

In the above inquiries I have naturally been in contact with those whose position or occupations made them familiar in a professional or technical sense with what is meant by Financial Responsibility, or Compulsory Insurance, as applied to motor car traffic and accidents. And on my return to Toronto I held a two days' session, to which all those thought to be interested were invited to give their views. I append to this report the names of those who attended, and a synopsis indicating the attitude of those who wrote instead of attending personally. A great many people testified before me, and many more have written in favour of what they called and understood as "compulsory insurance". In their view, apparently, if I may judge from the evidence, and their communications, these opinions do not betray a correct comprehension of what Compulsory Insurance, as viewed by the only law enacted in one of the States of the Union, really means, or of the fact that all other laws which are called Financial Responsibility Laws do include a modified form of universal compulsory insurance.

In prosecuting my Enquiry, I put a question designed to ascertain the views of those familiar with the Financial Responsibility Laws and the Compulsory Insurance Law, as to what, in their judgment, would be the best law to adopt if it was desired to take a first step in the direction of providing compensation for personal injury and property damage on the highway, due to carelessness of motorists, and at the same time to make some progress towards eliminating the reckless, incompetent, and drunken driver.

Mr. Wesley E. Monk, formerly the Insurance Commissioner in Massachusetts, and presently General Counsel of the Massachusetts Mutual Life Insurance Company, who had made a thorough and complete study of the subject, was good enough to make the significant reply in answer to a question which I propounded to him, that he would adopt the experimental scheme (i. e., Safety Responsibility Law) rather than go to the whole distance, (i. e., the Massachusetts Law).

This opinion is particularly interesting, as Mr. Monk is firmly convinced that Compulsory Insurance, as they have it in Massachusetts, sanely and properly administered, without any outside interference, is the best possible law. His view was confirmed later on by Mr. G. Gleason, of Boston, one of the Counsel of the Employers' Liability Assurance Corporation, and a partner of Mr. Edward C. Stone, who is responsible for the law in force in New Hampshire, known as the Stone Plan. He said, in answer to my question:

> "I do not think any Province, or State, or country, which is embarking on a new venture, such as automobile financial responsibility laws, should take, no matter how sound they think it is, what I call a drastic or long step.
>
> "I think, as Mr. Stone has said, a State or Province would be much better by starting in cautiously and conservatively, and not make the mistake which, I believe, 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.
>
> "I rather think it would be better to take a conservative step, so that you could be sure it is probably going to be right, and from time to time add on to it gradually. I am sure it would be a grave mistake to attempt to approach the Massachusetts law. It would be better to start in conservatively and give you an opportunity to build on, as Mr. Stone has said."

V. COMPULSORY INSURANCE AS INVOLVED IN SAFETY RESPONSIBILITY LAWS:

The Massachusetts law, and those passed in other States, include either in whole, or to some degree, Compulsory Insurance.

I want to make it clear throughout my Report in dealing with Compulsory Insurance and Safety Responsibility Laws, that on this continent there is only one question to be considered when it is determined to deal with greater safety and compensation for injuries, and that is, whether the earlier plan Massachusetts adopted for requiring compulsory insurance or security from all motorists, and irrespective of their driving record, is better than the later ones (fifteen states including New York and Connecticut) which introduce the plan gradually, and in such a way as to deal fairly and reasonably both with those who are careful, and those who are not, and which are linked up with provisions dealing with care and consideration for others, as well as financial responsibility for injuries caused by breach of the traffic or criminal laws.

There is only one law which can be described as a compulsory insurance law for all motorists, and which has operated long enough for its working to be examined and tested in the light of experience, and that is the Massachusetts law: and as such I will refer to it as an example of legislation that compels every motorist — good, bad, or indifferent, with or without fault — to commence his career or continue it, accompanied by an insurance policy, guaranteeing that the third party whom he may injure shall be able to receive some compensation. All other such laws are too recent in date, or too far removed from our conditions, as to constitute useful guides to indicate what should be our legislation here.

Compulsory Insurance, as such, is not an issue, for both the Massachusetts law, the English, and the New Zealand law, and all the other laws which differ from it, called Safety or Financial Responsibility Laws, include some form of compulsory insurance, or other security, but the latter are based upon the idea that to use compulsion in a slightly different way, and on a somewhat different basis, is more reasonable and less oppressive legislation.

These latter, (Safety Responsibility) Laws and the Massachusetts law, differ fundamentally on this point: that while the earliest compulsory insurance law required all to insure on a certain day, the Safety Responsibility Laws leave a motorist alone until he has been convicted of a serious violation of the Highway Traffic Law or Criminal Law, or has caused serious or substantial injury through motor accident. They then require security against future casualties, and as a further condition of the restoration of his license, that he shall pay the damages caused by the accident which has brought him within the scope of the legislation.

This difference makes the Safety Responsibility Law more logical, more acceptable, more workable, and less oppressive, and has the great merit of only affecting motorists who have themselves demonstrated that they are careless or reckless. Thus, the vast majority of careful drivers are untouched by the law and can remain outside it as long as they do not bring themselves within it. The argument so freely used in favour of the Massachusetts law, which requires all to have insurance if they wish to drive on the highway, and so takes care of the consequences of the first accident, ignores the fact that the Safety Responsibility Laws do the same, and that the way in which they do it is much more effective; namely, by suspending the driving license until the unpaid damages for an earlier accident are settled.

Notwithstanding this, the question is plausibly put in this way: Should a man be permitted to operate a dangerous instrument, one which is likely to cause death and destruction on the public ways, and not be in a position to compensate for death or the injury which he has caused? The answer to such a question is, naturally, "No", but, as I have found out, the answer is based on the assumption that a compulsory insurance law is the only law which attains the desired result. While it operates to place a burden on all owners of motor cars, on account of the evil deeds of certain of their number, the same result is obtained, in a much more acceptable way, by the Safety Responsibility Laws. In the latter case no one is compelled to insure until he brings himself within the law by causing an accident more or less serious, or by driving recklessly, or in a drunken condition, etc. If coupled, as it should be, with the proviso that not only should insurance be taken out by the offender for the future, but that he should satisfy any judgment which is standing against him before he has secured insurance would achieve the beneficial and desired result without coercing others. People who have not caused injury may never bring themselves within the law, owing to the care they exercise.

The best opinion on Compulsory Insurance Legislation as for example that of the State of Massachusetts, is that the psychological effect of compelling everyone to take out insurance is the reverse of making them careful, for everybody knows that everybody else is

insured, and that in case of an accident the insurance company, and not the person causing the injury, will have to pay it. The more this view is considered, the more reasonable it becomes. Drivers of heavy cars, trucks, buses, etc., are very apt to fall into this habit of mind, and so are private car owners — namely, that being insured against personal responsibility, their pocket will not be touched in consequence of any act of theirs, and, as criminal negligence can seldom be proved, they feel that they are safe from the reach of the criminal law. I found no one, either in Massachusetts or elsewhere, who would venture to assert that their Compulsory Insurance Law had any effect on reducing the number of accidents. It is true there were no available definite statistics, and the closest mode of calculation was to ascertain the number of accidents before the law came into operation, and to compare it with the number since, making due allowance for the known increase in the number of cars operating in Massachusetts. Viewed under these conditions, the number of accidents appeared to be much the same before the law as after.

In the Report of the California Committee, dated January, 1929, the following data is given from the Massachusetts record:

> "In 1927, the year after the law went into effect, fatalities resulting from automobile accidents numbered 698, as compared with 681 in 1926. Injuries were 32,922, as compared with 24,904 in 1926. Collisions reported numbered 33,938, as compared with 26,769 in 1926.
>
> "While more complete reports may have been prepared by the police authorities in 1927, certainly the record makes no showing of a reduction of accidents. The number of personal injury claims filed with the Insurance Companies in 1927 was 48,519, as compared with 14,678 claims filed in 1926, against the insurers of 30 per cent. of the motor vehicles in the State."

This indicates that while reported accidents numbered 32,922 in 1927, the Insurance Companies of 30% of the motor vehicles were faced with claims just 50% more in number than the reported accidents would indicate.

VI. SAFETY RESPONSIBILITY PLAN:

I have already mentioned that I placed before myself the principle that the first consideration must be safety, that is, avoidance of accidents, the inculcation of care, road sense, and consideration for others. To this all laws and regulations should be directed. The general impression that laws can be so framed that an ideal state of affairs on the highway can be induced, is, I am afraid, merely utopian. While highway traffic legislation is essential, it can only deal with breaches of the law and consequent punishment, so that the aim should be to devise a scheme wherein the law will act, not only on past offences, but will be so used that it will conduce to, and indeed, compel prudence, and require compensation for the fault which has injured another.

I shall deal later with the idea that the Government should step in and provide or accumulate a huge fund, out of which injuries due to the faults and crimes of reckless users of the highway, might be,

much to their comfort and pleasure, compensated while they continued their career unmolested by the powers that be. Fortunately there are in this country businesses of a nature and quality that naturally would undertake, and do undertake, insurance against the risks incurred or suffered from motor traffic. If, then, they could be placed in such a position as to assist, not only in carrying these risks, but actually helping to establish and enforce safety laws and regulations, it would seem that a solution would be brought about, of two great problems of motor traffic: — one the inculcation of carefulness in motorists, and their exclusion from the road on proof of their lack of this quality; and secondly, the securing of compensation of those injured by negligence of a motor driver.

In the evolution of the basic idea to be found in the American Automobile Association Bill, (hereinafter referred to as the "A.A.A. Bill") which I outline in this report, it is interesting to observe that while the compulsory insurance idea has prevailed, it has done so only in such a modified form that in providing for the second problem mentioned above, it has been so associated with the provisions and penalties found in the Highway Traffic Act as actually to put pressure on reckless and dangerous motorists, tending to make it, on the one hand, worth their while to insure, and on the other, to hang over their heads the fear of inability to secure insurance, the only alternative to which will be the out of date plan of giving a personal security bond, guaranteed by personal friends, or the serious problem of depositing money, or money bonds, to a substantial amount.

The fact of this co-operation between the Civil and Criminal law, and the business of insurance, in furtherance of safety, while not to be wondered at, as that business was already in possession of motor insurance, is rather remarkable, as the first conception of compulsory insurance was, that while care might be induced merely by the taking out of a policy, yet it was not safety, but the necessity for the indemnification of the injured, that was the crucial and only cause for the earlier legislation on the subject.

That early idea, now superseded in the United States by that of combining the safety provisions of the Traffic Act with indemnity for the injured, seems to have been the main reason why compulsory insurance sections were introduced into the English Bill. I do not find any trace of its being in any way brought in as a safety measure, as the Government have intimated that if offenders can get insurance, notwithstanding they are bad risks, they will not object, and I find that in the Bill there is no proposal for an examination for drivers, nor any preliminary except the signing of a declaration of age, and that there is no order of a Court disqualifying the applicant, and that no conviction stands against him. It was suggested by the National Safety First Association that an applicant for a license should also be required to sign a certificate, when getting his license, that he is aware of the rules and courtesies of the road, but this is not provided for in the Bill.

The adoption of compulsory insurance for all motorists in the English Bill, is probably accounted for by the fact that 90% to 95% of the English motorists are already insured for liability, both as to personal injury and property damage, as appears from the following

extract from the evidence of Mr. Evans, representing the underwriters of Lloyd's, given before the Royal Commission:

"You say that 95% of motorists, excluding motor cyclists, are already insured against third party risks? A. Yes. Q. Which leaves 5% of the poeple which you would regard as undesirable risks? A. No, I should not say they are all undesirable. Of that 5% there might be a proportion which choose to run their own risk and do not insure."

The Accident Offices Association also gave evidence through Mr. McConnell, Manager of the Royal Insurance Company, who said:

"I think there is a great difficulty in finding out what percentage of cars are insured, but we have a good deal of information, and we know that the percentage that is insured is something approaching 90%. We know of those being insured, although we have no facilities for finding out in all the channels, and therefore we must assume that there is a definitely larger percentage than that."

Q. You can state definitely that it is at least 90%

A. We know that it is approaching 90%, but how much nearer 90%, or above 90%, it is quite impossible for us to find out. We have tried to find out, but we cannot get at all the channels."

It may be possible that in England, and elsewhere on the continent where the percentage of cars insured is so large, that they do not have to contend there with the enormous number of persons who own cars on this continent, the larger number of which are not in the hands of well to do owners and so are not insured as they are in England. The penalty in England for not taking out insurance is made very large.

Without burdening my Report at this point with further references, I would like to recall that in 1929 the Report of the Joint Legislative Committee of the Senate and Assembly of California—the latest, most exhaustive, and complete survey of laws of this nature—has stated its conclusions in these words:

"The Committee is convinced that it is possible to prevent a large part of the present loss in property damage, personal injury, and death, by determining safety measures and motor vehicle legislation in accordance with certain definite policies or guiding principles. As example of such principles, with which all recommendations in this Report conform, the Committee suggests the following:

"1. Compulsion and adequate uniform methods of accident reporting; collection and analysis of accident and traffic statistics; study of accident causes and trends, and of traffic problems and regulations. In short, acquisition of the knowledge that must be the basis of intelligent regulation.

2. Continuing revision of the Motor Vehicle Law, based on the factual findings indicated above, and in accordance with a progressive program for legislation in furtherance of public safety, and for effecting uniformity of law within the State and with other States.

3. Vigorous, unremitting, and uniform enforcement of the Motor Vehicle Law throughout the State, by the local police within their jurisdiction, and elsewhere by state-wide motor vehicle police, operating under exclusive State control; rigid investigation of all serious accidents; and, as far as may be effected, unfailing prosecution and uniform punishment of violations of that law.

4. Broadening of liability of persons permitting, or otherwise responsible for negligent operation of motor vehicles; revocation of licenses of persons failing to satisfy final judgments, establishing their negligence in the operation of motor vehicles; and denial of re-licensing to such judgment debtors prior to satisfaction of the judgment, and establishment of security against future liability."

They recommend amendments to their laws in many respects, following and, in some measure, amplifying, the principles and provisions of the A.A.A. Bill, and conclude as follows:

> "The Committee believes that both as an accident prevention measure, and as a means of furthering the indemnification of innocent victims of motor vehicle accidents, the recommendation here proposed is a long step in advance of similar legislation yet enacted in any other State of the Union."

I am glad to find that my conclusions as to the Safety Responsibility Laws have, except on one point, the support of the members of the Ontario Motor League as represented before me at one of the Sessions of the Commission. They agree that safety and accident prevention are, or ought to be, the cardinal object of any such law. They take issue with that provision of the A.A.A. Bill, of which I approve, which requires a person who has an accident after the law comes into force, and fails to satisfy a final judgment therefor within fifteen days, not only to show financial responsibility for future accidents, but also to pay the judgment before his license is restored. They consider that too severe.

Let us consider the basis on which such an objection rests. It assumes that it is unfair to the motorist in question. Is it? In the first place the unsatisfied judgment to which it refers must be one based on liability for damage caused by the motorist, after he has had ample warning of the new law. Is there any good reason why it can be said to be unfair to him that he should be required not only to guarantee his financial responsibility for the future, but also to make good the present damage which he admittedly has caused? He has had ample opportunity to protect himself by insurance in the meantime. If it is necessary under the law to require those who drive to the public danger and cause accidents, to give security for the future, why should they not be required to pay for an accident, if any, caused by their negligence and happening after the law became effective as a condition of their privilege to continue to drive on the highway? If accident prevention requires one lapse to be penalized by requiring future security, then it should logically call, not only for future security, but also, where an accident has resulted before insurance is secured for the payment of the damages caused by that accident.

Indeed in my judgment, on principle it might well be applied to compel the applicant for a license, or for its renewal, to show an absolutely clean sheet so far as unpaid damages for motor accidents caused by him. Although I do not intend to recommend more than that the person causing an accident should pay the damages caused by that accident, as well as giving security, it is worth considering the further application of what may be called "the clean sheet rule".

If prevention is better than cure and an examination before license should be applied to an applicant as to his fitness, is not the fact that he has caused injury or damage to someone previously, a record which should either cause him to be refused his license, or as the price thereof, to provide himself with a clean sheet? Is it also urged that there is but a small percentage of unsatified claims, because the records in the United States and here, show that only a small number of persons have not taken out voluntary insurance. But as was said before me by Mr. Phelan, representing the Ontario Motor League:

> "Safety responsibility legislation strikes at the misconduct of a reckless and criminal minority. The irresponsible operator is of two types, the one who is indifferent to the safety of others on the highway, and the other who is unable to compensate for the damage he does."

If that is so, and I quite believe it, why should this minority of either type not be bound to qualify either as reformed and careful drivers, or else as financially able to compensate others, and if so, why is not the antecedent and unpaid liability just as valid a factor in determining whether the second type is able to compensate others, and why should responsibility be confined to future accidents causing injury and damage, if the class as is described above is only a very small, though dangerous, one?

I understand that Mr. Phelan's statement before me that Compulsory Insurance would cost the Province (I suppose this meant the motorists of Ontario) a premium expenditure of $9,000,000. a year, basing it on a registration of 600,000 motor cars, the premium for each being estimated at $15.00, referred to Compulsory Insurance for all motorists, as in the Massachusetts plan. It is not in any way applicable to Safety Responsibility Laws.

The reason, however, why I prefer to follow the A.A.A. Bill and only require payment of the damages caused before insurance is secured in addition to security for future damage, is that the proposed law which I submit, will afford ample opportunity to every motorist to protect himself against the risk of losing his driver's license by securing public liability and property damage insurance before the date on which my recommendation, if accepted, will come into force. That date I think should not be earlier than September 1st, 1930. Anyone who neglects to procure insurance may be assumed to have knowledge of the risk he runs. In any event I cannot but think that the members of the Motor League will agree with my recommendation, when its effect and the reason therefore have been fully realized by them.

I myself consider this provision respecting unsatisfied judgments for accidents occurring after the law comes into force, with modifications in favour of the judgment debtor authorizing payment of judgments by instalments with renewal of license, which are included in the Draft Bill appended to this Report, as vital to the whole scheme of the law. It was first proposed in Pennsylvania (and thus came to be known as "The Pennsylvania Plan") long before the A.A.A. Bill was drafted. It is now the law of upwards of fifteen states of the United States. It has been included in every Safety Responsibility Law which has so far been enacted, and has been adopted in other States which have not yet endorsed the other features of the A.A.A. Bill. It was proposed in Ontario in 1929, as an independent self-contained measure, by Leopold Macaulay, M.P.P.

It is important to the scheme of the Act as a safety measure. If this provision is not enacted the reckless motorists will understand that the worst that can happen to him under the Safety Responsibility Law, if he becomes involved in an accident, is that he will be required to show evidence of financial responsibility for the future, which he can probably do by buying an insurance policy.

If, on the other hand, this provision is included in the Bill he will realize that he must drive carefully and avoid accidents lest he lose his privilege of driving a motor car (which may be his means of livelihood) by reason of inability to pay a judgment obtained against him. Of course, he may protect himself by procuring insurance before the accident occurs, but even in that event he may appreciate, or soon learn, that the company may cancel his policy on ten day's notice, that evidence of financial responsibility is essential to his right to continue to drive on the highway, and that other insurance companies may be unwilling to issue a policy to a driver whose insurance has been cancelled by another company.

The provision of the Bill respecting unsatisfied judgments is essential to the purpose of the Act in assuring compensation, to the greatest possible extent, to the victims of motor vehicle accidents. The A.A.A. Bill was calculated to provide a very powerful inducement to every motorist to buy insurance *voluntarily* because of the risk the motorist otherwise runs of being *permanently* debarred from the highways by reason of inability to satisfy a claim judgment. It has been testified before me that, in States such as Connecticut or New Hampshire, where Safety Responsibility laws have been in force for upwards of a year, from eighty to ninety percent of the motorists have voluntarily bought insurance. Without the provision in the Bill respecting unsatisfied judgments, where is the inducement to take out insurance in advance of the first accident? All that would remain would be the necessity of showing evidence of financial responsibility against *future* accidents.

I think no exact or trustworthy data can be obtained, as suggested before me, of the claims for damage through motor accidents, which remain unpaid, or are non-collectable. I have made due enquiry by means of a questionnaire to every County Sheriff and local Master,

County Judge, and Clerk of the County Court, and every law firm in the Province, and the results are as follows:

As of February 12, 1930.

Where both answered 39 returns.

1. How many judgments for damages for personal injury arising out of automobile accidents in Ontario have been obtained in your office since January 1st, 1927, which still remain unsatisfied:

(*a*) In whole 73
(*b*) In part 25

2. What amount is owing on the aforesaid unsatisfied judgments?

Please set these out separately and immediately following the amount now owing, state the amount of the original judgment, *e.g.*, $3,200, originally $3,500.

Total now owing $70,349.93—originally $98,659.95.

Where both answered 34 returns.

3. How many judgments for property damage claims amounting to more than $100 each, exclusive of costs, arising out of automobile accidents in Ontario have been obtained in your office since January 1st, 1927, which still remain unsatisfied:

(*a*) In whole 63
(*b*) In part 11

4. What amount is owing on the judgments mentioned in Question Number 3? Please set these out separately, and immediately following the amount now owing, state the amount of the original judgment, *e.g.*, $1,200, originally $1,500.

Total now owing $16,884.87, originally $18,133.78.

Where both answered 100 returns.

5. How many valid claims of clients for damages arising out of automobile accidents in Ontario have you had in your office since January 1st, 1927, where court action has not been commenced or where such action has been abandoned prior to judgment by reason of the financial irresponsibility of the person liable:

(*a*) Number of claims for personal injuries..327
(*b*) Number of claims for property damage amounting to more than $100.....537

(Also see return of J. A. T. Plouffe)
Answered "several." (*a*) 3; (*b*) 2.

6. What in your opinion would be the approximate total amount of all the judgments your clients would probably have been able to obtain had they instituted court actions and-or proceeded to judgment against those persons mentioned in the previous question?

(*a*) In the case of personal injury claims $250,350.00
(*b*) In the case of property damage claims $125,256.40

Where both answered 60 returns.

7. How many claims of clients for damages arising out of automobile accidents in Ontario have you settled in your office since January 1st, 1927, as a result of the financial irresponsibility of the person liable where your clients have received amounts less than those to which you believed they were entitled?

(*a*) In the case of personal injury claims...190

(*b*) In the case of property damage claims..292

Answered "several."

8. What, in your opinion, would be the approximate total amount of what your clients would probably have been able to obtain in addition to the amounts for which the claims mentioned in the previous question were settled had such cases proceeded to Judgment?

(*a*) In the case of personal injury claims $102,300.00

(*b*) In the case of property damage claims $55,085.00

9. Please give the name and address of each member of the Ontario Bar in respect of which this return is made:

Answers to questionnaire where return is "none".....137

Total number of answers to questionnaire including letters.....384

From the above, not much certainty can be drawn as to what amount of damages for injury remains unpaid or uncollectable in the Province, nor how many have been injured and have either failed to recover judgment or to seek any remedy at law. But small or large is not, to my mind, the question. Any one injured should get whatever compensation his condition demands, and to ignore this right on the plea that one person may have to pay an insurance premium, and to make a proper settlement, is to favour the offender because he is impecunious, at the expense of the other whom he may have deprived of his means of livelihood, and this for no good or sensible reason for the distinction. As tersely put by one Toronto Newspaper, "The poor man who is the victim of the poor man's car is without recourse."

In California a similar effort to ascertain the amount of uncollected or uncollectable claims was made with such poor results that no reasonable conclusion could be drawn from it, and while I acted on the suggestion made to me I had not expected it to be more successful.

The Canadian Automobile Underwriters' Association have also strongly opposed compulsory insurance for all motorists in a communication to me dated the 16th December, 1929. They commend the Safety Responsibility laws such as those in force in Connecticut and New Hampshire, in these words:—

> "These laws are called safety-responsibility laws in distinction from compulsory insurance. They are primarily intended to drive from the roads irresponsible and negligent persons who have demonstrated their unfitness to operate a motor vehicle upon the

highway, and their financial irresponsibility. In so doing, they contribute immediately to public safety of other motorists and pedestrians who use the highways in a lawful and careful manner. These laws impose a rigid discipline upon motorists using the highways. Strict enforcement of highway regulations and severe penalties for reckless and incompetent drivers are joined with a systematic and thorough system of recording all convictions for offences against public safety and all failures to meet civil obligations incurred by negligent motorists. Provision is made for inter-state exchange of records of violations of highway safety laws by non-resident drivers.

Associated with the disciplinary provisions is the requirement that those who have by their own record demonstrated their disregard of public safety, or their unfitness to operate a motor vehicle, or their inability to answer in pecuniary damages, for injury which they may have caused to persons or property, are required to demonstrate their financial responsibility as a condition of the continuance or renewal of their driver's permit.

A great virtue of such laws is that they confine penalties and discipline to those persons whose records show that they deserve such penalties and discipline, while they still leave the great body of the motoring public, who drive safely, with due regard to the security of others, and who satisfy their civil obligations for damages, unaffected and unpenalized, by the provisions of the Law. At the same time their indirect effect is to increase the proportion of motorists who voluntarily and willingly undertake to protect themselves and the general public by insurance of the automobile risk."

They submit as applicable to Ontario conditions the following suggestions:

"1. Thorough-going review of the present record system of the Ontario Department of Highways, with the purpose of making more effective and complete a centralized driving record of all persons holding licenses from the Department, in order that a record of all convictions for violation of the Highway Traffic laws in relation to public safety may be accumulated in a form available and useful for consideration by the Registrar in issuing and renewing licenses.

2. That drivers' licenses should not be issued or renewed by the Department of Highways until the record of the driver on the files of the Department has been reviewed and the merits of his application considered by a competent official.

3. That drivers' licenses should be immediately and automatically suspended for major offences against public safety, including:

(*a*) Driving when under the influence of intoxicants or drugs:

(*b*) Driving on a highway recklessly, or at a speed, or in a manner dangerous to the public, having regard to all the circumstances;

(*c*) Criminal negligence in driving;

(*d*) Leaving the scene of an automobile accident in which personal injury occurs, without making identity known;

(*e*) Failure to satisfy a judgment in a civil action for damages arising out of an automobile accident.

4. That the Highway Department should undertake a wider jurisdiction in the organization and regulation of traffic throughout the Province, with the objective of public safety upon the highway."

The position of the American Automobile Association in formulating and recommending its Safety Responsibility Bill was stated by them in December, 1928, in a leaflet attached to the printed copy of the Bill which they proposed. In this pamphlet the Association affirmed that it had been, and still was, opposed to compulsory liability insurance as it had been advocated in the United States in recent years because it had not proved its value as a safety measure, and in this particular application had furnished but slight relief to the injured. They then go on to say in reference to the Bill:—

"In the opinion of the committee, however, the legislation herein contained for adoption where needed will serve the public interest in a practical manner, and place a direct responsibility where it should be placed, without forcing upon a large proportion of the population of this country a financial burden which in itself would not achieve the results that all good citizens desire.

"Through its special National Committee of Seventeen and its Executive Committee, the American Automobile Association has framed a Safety-Responsibility Law as a constructive measure designed to protect all the users of the highways against the reckless, incompetent and irresponsible driver.

"Directed primarily at the menace to person and property, from a reckless and criminal minority, the Safety-Responsibility Law seeks to control this minority. To accomplish this purpose, it sets up simple legal machinery whereby the State, as the unit of local government is empowered to deprive of the use of the highways those operators who have demonstrated that they are an actual or potential menace to their fellow motorists and to the public in general.

"Restoration of the right of such people to use the road is made contingent in this proposed law on the establishment of specific safeguards against possible future damages to persons or property. That is, of course, in addition to whatever disabilities, restrictions and penalties are provided for in the motor vehicle codes of the various States for such offenders. In other words, the Safety-Responsibility Law, while embodying several fundamental principles, is in the nature of supplemental legislation.

The proposed law embodies the following four cardinal principles:

"First, it provides for the enactment of the Uniform Vehicles Operators' and Chauffeurs' License Act by all States that do not now have such a law on their statute books. The control of the

privilege of driving rests with each State, and it is obvious that control is more complete in those States requiring drivers to secure an operator's license.

"Second, it provides for mandatory suspension of the driving permits of all persons found guilty of serious violation of motor vehicle laws. In addition to whatever penalties the State laws provide for these offenders, the Safety-Responsibility Law definitely bars them from the road until they have established satisfactory proof of their financial responsibility against future injuries to persons or property.

"Third, it provides for the suspension of the driving rights of all persons against whom a final judgment establishing the driver's negligence has been legally rendered and who have failed to meet the judgment. This suspension is to remain in effect until the judgment has been satisfied and until a future guarantee of financial responsibility has been established. While this provision does not absolutely guarantee the payment of a final judgment, the prospect of permanent expulsion from the road is such a compelling alternative that it will inevitably tend to secure the essential payment of such in time to reduce unpaid judgments to the vanishing point.

"Fourth, it provides for the insertion in the driver's license law of every State of a proviso which will forbid the issuance of a permit to any person whose right to drive is at that time suspended in any other State because of failure to respond in damages or because of other serious violations of motor vehicle laws. This, in effect, provides for inter-exchange of suspension rulings, as between the States, and would render the disability nationally reciprocal.

"The Committee, which formulated the bill has had constantly in mind the fact that the streets and the highways are public assets; that the automobile is a vital factor in the country's business, social and economic life, and that the large mass of law-abiding, careful drivers should be permitted the use of the streets without subjecting them to unreasonable burdens, financial or otherwise.

"For this reason, the Safety-Responsibility Law is frankly directed at the small minority of reckless and irresponsible motor vehicle operators to whom are chargeable the mounting toll of loss of life and injuries to persons and property."

I am strongly impressed with the idea, which seems to be in the mind of many with whom I discussed the matter, that in the laws relating to motor traffic in the various adjoining or nearby provinces, or States of the Union, there should be some provision for reciprocity in the practice of dealing with motor accidents caused by motorists from other provinces, or foreign motorists. The result of this would be that motorists of both countries would, at all events in the eastern part of the continent, become familiar with the requirements of the reciprocal laws, which on this hypothesis, would be similar to those governing them in their own Province or State.

This is one of the reasons why I am rather in favour of bringing our legislation in line with any reasonable and appropriate provision

on the subject of motor vehicles owned in other Provinces, or foreign cars, in the laws of the adjoining Provinces or States. Such legislation would facilitate the passage of tourists from Ontario through other Provinces or States, assuring citizens of this Province that treatment with which they are familiar will be accorded to them when beyond the bounds of Ontario. But whether or not such legislation of another Province or a foreign State was sufficient to warrant reciprocal treatment here must always be determined by the Minister of Highways.

VII. REGULATION OF INSURANCE RATES:

I have taken great care to ascertain the views of all the witnesses who testified regarding Compulsory Insurance in any form in regard to insurance rate regulation in general and also as to whether rate regulation by Governmental authority was a necessary concomitant of compulsory insurance. Some gave expression to the view that, when any compulsory law was passed requiring any class of the people to pay for procuring a particular thing, there ought to be the same government regulation of the price, or some public standard, and that the price should not be left to be regulated by those who offered it for sale, as in the case of compulsion there was no chance for competition. On the other hand, it was pointed out that, while speaking generally such a principle might be sound, in this case no general fixed premium could be settled for all parties, because of the various coverages, the extent of liability, the different mechanical equipment of the cars, territorial differences in exposure to risk, the difference in the extent of liability (in view of the insurance having to cover third parties of different classes), and various other reasons.

I think the views of those who spoke on the subject, as representing insurance and other interests, may be summed up in some such way as this: that while they approved the principle of rate regulation, as exemplified by the New York rating law, the majority felt that the principles involved in rate regulation had no direct relation to compulsory insurance, as found in a Financial Responsibility Law; in other words, that the enactment of a Financial Responsibility Law would not, of itself, make rate regulation necessary.

Any report, however, involving a recommendation for legislation, the effect of which would be to require motorists to buy automobile insurance, would not be complete without reference to the cost of that insurance and the manner in which its reasonableness is to be assured.

In New York state, for many years, the Superintendent of Insurance has been empowered to disallow rates if they were excessive, inadequate, or unfairly discriminatory, while in Connecticut there is no power given to the Commissioner of Insurance to enquire into, supervise, or regulate premium rates—he being limited to the right to ascertain the financial responsibility of insurance companies transacting business in Connecticut.

This difference in State policy is probably explained by the proximity of Connecticut to New York state, where almost all the Connecticut companies carry on business, and where insurance rates are made for practically the whole United States by rating bureaus

in New York, under the strict supervision of the New York Insurance Department. Any complaints of conditions in Connecticut can thus be promptly referred to the rating bureaus in New York City, generally with good results.

I am, as Commissioner, presently engaged in an Enquiry into the reasonableness of certain rates in this Province on automobile casualty insurance, and into the existing laws in Ontario with reference to the regulation and supervision of insurance rates generally.

Those rates, the reasonableness of which is now before me, were raised to a degree which seemed to demand some explanation and public consideration, and while the working of the present Ontario law, respecting the regulation or supervision of rates generally, by the Superintendent of Insurance here, will have to be dealt with in a later Report, I think it is not only wise, but necessary, that I should, in this Report, give some consideration to that important question now, especially as I have progressed sufficiently far as to convince me that the present Insurance Act should be amended at the present Session, so as to give authority to the Superintendent of Insurance to order, after due notice, and a hearing before him, an adjustment of automobile insurance rates whenever they are found to be excessive, inadequate, unfairly discriminatory, or otherwise unreasonable.

I am so advising the Attorney General.

This conclusion is enforced by a consideration of the probable practical results which would follow if such a recommendation were left entirely out of this Report.

The present increased rates came into force on the first of February, 1929, and were fixed by the insurance companies in December, 1928, and January, 1929. They have been enforced, pending this Enquiry, for over a year, and whether I am able to complete my Enquiry during this year or not, they will be enforced and exacted, not only until my Report is made, but until the Legislature meets again in 1931, and until, thereafter, any powers then given, if any, can be properly exercised, unless some provision is made during the present Session.

My view is that whether a Safety Responsibility Act is passed during the present Session, as I hope it will be, or not, some adequate provision should be made, so that, if the rates now in force, in whole or in part, should be deemed unreasonable, they may, and can, be dealt with and allowed or disallowed in 1930 and before 1931 or 1932.

I am impressed with the fact that it would be a doubtful experiment to launch a Safety Responsibility Bill, throwing upon offending motorists the duty of procuring insurance, without a corresponding provision securing them the right to obtain it on terms fair both to the insurance companies, and to themselves.

I fully realize that, before the Enquiry is concluded, much additional testimony on the subject will have been presented, and there may be additional desirable amendments to the Insurance Act, relating to the regulation and supervision of insurance rates in all classes of insurance, and I am not attempting to define or forecast them, but it is as well to recall that my colleague, Mr. Justice Masten, who some

ten years ago investigated the fire insurance business and rates, made the recommendation that insurance rates be filed with the Superintendent of Insurance, who should have power to prohibit unfair and discriminatory rates. In the light of the evidence before me, and of his Report, and the greater advantage I have had in obtaining the experience of the years that have elapsed since his Report, I feel sure that my recommendation is neither premature nor wanting in fairness, either to the public or to the insurance companies, and it provides a reasonable way of ensuring these ends.

I may also point out that my appointment, as a special Commissioner a year ago, to investigate the reasonableness of automobile insurance premium rates in the Province is ample evidence that the existing powers of the Superintendent of Insurance are not sufficient to enable him to determine, and if necessary order an adjustment of, insurance premium rates in any particular class of insurance. If such powers had been vested in him the present inquiry would have been unnecessary. Insurance rate-making is a peculiarly technical matter, the supervision of which must be undertaken by experts from month to month and year to year, in order to be effective. If the powers I am now recommending should be given to the Superintendent had been vested in him in February, 1929, when the public liability and property damage automobile insurance premium rates in the Province were increased 50%. he would have been in a position to know almost immediately if the increase in rates was reasonable, and to have ordered their adjustment, if, after due investigation and a hearing, and subject to appeal, he had found them unreasonable.

In the absence of this power the increased rates of the Insurance Companies have been in force upwards of a year, and I am not yet in a position to make any finding as to their reasonableness.

VIII. STATISTICAL RECORDS:

I have also recommended another amendment to the Insurance Act, concerning which a few words of explanation in this Interim Report seems desirable. I have suggested that a new Section be added as 69-A, requiring all insurance companies transacting automobile insurance in Ontario, to keep such records of their automobile premiums, loss and expense costs, as the Superintendent of Insurance may require, and to have them compiled and combined for the information of the Department of Insurance in such form and manner as may be prescribed.

This is designed to secure statistics in such form, and containing such information, as will enable the Provincial Insurance Department to have before it material based on, and conforming to, the principles of scientific rate-making or rate-revision; in other words, to require that the records which are vital shall be made up according to a standardized plan so as to reflect the exact cost of insurance and not leave the Insurance Department dependent on the various modes and sorts of experience data on which some managers of companies seem content to act.

I may explain that, at the outset of my inquiry into the reasonableness of the 1929 automobile insurance premium rates in Ontario, I

was confronted with the major difficulty that the majority of the insurance companies transacting, in the three or four years immediately prior to April, 1928, upwards of sixty percent of the business in the Province, had failed to establish any real system of cost accounting in their offices, and were thus quite unable to produce before me any reliable statistical records showing the cost of automobile insurance in Ontario. The rate-making procedure of the Canadian Automobile Underwriters' Association contemplated the making of rates on the basis of a statistical record of loss cost experience, and its by-laws required its member-companies to keep such records according to a uniform statistical plan, but it developed that the majority of the companies were not members of the Association during that period and had kept no useful records of their own experience, and that even companies, members of the Association, had failed to keep the required records and contribute their experience to the Association.

I found that, so far from being able to examine the rates then in force in the light of any useful data, I had to deal with a condition in which more than seventy percent of the automobile insurance in the Province was being written at rates fixed by the Canadian Automobile Underwriters' Association, and more than ninety percent at rates based directly on the rates of the Association, upon defective experience, and not the result of any plan capable of comparisons between the results of the businesses of the various companies.

The only solution to the difficulty appeared to be to order the companies to go back over their old policy copies and original records and extract the information necessary to compile proper records of their loss cost experience in recent years. I so ordered. This necessary action not only caused the companies inconvenience and expense, but it delayed the investigation more than six months, and records of the character upon which the rate-making procedure of the Association purported to be based, and which should have been available to me at the opening of my investigation almost a year ago, have only come into my hands within the past thirty days.

Many of the insurance company managers seem to fail to appreciate the importance of accurate statistical data as a basis for rate-making, and the necessity of keeping such data accordingly to a uniform statistical plan. It is time that the companies realized that their right to combine to make rates should be conditioned upon an undertaking to keep such statistical records of their loss and expense costs as are necessary to make and judge the reasonableness, or discriminatory character, of the rates they promulgate and charge.

I am most anxious that the system now enforced by my order, and now being followed, should be continued. Unless legislation is had at once the companies will fall back into their old ways where every company is a law unto itself, and all the expense, time and anxious enquiry will be thrown away upon the rates of only one year—1929.

It is no hardship on the companies now that they have begun to keep records in scientific and useful form, to go on with the system, and any lapse into methods which are the reverse of what is now in vogue, will result in chaos and inability, except by another Enquiry, to deal with the rates of 1930 or 1931, or any other subsequent year.

For these reasons I have recommended the addition of Section 69-A to the Insurance Act, in the terms set out in Appendix "B" to this Report.

I make the recommendation now, rather than later in my main Report, because there is now available, as a result of the voluntary action of some of the companies before this Enquiry opened, and as a result of my orders respecting the remainder of the companies since this Enquiry opened, a complete and accurate record of loss cost experience data, dating from the first of January, 1927.

The value of such records increases directly with its unbroken volume in terms of years. It would be unfortunate if this chain of experience should be permitted to be broken between the submission of my Report, and the Session of the Legislature in 1931. And yet I have no authority to order the companies to keep their experience after the work of the Commission is terminated.

Accordingly, I make my recommendation now, in order that it may be acted upon at the current Session of the Legislature.

IX. CONCLUSIONS AND RECOMMENDATIONS:

(1) *Amendments to Present Motor Vehicle and Insurance Laws.*

The physical conditions in the neighbouring State of New York and the types of cars in use, are very similar to those in Ontario, while the percentage here of persons to be affected is much the same as those in that State, namely:—from 70 to 75 percent of the motor owners, whether population or the total of motorists is regarded. The same is true, as I understand, as to the number of the different classes of injuries caused by motor accidents, though here the statistics are not accurately separated into fatal, serious, disabling, ordinary, or minor. The experience of the traffic authorities in England, and the care with which they have examined into and considered the various problems of traffic control, supervision, and safety in various congested areas, demands very careful attention, yet it is evident that the compulsory insurance sections of the pending Bill are based upon the fact that, as voluntary insurance was taken out by 90% of the motorists, both against personal injury and property damage, the statutory compulsion to effect insurance is only exerted on a small minority, stated in the evidence to consist of either persons or firms of substance, vehicles owned by corporations, such as the Transport Companies, and large manufacturing and trading concerns, who would be in a position to meet their obligations, or workmen, or very small traders who acquire cycles, or small second-hand cars very cheaply.

I have definitely concluded, after much consideration, that legislation introducing compulsory insurance in any form into any community, should not go the whole length that the State of Massachusetts did, but should proceed rather on the lines of the Safety Responsibility Laws and should be largely based on the American Automobile Association Bill, so far as it provides for compulsory insurance on the occurrence of important breaches

of the Highway Traffic Acts or Criminal Law or the causing of fatal or serious injuries.

I believe that the inculcation of care, road sense, and consideration toward others, should be the basis of any legislation here, and I have endeavored to deal with the various arguments and points of view which have been presented to me, and to test them by the principles of safety and carefulness which I have mentioned. The detailed reasons for coming to my conclusions, and the considerations by which they are supported, will be found amply set out elsewhere in this Report.

I have always thought, and I am, after my enquiries, profoundly convinced that, as said by a Canadian writer, "The automobile as an instrument of injury and death, is responsible for one of the most significant groups of personal risks existing in our own personal age," and it is not asking too much that, in dealing with this risk, such legislation tending to personal safety as is reasonable, and therefore, enforceable, should be enacted. This is desirable, not only to induce, but actually to inculcate the habit of caution.

I believe that such laws should contain four main provisions as amendments to the Highway Traffic Act.

(*a*) Automatic cancellation or suspension of licenses, both of vehicle, owner, or driver, at a reasonable period after the happening of major accidents followed by conviction or judgment, as provided in the draft Bill, or serious breaches of the present Highway Traffic Act, including using cars for crime, passing street cars to the danger of passengers, moving before traffic lights change, passing intersections where no clear view can be had, and cutting out to the public danger; also that of the "hit-and-run" driver; with the right to revive the license, or to relieve against its suspension (but only after one year, in the case of incapacity to drive safely, due to drink or drugs, which I recommend as a preferable description of the offence to the one at present in our Statutes), vested in the Registrar of Motor Vehicles.

(*b*) Evidence of financial responsibility for injury to third parties, and of the satisfaction of any prior judgment for injury or damage for which the applicant is responsible happening after legislation is enacted, to the satisfaction of the authorities, should be produced to them before any application for relief from cancellation or suspension is dealt with.

(*c*) Some mode of classification, depending on the individual records, of drivers, by which dangerous and reckless drivers, those incompetent from liquor or drugs from operating a motor vehicle, and those who are constant offenders, may be penalized by being eliminated from the road; and others may be required to pay an extra premium or automobile liability insurance.

(*d*) A right in the person suffering injury or damage to bring an action against the Insurance Company which has insured the person causing the injury, in case his judgment against that person is unsatisfied, and that, as the Insurance Company has a right to defend the earlier action, its liability in such an action should be made absolute, with, however, a right to recover against the person insured whatever amount the Company has been compelled to pay the third party.

This last addition, I may add, is substantially an amendment to the remedy given by our present Insurance Act, R.S.O. 1927, C. 222, S. 85. This Section, (S. 85) was a needed step in advance, but when it is proposed to provide three classes of security, namely, a bond by individuals or by a Guarantee Company, and the deposit of security or money, for compensation to the injured party, then the protection in regard to all three must be equal in every respect. To allow the Insurance Company, on resort being had to the policy of insurance, to set up conditions making the policy void, because of some fault, or default, of the person procuring the policy, would be neither fair nor reasonable, as such advantage is not available as to either of the other forms of security. It would defeat the main purpose and effect of the new legislation if it failed to make the Insurance Companies liability absolute as to the injured third party.

This provision is common to the A.A.A. Bill and all other Safety Responsibility Acts, and as well to the present English Compulsory Insurance Bill.

The right of the Trustees in Bankruptcy, under the present state of the law, to defeat that of an injured judgment creditor under Provincial Law, suggests that a request should be made to the Dominion Government to amend the Bankruptcy Act so as to eliminate this anomaly. Such a provision has the approval of the Royal Commission on Transport, and is found in its first Report.

I also recommend certain important amendments to the Provincial Insurance laws respecting insurance rate regulation and statistical records. My reasons are given elsewhere in this Report. The text of the proposed amendments are included as Appendix B. to this Report.

I may urge here that the preferable way of describing an offence under Section 45 of the Highway Traffic Act, which is now: "*Driving a motor vehicle while intoxicated,*" should be as follows:—"*Driving, or attempting, or preparing, to drive a motor vehicle when under the influence of drink or drugs so as to be incapable of having proper control of such vehicle.*" Section 46 should also be altered so as to correspond.

This change is approved by the Royal Commission on Transport in England, in its first Report in July 1929. The question of whether a driver is "intoxicated" is usually a difficult one to solve, and the real, and, in fact, the only essential question, is whether the driver has, in fact, capacity to manage the vehicle properly, unaffected, unimpaired, and unobscured, by what he has imbibed, or otherwise taken, whether pure alcohol or in the form of whiskey, beer, or any other form or substitute, or any narcotic or drug.

For the first offence I think the license should be suspended for at least six months, instead of three months, and for a second offence the suspension should last for a year, and in either case only to be renewed on proof of good behaviour and the showing of financial responsibility. I agree perfectly with the Minister of Highways, and the finding of the Royal Commission on Transport, that fines in these cases are not enough. The opinion of the Royal Commission on Transport was that a fine of £50 should be imposed for the first offence, and £100 for the second, with a suspension of license for six months. It recommended imprisonment as an alternative to a fine in either case. I think the fines in Section No. 46 of our Act should be increased, and for the second offence the penalty of imprisonment should be retained.

(2) *Defects in Massachusetts Law:*

I find that the Massachusetts law, which has now been in force for four years, has proved a disappointment, and somewhat disturbing, both to the public and the Insurance Companies, for the reasons mentioned in various parts of this Report, and its defects are well summed up in a very fair and thorough survey made by the Joint Legislative Committee of the Senate and Assembly of the State of California, issued the 1st of January, 1929, already mentioned, and therefore the latest criticism of its operation up to the end of 1928.

It should be mentioned here that the above Report is regarded as an extremely able document. Its basis is, of course, California's problems, but its motor "experience" is extensive and varied. The Report states:

> "California stands second only to New York in the number of its registered motor vehicles, and averages a car for every two persons in the State. Traffic centres chiefly about its two urban centres, and there is exceptionally heavy travel on some half dozen main highways. There is also an enormous volume of commercial trucking carried on, and the State is visited throughout the year by a vast number of tourists who figure largely in the situation."

1. Accidents have increased.
2. The Insurance Companies have no effective means, (notwithstanding the right to appeal) of refusing applicants who are poor drivers. In hundreds of appeals the Court compelled the issue of policies in all except 78 cases.
3. There are some 2,000 to 5,000 (estimated) motor vehicles operating in Massachusetts illegally; *i.e.*, not registered, and without insurance.
4. The cost of insurance has increased, and may reach, if based on sound principles, prohibitive figures, under the Compulsory System; being originally based on records of voluntary insured, who are generally careful drivers.

   (NOTE: This view may be modified as "experience" under the new system for further periods of time is developed.)
5. The loss cost has become much higher because of (1) Unreasonable claims; (2) The large and increasing number of false claims.

The Governor of the State makes this assertion: "The fraudulent claims that have been permitted under the working of the Act call for a change in the law."

In 1927 the injury claims amounted to 32,922. They increased in 1928 to 48,519. In the Boston area the rates show this difference:—

1927—small cars $29, medium cars $37, large cars $45.

1929—small cars $47, medium cars $47, large cars $62.

In the Massachusetts farming area the figures are as follows:—

1927—small cars $16, medium cars $20, large cars $25.

1929—small cars $14, medium cars $21, large cars $28

6. The insurance coverage is very limited, not including the injured party if at fault, or where he cannot prove fault in the insured, or where the State of Massachusetts owns the vehicle, or the accident occurs not on a public road. Any further insurance, other than the personal injury, compulsory insurance carried by the motorist, is an additional expense.

The view of the Committee, while recommending a Safety Responsibility Law, deals with Massachusetts' experiment and its outcome, thus:—

"With accident prevention and safety consideration admittedly thrown into the discard as impelling motives for compulsory automobile insurance, the prospect of monetary compensation to the injured remains as its only substantial justification; and the results of the Massachusetts experiment appear to demonstrate not only that it is less effective in this direction than voluntary insurance, but also that the cost is out of all proportion to the benefits derived.

"It is the opinion of the Committee, in the light of present experience, that it will be unwise for the State of California, with the complicated problem that confronts it, to embark upon any such dubious legislation as that in which Massachusetts, with a far lesser problem, has become entangled. In this conviction, as has been noted elsewhere, the Committee is confirmed by the unequivocal opinions of local and nation-wide bodies."

(3) *Dealing with First Accident:*

I consider it is absolutely necessary to provide that, in case an accident happens after the enactment of the proposed law, from which there results a judgment for personal injuries sustained, which, after a certain period remains unsatisfied, the license for motor and owner should be suspended until payment. There is probably a much exaggerated idea of the extent and amount of the losses suffered by uncompensated parties who are injured. Efforts made in various States to ascertain this on some proper basis have failed, as illustrated by the California experience, where the Committee "spared no pains in its effort to ascertain the facts regarding such losses."

To 2,000 questionnaires, or letters, there were only 672 replies. I have made a similar effort, by questionnaire, to all the law firms in the Province, and to the legal offices in each county, and up to date only some 100 or more replies have been received which gave any information which could be intelligently translated into statistics. These have been summarized earlier in this Report.

But I am satisfied that there is a very genuine and general demand for some provision, not only to avoid the apparent anomaly that insurance is not required to satisfy the claim of a first accident after the law becomes effective, but also because, whether actually proven or not, there is, I believe, a widespread concern for even a comparatively small number of injured or disabled people who remain uncompensated for what has happened to them, due to careless and reckless motor driving.

If it is easy to remedy this apparent omission, and it is so, the fact that only a minority are concerned is no reason why any individual should suffer because a reasonable provision has not been enacted for his protection.

(4) *Suspension or Revocation of License:*

The question of the power to suspend or revoke the motor and operator's license has caused me a great deal of consideration. The difficulty is not so much the suspension or revocation itself, but as to who should exercise the power either to suspend or revoke in the first place, and where the power to reverse the suspension or revocation should be placed.

My final conclusion is that the suspension should be automatic in the case of convictions for major offences against the Highway Traffic Law, and on the expiry of fifteen days in cases of unsatisfied judgments. In addition, the Registrar of Motor Vehicles should be empowered to require proof of financial responsibility from any person who has been involved in a motor vehicle accident, and who, in his opinion, is wholly or partly responsible therefor, and should be authorized to suspend all owners' permits and drivers' licenses in such cases until proof of financial responsibility has been given.

(5) *Foreign Cars:*

There seems to be a demand in some quarters for a law which would enable the car of a foreign tourist to be impounded following a motor vehicle accident, until such time as security for the loss and damage caused by the accident is given. I find that no state in the United States has yet acceded to this demand, notwithstanding the numerous laws passed in most of the thickly populated States to protect the victims of motor vehicle accidents, and I believe it would be a mistake to enact drastic legislation of this character until either the problem becomes more acute, or some of the prominent neighbouring states whose tourist problem is just as pressing as that of Ontario, establish a precedent.

Power is now given to police constables, under Section 48 (4) of the Highway Traffic Act, making an arrest without warrant, to detain the motor vehicle with which an offence is committed until the final disposition of any prosecution under the Act, and the same provision contains authority to release the motor vehicle on security for its production being given to the satisfaction of the Justice of the Peace or a Police Magistrate.

This provision affords considerable protection to any person involved in a motor vehicle accident with a foreign car where the accident is the result of reckless driving, or in the course of which any offense has been committed. If no offense has been committed, it seems obviously unfair to assume that the driver of the foreign car is at fault, pending adjudication of a civil suit.

Nevertheless, while I have not seen my way clear to go any further than our present law, as regards impounding the foreign car, I have incorporated in the Draft Bill several important provisions. These may be summarized as follows, and they represent, I believe, a very distinct advance over our existing law:

(1) If a non-resident is convicted of any of the more important offences under the Highway Traffic Act, or under the Criminal Code of Canada, his privilege of driving, or of having driven any car owned by him, is forthwith withdrawn automatically until he has established evidence of financial responsibility.

This provision is calculated to induce non-residents to volunteer evidence of financial responsibility under the act,upon entering Ontario, in order to avoid the risk of having their car immobilized while they endeavour to procure an insurance policy or other proof of financial responsibility in Ontario.

(2) If a non-resident fails to pay a judgment rendered in any Canadian Court his privilege of driving, or of having driven, any car owned by him in Ontario, is forthwith withdrawn automatically until the judgment is paid, and until financial responsibility is established.

(3) The non-resident is authorized to volunteer evidence of financial responsibility, and I have recommended that the Registrar of Motor Vehicles be given authority to accept certificates of insurance extending to Ontario, wherever the policy may be issued, and, if deemed desirable, to issue an official non-resident insurance identification card, and to facilitate non-residents volunteering such proof to his representatives at selected points along the border. This provision is entirely new, and is intended to encourage tourists from other States and Provinces to establish evidence of financial responsibility in advance of any offence or accident.

(4) The Draft Bill contains a provision directing the Registrar to send reports of all orders, convictions, or judgments against non-residents to the Registrar of Motor Vehicles in the State or Province where the non-resident resides. Inasmuch as a comparable provision is contained in the A.A.A. Bill, and inasmuch as the provisions of this Bill are already in force in upwards of twelve of the important States of the United States, it is not too much to hope for considerable relief from this provision in the future, as soon as it is enacted, on a reciprocal basis, because the Draft Bill requires the Ontario Registrar of Motor Vehicles to suspend the driver's license and owner's permits (if any) of any resident of Ontario, upon receipt of official notice that such resident has been convicted, or has forfeited his bail in any other province or state in respect of an offense which, if committed in Ontario, would have been an offense under the Highway Traffic Act or the Criminal Code of Canada.

(5) The Draft Bill also contains a provision with respect to service of notice or process on a non-resident through the Registrar of motor vehicles. This provision does not go as far as comparable provisions in the laws of New York, Connecticut, and other States, but it does go as far as, I believe, our law and practice justifies, and should afford considerable relief in special cases where the motorist has not yet left the confines of Ontario.

(6) *Examination and Licensing of Drivers:*

I recommend that all drivers should be carefully examined as to ability to drive, as well as in their mechanical knowledge of cars, particularly as to their safety in operation, and that a fee sufficient to enlist the services of competent examiners should be provided. Also the age limit of drivers should be raised to eighteen years, and that truck and delivery motor vehicle drivers, and drivers of all cars operated for hire, should be specially examined, having regard to their physical ability, competent knowledge, and record on the road, and that a signed application should be required from all applicants for a license, containing such information as should be required from each class of driver, and that any mis-statement therein should involve forfeiture of the license by the Traffic Department.

Whether or not there should be a physical examination and a test of ability, etc., before a license is granted to drive a motor, the Safety First League in England, in giving evidence before the Royal Commission on Transport, made this statement through Col. Pickard, D.S.O., Secretary of the Safety First League, in answer to questions:

> "You do not think, therefore, that some test as to competence before a man receives a license would prove very valuable, from the point of view of preventing accidents?
>
> "On the facts as we have them, and as the Ministry of Transport and the Chief Constables in Scotland have published them, there does not seem to be very much hope. I have recently recently received from America some statistics in which they claim that an examination before the issue of a driving license has reduced motor fatalities there by as much as 20 per cent.
>
> "That is in the United States? — Yes. The corresponding body to our own in the United States has produced various curves and tables to that effect. I do not think myself it altogether proves the case, but there is the point of the psychological effect that may have on a motor driver to make him realize his responsibilities. We have suggested, as you will see in paragraph 13 of our Memorandum, that he be called upon to sign a certificate, and we believe that the British nation, being a very naturally law-abiding nation, having signed a certificate to that effect, is likely to carry it out."

Section B. of their Memorandum, referred to in these answers, recommended that:—

> "Applicants for driving licenses and vehicle licenses to sign declarations, incorporated on the respective application forms, to the effect that they are acquainted with the rules and courtesies of the road, and that brakes and steering gear are in good condition, and will be so maintained."

When the present English Bill came to be drawn and presented to Parliament for its consideration, the following provisions were included:—

"Subject to the provisions of this part of this Act, as to the physical fitness of applicants for licenses, the licensing authority shall, on payment of a fee of five shillings, grant a license to any person applying for it in the prescribed manner, who makes the prescribed declaration as to age, and as to the subsistence of any order of a Court made in respect of him under this Part of this Act, unless the applicant is disqualified under the provisions of this Part of this Act for holding or obtaining a license.

"On an application for the grant of a license the applicant shall make a declaration in the prescribed form as to whether or not he is suffering from any such disease or physical disability as may be specified in the form, or any other disease or physical disablity which would be likely to cause the driving by him of a motor vehicle, being a vehicle of such a class or description as he would be authorized by the license to drive, to be a source of the danger to the public.

"If from the declaration it appears that the applicant is suffering from any such disease or disability as aforesaid, the licensing authority shall refuse to grant the license.

"The applicant may, except in the case of such diseases and disabilities as may be prescribed, on payment of the prescribed fee, claim to be subjected to a test as to his fitness or ability to drive a motor vehicle of any such class or description as he would be authorized by the license to drive, and if he passes the prescribed test and is not otherwise disqualified, the license shall not be refused by reason only of the provisions of this sub-section, so, however, that if the test proves his fitness to drive vehicles of a particular construction or design only the license shall be limited to the driving of such vehicles."

There are certain exceptions, such as to invalid carriages, etc., and there is provision for appeal to the petty Sessions against the refusal of a license. To my mind, an examination or test, chiefly practical and thorough, before a license is granted, is an important element to be insisted on, from the point of view of safety. If Col. Pickard is correct, that 83% of accidents are due to the human element, it seems to be a wise course to follow. It takes its place beside the examination of vehicles and the provisions for the carrying of insurance, thus tending to reduce the risk, as one of the safeguards which experience from time to time indicates as helpful. Any test should be made by a competent driver, and the fee for an examination should be such as would induce such an examiner to spend time and pains on the applicant, and there should be specified practical tests, as well as the items of mechanical knowledge.

In Massachusetts the State authorities give the applicants a literacy test in order to "make sure that they can read the English language. Each applicant furnishes his own car for the road test, which consists of a thorough examination of the applicant as to his ability to drive in traffic, to reverse, and to turn his car around in close quarters."

They have also adopted a stricter examination as to eyesight, and require a certificate from an optometrist, showing whether the sight is normal, and if not, to what extent it is abnormal.

The results, financial and otherwise, are thus stated:—

> "Under the present system of examination, we last year examined 158,373 applicants for licenses. At the rate of $4.00 for each original examination, it will be seen that this brings into the State Treasury a considerable sum of money. For each re-examination of an applicant the charge is $2.00, and it is not unusual for the same applicant to be examined several times before he finally passes."

The Canadian Manufacturers' Association, in a communication addressed to me, January 30th, 1930, made the following recommendations:—

> "We suggest that a higher standard of driving ability should be required and strictly enforced; further, that a complete driving record of all licensed drivers should be kept, preferably in a central Bureau; and finally, that the penalties for reckless or incompetent driving should be make much more severe."

I wish to draw attention to the fact that, pending this Enquiry, many of the Judges of the Superior and County Courts, as well as Grand Juries, have strongly urged a more complete system of examination for licenses, and a wider range of instruction in handling a motor.

I am of the opinion that a signed application should be in all cases required from each applicant for a driver's license, with due provision for forfeiture for mis-statements therein.

This should require information about age, physical condition, past experience, and driving record, stating any convictions for offences under Traffic Acts, and judgments involving negligence in motor accidents, and a statement showing when, and where, and by whom, the applicant was examined, and date of certificate of fitness; also particulars of insurance carried.

No properly drawn Safety Responsibility Law requiring insurance should be passed without a provision requiring a signed application for insurance to be made by the would-be driver or owner, which should contain all that would enable the insurance company to determine the acceptance of the risk, which should include the age, experience in driving, and freedon from accident, of the applicant. This application should, as practised now in automobile casualty insurance, form part of the policy, and should be copied into the same. This will enable the Commissioner of Motor Vehicles, when issuing the license, to compare the statements in the application with his office record as to the freedom from accident and the age and the experience of the applicant.

I do not make any recommendations as to the examination of cars, owing to the manifest impossibility of examining all our own and other cars, foreign, and from adjoining Provinces. But it might well be considered, in determining to issue a vehicle license, whether information should not be required as to the price paid for the car by

the applicant, and when manufactured, and if the price, or other circumstances, suggest a ramshackle vehicle, a special test might be made as to its mechanical condition.

In Toronto our energetic Chief Constable has indicated that during the present year plans will be formulated and put into operation to enable more thorough examination and tests to be applied to motor vehicles, not only as to brakes, but as to horn, lights, steering gear, and mufflers — in short, road worthiness will be the test. Special attention might well be paid to dazzling headlights.

I do not enter into the question of the speed limit, except to say that in the case of motor trucks, buses, and similar motor vehicles, there ought to be, especially in the cities, towns, and villages, some definite restraint on the speed at which these vehicles are usually propelled, with severe penalties if the prescribed limit is exceeded. When it is considered that a car going at thirty miles an hour, usually considered a moderate speed, striking a one-ton obstruction, can throw it thirty feet into the air, it is not too much to say that no speed is reasonable which prevents the operator from avoiding an accident. In England a brief telegraphic despatch reports that the House of Commons has passed an Act abolishing the speed limit — with severe penalty for recklessness. If so, that is contrary to the vote of the Borough Council's Conference in favour of retaining the speed limit in inner and outer London.

With regard to an age limit the evidence taken before the Royal Commission on Transport in England, in their first report, the latter suggests this being raised for motor cycles, from fourteen to sixteen years, and leaves the age for other motor vehicles at seventeen.

I think the evidence before me of Inspector McKinney, of the Toronto Police Force, reflects the conclusion of a great many people, that it would be a great advantage to raise the age limit to eighteen, and to insist on very stringent examinations for drivers of all kinds of motor trucks and commercial vehicles, including buses. The boys that drive many, if not most of these trucks, and also light delivery motors, such as deliver the evening papers, etc., are a constant danger from their youthful irresponsibility, and very often callous disregard of others. I think it is safe to say that most of these heavy and cumbrous vehicles with irresponsible drivers, and travelling at their usual rapid rate, secure from damage in their bulk and strength, form a great menace on the streets of a city, and on the highways.

The owners of buses, taxis, and such like vehicles should require to pass a suitable strict examination, owing to the number of persons whom they have under their care.

The reason given by Inspector McKinney was that the existence of this young and poorly paid class of motor truck drivers, if allowed to continue, would do much to defeat all efforts to secure safety, which, after all, is the great and controlling duty of both the State and the individual motorist. Inspector McKinney's evidence on this point, dealing also with the remedy, is as follows:—

> "It is the young man who thinks he can do the impossible who generally causes accidents. He thinks he can get through between a street car and a parked car before the street car gets

to him, and consequently he is caught by the street car. He thinks he can go driving at a high rate of speed and cut in ahead of another man driving at a fairly good rate of speed and not get into trouble, and the consequence is that he gets caught by the man behind him, or runs into the man in front of him.

"Truck drivers, unfortunately, come in for a great deal of trouble. The truck driver is a low paid man, and as a rule he is a man who does not qualify for anything except labouring work. It is a hard job, and I am sorry to say that there are a number of very irresponsible people driving trucks. They have nothing to lose. If they strike a car or anything on the road they have nothing to lose except a day's pay, or a week's pay, if it is coming to them."

"Q. If a truck driver is guilty of an accident and his license is suspended, the owner of the truck could employ some other man of much the same calibre?"

"A. He cannot get anybody else."

"Q. Therefore that risk would be run all the time?"

"A. I do not know any way you can get by that, because there is only a certain class of man who will drive a truck, for it is hard and dangerous work, and work for which there is very small remuneration."

"Q. If you suspend the license of a vehicle after one or two convictions of drivers, would not that compel the truck owner to get a better class of man?"

"A. It might, if he could get a better class."

"Q. Supposing he cannot, do you mean to say that an incompetent driver should be allowed to operate a car on the road, and no attempt be made to force a better class of man into that position?"

"A. As soon as a man is found incompetent he should not be allowed to drive."

"Q. I am putting to you the case of a truck driver who has been convicted and license suspended. The truck owner employs a man of the same kind, and he is suspended in the same way. Would not the suspension of the truck license, under some circumstances, lead that employer to secure a better class of man to drive his trucks?"

"A. It would, but I would not like to see the truck prohibited from running on the road for as long a term as the driver."

(7) *Classification of Drivers:*

This is a most important safety feature of a financial security law, though it is not an indispensable part of it, but it has the approval of many as a financial inducement to safety.

The Connecticut Plan of Classification possesses the merit of making it difficult for reckless and drunken drivers and those against whom a conviction stands, who have persisted in disregarding the safety provisions of the Highway Traffic Act, to obtain the security

demanded by the Act, and so is gradually eliminating these undesirable individuals. This will also be one of the results of the English Compulsory Law, though not through any system of classification, because their Insurance Companies there are able (and are not going to be interfered with by the Government, as was stated in the House of Lords) to refuse insurance to those whose records indicate that they are more than usually hazardous risks, a power which the Insurance Companies say they will not hesitate to use. My conclusion, while strongly in favour of this system is that, to be fair and reasonable, it must rest upon sufficient evidence as to fault, both over a sufficient period of time, and must also properly discriminate as to the extent of the injury and the blameworthiness of the indivdual.

Under the powers given by the Connecticut law, where an accident happens of any nature, causing personal injury, the operator falls at once into one of three classes — A, B, and C,— A. being reserved for the less serious accidents, B. for more serious accidents, and C. for major offence against the Traffic Act, and those convicted of recklessness in driving, or driving when under the influence of liquor or drugs.

The effect of this is that, as the law requires insurance to be taken out on the happening of any injury or damage caused by a motor, the Insurance Company at once inquires as to the applicant's classification. His application for insurance naturally reveals the fact that in most cases he has caused injury or damage, and is therefore compelled to get insurance. If he should have been put in Class B, he requires to pay an extra 25% of the normal premium; if in Class C. 50% extra. The insurance Companies are not bound to give insurance to any applicant, but if they do the careless or dangerous driver with a bad record, has to pay a substantial extra amount. Those in Class C, who are there, either because they are reckless or drunken drivers, may find that they cannot get insurance, notwithstanding the heavy premium, because the Companies think the risk too dangerous. This has the direct effect of keeping off the roads those who do not deserve to have the right to use them. As it was put before me: "It is going to cost the man who has an accident, money to get financial responsibility rating, and increasingly, as he has to pay according to the risk". There are apparently no protests in Connecticut against this Classification Law.

Mr Edward J. Bond, Jr., who is Vice-President of the Maryland Casualty Company, says, in reference to the classification plan:

> "I am a believer that that plan is a good experiment, and should be tried, and I favour that, not so much from a rate standpoint, as because I believe that it might open a way to deal with the irresponsible automobile driver who never should be allowed to drive a car anyway, under any circumstances, and at any premium rate. I think it more useful for safety than from a rate standpoint."

Earl Russell, in giving evidence before the Royal Commission on Transport in England, dealt with this phase of the subject in this way:—

> "The point has been made that, if anybody could obtain a license if he had taken out a third party risk insurance

policy, the Insurance Companies would, in some cases, become in fact, the licensing authorities, since they could refuse to insure certain persons at any premium."

This, Lord Russell admitted to be true, but suggested that if the record of some drivers is so bad that no Company would insure them, it would be a public advantage if they were kept off the road.

But in England it is, I think, evident from the evidence given, that Companies will be obliged in some way to classify the risk which they are compelled to undertake. Mr. Robert McConnell, representing the Accident Offices Association — he being the London manager of the Royal Insurance Company — pointed out that selection of risks being the first principle, in any underwriting, they would have to consider their duty with regard to compulsory insurance, and would have to devise some method of improving it, and possibly have to see and adopt assessments and methods that would be quite unsound from the standpoint of ordinary underwriting methods, remarking that the premiums having regard to the cost of claims were very near the border line now, and they would undoubtedly have to go up, and that the making of unfounded claims, which he anticipated would increase, would enlarge the claims cost.

Mr. Austin J. Lilly, in speaking of the Connecticut plan, gave it as his opinion that "the driver who was judicially subject to a penalty of that sort tends to have it in mind, not so much that it may cost him $2.00 or $3.00, a year, but that it puts him in a class in which he would prefer not to be." He thought that the effect on the average motorist would be that there would be a record against him, and that that would influence him to avoid in every possible way, incurring that record.

I would strongly recommend the adoption, at the present time, of this system of classification in connection with a Financial Responsibility Law, were it not for the fact that to do so, in the absence of a system of obtaining correct and systematic records of drivers over a reasonable period of time would be unfair, in view of the consequences.

I have in this report, given an outline of the system adopted in Connecticut so that it may be appreciated that the obtaining and keeping correct and definite records needs the expenditure of a considerable amount of money in preparing and perfecting a proper organization to deal with the obtaining and classifying of such records, and until that is set up it would be useless to provide for the classification I have mentioned. It would not be reasonable, even when the system is adopted, to attempt to classify until a sufficient time has elapsed to obtain practical results.

But I think that the law which I submit herewith should provide for a proper system of reporting, collating, and analyzing accidents, their cause and effects, and that, say within a year or more from the enactment of such a provision, the Lieutenant-Governor in Council should make regulations on the report of the Minister of Highways, for classifying owners and drivers on the basis of the records so kept, and to fix the various additional penalties or increases in premium rates to be paid by those so classified.

These matters must be considered and dealt with systematically and carefully. To do this requires the setting up of a sufficient staff and proper equipment, and this entails an increased appropriation. Even if that were secured no record could be properly established for it least a year, or probably two years.

I have, therefore, come to the conclusion that, while I regard the provisions for classifying, as found in the Connecticut Statute, essential to a complete rounding out of a scheme of Safety Responsibility Insurance, such as I recommend, the provisions for its insertion in legislation in this Province should be as set forth in the Draft Bill, and that it should come into force within a time to be determined by the Minister of Highways.

(8) *Appointment and Duties of Registrar of Motor Vehicles.*

I was much impressed with the growing responsibilities of Registrars or Commissioners of Motor Vehicles, as appointed, in the eastern States of the Union. Not more than a decade ago these officials were primarily revenue officers — collectors of motor vehicle permit fees; to-day they are administrative heads of departments of the Government, charged with the enforcement of all motor vehicle and traffic laws, around whom centre all Government activities designed to make the highways safe — to save the life and limb and property of our citizens.

The administration of Commissioner of Motor Vehicles Stoeckel, of Connecticut, covering the period of the last thirteen years, is an outstanding example of what a qualified Motor Vehicle Commissioner, enthusiastic over the possibilities of his work, and given the powers and money necessary to its accomplishment, can do in solving the growing problem of traffic control and highway safety.

It would appear that the present Registrar in Ontario is well qualified by his experience, and otherwise, to assume greater responsibilities. I venture to suggest that he should, acting under the instructions of the Minister of Highways, be given increased powers, such as are necessary or advisable to administer the new Act, if passed properly, and that he should be expected to assume direct responsibility to the Minister of Highways for the enforcement of the Provincial motor vehicle and traffic laws, and the development of new measures and plans to improve motor conditions in the Province. In any event, I think the provisions incorporated in the Draft Bill, respecting the appointment and duties of the Registrar, are almost necessary consequences to the enactment of what is now proposed, and I recommend their adoption.

(9) *A Proper Reporting System.*

The matter of reporting accidents, with the names of the parties, and particulars of the injuries, to the Commissioner of Motor Vehicles, is of the greatest importance.

The first report of the Royal Commission on Transport in England, shows that there were no comprehensive official statistics in existence, dealing with the causation of automobile accidents. The Report was therefore based on imperfect information, and it urges that full enquiry should be made by the Minister of Transport, and the results embodied in periodical returns. From the data which was before them the Commission reports that 39.1% appear to be due to the motor driver (of which 15.1% was caused by excessive speed), while 43.2% is attributable to pedestrians and others than the driver, 4.2% to weather conditions, 6.2% to road defects, and 7% to defective vehicles.

In Connecticut a master file is kept which shows each operator's license, and enables the disciplinary power of classification to proceed by way of eliminating drunken and reckless drivers from the highways of the State.

The records extend over twelve years, and are complete, dealing as they do with every accident over $25. damage, and of Court convictions for motor vehicle offences. The information is gathered in this way: There is a press clipping bureau which every day clips from the newspapers information and news about accidents in the State, and "it is a pretty poor accident that does not get into some paper". In that news item there will be certain essential facts, including the names of the people involved. If the accident is a collision of two or three cars, the parties in the accident are given three weeks to make their report. Failure to do so results in the loss of their licenses. The result of this is that they do pay attention to the law, and the Bureau gets full reports. The Court records are sent in from the different courts on a blank form provided by the Motor Vehicles Department, and payment of $3.00 is allowed for each report, and charged as costs in the case, to be paid by the person who is convicted.

The Department works in close co-operation with the Police Department, and that of Public Works, and secures in that way information, as these Departments both report back to the Motor Vehicles Department. This comprehensive plan of securing information is, of course, expensive, and for its carrying out would require more than is at present allotted to that Department in Ontario.

The importance of collecting records cannot be over-estimated, and if they are properly kept a great step towards safety can be made. The Connecticut Bureau have maps of the whole State, and on the occurence of any accident the exact point at which it occured is marked on the map by a coloured pin, the colour differing in such a way as to indicate the seriousness of the accident. By this method accidents in every city in the State, and on the county roads, are marked, and a full history of the accidents is got which enables the Department to advise as to what is the matter with the location where the accident occured, and if any particular spot or corner has had five accidents the matter is taken up with the State or County authorities with

a view to improvement. The Bureau in Connecticut has authority, after these enquiries are made, to undertake the necessary work to make the spot or corner safe, but it has not yet had to use that power, owing to the interest taken by the County and State authorities and their engineers, in the subject, resulting in improvements being undertaken by the proper authorities.

I may add the recommendation of the California Committee, issued last year, which insists on the importance of, and recommends:

> "Compulsion, and adequate uniform methods, of accident reporting; collection and analysis of accident and traffic statistics; study of accident causes and trends, and of traffic problems and regulations. In short, acquisition of the knowledge that must be the basis of intelligent regulation."

It enforces its recommendation by pointing out that:

> "The Committee has been influenced in the recommendation it makes on this subject by many considerations. It has been much impressed by the enlightening results of similar studies made for a number of years in the State of Connecticut, by comparative tables contained in the reports of the Maryland Commissioner of Motor Vehicles, and by the highly useful publications of such organizations as the National Safety Council, some of the larger Life Insurance Companies, and the American Road Builders' Association.
>
> "The measure which this Committee proposes has been urgently recommended by the National Conference on Street and Highway Safety (the Hoover Conference), the Chamber of Commerce of the United States, the American Automobile Association, and the American Motorists' Associations, and local sentiment is no less favorable."

(*10*) *Proposed Legislation:*

I have prepared, with the assistance of Mr. R. Leighton Foster, the Superintendent of Insurance in Ontario, and Counsel acting for the Commission, a Bill to amend the Highway Traffic Act, containing what I believe to be, from the standpoint of both safety and security, the most appropriate for conditions in Ontario, comprising as it does, the most carefully worked out provisions, following the general lines of the A.A.A. Bill, and adopting many provisions to be found in legislation, both in England and in the various States of the Union, all of which have been most carefully studied, and the details and the working of which have been tested as carefully as possible by the examination of the witnesses called, both here and elsewhere.

I wish to express my gratitude and indebtedness to Mr. Foster for his willing and expert help.

The Bill will be found appended to this Report as Appendix "A".

The Amendments recommended to the Insurance Act are set out as Appendix "B".

X. ACKNOWLEDGMENTS

In closing this Report I desire to express my indebtedness, in dealing with the subject of Compulsary Insurance or the Safety Responsibility Plan, to Mr. R. Leighton Foster and Mr. V. Evan Gray, both of whom were most helpful in not only examining the witnesses, but in arranging for their presence, which, but for their assiduity, would have been hard to arrange.

To all those who came forward and gave me the benefit of their views, arguments, and experience, in relation to this subject, I wish to pay my tribute of appreciation for their interesting and useful evidence, and the willingness with which they placed every possible facility at my service.

All of which is respectfully submitted.

FRANK E. HODGINS,

Commissioner.

Osgoode Hall, Toronto,
March 3rd, 1930

APPENDICES

APPENDIX "A"

DRAFT BILL

AN ACT TO AMEND THE HIGHWAY TRAFFIC ACT

BILL

An Act to amend The Highway Traffic Act.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

Short title.

1. This Act may be cited as *The Highway Traffic Amendment Act, 1930.*

R.S.O. 1927, c. 251, s. 1, amended.

2. Section 1 of the Highway Traffic Act is amended by adding thereto the following clause:

Registrar.

(*c*) "Registrar" shall mean the Registrar of Motor Vehicles appointed under the authority of this Act.

R.S.O. 1927, c. 251, amended.

3. The Highway Traffic Act is amended by adding thereto the following as Section 1-*a*:

Registrar of Motor Vehicles.

1*a*.—(1) There shall continue to be a Registrar of Motor Vehicles who shall be appointed by the Lieutenant-Governor in Council.

Duties.

(2) The Registrar shall act under the instructions of the Minister and shall have general supervision over all matters relating to highway traffic within Ontario, and shall perform such duties as are assigned to him by this Act, by the Lieutenant-Governor in Council, or by the Minister.

Minister may delegate powers to Registrar.

(3) The Minister may delegate to the Registrar, during his absence or inability, or otherwise, any authority or duty given or imposed upon him by this Act.

4. The Highway Traffic Act is amended by adding thereto the following Part:—

PART III-A.

Financial Responsibility of Owners and Drivers:

20*a*. In this Part:—

Definitions.

(*a*) "Authorized Insurer" means an insurer duly licensed under the provisions of the Insurance Act (Cap. 222, R.S.O. 1927) to carry on in Ontario the business of automobile insurance.

(*b*) "Driver's License" means and includes an operator's license issued pursuant to the provisions of Part XII. of this Act, and a chauffeur's license issued pursuant to Part III. of this Act.

(*c*) "Motor Vehicle" includes "Trailer," as defined in this Act.

(*d*) "Owner's Permit" means a permit issued pursuant to the provisions of Part I. of this Act.

(*e*) "Person" includes individual, partnership, corporation, association, liquidator, receiver, custodian in Bankruptcy, Trustee in Bankruptcy, referee, trustee, executor, and administrator.

(*f*) "Proof of Financial Responsibility" means a certificate of insurance, a bond, or a deposit of money or securities, given or made pursuant to Section 20-*i* of this Part.

(*g*) "Treasurer" means the Treasurer of Ontario.

(*h*) "State" means one of the United States of America.

(*i*) "Superintendent of Insurance" means the Superintendent of Insurance appointed under the authority of the Insurance Act.

General application.

20*b*.—(1) Nothing in this Part shall impair the authority of the Minister, a Police Magistrate, or Justice of the Peace, to cancel or suspend a driver's license or owner's permit, as elsewhere provided in this Act, and nothing herein shall prevent the plaintiff in any action from proceeding upon any other remedy or security available at law.

(2) This Part shall only apply to offences and violations of law committed, and to convictions and judgments arising out of motor vehicle accidents occurring, and to motor vehicle liability policies issued, after the date of coming into force of this Part.

Licenses suspended for convictions.

20*c*.—(1) The driver's license and/or owner's permit or permits if any, of every person who shall, by any order or judgment of any Court in Ontario, have been convicted, of any one of the following offences or violations of law, or who, having been arrested for any such offence or violation, has forfeited his bail, viz.:—

Reckless driving.

(*a*) Any offence for which a penalty is provided in Section 24 of this Act.

Racing.

(*b*) Any offence for which a penalty is provided in Section 25 of this Act.

Speeding.

(*c*) Exceeding the speed limit fixed by Section 23 of this Act, if any injury to any person or property occurs in connection therewith.

Passing street cars.

(*d*) Any offence for which a penalty is provided in Section 37 of this Act.

Leaving scene of accident.

(*e*) An accident having occurred, failing to remain at or return to the scene of the accident in violation of the provisions of Section 40 of this Act.

Driving without a License.

(*f*) Operating or driving a motor vehicle on a highway without a driver's license required by this Act.

Criminal offence.

(*g*) Any criminal offence involving the use of a motor vehicle.

Other offences.

(*h*) Such other offences against public safety on highways as may from time to time be designated by the Lieutenant-Governor in Council.

shall be forthwith suspended by the Registrar, and shall remain so suspended, and shall not, at any time thereafter, be renewed, nor shall any new driver's license, or owner's permit, be thereafter issued to such person until he shall have given to the Registrar proof of his financial responsibility for legal liability arising out of future motor vehicle accidents, in the amount and manner required by this Part.

Conviction in other Provinces or States.

(2) Upon receipt by the Registrar of official notice that the holder of a driver's license, or owner's permit under this Act, has been convicted, or forfeited his bail, in any other Province or State in respect of an offence, which, if committed in Ontario would have been, in substance and effect, an offence under, or a violation of the provisions of law mentioned in the next preceding sub-section of this Section, the

Registrar shall suspend every driver's license and/or owner's permit or permits, if any, of such person issued pursuant to this Act, until that person shall have given proof of financial responsibility in the same manner as if the said conviction had been recorded by a Court in Ontario.

Non-residents.

(3) If any person to whom sub-section (1) applies, is not a resident of Ontario, the privilege of operating any motor vehicle within Ontario, and of operation within Ontario of any motor vehicle owned by him, shall be, and is suspended and withdrawn forthwith, by virtue of such conviction or forfeiture of bail, until he has complied with the provisions of sub-section (1).

License suspended for failure to pay udgments.

20*d*.—(1) The driver's license and/or owner's permit or permits, if any, of every person who fails to satisfy a judgment rendered against him, by any Court in Ontario, or in any other Province of Canada, which has become final by affirmation on appeal or by expiry, without appeal, of the time allowed for appeal, for damages on account of injury to, or death of any person, or damage to property in excess of $100, hereafter occasioned by a motor vehicle, within fifteen days from the date upon which such judgment became final, shall be forthwith suspended by the Registrar, upon receiving a certificate of such final judgment from the Court in which the same is rendered, and shall remain so suspended, and shall not any time thereafter be renewed, nor shall any new driver's license or owner's permit be thereafter issued to such person until said judgment is satisfied or discharged (otherwise than by a discharge in Bankruptcy) to the extent of at least $5,000 (exclusive of interest and costs) for injury to, or death of, any one person, and, subject to that limit for each person so injured or killed, to the extent of at least $10,000, (exclusive of interest and costs), for injury to, or death of, two or more persons in one accident, and to the extent of at least $1,000 (exclusive of interest and costs), for damages to property in any one accident, and until the said person gives proof of his financial responsibility for legal liability arising out of future motor vehicle accidents, in the amount and manner required by this Part.

Subsequent j udgments.

(2) If, after such proof of financial responsibility has been given, any other judgment against such person, for any accident occurring before such proof was furnished, and after the coming into force of this Act, shall be recorded and duly reported to the Registrar, every driver's license and owner's permit of such person shall again be, and remain, suspended until such judgment is satisfied and discharged (otherwise than by a discharge in Bankruptcy) to the extent described in the next preceding sub-section.

Non-residents.

(3) If any person to whom subsection (1) hereof applies is not resident in Ontario, the privilege of operating any motor vehicle in Ontario, and the privilege of operation in Ontario of any motor vehicle registered in his name, shall be, and is, suspended and withdrawn forthwith by virtue of such judgment until he has complied with the provisions of subsection (1).

Persons under and over certain ages.

20*e*. The Registrar may require proof of financial responsibility from the applicant before issue of an owner's permit or driver's license, or the renewal thereof to any person under the age of twenty-one years or over the age of sixty-five years.

Persons responsible for accidents.

20*f*. The Registrar may require proof of financial responsibility from any person who, while operating any motor vehicle, shall have been involved in, and, in the opinion of the Registrar, is responsible in whole or in part, for any motor vehicle accident resulting in the death of, or injury to, any person, or damage to property in excess of $100, or from the person in whose name such motor vehicle is registered, or from both, and the Registrar may suspend all owner's permits and drivers' licenses in such cases until such proof of financial responsibility has been given.

Voluntary filing of financial responsibility.

20*g*.—(1) An owner's permit and driver's license, or, in the case of a person not resident in Ontario, the privilege of operating any motor vehicle in Ontario, and the privilege of operation within Ontario of any motor vehicle owned by such non-resident, shall not be suspended or withdrawn under the provisions of this Part, if such owner, driver, or non-resident has voluntarily filed or deposited with the Registrar, prior to the offence or accident, out of which any conviction, judgment, or order arises, proof of financial responsibility, as herein defined, which, at the date of such conviction, judgment, or order, is valid and sufficient for the requirements of this Part.

Registrar may receive proof.

(2) The Registrar shall receive and record proof of financial responsibility voluntarily offered by any person mentioned in subsection 1, hereof.

Amounts and limits.

20*h*. Proof of financial responsibility shall be given in the following amounts by every driver, and, in the case of an owner, in the said amounts for each motor vehicle registered in his name, by every owner, to whom this Part applies, namely:—

(*a*) For damages by reason of personal injury to, or death of, any one person, at least $5,000 (exclusive of interest and costs), and, subject to the aforesaid limit for each person injured or killed, at least $10,000 (exclusive of interest and costs), for such injury to, or the death of, two or more persons in any one accident; and

(*b*) For damage to property resulting from any one accident, at least $1,000 (exclusive of interest and costs).

Proof of financial responsibility.

20*i*.—(1) Proof of financial responsibility may be given in any one of the alternative forms hereinafter described, namely:—

Certificates of insurance.

(*a*) The written certificate or certificates, filed with the Registrar, of any authorized insurer that it has issued, to or for the benefit of the person named therein, a motor vehicle liability policy or policies, in form hereinafter prescribed, which, at the date of the certificate or certificates, is in full force and effect, and which designates therein, by explicit description, or by other adequate reference, all motor vehicles to which the policy applies.

Any such certificate or certificates shall cover all motor vehicles then registered in the name of the person furnishing such proof. Additional certificate shall be required as a condition precedent to the registration of any additional motor vehicle or motor vehicles in the name of such person required to furnish proof as aforesaid. The said certificates, or certificate, shall certify that the motor vehicle liability policy or policies therein mentioned shall not be cancelled or expire, except upon ten days prior written notice thereof to the Registrar, and until such notice is duly given the said certificate or certificates shall be valid, and sufficient to cover the term of any renewal of such motor vehicle liability policy by the insurer, or any renewal or extension of the term of such driver's license or owner's permit by the Registrar.

Surety bond.

(*b*) The board of a guarantee insurance or surety company, duly licensed in Ontario, pursuant to the Insurance Act, or a bond of personal sureties, approved as adequate security hereunder, upon application to a Judge of a County or District Court of the County or District in which such sureties reside.

The said bond shall be in form approved by the Registrar and shall be conditioned for the payment of the amounts specified in this Part, and shall not be cancelled or expire except after ten days' written notice to the Registrar, but not after the happening of the injury or damage secured by their bond as to such accident, injury, or damage, and the said bond shall be filed with the Registrar; or

Money or securities.

(*c*) The certificate of the Treasurer that the person named therein has deposited with the Treasurer a sum of money or securities for money approved by him in the amount of value of $11,000 for each motor vehicle registered in the name of such person. The Treasurer shall accept any such deposits and issue a certificate therefor, if such deposit is accompanied by evidence that there are no unsatisfied executions against the depositor registered in the office of the Sheriff for the City, County, or District in which the depositor resides.

Registrar may require additional proof.

(2) The Registrar may, in his discretion, at any time, require additional proof of financial responsibility, to that filed or deposited by any driver or owner pursuant to this Part, and may suspend the driver's license and/or owner's permit, or permits, if any, pending such additional proof.

Proof of financial responsibility by non-residents.

(3) Where a person, who is not a resident of Ontario, is required to give, or volunteers, proof of financial responsibility under this Part, the Registrar may accept as such proof such certificate of an authorized insurer relating to a motor vehicle liability policy issued outside of Ontario, insuring such person against loss from the liability imposed by law, arising out of motor vehicle accidents occurring within Ontario as he may deem proper; and may issue to such person an official non-resident insurance identification card; and may provide for the giving or volunteering of such proof to, and the issue of such cards by, his representatives at selected points along the provincial border.

Application of security.

20*j*.—(1) The bond, money, or securities, lodged with the Registrar or Treasurer, as the case may be, pursuant to the foregoing section, shall be held by him in accordance with the provisions of this Part, as security for any judgment against the owner or driver making the deposit, in any action arising out of damage caused after such deposit, by the operation of any motor vehicle owned or operated by such owner or driver, or by any other person for whose negligence the owner or driver shall be liable. Money and securities so deposited with the Treasurer shall not be subject to any claim or demand, except an execution on a judgment for damages, for personal injuries, or death, or injury to property, occurring after such deposit, as a result, in the case of an owner of a motor vehicle, of the operation of the motor vehicle for which the security was given, and, in the case of a driver, of the operation of any motor vehicle operated by him, or by any other person for whose negligence such driver shall be liable.

Action on security.

(2) If a judgment to which this Part applies is rendered against the principal named in the bond filed with the Registrar, and such judgment is not satisfied within fifteen days after it has been rendered, the judgment creditor may, for his own use and benefit, and at his sole expense, bring an action on said bond in the name of the Treasurer, against the persons executing such bond.

Chauffeurs or members of owner's family.

20*k*. If the Registrar shall find that any driver to whom this Part applies, was, at the time of the offence for which he was convicted, employed by the owner of the motor vehicle involved therein as chauffeur, or motor vehicle operator, whether or not so designated, or was a member of the same family or household of the owner of such motor vehicle, and that there was no motor vehicle registered in Ontario in the name of such driver as an owner, either at the time of the offence or subsequent thereto, then, if the owner of such motor vehicle submits to the Registrar (who is hereby authorized to accept it) proof of his financial responsibility, as provided by this Part, such chauffeur, operator, or other person, shall be relieved of the requirement of giving proof of financial responsibility on his own behalf.

Payment of judgment in instalments.

20*l*. A judgment debtor to whom this Part applies may, on due notice to the judgment creditor, apply to the Court in which the trial judgment was obtained, for the privilege of paying such judgment in instalments, and the Court may, in its discretion, so order fixing the amounts and times of payment of such instalments. While the

judgment debtor is not in default in payment of such instalments, he shall be deemed not in default for the purposes of this Part in payment of the judgment, and upon proof of financial responsibility for future accidents pursuant to this Part, the Registrar may restore the driver's license and owner's permits of such judgment debtor, but such driver's license and owner's permits shall again be suspended and remain suspended, as provided in Section 20*d* hereof, if the Registrar is satisfied of default made by the judgment debtor, in compliance with the terms of the Court order.

Report of convictions, etc., to Registrar.

20*m*.—(1) It shall be the duty of the Clerk or Registrar of the Court (or of the Court where there is no Clerk or Registrar) in which any final order, judgment, or conviction to which this Part applies, is rendered, to forward to the Registrar of Motor Vehicles, immediately after the date upon which the order, judgment, or conviction becomes final by affirmation upon appeal or by expiry, without appeal, of the time allowed for appeal, a certified copy of such order, judgment, or conviction, or a certificate thereof, in form prescribed by the Registrar of Motor Vehicles. Any such copy, transcript, or certificate, shall be prima facie evidence of such order, judgment, or conviction. The Clerk, or other official charged with this duty of reporting to the Registrar of Motor Vehicles, shall be entitled to collect and receive a fee of $1.00 for each certificate, record, or report hereby required, which fee shall be paid as part of the Court costs, in case of a conviction, by the person convicted, and, in case of an order or judgment by the person for whose benefit judgment is issued.

Notification in case of non-residents.

(2) If the defendant is not resident in Ontario it shall be the duty of the Registrar of Motor Vehicles to transmit to the Registrar of Motor Vehicles, or other office or officers, if any, in charge of the registration of motor vehicles, and the licensing of operators in the Province or State in which the defendant resides, a certificate of the said order, judgment, or conviction.

Abstract of operating record.

20*n*.—(1) The Registrar shall, upon request, furnish to any insurer, surety or other person, a certified abstract of the operating record of any person, subject to the provisions of this Part, which abstract shall fully designate the motor vehicles, if any, registered in the name of such person, and the record of any conviction of such person for a violation of any provision of any Statute relating to the operation of motor vehicles, or any judgment against such person for any injury or damage caused by such person, according to the records of the Registrar, and if there is no record of any such conviction, violation, judgment, injury or damage, in the office of the Registrar, the Registrar shall so certify. The Registrar shall collect as a fee for each such certificate, the sum of $1.00.

Particulars of security to be furnished.

(2) The Registrar shall furnish any person who may have been injured in person or property by any motor vehicle, upon written request, with all information of record in his office pertaining to the proof of financial responsibility of any owner or driver of any motor vehicle furnished pursuant to this Part.

Return of permit and plates when license suspended.

20*o*. Any owner or driver whose permit or license has been suspended, as herein provided, or whose policy of insurance or surety bond, shall have been cancelled or terminated as herein provided, or who neglects to furnish additional proof of financial responsibility upon the request of the Registrar, as herein provided, shall immediately return to the Registrar his driver's license, his motor vehicle permit or permits, and all license plates issued thereunder. If any such person fails to return his license permits and plates as provided herein, the Registrar may direct any police officer to secure possession thereof and return the same to the office of the Registrar. Any person failing to return his license permits and plates when so required, or refusing to deliver the same when requested to do so by the police officer, shall be guilty of an offence and incur a penalty of not less than $10.00, and not more than $100 for each offence.

Transfer of suspended permit.

20*p*. If an owner's permit has been suspended under the provisions of this Part, such permit shall not be transferred nor the motor vehicle in respect of which such permit was issued, registered in any other name until the Registrar is satisfied that such transfer or registration is proposed in good faith and not for the purpose, or with the effect, of defeating the purposes of this Part.

Cancellation and return of security.

20*q*.—(1) The Registrar may cancel any bond or return any certificate of insurance, or the Treasurer may, at the request of the Registrar, return any money or securities deposited pursuant to this Part, as proof of financial responsibility, at any time after three years from the date of the original deposit thereof, provided that the owner or driver on whose behalf such proof was given has not, during the said period, or any three year period immediately preceding the request, been convicted of any offence mentioned in Section 20*c* hereof, and provided that no action for damages is pending and no judgment is outstanding and unsatisfied in respect of personal injury or damage to property in excess of $100.00, resulting from the operation of a motor vehicle. A statutory declaration of the applicant under this Section shall be sufficient evidence of the facts in the absence of evidence to the contrary in the records of the Registrar.

Substitution of security.

(2) The Registrar may direct the return of any bond, money, or securities, to the person who furnished the same, upon the acceptance and substitution of other adequate proof of financial responsibility, pursuant to this Part.

Return of security when motor vehicle is sold.

(3) The Registrar may direct the return of any bond, money, or securities deposited under this Part to the person who furnished the same at any time after three years from the date of the expiration or surrender of the last owner's permit or driver's license issued to such person under this Act, if no written notice has been received by the Registrar within such period of any action brought against such person in respect of the ownership maintenance, or operation of a motor vehicle, and upon the filing by such person with the Registrar, of a statutory declaration that such person no longer resides in Ontario, or that such person had made a bona fide sale of any and all motor vehicles owned by him, naming the purchaser thereof, and that he does not intend to own or operate any motor vehicle in Ontario within a period of one or more years.

Penalty for false certificate.

20*r*. Any person who, falsely, or without authority, signs or certifies any proof of financial responsibility required under this Part, shall be guilty of an offence, and shall incur a penalty of not less than $100.00, or imprisonment for not more than thirty days, or both, for each offence.

Coverage of Motor Vehicle Liability Policy.

20*s*. Every motor vehicle liability policy shall contain the name of the person or persons insured thereby, and shall designate by explicit description, or other adequate reference, all motor vehicles with respect to which insurance is intended to be granted by such policy, and the policy shall insure:—

Owner's Policy.

(*a*) The person named therein and any other person or persons using, or responsible for the use of, any such motor vehicle with the consent, express or implied, of such insured, against loss from the liability imposed by law (except liability imposed under any Workmen's Compensation Law) upon such insured, or upon such other person or persons for injury to, or death of, any person; or damage to property (except property of others in charge of the insured or the insured's employees), arising from the ownership, maintenance, use, or operation of any such motor vehicle within Canada or the United States of America; or,

Driver's Policy.

(*b*) The person therein named as insured against loss from the liability imposed by law (except liability imposed under any Workmen's Compensation Law), upon such insured for injury to, or death of, any person (other than such person or persons as may be covered in respect of such injury or death by any Workmen's

Compensation Law) or damage to property (except property of others in charge of the insured or the insured's employees) arising from the operation or use by such insured of any motor vehicle (except a motor vehicle registered in the name of such insured) and occurring while such insured is personally in control as driver or occupant of such motor vehicle within Canada or the United States of America;

Limits.

In either case, to the amount or limit of at least $5,000.00 (exclusive of interest and costs), for injury to, or death of, any one person, and, subject to that limit for each person so killed or injured, of at least $10,000.00 (exclusive of interest and costs) for injury to, or death of, two or more persons in any one accident, and, of at least $1,000.00 (exclusive of interest and costs), for damages to property of others, as herein provided, resulting from any one accident.

Excess coverage.

(2) Neither the form of certificate of insurance, nor anything herein contained, shall prevent the issue of a policy granting any lawful insurance in excess of, or in addition to, the coverage herein provided for, nor from embodying in such policy any agreements, provisions, or stipulations not contrary to law.

Policy form to be approved.

(3) No motor vehicle liability policy shall be issued or delivered in Ontario until a copy of the form of policy shall have been on file with the Superintendent of Insurance for at least thirty days, unless sooner approved in writing by him, nor if within said period of thirty days he shall have notified the insurer in writing that, in his opinion, specifying the reasons therefor, the form of policy does not comply with the law of Ontario.

Provisions to which policy is subject.

(4) Every motor vehicle liability policy shall be subject to the following provisions, whether or not such provisions are contained therein, and notwithstanding any law or statute or provision of such policy to the contrary:

Rights of third parties against insurer.

(*a*) A judgment creditor or judgment creditors with unsatisfied judgments arising out of, or based upon a claim or claims against the insured, for which indemnity is provided by a motor vehicle liability policy, shall be entitled to have the insurance moneys payable under such policy applied in or towards satisfaction of such judgment or judgments, and may, on behalf of themselves and all other persons having similar judgments or claims against the insured, maintain an action against the insurer to have such insurance moneys so applied; provided that, if the insured is entitled to indemnity under any other motor vehicle liability policy in respect of such judgments or claims, the insurer may require such other insurer or insurers to be made parties to any such action and to contribute rateably according to their respective liabilities; and no creditor of such judgment debtor shall be entitled to share in the proceeds of any such policy or policies in respect of any claim for which indemnity is not provided by such policy.

Liability of insurer absolute.

(*b*) If any motor vehicle liability policy would, but for some misrepresentation or breach of any term, provision, or condition by the insured, be in force at the time of an accident, giving rise to a claim under the policy, no misrepresentation by the insured upon the application for such policy, and no breach of any term, provision, or condition of the policy by the insured, before or after the happening of such accident, shall invalidate the policy insofar as any person injured or suffering damage in such accident is concerned, nor relieve the insurer from liability to a judgment creditor of the insured for any loss or damage covered by such policy; and any assignment, waiver, release or discharge of such policy, or the proceeds thereof, or of any interest therein made by the insured after the happening of an accident giving rise to a claim under the policy, shall be void; provided that, nothing herein shall render void any provision of the policy requiring the person insured to repay to the insurer any sums which the latter may

have become liable to pay under the policy to other persons, in the event of misrepresentation by the insured upon the application for the policy, or breach by the insured of any term, provision, or condition of the policy; and further provided that, if the policy shall provide for limits of liability in excess of the limits required for proof of financial responsibility under this Act, the Insurer may, as against any claimant, avail himself, with respect to the amounts of such excess limits of liability, of any defence which the insurer is entitled to set up against the insured.

Conviction for offence not to prejudice civil action.

(*c*) It shall be lawful for an insurer to contract to indemnify the owner or driver of any motor vehicle against all loss or damage which the insured shall become legally liable to pay for bodily injury (including death resulting therefrom) or for injury to, or destruction of, the property of any person (including damage arising from the loss of use of such property), caused by the ownership, maintenance, or use of the motor vehicle, notwithstanding any violation by such owner or driver of any provision of this Act, or of any Act of this Legislature, or of any Municipal by-law, and notwithstanding any criminal offence committed by such owner or driver upon the occasion of such injury or damage; and in any action to recover compensation or indemnity for damages occasioned by a motor vehicle, a conviction of the owner or driver of such motor vehicle for violation of any provision of this Act or of any Act of this Legislature, or of any Municipal by-law, or for any criminal offence, shall not prejudice the right of such owner or driver or of any person claiming under this Act to recover from an insurer compensation or indemnity for any such damages insured by the policy.

Pro-rating of insurance.

(*d*) Any such policy may provide for the pro-rating of the insurance thereunder with other applicable, valid, and collectible insurance.

Insurer to furnish certificate.

(5) Any insurer which has issued a motor vehicle liability policy shall, as and when the insured may request, deliver to him for filing, or file direct with the Registrar, a certificate for the purposes of this Part.

Notice to Registrar of cancellation and expiry.

(6) Every insurer shall notify the Registrar of the cancellation or expiry of any motor vehicle liability policy, for which a certificate has been issued to the Registrar under this Part, at least ten days before the effective date of such cancellation or expiry, and, in the absence of such notice of cancellation or expiry, such policy shall remain in full force and effect.

Binders and endorsements in lieu of policy.

(7) Any Insurer may, pending the issue of a motor vehicle liability policy, issue for the purpose of this Part an interim agreement to be known as a binder, or may, in lieu of a policy, issue an endorsement to an existing policy; and any such binder or endorsement shall be subject to the provisions of this section, and be deemed to provide indemnity or insurance in accordance therewith.

R.S.O. 1927, c. 251, s. 45, amended.

5.—(1) Section 45 of the Highway Traffic Act is amended by adding thereto the following subsection as subsection (1*a*):—

Incapable persons not to drive.

(1*a*) No person shall drive, attempt or prepare to drive a motor vehicle when under the influence of drink or drugs so as to be incapable of having proper control of such vehicle.

R.S.O. 1927, c. 251, s. 45, sub.s. 2, amended.

(2) Subsection 2 of the said section is amended by inserting after the word "intoxicated" in the fourth line, the words "or of a violation of the provisions of subsection 1*a* and by striking out the words "not exceeding three months" in the seventh line and substituting therefor the words "of six months" and by striking out the words "not less than three months and not exceeding six months" in the eighth and ninth lines and substituting therefor the words "of twelve months" so that the subsection as amended will read as follows:—

Penalty: Suspension or cancellation of license and permit.

(2) The license or permit or, in case the licensee is also the owner of the motor vehicle, then both the license and permit of a person who is convicted of driving a motor vehicle while intoxicated or of a violation of the provisions of subsection 1*a*, shall be suspended by the Minister upon report of the police magistrate or justice of the peace who makes the conviction for a period,

(*a*) of six months for the first offence;

(b) of twelve months for the second offence;

and for the third or any subsequent offence his license or permit or both, as the case may be, shall be cancelled and he shall be declared by such police magistrate or justice of the peace to be disqualified from holding a license or permit for a period of not less than one year and not exceeding two years.

R.S.O. 1927, c. 251, amended.

6. *The Highway Traffic Act* is amended by adding thereto the following section:—

Service of notice or process on non-residents.

47*a*. The use of a highway within Ontario by any person not resident in Ontario operating or responsible for the operation of a motor vehicle within Ontario, shall, by virtue of the right of user conferred by this Act, be deemed to constitute the Registrar an agent of such person for the service of notice or process in any action in Ontario, arising out of a motor vehicle accident in Ontario in which such person is involved, subject to the following conditions:

How served.

(*a*) Such notice or process may be served by leaving a copy thereof with, or at the office of, the Registrar at least ten days before the return day of such notice of process, together with the post office address of the non-resident upon whom service is to be made.

Address.

(*b*) The last known address of such non-resident, according to the record of the Registrar of Motor Vehicles, or other official having similar duties in the Province or State in which such person resides, shall be conclusively deemed to be the correct address of such person, for the purpose of such service.

Duty of Registrar.

(*c*) Upon receipt of such notice or process, and the address as aforesaid, the Registrar shall forward the said notice or process to such person at the given address by registered mail, postage prepaid.

R.S.O. 1927, c. 251, amended.

7. *The Highway Traffic Act* is amended by adding thereto the following Parts:—

PART XIII.

Accident Reporting, Statistics and Rating

Duty to report accident.

70. (1) Every person in charge of a motor vehicle who is directly or indirectly involved in an accident shall, if the accident results in personal injuries, or in damage to property apparently exceeding $25.00, report such accident forthwith to the nearest provincial or municipal police officer, and furnish him with such information or written statement concerning the accident as may be required by the officer or by the Registrar.

Where person unable to report.

(2) Where a person required to report an accident by the preceding subsection, is physically incapable of making a report, and there is another occupant of the motor vehicle, such occupant shall make the report.

Duty of police officer.

(3) A police officer receiving a report of an accident as required by this section, shall secure from the person making the report, or by other inquiries where necessary, such particulars of the accident, the persons involved, the extent of the personal injuries or property damage, if any, and such other information as may be necessary to complete a written report concerning the accident to the Registrar.

Registrar may require additional information.

(4) The Registrar may require any person involved in, or having knowledge of, an accident, the parties thereto, or any personal injuries or property damage resulting therefrom, to furnish, and any police officer to secure, such additional information and make such supplementary reports of the accident as he may deem necessary to complete his records, and to establish, as far as possible, the causes of the accident, the persons responsible, and the extent of the personal injuries and property damage, if any, resulting therefrom.

Reports and statements without prejudice.

(5) Any written reports or statements made or furnished under this Section shall be without prejudice, shall be for the information of the Registrar, and shall not be open to public inspection; and the fact that such reports and statements have been so made or furnished shall be admissable in evidence solely to prove compliance with this Section, and no such reports or statements, or any parts thereof or statement contained therein, shall be admissable in evidence for any other purpose in any trial, civil or criminal, arising out of a motor vehicle accident.

Penalty.

(6) Any person who fails to report or furnish any information or written statement required by this Section shall incur a penalty of not less than $10.00, and not more than $50.00, and in addition the Registrar may suspend the driver's license and/or owner's permit or permits, if any, of any such person.

Reports by Coroners.

71.—(1) Every coroner who investigates a fatal accident in which a motor vehicle is involved, shall secure such particulars of the accident, the persons involved, and other information as may be necessary to complete a written report to the Registrar on the forms prescribed for that purpose, and shall transmit such report forthwith to the Registrar.

Registrar may request information respecting accidents and traffic control.

(2) Every provincial or municipal official or employee, hospital, or charitable institution, insurer, or other person or organization shall furnish to the Registrar such reports and other information relating to motor vehicle accident statistics and traffic control generally, as may be required by the regulations.

Compensation may be allowed.

(3) The Lieutenant-Governor in Council may allow any person or organization making reports or furnishing information under this Section, such compensation for so doing as may be deemed proper.

Duties of Registrar.

72. The Registrar shall:

To supply accident report forms.

(*a*) Prepare and supply to police officers and other persons and organizations, blank forms for accident and other reports which shall call for such particulars concerning accidents, the person involved, and the extent of the personal injuries and property damage, if any, resulting therefrom, and such other information as may be required by the regulations;

To investigate accidents.

(*b*) Make such investigation of, and call for such written reports concerning, motor vehicle accidents, traffic conditions, and other matters, as he may deem necessary and proper, and for that purpose may require the assistance of any provinical or municipal police officer;

To keep records.

(*c*) Keep the following records:

Accidents.

(i) A record of all motor vehicle accidents in the Province, reported to him or concerning which he procures information.

Convictions.

(ii) A record of all convictions for offences under this Act or under the provisions of the Criminal Code of Canada, relating to driving on highways, reported to him pursuant to Section 58, or such other convictions as the Registrar may deem proper.

Licenses and permits suspended or cancelled.

(iii) A record of all drivers' licenses and owners' permits issued, suspended, revoked, cancelled, or revived, under this Act.

Unsatisfied judgments.

(iv) A record of all unsatisfied judgments rendered against persons holding owners' permits or drivers' licenses under this Act, or non-residents reported to him pursuant to the provisions of this Act.

Persons required to prove financial responsibility.

(v) A record of all persons required to show evidence o financial responsibility pursuant to the provisions of Part III-A of this Act.

Operating records of all drivers.

(vi) An operating record of every chauffeur and operator, which record shall show all reported convictions of such chauffeur or operator for a violation of any provision of any statute relating to the operation of motor vehicles, and all reported unsatisfied judgments against such person for any injury or damage caused by such person while operating a motor vehicle, and all accidents in which the records of the Registrar indicate such chauffeur or operator has been involved, and such other information as the Registrar may deem proper; and

Other records.

(vii) Such other records as he may be directed to keep by the Minister.

To collect and analyze accident and traffic statistics.

(*d*) Develop adequate uniform methods of accident and traffic statistics, and study accident causes and trends, traffic problems, and regulations;

To prepare Annual Report for Minister.

(*e*) Prepare for the Minister an Annual Report showing the results of such reporting, collection, analysis, and study, and embodying his recommendations for the prevention of motor vehicle accidents and the solution of traffic problems; and such report shall be printed and published forthwith upon completion.

Classification of drivers.

73.—(1) The Lieutenant-Governor in Council, upon report by the Minister that, in his opinion, the records of his Department are sufficient to warrant classification based thereon, may make regulations in accordance with which the Registrar shall classify persons who have been convicted for a violation of any statute relating to the operation of motor vehicles, or who have been responsible for accidents or who have been required to prove their financial responsibility under this Act, or whose operating record has otherwise, under the regulations shown them extra-hazardous risks for the purposes of motor vehicle liability insurance, and as such, liable to demerit rating under this Section.

Demerit rating.

How classified.

(2) When a person becomes liable to demerit rating he shall be classified by the Registrar in accordance with the regulations in any one of the three classes, to be known as Classes "A," "B," and "C," in accordance with the seriousness of his offence, or the character of his operating record.

50 per cent., 25 per cent., 10 per cent., surcharge on insurance rate.

(3) Where a person has been classified in Class "A," he shall be charged and shall pay for motor vehicle liability insurance ten per cent. in excess of the standard premium rate, and when classified in Class "B," twenty-five per cent. in excess of the standard premium rates, and when classified in Class "C," fifty per cent. in excess of the standard premium rate.

Publication in Ontario Gazette.

(4) The names of persons who have been classified for demerit rating under this Section shall be published by the Registrar within one week in "The Ontario Gazette."

Insurer to certify rate charged any person and to furnish copy of any policy.

(5) Upon request of the Registrar, any authorized insurer shall certify to him the premium rate which has been charged any person for motor vehicle liability insurance and furnish him with a certified copy of any motor vehicle liability insurance policy issued to such person.

Penalty for charging improper rate.

(6) Any officer or employee or agent of an authorized insurer who charges a premium rate lower than the rate a person whose name has been published in "The Ontario Gazette" is liable to pay upon being classified under this Section, or who, wilfully, at any time, certified that a premium rate has been charged such a person other than the rate actually charged, shall incur a penalty of not less than $25. and not more than $500.

Re-classification after twelve months into lower class.

(7) The Registrar shall, upon application after the expiration of twelve months, re-classify any person classified under this Section, whose operating record during the intervening period has been satisfactory, in the next lower class for demerit rating, or, if such person is classified in Class "A," eliminate him from classification.

Re-classification into higher class.

(8) When any person classified under this Section commits an additional offence, or otherwise so acts as to make him liable, if unclassified, to classification under this Section, the Registrar shall reclassify him in a higher class for demerit rating in the same manner as though he had not previously been classified, or, if such person is already classified in Class "C," suspend his driver's license for a period of not less than twelve months.

Meaning of "Standard Premium Rate."

(9) The expression "standard premium rate" used in this Section means the rate which would be charged in the absence of demerit rating under this Section according to the schedules of rates and rules filed by an authorized insurer with the Superintendent of Insurance pursuant to the Insurance Act.

Appeal.

(10) Any person aggrieved by a decision of the Registrar under this Section, may appeal to a Board, to be known as the Appeal Board, to consist of the Superintendent of Insurance, the Deputy Attorney-General and the Registrar of Motor Vehicles, or their representatives and the decision of such Board shall be final and binding and without appeal.

Commencement of Act.

8.—(1) Except as provided in subsection 2, this Act shall come into force on the day upon which it receives the Royal Assent.

Financial Responsibility provisions.

(2) Section 4 of this Act shall come into force upon the first day of September, 1930.

APPENDIX "B"

PROPOSED AMENDMENTS TO THE INSURANCE ACT

R.S.O. 1927, C. 222

Statistical Records

1. Add as Section 69*a*, the following:—

69*a*.—(1) Every licensed insurer which carries on in Ontario the business of automobile insurance shall prepare and file annually with the Superintendent, or with such agency as he may designate, a record of its automobile insurance premiums, and of its loss and expense costs in Ontario, in such form and manner, and according to such system of classification, as he may approve.

(2) The Superintendent may require any agency so designated to compile the data so filed in such form as he may approve; and the expense of making such compilation, when certified and approved under the hand of the Superintendent, shall be paid by the several insurers forthwith.

(3) The provisions of subsections 2, 3, and 5 of Section 69, shall apply *mutatis mutandis* to the provisions of this Section.

Insurance Rates

2. Add as Section 275*a*, the following:—

275*a*.—(1) It shall be the duty of the Superintendent, after due notice and a hearing before him, to order an adjustment of the rates for automobile insurance, whenever it is found by him that any such rates are excessive, inadequate, unfairly discriminatory, or otherwise unreasonable.

(2) Any order made under this Section shall not take effect for a period of ten days after its date, and shall be subject to appeal within that time, in the manner provided by Section 12 of this Act, and, in the event of an appeal, the order of the Superintendent shall not take effect pending the disposition of the appeal.

(3) Any rating bureau, insurer, or other person failing to comply with any provision of such order shall be guilty of an offence.

APPENDIX "C"

THE WORKING OF THE MASSACHUSETTS COMPULSORY PLAN

(In Force 1st January, 1927)

Naturally, the operation of the Massachusetts Compulsory Law in that State, is a matter of great interest in this enquiry, and its practical results are important. I have already mentioned, and to some extent discussed, the working of this law, and while not entirely surprised at the number of those who oppose the Massachusetts law, I am astonished at the identity of the causes which they think make that law not only oppressive and unwelcome, but also unnecessarily severe.

Our sister Province of Quebec has, I see by the press, declined to adopt the Massachusetts Plan, believing that it has not reduced, but rather increased, accidents.

I append some opinions from those witnesses before me competent to speak on the matter.

Mr. P. Tecumseth Sherman, who is a New York lawyer who has for the past ten years been recognized as eminent as a specialist in automobile laws and as a student of all the problems relating to automobile insurance, both general and compulsory, points out some of the defects inherent in the Massachusetts Law, as follows:—

That those whose motors are exposed to small risk, such as farmers and others, should not be compelled to insure, whereas the law compelled all the owners to insure, though not operating; that it requires the insurance companies to give insurance, unless they were prepared to prove that the owner was unfit to have a license; that it did not afford universal protection, as, for instance, against motor vehicles coming in from other States, and those not on the highway or on private driveways; or motors owned by the State or Municipalities; and that rates which affected all classes, having to be fixed by the State, made it a political question. He also stated that as all must insure, the rate fixed in Massachusetts was not adequate to meet the losses caused, and that it violated the basic principle of insurance—namely, selection of risks.

Mr. Austin J. Lilly, General Counsel of the Maryland Casualty Company, in pointing out the defects in the Massachusetts Law, indicated his approval of the New York Financial Responsibility Law in this way: He said, that while the New York Law was to a certain extent experimental, it embodied the best principles of several laws, and got the results sought for by a compulsory insurance law without subjecting all motorists to the trouble and expense of taking out insurance, and the insurance companies to the necessity of providing suitable insurance, and that it was more justifiable on social, political and economical grounds, being selective and non-political. It did not require administration by the State except on one particular point, namely, the suspension or cancellation of the license on conviction, etc., or where damages were unpaid. A further advantage was that there was more flexibility in the character of the insurance, as the law only insisted on what a motorist really requires, and so does not improperly tend to raise the premium rates or to impose on the motorist. He said that the Massachusetts Law required a standard policy with conditions which might be harsh and unreasonable, and that his experience led him to believe that in Connecticut and New Hampshire there was an increase in voluntary insurance so that the application of the Act to individual motorists was rare.

Upon the question of whether the Masschusetts Law tended to decrease accidents, I found an unusual concensus of opinion that it did not. Mr. George A. Parker, the Registrar of Motor Vehicles for the State of Massachusetts, said that the Compulsory Act did not decrease the accidents.

This seems to be borne out by the official records submitted by Mr. Parker:—

	1925	1926	1927	1928
Fatalities	755	705	693	715
Injuries	.....	23,351	31,721	42,201
Collisions	.....	27,436	32,846	40,192
Car registrations	.....	838,111	828,795	892,504
Suspension of license	.....	6,706	7,707	9,562
Revocation of license	.....	3,025	3,072	3,995
Court convictions	7,032	8,050	8,623	10,129
Liquor convictions	3,714	3,893	3,943	4,240

The percentage increase of fatalities in 1928 over 1927 is as follows:—

	Per Cent.
Pedestrians by automobiles	2.6
Occupants of automobiles	10.9
Bicycle riders	25.0
Adults	7.3

For 1929, as against 1928 (nine months only):—

Pedestrians by automobiles	10 individuals more.
Occupants of automobiles	25% more.
Bicycle riders	11.9% more.
Adults	71 individuals more.

Mr. William Brosmith, the experienced Counsel for the Travellers' Insurance Company of Hartford, Connecticut, said:

"As a preventative of accidents, or as a measure of improved safety on the highway, we believe that compulsory automobile insurance is a failure. We have felt, and I have taken this position on behalf of the Company, and for casualty organizations, that it is the duty of the State, in the first instance, by proper legislation and enforcing of the law, to reduce as far as possible, accidents to persons and property on the highway. When the State performs the duty it may properly require of any applicant for authority to operate a motor vehicle on the highway to show whether he has, in the first instance, the mechanical knowledge, and the physical fitness to safely be entrusted with the operation of a machine so potential for injury.

"Then, if he satisfies the inquiring official on these points, they should ascertain whether or not he has the pecuniary ability to respond to claims for damage in case, in his negligence, he injures persons or property.

"The State may properly require, if he cannot satisfy the official as to his pecuniary ability, that he should respond personally, and furnish security in some form or other—bonds, insurance, or surety bonds.

'Such a measure has been enacted into law, and is in the Statute books in one form or another in some of our States, a Financial Responsibility Law. They are in line with this view. The laws in effect, so far, with the exception of the one in Massachusetts, which has proven anything but satisfactory to the public or to the companies, wait until an injury has occurred before the applicant for authority to operate a motor vehicle is called upon to give security.

"It has been proven satisfactory to the State officials and companies, and the people through the State."

Mr. Robins B. Stoeckel, Commissioner of Motor Vehicles in Connecticut, said that compulsory insurance was not a preventer of accidents, and that the Massachusetts statistics proved this fact.

Mr. Frank P. Sargeant, Assistant Superintendent for New England of the Employers' Liability Assurance Company in Boston, said that the Massachusetts Compulsory Law was unnecesssary and unsatisfactory, and was not a safety measure, it being, as he added, freely admitted that it had no effect in decreasing accidents, and that it tended to increase careless driving.

Mr. Theodore P. Noyes, a Director of the American Automobile Association, and Chairman of the District of Columbia division thereof, and proprietor of "The Washington Star," said that at first he was in favour of the Massachusetts Law, but after paying close attention to its working decided that it had become the football of politics and could not be depended upon to accomplish safety results. He then made a close investigation to discover the best law, and fixed on the A.A.A. Bill. He thought its four meritorious points were: (1) That the person convicted of a serious offence was bound to show responsibility; (2) That his license was suspended till he met a judgment for damages caused by his negligence; (3) That it provided for a driving permit which could be withdrawn, cancelled, or suspended; (4) That it had a reciprocal bearing between the various States of the Union.

He thought a further merit should be attributed to it, in that it tended to reduce accidents, because the small operator knew he might be put out of business altogether if he met with an accident, and in any case that he would find it hard to get insurance.

When those connected with insurance companies in Massachusetts were asked their experience under the law, they mentioned two consequences of importance. One was the large number of claims that were made, which, of course, is natural as the number of persons insured increased; and secondly, that fraudulent claims became increasingly evident. This last mentioned fact is not a necessary consequence of the law as such, but its enactment led to an odd state of affairs. It was discovered by those insured, that only personal injury was covered by the Compulsory Insurance policy; then it became the habit, where there was any property damage, for the person whose car had suffered, to claim that he had a lame back, or strained muscles, or some other injury which was not patent, and could not be proved not to exist, as against his assertion. This course of conduct was resorted to in the hope, which generally proved true, that the insurance companies would pay a reasonable amount for damages so as to settle a possible claim for personal injury by paying a slightly larger amount for car damage.

These fraudulent claims reached great proprotions, causing great trouble, expense, and litigation to the insurance companies, and are realized to be a direct consequence of the Compulsory Insurance Law as it exists in Massachusetts. Of course, the remedy for some proportion of that evil is to extend the insurance to property damage. But that is an extension of compulsory insurance which has not yet met with approval in Massachusetts, nor is it a feature in the new Bill introduced into the British Parliament for Compulsory Insurance. It, however, is included in the legislation in force in New York and Connecticut.

The next substantial feature of the Massachusetts Compulsory Insurance Plan, to which attention should be called, is that compulsory insurance of all motorists seems to require some supervision of insurance rates, a demand for which naturally arises where everybody is compelled to pay for protection by insurance, and therefore grumble at rates fixed by the companies themselves. This phase of the subject has given very serious trouble in the State of Massachusetts, for what are called "political reasons."

The law there permits the State Insurance Superintendent to fix the rate so that reasonableness may be assured in the purchase of what the law requires should be bought. In so fixing the rates naturally a large number of districts are affected, and in some of them the rates differ, owing to greater or less exposure to risk, as, for instance, due to the contrast between conditions in a big city and those in a sparsely settled township. It was found easy, if votes were wanted, to get up very considerable agitation for a reduction of rates, and in Massachusetts the evil assumed such large proportions that it recently led to the resignation of the State Superintendent, who refused to reduce the rates which he had, pursuant to the Statute, fixed on sound insurance and actuarial lines.

The only feature which was put forward as advantageous was that the brokers' or agents' commission could be reduced, because where people have to buy a thing it is not necessary to solicit their purchase in the same way as where it is a purely voluntary act. On the other hand, it would appear that the claim cost has, for the reasons I have stated, increased, and this partly, if not wholly, offsets the one favourable feature which is claimed for the compulsory insurance of all motorists.

One main circumstance that must be borne in mind in contrasting the system of compulsory insurance as now in force in Massachusetts, and the Financial Responsibility Laws, is that the opinion, which I have been able to gather from satisfactory and reliable sources, is that in the various States of the Union there are only some thirty per cent. of the motor car owners insured (some say only twenty-six to twenty-seven per cent.), and that the passing of any compulsory insurance law would affect something like seventy per cent. of the motor owners. It is, therefore, a law imposed upon the great majority of motor owners, not because of any fault of theirs, but on account of the wrong-doing of certain other individuals who have caused injury by carelessness or recklessness. It is, however, a law which has to be obeyed by those who desire to drive on the highways, and consequently brings everyone within its orbit.

In England, which is considering the adoption of a compulsory law, conditions are radically different. Over there the insurance companies testified that ninety per cent. of the motorists are insured, both against third party liability for personal injuries, and property damage, so that if the Bill is passed it will only impose compulsory insurance on a minority of ten per cent., who are either unable to pay the cost of insurance, or are willing to take chances of becoming personally liable.

Mr. G. Gleason, of Boston, Counsel for the Employers' Liability Assurance Corporation, said:

"Assuming that the law is constitutional, as we must, so far as Massachusetts is concerned, it was passed for only one purpose, and that was to make sure that the owner of every automobile was financially responsible. They say now that it was not urged that it would be a safety measure. My memory is that that is not correct. They did say it would be a safety measure, but it has turned out to be absolutely the opposite, in my opinion. Accidents, injuries, and deaths are increasing. The figures you can obtain from the Registrar of Motor Vehicles, and I hope you will, for the years 1925, 1926, 1927, 1928, and 1929, will show that injuries and accidents are really alarming, and are occurring much more rapidly than the registrations are increasing.

"It is now freely admitted by everybody, that it never was intended to be a safety measure. I do not say that they admit that it is increasing accidents, but they certainly cannot contend that it is decreasing accidents. I believe that it is absolutely true that the law has tended to increase careless and negligent driving. Before our law was passed, thirty per cent. of the people carried insurance. Now, in theory, 100 per cent. carry insurance. To begin with, I believe any kind of insurance tends to increase carelessness, and maybe fraud.

"Our compulsory law is absolutely different from the Connecticut Law or the New Hampshire Law, or the New York Law. All of these other laws, in my opinion, tend somewhat toward safety, and after all, that is the way this question should be approached."

He adverts to one feature disclosed after the law had begun to operate, thus:—

"We have, according to one of our inspectors, 5,000 cars which are on the road without number plates, where the registration has been cancelled and where the number plates cannot be obtained, and an article appeared in "The Boston Sunday Globe," within two weeks, which said: 'In 1927, Mr. Goodwin, former Registrar of Motor Vehicles, said there were 2,000 of these cars, and this Inspector of the Highway Department appeared before our Commission and said the number was 5,000. Whether it be 2,000 or 5,000, it is a large number.' "

Mr. Fred. L. Reynolds, of Boston, head of the Claims Department in the Employers' Liability Assurance Corporation, deals with another development:—

"From a claim standpoint, as I see it, you have thrown into the insurance field, through the institution of this Compulsory Act, people who never had insurance before and know nothing about it. They do not understand what liability insurance is, and every body thinks that every loss is going to be paid if there is an accident, no matter what degree of negligence is shown by the parties concerned in the accident.

"That has a tendency to greatly increase personal injury accidents particularly. It has caused the commercialization of the accident business to an alarming extent among certain types of lawyers and doctors. We have thousands of cases now that we did not have before, of everyone in the car claiming injury, no matter how slight the damage to the car. That is true, I think, whether the party has property damage insurance or not, to some extent, but it is true to a very great extent where it is found out that the party driving the automobile was not covered for property damage."

He adds that the insurance companies who have to dispute these claims "cannot get any co-operation from the driver or the assured, and are stuck in this kind of a case."

The following statistics were given during Mr. Reynold's evidence; but I am bound to say that they should be taken with reservations, as Mr. Reynolds does not seem to have allowed for the natural increase of claims caused by the introduction of compulsory laws against all motorists:

"In 1926 there were 3,357 personal injury automobile accidents, and there were 15,162 property damage accident claims, 2,800 personal injury claims, and 8,441 property damage claims.

"In the first year of Compulsory Insurance, 1927, personal injury accidents increased so that the figure was 6,188 personal injury accidents, while property damage only increased 1,000. There were 16,154 property damage accidents, claims for personal injury were 4,580, and property damage claims 8,712.

"In 1928 personal injury accidents were 7,149, and property damage accidents dropped to 15,761, and claims to 5,552; that is, for personal injury claims; and property damage claims 9,499.

"These figures that I have given you are for these three years, and it is only the first seven months of the year 1929 that I can give, but they seem to run in the same trend."

"For 1929, the first seven months, there were 4,025 personal injury accidents and 8,845 property damage accidents. There were 2,686 claims for personal injuries, and 4,950 property damage claims, that is, in the first seven months.

"These figures clearly indicate to me that we are getting a big increase in personal injury claims without the corresponding increase that would be expected in property damage claims. I do not think that can be accounted for by the fact that some people do not insure for property damage. I think it is accounted for by the fact that the people are claim-wise, and that every accident brings a claim."

This accords with the conclusions of the California Committee, who say :—

"Politics have entered into the administration and operation of the Massachusetts Law. Promulgation of rates as required by the law has been denied on the ground of political expediency, and the rates themselves have been determined on the same basis. The resignation of an Insurance Commissioner, esteemed both in the State and throughout the country for his capability, was forced, and chaotic conditions obtained. The State lost the services of several important casualty companies, due to the attempt to force them to write insurance at ruinously low rates, before an appeal to the Supreme Court of the State resulted in an order for the long-denied promulgation of new rates. And as the latest step in the progress from one evil to another, the new rates have been kept from being still higher only by the action of the State in directing an arbitrary and sweeping reduction of agents' commissions.

"With accident prevention and safety consideration admittedly thrown into the discard as impelling motives for compulsory automobile insurance, the prospect of monetary compensation to the injured remains as its only substantial justification; and the results of the Massachusetts experiment appear to demonstrate not only that it is less effective in this direction than voluntary insurance, but also that the cost is out of all proportion to the benefits derived.

"It is the opinion of the Committee, in the light of present experience, that it will be unwise for the State of California, with the complicated problem that confronts it, to embark upon any such dubious legislation as that in which Massachusetts, with a far lesser problem, has become entangled. In this conviction, as has been noted elsewhere, the Committee is confirmed by the unequivocal opinions of local and nation-wide bodies."

I gleaned, while in Boston, some information which led me to think that the practical defects in the law, and its administration, which have been pointed out, may lead to the adoption of some improvement in its scope in the following directions:—

(1) The establishment of a Board similar in composition and intent to an Industrial Accident Board, which would handle claims arising under this law, so as to facilitate its operation, with a right to the insured party to elect, within a stated period of time, whether he would have his case determined by the Court or by the Board. This Board would pass on the claims. The reason for this suggestion is that the civil courts are flooded at the present time.

(2) Provision for a $100.00, deductable amount so that the insured is his own insurer up to the extent of $100.00. It was thought that this would make a large difference in the amounts which companies have to pay out each year for losses—a very substantial difference. That view was supported by the statement that if a man is not injured to more than the extent of $100.00, he should take his chance on getting it out of the person who injured him. If that deduction could be made it would reduce the rates possibly ten or twelve per cent. This, while preserving protection for serious injuries, but not where a person was only slightly injured.

(3) Unless the claim of the injured party was paid, including those under $100.00, the license should be revoked.

These so-called improvements seem to me rather fundamental, when the principle of the Massachusetts Law is considered, and very strongly reinforce the argument

used against the law. The suggestion for a Board to pass on the claims because the Courts are flooded with these cases is strong indication that the evidence is correct which says that claims accumulate to a very large extent, and that there are, in addition to these, an extraordinary large number of small fake claims for personal injuries where only property damge is suffered.

The deductible liability of $100.00 is obviously intended to get rid of these fake claims, or the large mass of claims arising, perhaps, legitimately, but they certainly indicate that the working out of the Act has produced an extraordinary number of claims, legitimate and faked, and that the Act, to work satisfactorily, would require to exclude claims of under $100.00, and to have a special Board to deal with these that are left.

APPENDIX "D"

EVOLUTION OF THE COMPULSORY INSURANCE IDEA

I made a successful effort to ascertain and follow up the initiation and evolution of the idea of Compulsory Insurance on this continent in its various forms, as outlined by those concerned in the question in its earlier and later development. I did so with the idea that the evolution of this idea might prove useful to myself in understanding what were the problems dealt with, in what way they were handled, and the changing points of view arising when the legislation was taking shape.

The idea arose first in Massachusetts, probably as early as 1920, but came to a head early in 1924, the result of agitation with regard to possible legislation to take care of unsatisfied judgments for damages due to automobile accidents. The insurance companies were interested, and meetings were held, not only by company executives, members of the Association of Casualty and Surety Executive Officers, but by prominent insurance agents, at one of which the Massachusetts situation was explained to them by Mr. Stone, of Boston, who finally evolved the New Hampshire statute on the subject.

The result was the appointment of a "Committee of Nine," who set themselves to find out just what the facts were, and if there was any reason in the Massachusetts situation for the kind of legislation suggested. This Committee of Nine, which functioned for some five years, proposed at first to ascertain the number of unsatisfied judgments which had caused the agitation to spring up, but they found that the difficulties were such that they were never able to find out exactly the percentage of unsatisfied judgments, though they were able to reach some conclusions as to certain percentages and figures.

In 1925 the Committee of Nine made a Report, which, in effect, made the following findings:—

(1) That the prime and fundamental need was to prevent accidents, and that all regulatory legislation should be framed with that end in view.

(2) That Compulsory Insurance, or pecuniary responsibility, was but a partial answer to the question; and,

(3) That it was not justified unless by way of prevention of accidents, or unless it was ascertained that the pecuniary loss suffered by victims of accidents, was exceedingly grave.

This Report came out at a time when, in the State of Massachusetts, and other States, Bills were being introduced having Compulsory Insurance in view, either through insurance companies, or by the establishment and management of State funds. These proposals were watched, and it was evident that the growing volume of proposed legislation indicated an increasing public opinion in favour of some sort of Compulsory Insurance. The Committee of Nine, in their later Report, had only given a very guarded approval to Compulsory Insurance, as they considered the experience of Massachusetts to be distinctly unfavourable. In 1928 the American Automobile Association began to take the matter up, owing to pressure from automobile clubs all over the United States. This action coincided with that of the Committee of Nine, who were getting public opinion on the subject, but from entirely different sources.

The American Automobile Association appointed a sub-committee to deal with the matter, having come to the conclusion that they could not longer resist the pressure that was being brought to bear in favour of some stringent measure, and their conclusions when reached, happened to coincide with the result independently reached by the Association of Casualty and Surety Underwriters in about October, 1928.

The consequence was that the Committee of Nine were invited to have a joint consultation with the American Automobile Association Committee, and they took up together what was practically the first draft of what became known as the "A.A.A. Bill."

This draft was finally considered by the two Committees, together with other automobile interests, such as the General Salesmen and Agents' Association, and organizations representing manufacturers of automobiles, accessories, tires, etc.

In the final draft no principles were changed or affected, but the matter was put into its present shape with the approval of both these bodies, and then submitted for

public attention and criticism. In the end, the State of New York embodied the A.A.A. Bill in the New York Financial Responsibility Law in its present shape, and, as subsequently amended, it is in force throughout that State.

Mr. Augspurger, President of the New York Automobile Club, and Chairman of the American Automobile Association Safety Responsibility Committee, although himself President of an insurance company—the Merchant's Mutual Casualty Company, and the Guardian Casualty Company, both of Buffalo, New York—gave some interesting contributions as to the history of the agitation, pointing out that the American Automobile Association was composed of nearly one million automobile owners in the United States, and, as stated by him, the largest organization of motorists and owners in the world. He added that the United States Chamber of Commerce had been against compulsory insurance, as was the American Automobile Association originally, on the ground that it would not tend to reduce accidents, and also against that other form of compensation which would involve compensation for injuries to property and person being taken over and becoming a matter of State or Government concern; that is, compensation insurance undertaken by the Government.

In the end, and with the co-operation and agreement of manufacturing interests, dealers, and motor vehicle associations, the New York Automobile Accessories Manufacturing Association, and the New York City Automobile Dealers' Association, the A.A.A. Bill was widely circulated throughout the United States, and received the unanimous approval of the newspapers, magazines, and trade journals throughout the country.

This Bill, according to the official publication of the Association, recognizes that:

> "The streets and the highways are public assets; that the automobile is a vital factor in the country's business, social, and economic life, and that the large class of law-abiding, careful drivers, should be permitted the use of the streets without subjecting them to unreasonable burdens, financial or otherwise. For this reason, the Safety Responsibility Law is frankly directed at the small minority of reckless and irresponsible motor vehicle operators to whom are chargeable the mounting toll of loss of life and injuries to persons and property."

In the meantime, the National Chamber of Commerce, under the impulsion of President Hoover (then Secretary of Commerce) had started and carried on an independent examination of the question in 1924, 1925, and 1926. In the latter year the Chamber reported that during 1926:

> "The accident hazard in the States having modern motor vehicle legislation is less by some twenty-five to thirty per cent. than it is in other States which do not have such vehicle legislation. These figures appear to be supported by the data gained from the experience of automobile insurance companies, and that in New York State, since its new automobile law went into effect, this State has recorded a decrease of ten per cent. in automobile accidents, as compared with the preceding year."

During all this time there was a continuous agitation for a plan similar to the Workmen's Compensation for Injuries plan. This was largely due to the fact that all the States in the Union (except four) have Workmen's Compensation laws, and naturally in every State there was a strong urge towards that form of legislation. Instead, however, of it finding favour, the only States which have adopted Compulsory Insurance in any form, have deliberately turned their backs upon a compensation plan, similar to that known as the Workmen's Compensation Plan.

The Massachusetts Compulsory Insurance Law was, during the period I have outlined, passed by the Massachusetts Legislature, and came into force on the 1st of January, 1927. It has had much attention paid to it during the discussion of the evolution and adoption of the laws which now cover some fifteen States, as it was the only working example of an interesting experiment, from which observers could draw conclusions as to its reaction on the inhabitants of the State of Massachusetts, to aid them in solving the problem common to all. I have already dealt with its scope and effect, and its working in the light of the information I have gained, in order to indicate why it has so completely failed to command acceptance in any other State of the Union.

APPENDIX "E"

COMPULSORY INSURANCE LAWS IN OTHER COUNTRIES

Before doing so, however, it is proper to give an outline of what has been done in the way of Compulsory Insurance Laws in other countries. For part of my information I am indebted to Mr. A. J. Lester, editor of "The Canadian Insurance Law Service for a resume of some of the laws enacted in Europe:

Norway.—Compulsory automobile liability insurance has been in force in Norway since 1912. Owners of motor cars are obliged to deposit in the police offices in the districts in which their cars are registered, a guarantee or a policy, issued by an authorized insurance company, covering liability to third parties, arising out of motor vehicle accidents. Foreign cars entering Norway must make a cash deposit. The insurance policies are written by private companies, which are accorded the right to refuse risks.

Denmark.—Compulsory automobile liability insurance was adopted in Denmark in 1921. The insurance is written by private companies under special rules and regulations issued by the Department of Justice. The companies may not refuse applicants for insurance. Foreign cars coming into the country must take out insurance, which is arranged through the Customs officials at the border.

Sweden.—In Sweden, a law was enacted in 1929, effective January 1st, 1930, compelling the owners of motor vehicles to carry insurance covering injuries to third parties and damage to property, up to a stipulated amount.

Czecho-Slovakia.—Definite information concerning the compulsory automobile insurance law in Czecho-Slovakia is not obtainable, but press reports indicate that there is in force there some kind of a compulsory automobile liability insurance law.

Switzerland.—The traffic laws of Switzerland are Cantonal and Federal. As far back as 1914 various Cantons had entered into an agreement for common regulation, called a "Concordat." Twenty Cantons have now adopted the Concordat, one of the provisions of which is that, as a condition to obtaining a driver's license, the applicant must furnish proof that he is insured to secure the payment of any liability incurred by him for bodily injuries or death caused by a motor vehicle accident, up to stipulated amounts. The policy must be written by an authorized company, and cover all accidents caused by the vehicle, whether driven by the owner or some other person with his consent. The remaining five Cantons have adopted similar provisions.

One of the unique provisions of the insurance so required, is that the insured must himself bear one-tenth of each loss, including all loss up to one hundred francs. It is said that this so-called deductible clause works well and is generally deemed to be highly effective in promoting safety, eliminating petty claims, and claims by guests, and is entirely satisfactory to the insurance companies. Foreign automobiles are not required to give evidence of financial responsibility.

France.—It appears that liability insurance is not presently compulsory for motorists in France, but it is reported that an old Bill, long pigeon-holed in a committee of Parliament, proposes to pave the way for Compulsory Insurance, by establishing a State fund to provide the insurance at cost. The proposal involves requiring the assured to retain one-twentieth of the risk.

Germany.—Compulsory automobile liability insurance is not in force in Germany.

Hungary.—A measure providing for compulsory third party insurance was laid before Parliament in Hungary about three months ago. It makes the insurance of public service motor vehicles obligatory, and empowers the Minister to extend the measure to privately owned motor vehicles. Licensees may show evidence of financial responsibility, either by a certificate of insurance issued by an authorized insurance company, or by depositing cash or security. The police authorities are forbidden to issue a license unless the applicant produces a certificate of insurance or has deposited the necessary security. The Minister is authorized to exempt from the law companies which are obliged by law to publish a balance sheet showing their financial standing, and which are in a position to meet any financial obligations arising out of accidents connected with their vehicles, as well as municipal and district authorities operating public vehicles.

New Zealand.—The Bill introduced into the House of Lords in England for compulsory insurance is based upon an Act passed in New Zealand in 1928 which came into force on the 1st day of January, 1929. It differs in many respects from the present English Bill and is much more drastic. So far no information as to its working has come through from New Zealand and all that is said about it in the evidence given before the Royal Commission on Transport in England is very little. In fact, no estimate of its success or working was offered.

The New Zealand Act requires all owners to insure against liability to pay damages on account of accidents resulting in the death of, or bodily injury to, any other person. The liability of the insurance company is limited to £2,000 for any claim by any passenger in the motor vehicle, with a limit of £20,000 for all claims made in respect of such passengers. Otherwise it is unlimited. It does not, however, cover injury to relatives or servants, or gratuitous guests in the vehicle. In enures to the benefit of the owner of the motor vehicle for the time being, notwithstanding any change in its ownership. The owner, on an application for a license pays his premium for insurance according to the prescribed form, and no license is granted without evidence of insurance. The contract of insurance is complete on the payment of a premium and is available to the person injured as a charge upon the insurance moneys, notwithstanding death or insolvency of the owner, and may be sued for, in which case the party injured has the same right as if the owner were bringing the action. The power to settle claims is reserved to the insurance companies, but passengers for hire cannot contract themselves out of the Act. Any insurance company may apply for the cancellation of a driver's license. The rates to be charged by the insurance companies are to be governed by regulations made by the Governor-General by Order-in-Counci Differential rates may be fixed which the owners are not allowed to vary.

England.—The English Act is much simpler, and will, no doubt, be passed into law. The British House of Lords is now considering a Compulsory Insurance Law, and the provisions of the Bill as introduced, so far as it deals with that subject, are as follows:

It shall not be lawful for any person to use, or to cause or permit any other person to use, a motor vehicle on a road unless there is in force in relation to the vehicle while being so used, such a policy of insurance, or such a security in respect of third-party risks, as complies with the requirements of the Act. This provision makes it unlawful for a motorist to drive on a highway unless he has a policy of insurance in force protecting third parties.

If a person acts in contravention of this section he is liable to a fine not exceeding fifty pounds, or to imprisonment for a term not exceeding three months, or *to both such fine and imprisonment*, and a person convicted of an offence under this section shall (unless the Court for special reasons thinks fit to order otherwise and without prejudice to the power of the Court to order a longer period of disqualification) be disqualified for holding or obtaining a license for a period of twelve months from the date of the conviction. There are severe penalties for the offence of driving without securing a policy.

A person disqualified by virtue of a conviction under this section, or of an order made thereunder for holding or obtaining a license, shall be deemed to be disqualified under the other provisions of the Act dealing with the qualifications for a license.

The Act does not extend to vehicles owned by local authorities, by police authorities, or by the Receiver for the Metropolitan Police District, or to invalid carriages.

In order to comply with the requirements of the Act a policy of insurance must be a policy which is issued by an authorized insurer, and which insures specified persons or classes of persons in respect of any liability which may be incurred by them in respect of the death of, or bodily injury to, any person caused by or arising out of the use of the vehicle on a road.

Such a policy shall not be required to cover a servant in respect of death or bodily injury in the course of his employment, or passengers either being carried in, or entering or alighting from the vehicle, unless passengers for hire.

An important provision is the following: "A policy shall be of no effect for the purposes of this part of this Act unless and until there is delivered by the insurer to the person by whom the policy is effected, a certificate of insurance,

in the prescribed form and containing such particulars of any conditions subject to which the policy is issued, and to any other matters as may be prescribed, and different forms and different particulars may be prescribed in relation to different cases or circumstances."

It is also specifically enacted that any condition providing that no liability shall arise under the policy, or that any liability so arising shall cease, in the event of some specified thing being done or omitted to be done *after the happening of the event giving rise to a claim under the policy*, shall be of no effect.

Any provision, however, in a policy requiring the person insured or secured to repay to the insurer any sums which the latter may have become liable to pay under the policy, and which have been applied to the satisfaction of the claims of third parties, shall be effective.

There are similar provisions to the foregoing with regard to securities other than policies of insurance. The remaining clauses of the Act (38, 39, 40, and 41), deal with the production of the certificate of insurance on certain occasions, the powers of the police in regard thereto, the right to make regulations which is vested in the Minister of Transport, and an amendment to the Insurance Act, which are not of importance in this inquiry.

It will be observed that the insurance which this Act provides for is confined to liability incurred in respect of the death or bodily injury to any person, caused by, or arising out of, the use of a vehicle on a road, and does not include insurance against property damage.

With respect to what it does cover, however, the insurance is unlimited, and one important provision is that contained in Section 37, whereby no condition in the policy shall absolve the insurance company from liability, by reason of any specified thing being done or omitted to be done *after the happening of the event giving rise to the claim.*

In Great Britain evidence was given that ninety to ninety-five per cent. of all motorists are insured, both as to public liability and property damage.

It is, however, interesting to note, in considering the relative complexity of the traffic problem and the experience to be derived from its operation, that in England there were in 1928 some 2,036,000 cars in use, in the United States some 23,000,000, and in Canada somewhat over 1,000,000.

While I make no recommendation regarding the speed limit I may mention that at a Conference with the Minister of Transport in England the Borough Councils decided to recommend to him the retention of the speed limit in Inner and Outer London.

Connecticut

(Original Act effective January 1st, 1926)

The law provides that any person who has been convicted of violation of certain provisions of the Motor Vehicles law (i.e., reckless driving, driving while intoxicated, evading responsibility, etc.), or who has been involved in a motor vehicle accident causing injury to persons or substantial damage to property, may be required by the commissioner of motor vehicles to show evidence of financial responsibility by filing a certificate of insurance or other security, for the payment of claims for injuries to persons or damage to property (up to specified limits) incurred in future accidents, in default whereof his driving license may be suspended.

In 1929 the law was amended to provide:

(*a*) That upon complaint that a judgment for a sum other than costs or nominal damages in an action arising out of the operation of a motor vehicle has remained unpaid for more than 60 days, without notice of appeal, the commissioner of motor vehicles shall suspend the operator's license and may suspend the registration of any motor vehicle owned by him until proof that such judgment has been satisfied; and

(*b*) That the commissioner shall classify all persons from whom proof of financial responsibility is required in three classes: "A," "B," and "C," according to the seriousness of their offences, and that insurance companies shall charge for insurance in excess of the standard rate, ten per cent. for a person in Class "A," twenty-five per cent. for a person in Class "B," and

fifty per cent. for a person in Class "C." Where a person so classified has committed no offence and been involved in no accident during the preceding twelve months the commissioner shall reclassify him in the next better class, or, if he is in Class "A," eliminate him from classification. A person already classified may, for a further offence, be classified in a worse class.

New Hampshire

(Original Act effective June 1st, 1927)

The law provides that where a person is involved in a motor vehicle accident resulting in injuries to persons or damage to property, he may be haled into court in preliminary proceedings in an action against him for damages, and if then found to be probably liable, shall—unless he can produce evidence of insurance coverage complying with the specifications set forth in the law—be required to file security for the payment of whatever judgment may be recovered against him (up to specified limits) in default whereof his driving rights shall be suspended.

In 1929 it was provided that in lieu of, or in addition to, the above described court proceeding, the motor vehicle commissioner shall, if requested by the injured party, or may, upon his own motion, investigate to determine whether the owner or operator of such vehicle is probably liable for, and financially responsible to, the amount of the damages suffered (up to specified limits), and if the commissioner is not satisfied he shall require the operator to file with him a certificate of insurance. If the person fails to comply with these provisions the commissioner shall suspend his operator's license and the registration of all motor vehicles owned by him.

The provisions in the new law dealing with a speedy hearing was described to me in this way:

"The New Hampshire law provides that a person who has been injured as a result of an automobile accident in New Hampshire on the public ways, or otherwise, if he brings a suit may, in addition to bringing a suit, and immediately thereafter, file a petition in court to have the court determine the financial responsibility of the defendant.

In 1929 this law was amended for the sake of making things move a little more speedily to provide that this petition might also be filed with the Registrar of Motor Vehicles, and allowing him to have a hearing, about which I am going to speak.

At this hearing, which is held immediately, if the petition be brought in Court and before the Registrar, if it be requested of him, the parties are heard, informally, and it is decided whether or not the defendant was probably wholly at fault.

If he decides that the Defendant was probably wholly at fault he orders that the defendant do immediately put up security, sufficient in his judgment to satisfy any judgment which later on might be obtained against the defendant.

If the defendant has an automobile insurance policy the certificate of the insurance company is sufficient to comply with the order of the Judge or the Registrar that a certain amount of security be furnished.

The Commissioner: Suppose the man has not got with him his insurance policy and he lives in Ontario and is insured there. What evidence would he have to give that he had such a policy?

A.: He would not have to give any evidence. The certificate of the insurance company would be sufficient. Of course he has seven days' notice in which he is notified that he has to appear for this hearing. When I said "immediately," he has seven days' notice.

The supposition is that in seven days, by telegraphing his company, they could mail a certificate, or authorize their agent in New Hampshire to furnish the certificate.

A.: If a person involved in an accident against whom this order is made, is a foreign owner, and does not therefore have a license to drive in New Hampshire or have his automobile registered there, he shall thereafter be forbidden from operating any car in New Hampshire, or having operated in New Hampshire any car he may own.

APPENDIX "F"

COMPENSATION PLAN SIMILAR TO WORKMEN'S COMPENSATION LAW

It might be well, at this stage, to deal with the compensation plan, because it has received very considerable attention in the United States, due to the fact that the vast majority of the States there deal with Workmen's accidents on that plan, and the natural thought arises, why should this not be applied to an equally large and important class of accidents. Besides, I have received from the Ontario Joint Legislative Committee of the Railway Brotherhood, and a few others, commendation of the idea that motor vehicle insurance should be carried by the Government at cost, or approving of the application of the workmen's compensation principle to motor accidents.

The first fact that stands out is that notwithstanding that the attention which the subject I have mentioned has received, and the persistent advocacy of this plan in many of the United States, none of the suggestions involved have found acceptance in any State of the Union.

This is due, I think, to the fact that when carefully examined there is a fundamental difference between industrial accidents and motor vehicle accidents, in that the one is dealt with on the basis of an absence of fault, whereas motor vehicle accidents always involve negligence of one or two parties. To deal with them both on the basis of absence of fault would enable those who caused a motor accident, and were injured thereby, to be classed with those who were injured without being in any way to blame, an extraordinary reversion of the present law upon the subject, and calculated to cause an enormous burden either on the State or on the whole body of motor users, the vast majority of whom are not responsible for accidents because of their cars in driving. For it must not be forgotten that, although accidents are frequent and serious, and are usually due to carelessness, recklessness and drink, the proportion of accidents to the number of occasions on which an accident might happen, is small, and if compared with the number of motors is also of little proportional value.

Another grave difficulty is finding any legitimate source from which the cost of the compensation is to come. In a Workmen's Compensation Plan the accident is treated as one of the business expenses of the organization. In fact, part of the general cost of production, and as such is passed on to the general public, and the contribution, therefore, which the manufacturer or master makes to the fund is distributed and ceases to be a serious burden on anybody. It is impossible to deal with motor accidents in the same way. The cost of compensation must fall upon the general body of motorists, or on the State, and cannot be passed on to anyone else. If there is no negligence involved what reason is there to impose the cost of compensation upon the motorist alone? Why should not the cost of all accidents upon the highway, in the cellar, or in the woods, or anywhere else, be similarly treated?

As casualty insurance is available to each motorist so that he carries with him the means of satisfying the cost of any injury he does, there seems to be no good reason or indeed, any even plausible reason, for unloading upon the State or upon the general body of motorists, the cost of what belongs individually to and is caused directly by each wrongdoer.

There are many other phases of workmen's compensation for industrial accidents which are not capable of application to motor vehicle accidents. Consider for a moment the scale of compensation for injuries allowed. In industrial accidents the workman bears a portion of the loss due to the accident, and is indemnified in part only, usually on a scale of 50% or 66⅔% of his regular wages. In the case of victims of motor vehicle accidents, there are many who do not earn any wages, for whom no "ready-made" standard of measurement is available to determine the compensation which the victim ought to receive. Victims entitled to full indemnity, under the common law principle of liability for negligence, are not ready to surrender their right to full indemnity for a partial indemnity payable regardless of fault.

Invalid and fraudulent claims by injured workmen under the compensation system are restricted, not only by the partial indemnity feature of the compensation plan, but also by the fact that the employer selects his own workmen, selects them with care for their reliability and honesty, as well as for their efficiency as workmen, or has at least a chance to do so. He has the right to discharge them and end the employment if they attempt to defraud the employer through unjust claims for compensation. No such possibilities of check or restrictions exist in relation to claims

for injuries due to motor vehicles. The victim and the person against whom the claim is made are strangers to each other, and the person liable to pay has no control or supervision over the future employment or conduct of the victim.

I have not heard any reasonable suggestion that the Government should undertake this kind of insurance, nor indeed have any been put forward other than by pointing to the Workmen's Compensation plan as a familiar instance of government management of a so-called similar problem. That is not a good reason in this Province, for here the fund for workmen's compensation is one contributed by the employers, and the difficulty persists, in the case of a motor accident fund that there is no one, other than the offenders, who ought to be asked to contribute. The Government has undertaken no liability to contribute to the accident fund, and in order that the contribution from employers should be limited to what are considered reasonable amounts, provision is made that:

(*a*) The amount of the indemnity is fixed by statute on a definite scale, which does not require the exercise of discretion or discrimination;

(*b*) No question of legal right to compensation arises, since the compensation is payable regardless of fault and becomes a statutory right of the victim;

(*c*) A limited number or section of the general public, consisting on the one hand of large business and industrial organization, and on the other of wage earners, is affected by the operation of the plan.

None of these conditions are present in the case of automobile liability insurance. The amount of compensation is always a question at issue between the claimant and the defendant, and is a question of fact to be determined in ordinary course by a Judge or jury. The question of legal liability is also essentially an issue, and is a mixed question of law and fact to be determined by the Court, in the absence of agreement between the parties. Those affected are individuals only. one or both negligent, and include no class capable of making any large contribution to any fund without grievous hardship to individuals.

To expect any Government to provide not only a vast fund to compensate individuals, when the same result can be obtained from companies organized to meet the demand, and to establish a huge department with a competent and extensive staff to deal with each daily crop of accidents, to settle the liability, hear witnesses, and measure the fault, would be directly contrary to the principle of the Ontario Workmen's Compensation Act, and an advance on anything undertaken by any Government, either with respect to Workmen's Compensation, or as to automobile liability nsurance.

For these reasons, and others which have been adduced elsewhere, I am entirely opposed to any such plan. In Exhibit No. 78 to this Report, Mr. P. Tecumseh Sherman's pamphlet, will be found an exhaustive examination and criticism of proposals made in various parts of the United States for compensation for motor accidents on the Workmen's Compensation principle.

Without attempting to recapitulate his views, I may say that Mr. Sherman scouts the idea that a law similar to the Workmen's Compensation Law is in any way comparable to this Massachusetts legislation, because the Workmen's Compensation Law is based upon compensation for accidents, regardless of fault. Any comparison, therefore, he thinks, between the two sorts of legislation, seemed to him to be out of the question, because to admit the principle that everyone injured in an accident should be compensated, regardless of fault, would at once impose upon the mass of motor owners a liability for which there is not the slightest shadow of a reason. The motorist who injures anyone has no right to call upon the entire company of motor owners to compensate the person he has injured.

He further points out that compensation, regardless of fault, so far as motor owners were concerned, might in practice take any one of a multitude of different forms. These might be as follows: The law might be exclusive or optional, and the insurance individual or collective, and might apply to accidents on public ways only, or to private property. It might be limited to collisions between motor vehicles, or between a motor vehicle and a pedestrian. It might include or exclude passengers. It must provide for liability or non-liability, according to who happens to be driving it. There are, as well, other variations which it is not necessary to mention, all of which would have to be covered by any compensation scheme, provided it was based upon one fault. The complexity of ways in which accidents may happen in connection with motors is in itself, as he points out, a very serious difficulty, the surmounting of

which has caused the failure of every suggested "Compensation Without Fault" Bill introduced or discussed in any of the United States legislatures.

If such a scheme were adopted it must include all the competent and careful motorists, as well as the criminally careless and incompetent, and provide not only for the accidents caused by the fault of the motorists, but also for all the accidents happening to everybody, no matter how they may have been caused. Judging from the increase in motor vehicles and the consequent multiplicity of accidents which are keeping pace with that increase, this would soon involve a colossal sum, and require the creation of an enormous fund.

The Legislative Committee of the State of Massachusetts has just recently (January, 1930) reported against the establishment of a State Fund to compensate injured motorists. This plan has also been considered (January, 1930) by the Columbia University Committee on Compensation for Automobile Accidents, but so far it has contented itself with pointing out the legal, economic, and constitutional difficulties that it involves.

APPENDIX "G"

LIST OF WITNESSES

Who gave evidence respecting Compulsory Insurance and Safety Responsibility Laws.

(*a*) IN TORONTO:

Witness	*Occupation*	*Page*
John B. Laidlaw	Chairman, Canadian Automobile Underwriters' Association	84
Ross Beckett	Mayor of the City of Stratford	3029
Robert James Browne	Police Magistrate, City of Toronto	3039
R. Beverley Robson	Mayor, City of Guelph	3047
F. J. Mitchell	Councillor, City of Windsor	3062
George Meredith Orr	Vice-President, Ontario Fire and Casualty Agents' Association	3067
A. E. Mallaby	Councillor, Town of Weston	3069
H. A. McLaren	Councillor, Town of Weston	3073
David McKinney	Inspector, Toronto Police Department	3076
T. N. Phelan, K.C.	Representing Ontario Motor League	3090
R. Rodness	Representing Labour Party of Ontario	3130
Leon Frazer	Industrial Commissioner, City of Oshawa	3134
Leopold Macaulay, K.C., M.L.A.	Member of Legislative Assembly, Province of Ontario	3148
T. Marshall	Transportation Adviser, Toronto, Board of Trade	3155
Daniel J. Coffey	Barrister-at-Law, Toronto	3158
F. W. Wegenest, K.C.	Representing County of York Law Association	3166
J. P. Bickell	Registrar of Motor Vehicles, Province of Ontario	3194
Dr. Fred W. Routley	Secretary, Ontario Hospital Association	3197
H. K. Carruthers	Manager Automobile Club, Ottawa	3206

(*b*) IN THE UNITED STATES:

ALBANY:	Hon. Charles A. Harnett	Commissioner of Motor Vehicles, New York State	1521
	John P. Hennessy	Deputy Commissioner of Motor Vehicles, New York	
	William F. Dineen	Deputy Commissioner of Motor Vehicles, New York	

Place	Witness	Occupation	Page
NEW YORK CITY:	Hon. Albert Conway	Superintendent of Insurance, New York State	1580
	Joseph J. Magrath	Chief of Rating Bureau, Insurance Dept., State of New York	
	Isaac Siegel	Examiner, Rating Bureau, Insurance Dept., State of New York.	
	Prof. Albert W. Whitney	Associate General Manager, National Bureau of Casualty and Surety Underwriters, New York City	1736
	Everett E. Robinson	Manager of Automobile Department, National Bureau of Casualty and Surety Underwriters	
	L. L. Hall	Secretary-Treasurer, National Bureau of Casualty and Surety Underwriters	
	F. Robertson Jones	General Manager, Association of Casualty and Surety Underwriters	1830
	Charles Haugh	Actuary, National Bureau of Casualty and Surety Underwriters	
	P. Tecumseh Sherman	Counsel for Casualty Insurance Companies	
	James A. Beha	Chairman of the Board, International Germanic Trust Company. Formerly Superintendent of Insurance, State of New York	1984
	Marcus Meltzer	Statistician, National Bureau	2061
	Clarence W. Hobbs	Formerly Insurance Commissioner, State of Mass. Representative of the National Convention of Insurance Commissioners	2126
SPRINGFIELD, MASS.:	Wesley E. Monk	General Counsel of Mass. Mutual Life Insurance Co. Formerly Insurance Commissioner, Commonwealth of Massachusetts	2167
BOSTON, Mass.:	Hon. Merton L. Brown	Commissioner of Insurance, Commonwealth of Massachusetts	2247
	Capt. Geo. A. Parker	Registrar of Motor Vehicles, Commonwealth of Massachusetts	
	Arthur E. Linnell	First Deputy Commissioner of Insurance, Mass	
	Edmund S. Cogswell	Second Deputy Commissioner of Insurance, Mass	
	Arthur B. Lines	Actuary, Division of Insurance, Mass	
	Harold J. Taylor	Counsel, Division of Insurance, Mass	
	Edgar P. Dougherty	Third Deputy Commissioner of Insurance, Mass	
	W. N. Magoun	Manager, Mass., A. R. and A. P. Bureau	2320
	W. J. Constable	Secretary, Mass., A. R. and A. P. Bureau	
	R. A. Wheeler	Actuary, Liberty Mutual Insurance Company	2363
	S. Bruce Black	President Liberty Mutual Insurance Company	2364
	Gay Gleason	Counsel, Employers' Liability Assurance Corporation	2395
	Frank P. Sargent	Manager, Employers' Liability Assurance Corporation	
	Fred L. Reynolds	Claims Department, Employers' Liability Assurance Corporation	

APPENDIX "H"

LIST OF EXHIBITS

Relating to Compulsory Insurance and Financial Responsibility Laws

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Number of Exhibit	*Exhibit*	*Page of Record*
58	Copy of New York State Financial Responsibility Law	
59	New York State Traffic Law	
60	Forms issued by the New York State Motor Vehicle Department	
61	New York Insurance Law	
62	Preliminary Text, Annual Report Superintendent of Insurance, New York	
63	Four forms of endorsation	
73	Report presenting the views of the Committee of Nine, dated 1925	
74	Final Status of 1929 Legislation for Automobile Liability Security Laws (including six similar reports)	
75	A.A.A. Safety-Responsibility Bill	
76	Address of Thomas P. Henry, President American Automobile Association, at White Sulphur Springs, October, 1928	
77	Report on Automobile Insurance Legislation by R. Leighton Foster, which embodies a digest of the New York Financal Responsibility Law and the text of the "Macaulay Bill"	
78	Galley proof of Objections to Workmen's Compensation Law as applied to automobile insurance, by Mr. Sherman	
79	Automobile Liability Security Laws	
80	Report of the Joint Legislative Committee of the Senate and Assembly, California, relating to traffic hazards and problems and motor vehicle public liability insurance, January, 1929	
89	Copy of the laws relative to compulsory automobile liability insurance as amended 1929	2259
90	1929 amendments to the Massachusetts Insurance Law, Chapter 166	2260
91	Massachusetts Automobile Manual containing classifications of risk and schedules of premium charges established by the Commissioner of Insurance, effective January 1st, 1930	2260
92	Massachusetts Automobile Liability Statistical Plan, containing rules and code established by the Commissioner of Insurance	2260
93	Massachusetts Automobile Liability Experience for 1927 and 1928, filed by the Massachusetts Rating Bureau with the Insurance Department, June and July, 1929	2265
94	Report of the Bureau to the Insurance Department as of August 13th, 1929, of the suggested schedule of rates for 1930	2265
95	Proposed rate schedule for automobile liability insurance for 1930, Commonwealth of Massachusetts	2270

Number of Exhibit	Exhibit	Page o Record
96	Tentative rate schedule proposed by Commissioner	2270
97	Volume entitled "Acts and Resolves," passed by the Legislature of Massachusetts during the session of 1929, attention directed particularly to page 531	2292
98	Report of the Judicial Council for 1929 embodying the recommendation that the Stone Plan be engrafted on the Massachusetts Law to cover the problem presented by non-resident motorists	2304
99	Data on motor vehicle accidents furnished by the Registrar of Motor Vehicles for the Commonwealth of Massachusetts	2316
100	Form of application for motor vehicle registration, to which is attached form of certificate with respect to insurance which is required by law	2319
101	Constitution Massachusetts Automobile Rating and Accident Prevention Bureau	2324
104	Letter from Mr. Cogswell addressed to Mr. Foster enclosing copy of statement prepared by Commissioner Monk in 1928	2448
105	Memorandum submitted by Mr. Reynolds	2448
106	Report by Massachusetts Investigating Committee, 1924	
108	Motor Vehicle Law of the State of Connecticut	2472
111	Copy of the last Annual Report of the Commissioner of Motor Vehicles for the State of Connecticut	2581
112	Connecticut Motor Vehicle Laws revised to July 1st, 1929	2585
113	Copy of an address delivered by Colonel Howard P. Dunham at White Sulphur Springs in 1928 (October)	2613
116	Pamphlet issued by the Chamber of Commerce of the United States on Compulsory Automobile Insurance	2664
117	Compulsory Automoible Liability Insurance, Motor Vehicle Conference, January, 1927	2696
118	A Primer on Compulsory Automobile Insurance	2696
119	State Regulation of Motor Vehicle Common Carrier Business	2696
120	1929 addition of Motor Vehicle Conference Committee	2696
121	Report of the First Conference on Street and Highway Safety and Succeeding Reports	2705
122	Basic Regulation Principles, by Col. A. B. Barber	2718
123	Report by the Director of the Division of Vital Statistics	2750
124	Press Comments on the A.A.A. Bill	2786
125	Address by Mr. Augspurger at Columbus, Ohio	2803
126	A brief summary of the high spots of the Automobile Liability Security Laws of various States so far as they relate to the principles of the A.A.A. Bill	2806
128	First report on the Control of Traffic on Roads by the Royal Commission on Transport in July, 1929	2824
129	Minutes of Evidence given on behalf of the Transport and General Workers' Union, The National Safety First Association, Lloyd's, The Accident Offices Association, and the North Yorkshire and South Durham Regional Advisory Committee on Traffic Control before the Royal Commission on Transport on March 21st and 22nd, 1929	2825

TEXT OF ACTS

passed in the first session of the eighteenth Legislature of Ontario, which ended on the 3rd day of April, 1930, in furtherance of recommendations contained in this Report.

Chap. 47. The Highway Traffic Amendment Act, 1930.

Chap. 41. The Insurance Act, 1930 (*part*).

STATUTES OF ONTARIO, 1930

CHAPTER 47

An Act to amend The Highway Traffic Act.

Assented to April 3rd, 1930.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

1. This Act may be cited as *The Highway Traffic Amendment Act, 1930.* Short title.

2. Section 1 of *The Highway Traffic Act* is amended by adding thereto the following clause: Rev. Stat. c. 251, s. 1, amended.

(*kk*) "Registrar" shall mean the Registrar of Motor Vehicles appointed under this Act. Registrar.

3. *The Highway Traffic Act* is amended by adding thereto the following section: Rev. Stat. c. 251, amended.

1*a*.—(1) There shall continue to be a Registrar of Motor Vehicles who shall be appointed by the Lieutenant-Governor in Council. Registrar of Motor Vehicles.

(2) The Registrar shall act under the instructions of the Minister and shall have general supervision over all matters relating to highway traffic within Ontario, and shall perform such duties as are assigned to him by this Act, by the Lieutenant-Governor in Council, or by the Minister. Duties.

4.—(1) Section 45 of *The Highway Traffic Act* is amended by adding thereto the following subsection: Rev. Stat., c. 251, s. 45, amended.

(1*a*) No person shall drive, attempt or prepare to drive a motor vehicle when under the influence of drink or drugs so as to be incapable of having proper control of such vehicle. Incapable persons not to drive.

(2) Subsection 2 of the said section 45 is amended by inserting after the word "intoxicated" in the fourth line, the words "or of a violation of the provisions of subsection 1*a*" and by Rev. Stat., c. 251, s. 45, sub.s. 2, amended.

striking out all of the words after the word "period" in the sixth line and substituting therefor the following:

(*a*) not exceeding six months for the first offence;

(*b*) not less than three months and not exceeding one year for the second offence;

(*c*) not less than one year and not exceeding two years for the third or any subsequent offence.

Rev. Stat., c. 251, amended.

5. *The Highway Traffic Act* is amended by adding thereto the following section:—

Service of notice or process on non-residents.

47*a*. The use of a highway within Ontario by any person not resident in Ontario operating or responsible for the operation of a motor vehicle within Ontario, shall, by virtue of the right of user conferred by this Act, be deemed to constitute the Registrar an agent of such person for the service of notice or process in any action in Ontario, arising out of a motor vehicle accident in Ontario in which such person is involved, subject to the following conditions:

How served.

(*a*) Such notice of process may be served by leaving a copy thereof with, or at the office of, the Registrar at least ten days before the return day of such notice of process, together with the post office address of the non-resident upon whom service is to be made.

Address.

(*b*) The last known address of such non-resident, according to the record of the Registrar of Motor Vehicles, or other official having similar duties in the Province or State in which such person resides, shall be conclusively deemed to be the correct address of such person, for the purpose of such service.

Duty of Registrar.

(*c*) Upon receipt of such notice or process, and the address as aforesaid, the Registrar shall forward the said notice or process to such person at the given address by registered mail, postage prepaid.

6. *The Highway Traffic Act* is amended by adding thereto the following Parts:—

PART XIII.

FINANCIAL RESPONSIBILITY OF OWNERS AND DRIVERS.

Definitions.

70. In this Part,—

"Authorized Insurer." Rev. Stat., c. 222.

(*a*) "Authorized Insurer" means an insurer duly licensed under the provisions of *The Insurance Act*, to carry on in Ontario the business of automobile insurance;

(*b*) "Driver's License" means an operator's license and a chauffeur's license issued pursuant to the provisions of this Act; "Driver's License."

(*c*) "Motor Vehicle" includes "Trailer," as defined in this Act; "Motor Vehicle."

(*d*) "Proof of Financial Responsibility" means a certificate of insurance, a bond, or a deposit of money or securities given or made pursuant to section 78; "Proof of Financial Responsibility."

(*e*) "Treasurer" means the Treasurer of Ontario; "Treasurer."

(*f*) "State" means one of the United States of America; "State."

(*g*) "Superintendent of Insurance" means the Superintendent of Insurance appointed under the authority of *The Insurance Act*. "Superintendent of Insurance." Rev. Stat., c. 222.

71.—(1) Nothing in this Part shall prevent the plaintiff in any action from proceeding upon any other remedy or security available at law. General application.

(2) This Part shall only apply to offences and violations of law committed, and to convictions and judgments arising out of motor vehicle accidents occurring, and to motor vehicle liability policies issued or in force, after the date of coming into force of this Part.

72.—(1) The driver's license and owner's permit of every person who has been convicted of, or who has forfeited his bail after having been arrested for, any one of the following offences or violations of law, namely: Licenses suspended for convictions.

(*a*) Any offence for which a penalty is provided in section 24 of this Act, if any injury to any person or property occurs in connection therewith; Reckless driving.

(*b*) Any offence for which a penalty is provided in section 25 of this Act; Racing.

(*c*) Exceeding the speed limit fixed by section 23 of this Act, if any injury to any person or property occurs in connection therewith; Speeding.

(*d*) An accident having occurred, failing to remain at or return to the scene of the accident in violation of the provisions of section 40 of this Act; Leaving scene of accident.

(*e*) Driving a motor vehicle on a highway without holding a driver's license required by this Act; Driving without a license.

Criminal offence.

(*f*) Any criminal offence involving the use of a motor vehicle;

Other offences.

(*g*) Any offence against public safety on highways as may be designated by the Lieutenant-Governor in Council,

shall be forthwith suspended by the Minister, and shall remain so suspended, and shall not, at any time thereafter, be renewed, nor shall any new driver's license, or owner's permit, be thereafter issued to such person until he shall have given to the Registrar proof of his financial responsibility.

Conviction in other provinces or states.

(2) Upon receipt by the Registrar of official notice that the holder of a driver's license, or owner's permit under this Act, has been convicted, or forfeited his bail, in any other province or state in respect of an offence, which, if committed in Ontario would have been, in substance and effect, an offence under, or a violation of the provisions of law mentioned in the next preceding subsection, the Minister shall suspend every driver's license and owner's permit or permits, of such person issued pursuant to this Act, until that person shall have given proof of financial responsibility in the same manner as if the said conviction had been made or the bail forfeited in Ontario.

Non-residents.

(3) If any person to whom subsection 1 applies, is not a resident of Ontario, the privilege of operating any motor vehicle within Ontario, and the privilege of operation within Ontario of any motor vehicle owned by him, is suspended and withdrawn forthwith, by virtue of such conviction or forfeiture of bail, until he has given proof of financial responsibility.

License suspended for failure to pay judgments.

73.—(1) Subject to the provisions of section 81, the driver's license and owner's permit or permits, of every person who fails to satisfy a judgment rendered against him, by any court in Ontario, or in any other province of Canada, which has become final by affirmation on appeal or by expiry without appeal, of the time allowed for appeal, for damages on account of injury to, or death, of any person, or on account of damage to property in excess of $100, occasioned by a motor vehicle, within fifteen days from the date upon which such judgment became final, shall be forthwith suspended by the Minister, upon receiving a certificate of such final judgment from the court in which the same is rendered, and shall remain so suspended, and shall not at any time thereafter be renewed, nor shall any new driver's license or owner's permit be thereafter issued to such person until such judgment is satisfied or discharged (otherwise than by a discharge in bankruptcy)

to the extent of at least $5,000 (exclusive of interest and costs) for injury to, or death of, any one person, and, subject to that limit for each person so injured or killed, to the extent of at least $10,000 (exclusive of interest and costs), for injury to, or death, of two or more persons in any one accident, and to the extent of at least $1,000 (exclusive of interest and costs), for damage to property of others resulting from any one accident, and until such person gives proof of his financial responsibility.

Subsequent judgments.

(2) If, after such proof of financial responsibility has been given, any other judgment against such person, for any accident which occurred before such proof was furnished, and after the coming into force of this Part, is reported to the Registrar, the driver's license and owner's permit or permits of such person shall again be, and remain, suspended until such judgment is satisfied and discharged (otherwise than by a discharge in bankruptcy) to the extent set out in the next preceding subsection.

Non-residents.

(3) If any person to whom subsection 1 applies is not resident in Ontario, the privilege of operating any motor vehicle in Ontario, and the privilege of operation in Ontario of any motor vehicle registered in his name, shall be, and is, suspended and withdrawn forthwith by virtue of such judgment until he has complied with the provisions of subsection 1.

Persons under and over certain ages.

74. The Minister may require proof of financial responsibility before issue of an owner's permit or driver's license, or the renewal thereof to any person under the age of twenty-one years or over the age of sixty-five years.

Persons responsible for accidents.

75. The Minister may require proof of financial responsibility from any person who, while operating any motor vehicle, shall have been involved in, and, in the opinion of the Minister, is responsible in whole or in part, for any motor vehicle accident resulting in the death of, or injury to, any person, or damage to property in excess of $100, or from the person in whose name such motor vehicle is registered, or from both, and the Minister may suspend all owner's permits and driver's licenses in such cases until such proof of financial responsibility has been given.

Voluntary filing of financial responsibility.

76.—(1) An owner's permit and driver's license, or, in the case of a person not resident in Ontario, the privilege of operating any motor vehicle in Ontario, and the privilege of operation within Ontario of any motor vehicle owned by such non-resident, shall not be suspended or withdrawn

under the provisions of this Part, if such owner, driver, or non-resident has voluntarily filed or deposited with the Registrar, prior to the offence or accident, out of which any conviction, judgment, or order arises, proof of financial responsibility, which, at the date of such conviction, judgment, or order, is valid and sufficient for the requirements of this Part.

Registrar may receive proof.

(2) The Registrar shall receive and record proof of financial responsibility voluntarily offered, and if any conviction or judgment against such person is thereafter notified to the Registrar which, in the absence of such proof of financial responsibility would have caused the suspension of the driver's license or owner's permit under this Part, the Registrar shall forthwith notify the insurer or surety of such person of the conviction or judgment so reported.

Amounts and limits.

77. Proof of financial responsibility shall be given in the following amounts by every driver, and, in the case of an owner, in the said amounts for each motor vehicle registered in his name, by every owner, to whom this Part applies, namely:—

(*a*) At least $5,000 (exclusive of interest and costs) for injury to, or death of, any one person, and, subject to that limit for each person so injured or killed, at least $10,000 (exclusive of interest and costs) for injury to, or death of, two or more persons in any one accident; and

(*b*) At least $1,000 (exclusive of interest and costs) for damage to property of others resulting from any one accident.

Proof of financial responsibility.

78.—(1) Proof of financial responsibility may be given in any one of the following forms:

Certificates of insurance.

(*a*) The written certificate or certificates, filed with the Registrar, of any authorized insurer that it has issued, to or for the benefit of the person named therein, a motor vehicle liability policy or policies, in form hereinafter prescribed, which, at the date of the certificate or certificates, is in full force and effect, and which designates therein, by explicit description, or by other adequate reference, all motor vehicles to which the policy applies.

Any such certificate or certificates shall cover all motor vehicles then registered in the name of the person furnishing such proof. An additional cer-

tificate shall be required as a condition precedent to the registration of any additional motor vehicle in the name of such person. The said certificate, or certificates, shall certify that the motor vehicle liability policy or policies therein mentioned shall not be cancelled or expire, except upon ten days prior written notice thereof to the Registrar, and until such notice is duly given the said certificate or certificates shall be valid, and sufficient to cover the term of any renewal of such motor vehicle liability policy by the insurer, or any renewal or extension of the term of such driver's license or owner's permit by the Minister;

Surety bond

(*b*) The bond of a guarantee insurance or surety company, duly licensed in Ontario, pursuant to *The Insurance Act*, or a bond with personal sureties, approved as adequate security hereunder, upon application to a judge of the county or district court of the county or district in which such sureties reside.

The said bond shall be in form approved by the Registrar and shall be conditioned upon the payment of the amounts specified in this Part, and shall not be cancelled or expire except after ten days' written notice to the Registrar, but not after the happening of the injury or damage secured by the bond as to such accident, injury, or damage, and the said bond shall be filed with the Registrar;

Money or securities.

(*c*) The certificate of the Treasurer that the person named therein has deposited with him a sum of money or securities for money approved by him in the amount or value of $11,000 for each motor vehicle registered in the name of such person. The Treasurer shall accept any such deposits and issue a certificate therefor, if such deposit is accompanied by evidence that there are no unsatisfied executions against the depositor registered in the office of the sheriff for the city, county, or district in which the depositor resides.

Minister may require additional proof.

(2) The Minister may, in his discretion, at any time, require additional proof of financial responsibility, to that filed or deposited by any driver or owner pursuant to this Part, and may suspend the driver's license and owner's permit or permits pending such additional proof.

Proof of financial responsibility by non-residents.

(3) Where a person, who is not a resident of Ontario, is required to give, or volunteers, proof of financial responsi-

bility under this Part, the Registrar may accept as such proof such certificate of an authorized insurer relating to a motor vehicle liability policy issued outside of Ontario, insuring such person against loss from the liability imposed by law, arising out of motor vehicle accidents occurring within Ontario, as he may deem proper; and may issue to such person an official non-resident insurance identification card; and may provide for the giving or volunteering of such proof to, and the issue of such cards by, his representatives at selected points along the provincial border.

Application of security.

79.—(1) The bond filed with the Registrar and the money or securities deposited with the Treasurer shall be held by him in accordance with the provisions of this Part, as security for any judgment against the owner or driver filing the bond or making the deposit, in any action arising out of damage caused after such filing or deposit, by the operation of any motor vehicle.

Not available to creditors generally.

(2) Money and securities so deposited with the Treasurer shall not be subject to any claim or demand, except an execution on a judgment for damages, for personal injuries, or death, or injury to property, occurring after such deposit, as a result of the operation of a motor vehicle.

Action on security.

(3) If a judgment to which this Part applies is rendered against the principal named in the bond filed with the Registrar, and such judgment is not satisfied within fifteen days after it has been rendered, the judgment creditor may, for his own use and benefit, and at his sole expense, bring an action on said bond in the name of the Treasurer, against the persons executing such bond.

Chauffeurs or members of owner's family.

80. If the Registrar finds that any driver to whom this Part applies, was, at the time of the offence for which he was convicted, employed by the owner of the motor vehicle involved therein as chauffeur, or motor vehicle operator, whether or not so designated, or was a member of the family or household of the owner, and that there was no motor vehicle registered in Ontario in the name of such driver as an owner, either at the time of the offence or subsequent thereto, then, if the owner of such motor vehicle submits to the Registrar (who is hereby authorized to accept it) proof of his financial responsibility, as provided by this Part, such chauffeur, operator, or other person, shall be relieved of the requirement of giving proof of financial responsibility on his own behalf.

Payment of judgment in instalments.

81. A judgment debtor to whom this Part applies may, on due notice to the judgment creditor, apply to the Court in which the trial judgment was obtained, for the privilege of

paying such judgment in instalments, and the Court may, in its discretion, so order, fixing the amounts and times of payment of such instalments. While the judgment debtor is not in default in payment of such instalments, he shall be deemed not in default for the purposes of this Part in payment of the judgment, and upon proof of financial responsibility for future accidents pursuant to this Part, the Minister may restore the driver's license, and owner's permits, of such judgment debtor, but such driver's license and owner's permits shall again be suspended and remain suspended, as provided in section 73, if the Registrar is satisfied of default made by the judgment debtor, in compliance with the terms of the court order.

Report of convictions, etc., to Registrar.

82.—(1) It shall be the duty of the clerk or registrar of the court (or of the court where there is no clerk or registrar) in which any final order, judgment, or conviction to which this Part applies, is rendered, to forward to the Registrar of Motor Vehicles, immediately after the date upon which the order, judgment, or conviction becomes final by affirmation upon appeal or by expiry, without appeal, of the time allowed for appeal, a certified copy of such order, judgment, or conviction, or a certificate thereof, in form prescribed by the Registrar of Motor Vehicles. Any such copy or certificate shall be *prima facie* evidence of such order, judgment, or conviction. The clerk, or other official charged with this duty of reporting to the Registrar of Motor Vehicles, shall be entitled to collect and receive a fee of $1 for each copy or certificate hereby required, which fee shall be paid as part of the court costs, in case of a conviction, by the person convicted, and, in case of an order or judgment, by the person for whose benefit judgment is issued.

Notification in case of non-residents.

(2) If the defendant is not resident in Ontario it shall be the duty of the Registrar of Motor Vehicles, to transmit to the registrar of motor vehicles, or other officer or officers, if any, in charge of the registration of motor vehicles, and the licensing of operators in the province or state in which the defendant resides, a certificate of the said order, judgment, or conviction.

Abstract of operating record.

83.—(1) The Registrar shall, upon request, furnish to any insurer, surety or other person, a certified abstract of the operating record of any person, subject to the provisions of this Part, which abstract shall fully designate the motor vehicles, if any, registered in the name of such person, and the record of any conviction of such person for a violation of any provision of any Statute relating to the operation of motor vehicles, or any judgment against such person for any injury or damage caused by such person, according to the records of the Registrar, and if there is no record of any such con-

viction or judgment in the office of the Registrar, the Registrar shall so certify. The Registrar shall collect as a fee for each such certificate, the sum of $1.

Particulars of security to be furnished.

(2) The Registrar, upon written request, shall furnish any person who may have been injured in person or property by any motor vehicle, with all information of record in his office pertaining to the proof of financial responsibility of any owner or driver of any motor vehicle furnished pursuant to this Part.

Return of permit and plates when license suspended.

84.—(1) Any owner or driver whose permit or license has been suspended, as herein provided, or whose policy of insurance or surety bond, has been cancelled or terminated as herein provided, or who neglects to furnish additional proof of financial responsibility upon the request of the Registrar, as herein provided, shall immediately return to the Registrar his driver's license, his motor vehicle permit or permits, and all license plates issued thereunder.

Police officer may secure possession.

(2) If any such person fails to return his license, permits and plates as provided herein, the Registrar may direct any police officer to secure possession thereof and return the same to the office of the Registrar.

Penalty.

(3) Any person failing to return his license, permits and plates when so required, or refusing to deliver the same when requested to do so by the police officer, shall be guilty of an offence and incur a penalty of not less than $10, and not more than $100 for each offence.

Transfer of suspended permit.

85. If an owner's permit has been suspended under the provisions of this Part, such permit shall not be transferred nor the motor vehicle in respect of which such permit was issued, registered in any other name until the Minister is satisfied that such transfer or registration is proposed in good faith and not for the purpose, or with the effect, of defeating the purposes of this Part.

Cancellation and return of security.

86.—(1) The Minister may cancel any bond or return any certificate of insurance, or the Treasurer may, at the request of the Minister, return any money or securities deposited pursuant to this Part, as proof of financial responsibility, at any time after three years from the date of the original deposit thereof, provided that the owner or driver on whose behalf such proof was given has not, during the said period, or any three year period immediately preceding the request, been convicted of any offence mentioned in section 72, and provided that no action for damages is pending and no judgment is outstanding and unsatisfied in respect of personal injury or damage to property in excess of $100, resulting from the

operation of a motor vehicle. A statutory declaration of the applicant under this section shall be sufficient evidence of the facts in the absence of evidence to the contrary in the records of the Registrar.

Substitution of security

(2) The Minister may direct the return of any bond, money, or securities, to the person who furnished the same, upon the acceptance and substitution of other adequate proof of financial responsibility, pursuant to this Part.

Return of security when motor vehicle is sold.

(3) The Minister may direct the return of any bond, money, or securities deposited under this Part to the person who furnished the same at any time after three years from the date of the expiration or surrender of the last owner's permit or driver's license issued to such person, if no written notice has been received by the Registrar within such period of any action brought against such person in respect of the ownership, maintenance, or operation of a motor vehicle, and upon the filing by such person with the Registrar, of a statutory declaration that such person no longer resides in Ontario, or that such person had made a *bona fide* sale of any and all motor vehicles owned by him, naming the purchaser thereof, and that he does not intend to own or operate any motor vehicle in Ontario within a period of one or more years.

Coverage of motor vehicle liability policy.

87.—(1) Every motor vehicle liability policy shall insure:—

Owner's policy.

(*a*) The persons named therein and any other person or persons using, or responsible for the use of, any such motor vehicle with the consent of such insured, against loss from the liability imposed by law (except liability imposed under any Workmen's Compensation Law) upon such insured, or upon such other person or persons for injury to, or death of, any person except such insured, or for damage to property (except property of the insured or property of others in charge of the insured or the insured's employees), arising from the ownership, maintenance, use, or operation of any such motor vehicle within Canada or the United States of America; or,

Driver's policy

(*b*) The person therein named as insured against loss from the liability imposed by law (except liability imposed under any Workmen's Compensation Law), upon such insured for injury to, or death of, any person or for damage to property (except property of others in charge of the insured or the

insured's employees) arising from the operation or use by such insured of any motor vehicle (except a motor vehicle registered in the name of such insured) and occurring while such insured is personally in control as driver or occupant of such motor vehicle within Canada or the United States of America;

Limits.

In either case, to the amount or limit of at least $5,000 (exclusive of interest and costs), for injury to, or death of, any one person, and, subject to that limit for each person so injured or killed, of at least $10,000 (exclusive of interest and costs) for injury to, or death of, two or more persons in any one accident, and, of at least $1,000 (exclusive of interest and costs), for damage to property of others, as herein provided, resulting from any one accident.

Excess coverage.

(2) Neither the form of certificate of insurance, nor anything herein contained, shall prevent the issue of a policy granting any lawful insurance in excess of, or in addition to, the coverage herein provided for, nor the embodying in such policy any agreements, provisions, or stipulations not contrary to law.

Policy form to be approved.

(3) No motor vehicle liability policy shall be issued or delivered in Ontario until a copy of the form of policy has been on file with the Superintendent of Insurance for at least thirty days, unless sooner approved in writing by him, nor if within said period of thirty days he shall have notified the insurer in writing that, in his opinion, specifying the reasons therefor, the form of policy does not comply with the law of Ontario.

Provisions to which policy subject.

(4) Every motor vehicle liability policy shall be subject to the following provisions, whether or not such provisions are contained therein, and notwithstanding any law or statute or provision of such policy to the contrary:

Rights of third parties against insurer.

(*a*) A judgment creditor or judgment creditors with unsatisfied judgments arising out of, or based upon a claim or claims against the insured, for which indemnity is provided by a motor vehicle liability policy, shall be entitled to have the insurance moneys payable under such policy applied in or towards satisfaction of such judgment or judgments, and may, on behalf of themselves and all other persons having similar judgments or claims against the insured, maintain an action against the insurer

to have such insurance moneys so applied; provided that, if the insured is entitled to indemnity under any other motor vehicle liability policy in respect of such judgments or claims, the insurer may require such other insurer or insurers to be made parties to any such action and to contribute rateably according to their respective liabilities; and no creditor of such judgment debtor shall be entitled to share in the proceeds of any such policy or policies in respect of any claim for which indemnity is not provided by such policy.

Liability of insurer absolute.

(*b*) If any motor vehicle liability policy would, but for some misrepresentation or breach of any term, provision, or condition by the insured, be in force at the time of an accident, giving rise to a claim under the policy, no misrepresentation by the insured upon the application for such policy, and no breach of any term, provision, or condition of the policy by the insured, before or after the happening of such accident, shall invalidate the policy insofar as any person injured or suffering damage in such accident is concerned, nor relieve the insurer from liability to a judgment creditor of the insured for any loss or damage covered by such policy; and any assignment, waiver, release or discharge of such policy, or the proceeds thereof, or of any interest therein, made by the insured after the happening of an accident giving rise to a claim under the policy, shall be void; provided that, nothing herein shall render void any provision of the policy requiring the person insured to repay to the insurer any sums which the latter may have become liable to pay under the policy to other persons, in the event of misrepresentation by the insured upon the application for the policy, or breach by the insured of any term, provision, or condition of the policy; and further provided that, if the policy shall provide for limits of liability in excess of the limits required for proof of financial responsibility under this Act, the insurer may, as against any claimant, avail himself, with respect to the amounts of such excess limits of liability, of any defence which the insurer is entitled to set up against the insured.

Conviction for offence not to prejudice civil action.

(*c*) It shall be lawful for an insurer to contract to indemnify the owner or driver of any motor vehicle against all loss or damage which the insured shall become legally liable to pay for bodily injury (including death resulting therefrom) or for injury to, or destruction of, the property of any person (including

damage arising from the loss of use of such property), caused by the ownership, maintenance, or use of the motor vehicle, notwithstanding any violation by such owner or driver of any provision of this Act, or of any Act of this Legislature, or of any municipal by-law, and notwithstanding any criminal offence committed by such owner or driver upon the occasion of such injury or damage; and in any action to recover compensation or indemnity for damages occasioned by a motor vehicle, a conviction of the owner or driver of such motor vehicle for violation of any provision of this Act or of any Act of this Legislature, or of any municipal by-law, or for any criminal offence, shall not prejudice the right of such owner or driver or of any person claiming under this Act to recover from an insurer compensation or indemnity for any such damages insured by the policy.

Pro-rating of insurance.

(*d*) Any such policy may provide for the pro-rating of the insurance thereunder with other applicable, valid, and collectible insurance.

Insurer to furnish certificate.

(5) Any insurer which has issued a motor vehicle liability policy shall, as and when the insured may request, deliver to him for filing, or file direct with the Registrar, a certificate for the purposes of this Part.

Notice to Registrar of cancellation and expiry.

(6) Every insurer shall notify the Registrar of the cancellation or expiry of any motor vehicle liability policy, for which a certificate has been issued to the Registrar under this Part, at least ten days before the effective date of such cancellation or expiry, and, in the absence of such notice of cancellation or expiry, such policy shall remain in full force and effect.

Binders and endorsements in lieu of policy.

(7) Any insurer may, pending the issue of a motor vehicle liability policy, issue for the purpose of this Part an interim agreement to be known as a "binder," or may, in lieu of a policy, issue an endorsement to an existing policy; and any such binder or endorsement shall be subject to the provisions of this section, and be deemed to provide indemnity or insurance in accordance therewith.

Notice to insurer as to action brought against insured.

(8) Every insured person against whom any action is commenced for damages occasioned by a motor vehicle shall, within ten days after service of any notice or process in such action, give notice thereof in writing to the insurer, and in case of failure to give such notice within the time hereby limited, such person shall be guilty of an offence and shall be liable to a penalty not exceeding $100 and, in default of payment thereof, to imprisonment for not more than thirty days.

PART XIV.

ACCIDENT REPORTING, STATISTICS AND RATING.

Duty to report accident.

88.—(1) Every person in charge of a motor vehicle who is directly or indirectly involved in an accident shall, if the accident results in personal injuries, or in damage to property apparently exceeding $50, report such accident forthwith to the nearest provincial or municipal police officer, and furnish him with such information or written statement concerning the accident as may be required by the officer or by the Registrar.

Where person unable to report.

(2) Where such person is physically incapable of making a report, and there is another occupant of the motor vehicle, such occupant shall make the report.

Duty of police officer.

(3) A police officer receiving a report of an accident as required by this section, shall secure from the person making the report, or by other inquiries where necessary, such particulars of the accident, the persons involved, the extent of the personal injuries or property damage, if any, and such other information as may be necessary to complete a written report concerning the accident to the Registrar.

Registrar may require additional information.

(4) The Registrar may require any person involved in an accident, or having knowledge of an accident, the parties thereto, or any personal injuries or property damage resulting therefrom, to furnish, and any police officer to secure, such additional information and make such supplementary reports of the accident as he may deem necessary to complete his records, and to establish, as far as possible, the causes of the accident, the persons responsible, and the extent of the personal injuries and property damage, if any, resulting therefrom.

Reports and statements without prejudice.

(5) Any written reports or statements made or furnished under this section shall be without prejudice, shall be for the information of the Registrar, and shall not be open to public inspection; and the fact that such reports and statements have been so made or furnished shall be admissable in evidence solely to prove compliance with this section, and no such reports or statements, or any parts thereof or statement contained therein, shall be admissable in evidence for any other purpose in any trial, civil or criminal, arising out of a motor vehicle accident.

Penalty.

(6) Any person who fails to report or furnish any information or written statement required by this section shall incur a penalty of not less than $10, and not more than $50, and

in addition the Minister may suspend the operator's or chauffeur's license and owner's permit or permits of any such persons.

Reports by Coroners.

89.—(1) Every coroner who investigates a fatal accident in which a motor vehicle is involved, shall secure such particulars of the accident, the persons involved, and other information as may be necessary to complete a written report to the Registrar on the forms prescribed for that purpose, and shall transmit such report forthwith to the Registrar.

Registrar may request information respecting accidents and traffic control.

(2) Every provincial or municipal official or employee, hospital, or charitable institution, insurer, or other person or organization shall furnish to the Registrar such reports and other information relating to motor vehicle accident statistics and traffic control generally, as may be required by the regulations.

Compensation may be allowed.

(3) The Lieutenant-Governor in Council, by regulation, may allow any person or organization making reports or furnishing information under this Section, such compensation for so doing as may be deemed proper.

Duties of Registrar.

90. The Registrar shall:

To supply accident report forms.

(*a*) Prepare and supply to police officers and other persons and organizations, blank forms approved by the Minister for accident and other reports which shall call for such particulars concerning accidents, the person involved, and the extent of the personal injuries and property damage, if any, resulting therefrom, and such other information as may be required by the regulations;

To investigate accidents.

(*b*) Make such investigation of, and call for such written reports concerning, motor vehicle accidents, traffic conditions, and other matters, as he may deem necessary and proper, and for that purpose may require the assistance of any provincial or municipal police officer;

To keep records.

(*c*) Keep the following records:

Accidents.

(i) A record of all motor vehicle accidents in the Province, reported to him or concerning which he procures information;

Convictions.

(ii) A record of all convictions for offences under this Act or under the provisions of the *Criminal Code* of Canada, relating to driving on highways, reported to him pursuant to

section 58, and of such other convictions as he may deem proper;

(iii) A record of all drivers' licenses and owners' permits issued, suspended, revoked, cancelled or revived, under this Act; Licenses and permits suspended or cancelled.

(iv) A record of all unsatisfied judgments rendered against persons holding owners' permits or drivers' licenses under this Act, or non-residents reported to him pursuant to the provisions of this Act; Unsatisfied judgments.

(v) A record of all persons required to show evidence of financial responsibility pursuant to the provisions of Part XIII of this Act. Persons required to prove financial responsibility.

(vi) An operating record of every chauffeur and operator, which record shall show all reported convictions of such chauffeur or operator for a violation of any provision of any statute relating to the operation of motor vehicles, and all reported unsatisfied judgments against such person for any injury or damage caused by such person while operating a motor vehicle and all accidents in which the records of the Registrar indicate such chauffeur or operator has been involved, and such other information as the Registrar may deem proper; and Operating records of all drivers.

(vii) Such other records as he may be directed to keep by the Minister; Other records.

(*d*) Develop adequate uniform methods of accident and traffic statistics, and study accident causes and trends, traffic problems, and regulations; To collect and analyze accident and traffic statistics.

(*e*) Prepare for the Minister an Annual Report showing the results of such reporting, collection, analysis, and study, and embodying his recommendations for the prevention of motor vehicle accidents and the solution of traffic problems; and such report shall be printed and published forthwith upon completion. To prepare annual report for Minister.

91.—(1) The Lieutenant-Governor in Council, upon report by the Minister that, in his opinion, the records of his Department are sufficient to warrant classification based thereon, may make regulations in accordance with which the Registrar shall classify persons who have been convicted for a violation of any statute relating to the operation of motor vehicles, or Classification of drivers. Demerit rating.

who have been responsible for accidents or who have been required to prove their financial responsibility under this Act, or whose operating record has otherwise shown them to be extra-hazardous risks for the purposes of motor vehicle liability insurance, and as such, liable to demerit rating under this section.

How classified.

(2) When a person becomes liable to demerit rating he shall be classified by the Registrar in accordance with the regulations in any one of the three classes, to be known as Classes "A," "B," and "C," in accordance with the seriousness of his offence, or the character of his operating record.

50 per cent., 25 per cent., 10 per cent., surcharge on insurance rate.

(3) Where a person has been classified in Class "A," he shall be charged and shall pay for motor vehicle liability insurance ten per cent. in excess of the standard premium rate, and when classified in Class "B," twenty-five per cent. in excess of the standard premium rates, and when classified in Class "C," fifty per cent. in excess of the standard premium rate.

Publication in Ontario Gazette.

(4) The names of persons who have been classified for demerit rating under this section shall be published by the Registrar within one week in the *Ontario Gazette*.

Insurer to certify rate charged any person and to furnish copy of any policy.

(5) Upon request of the Registrar, any authorized insurer shall certify to him the premium rate which has been charged any person for motor vehicle liability insurance and furnish him with a certified copy of any motor vehicle liability insurance policy issued to such person.

Penalty for charging improper rate.

(6) Any officer or employee or agent of an authorized insurer who charges a premium rate lower than the rate a person whose name has been published in the *Ontario Gazette*, is liable to pay upon being classified under this section, or who, wilfully, at any time, certifies that a premium rate has been charged such a person other than the rate actually charged, shall incur a penalty of not less than $25, and not more than $500.

Re-classification after twelve months into lower class.

(7) The Registrar shall, upon application after the expiration of twelve months, re-classify any person classified under this section, whose operating record during the intervening period has been satisfactory, in the next lower class for demerit rating, or, if such person is classified in Class "A," eliminate him from classification.

Re-classification into higher class.

(8) When any person classified under this section commits an additional offence, or otherwise so acts as to make him liable, if unclassified, to classification under this section, the

Registrar shall re-classify him in a higher class for demerit rating in the same manner as though he had not previously been classified, or, if such person is already classified in Class "C," the Minister shall suspend his driver's license for a period of not less than twelve months.

Meaning of "Standard Premium Rate."

(9) The expression "standard premium rate" used in this section means the rate which would be charged in the absence of demerit rating under this section according to the schedules of rates and rules filed by an authorized insurer with the Superintendent of Insurance pursuant to *The Insurance Act.*

Rev. Stat., c. 222.

Appeal.

(10) Any person aggrieved by a decision of the Registrar under this Section, may appeal to the Minister and the decision of the Minister shall be final and binding and without appeal.

Commencement of Act.

7. This Act, except section 6, shall come into force on the day upon which it receives the Royal Assent, and section 6 shall come into force on the first day of September, 1930.

STATUTES OF ONTARIO, 1930

CHAPTER 41

(Part)

An Act to amend The Insurance Act.

Assented to 3rd April, 1930.

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

1. This Act may be cited as *The Insurance Act, 1930.* Short title.

2. *The Insurance Act* is amended by adding thereto the following section: Rev. Stat., c. 222, amended.

69*a*.—(1) Every licensed insurer which carries on in Ontario the business of automobile insurance shall prepare and file when required with the Superintendent, or with such statistical agency as he may designate, a record of its automobile insurance premiums, and of its loss and expense costs in Ontario, in such form and manner, and according to such system of classification, as he may approve. Record of automobile premiums and costs.

(2) The Superintendent may require any agency so designated to compile the data so filed in such form as he may approve; and the expense of making such compilation shall be apportioned among the insurers whose data is compiled by such agency by the Superintendent who shall certify in writing the amount due from each insurer and the same shall be payable by the insurer to such agency forthwith. Compilation of data—expense.

(3) The provisions of subsections 2, 3 and 5 of section 69 shall apply *mutatis mutandis* to the provisions of this section. Application, s. 69, subs. 2, 3 and 5.

12. *The Insurance Act* is amended by adding thereto the following section: Rev. Stat., c. 222, amended.

275*a*.—(1) It shall be the duty of the Superintendent, after due notice and a hearing before him, to order an adjustment of the rates for automobile insurance, whenever it is found by him that any such rates are Superintendent empowered to order rate adjustment.

excessive, inadequate, unfairly discriminatory, or otherwise unreasonable.

Appeal to Appellate Division, S.C.O.

(2) Any order made under this section shall not take effect for a period of ten days after its date, and shall be subject to appeal within that time by any insured, insurer or rating bureau, in the manner provided by section 12 of this Act and, in the event of an appeal, the order of the Superintendent shall not take effect pending the disposition of the appeal.

Attorney-General to be heard.

(3) The Attorney-General shall be served with notice of any such appeal and shall be entitled to be heard by counsel upon the hearing thereof.

Penalty.

(4) Any rating bureau, insurer or other person failing to comply with any provision of such order shall be guilty of an offence.

Commencement of Act.

13.—(1) Subject to the provisions of the following subsections, this Act shall come into force on the day upon which it receives the Royal Assent.

(2) .....

(3) Section 12 shall come into force on a day to be named by the Lieutenant-Governor in Council in his proclamation.

SECOND
EDITION

ROYAL COMMISSION

ON

AUTOMOBILE INSURANCE PREMIUM RATES

THE HON. MR. JUSTICE HODGINS
COMMISSIONER

REPORT

ON

AUTOMOBILE INSURANCE PREMIUM RATES

Printed by Order of the Legislative Assembly
of Ontario

ONTARIO

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1930

ROYAL COMMISSION
ON
AUTOMOBILE INSURANCE PREMIUM RATES

Commissioner - - HON. MR. JUSTICE FRANK E. HODGINS
Counsel - - - R. LEIGHTON FOSTER
Consuting Actuaries WOODWARD, FONDILLER AND RYAN
Secretary - - - ERNEST M. LEE
Reporter - - - WILLIAM C. COO

EXTRACT from commission issued to the Honourable Frank E. Hodgins, one of the Justices of the Appellate Division of the Supreme Court of Ontario, dated the eighth day of February, 1929:

"To enquire into, investigate and report to our Lieutenant Governor upon:—

(*a*) The reasonableness of automobile insurance premium rates in the province as fixed by the Canadian Automobile Underwriters Association and as charged by any licensed company.

(*b*) The methods, rules, regulations and practices of the Canadian Automobile Underwriters Association with regard to the making, promulgating, enforcing or controlling of rates, commissions, forms, clauses, contracts or the placing of insurance.

(c) The existing laws of Ontario and their practical operation in relation to the supervision regulation and control of insurance premium rates in the province.

(*d*) Any matter which, in the opinion of the Commissioner, it is necessary to investigate in view of the above enquiries.

AND to make such recommendations in regard to the above as he may think advisable."

TABLE OF CONTENTS

REPORT

ON

AUTOMOBILE INSURANCE PREMIUM RATES

To His Honour,

WILLIAM D. ROSS,

Lieutenant-Governor of Ontario:

May It Please Your Honour:—

I have the honour to report that by a Commission issued under the Great Seal of the Province of Ontario, dated on the Eighth day of February, 1929, I was directed to enquire into and report upon:

(a) The reasonableness of automobile insurance premium rates in the Province, as fixed by the Canadian Automobile Underwriters' Association, and as charged by any licensed Company.

(b) The methods, rules, regulations, and practices of the Canadian Automobile Underwriters' Association with regard to the making, promulgating, enforcing, or controlling of rates, commissions, forms, clauses, contracts, or the placing of insurance.

(c) The existing laws of Ontario and their practical operation in relation to the supervision, regulation, and control of insurance premium rates in the Province.

(d) Any matter which, in the opinion of the Commissioner, it is necessary to investigate in view of the above inquiries.

AND to make such recommendations in regard to the above as he may think advisable.

The primary question which gave rise to the Commission under which I have been acting, and which I am directed to answer, is whether the rates fixed on the 1st of February, 1929, by the Canadian Automobile Underwriters' Association (hereinafter throughout spoken of as the Bureau), are reasonable.

These rates had been raised 50% above those of 1928 for Public Liability and Property Damage risks on Private Passenger Cars and on Commercial vehicles, and 25% for Collision Damage on similar classes of cars.

On the 3rd day of March, 1930, I made an Interim Report dealing with Compulsory Insurance and Safety Responsibility laws, and with other matters which are also referred to in this Report.

II. ONUS:

In opening the Enquiry upon that question I ruled that having been appointed to enquire into the reasonableness of rates so raised it was the duty of the insurance companies charging the increased premium to show their reasons for the additions made. In other words, having undertaken to fix the rates they must be in a position to justify them. That ruling was accepted, and I think it is sound.

In accordance therewith the Bureau submitted their case in a volume (Exhibit No. 10), consisting of over seventy pages, and containing twelve sub-divisions which deal with the structure and jurisdiction of the Bureau, the Rates and Rule Manuals in force on the 1st of February, 1929, the previous rate revisions, a description in detail of the nature of automobile insurance, the general conditions affecting its cost, the general basis of the 1929 premium rates, the general experience record in Ontario, and as compared with the all Canada record, the Bureau statistical plan and its loss cost in detail, the expense element in the premium, the experience rating of fleets of cars, and the methods adopted, and the experience required in connection with the above subjects in other jurisdictions, as well as the question of accident prevention in relation to insurance companies.

III. THE CASE PRESENTED BY THE INSURANCE COMPANIES:

This volume contained a very exhaustive and able review of the business of automobile insurance, and the principles that are said to underlie it, and was well worthy of the Bureau, which, as I am informed, has jurisdiction over the fixing of rates in Ontario, Quebec, the Maritime Provinces, and Newfoundland, and is further affiliated with two smaller independent organizations which have jurisdiction in the three Prairie Provinces and British Columbia, respectively. These latter, I am informed, follow the Bureau rates, or in fixing their own have due regard to those rates.

The volume indicated that companies forming the Bureau were taking their stand in defence of their right to raise the rates upon the rate fixing principles and practice which have obtained for many years in the state of New York, where the Bureau is so well organized and conducted that, as a rule, its findings and procedure command acceptance in other States of the Union.

While the Bureau founded their position upon this practice and method of settling rates, they did so confessedly upon imperfect material, but sought to apply to that imperfect material all the principles, rules, formulae, and calculations by which the rates in New York State and in the United States generally, are settled.

The imperfect evidence I speak of consists in the first place of collected data of experience, insufficient in point of time and quantity, and in the second place, deficient in quality, owing to a rate war which occurred in 1925, 1926 and into 1927. This is evident from the statement in the Exhibit to which I have referred, from which I make the following quotations; (The italics are mine):

> "Evidence will be submitted to show that during this period from 1923 to 1929, the cost of public liability, property damage, and collision insurance was steadily increasing, *notwithstanding the decreasing premium rates.* This extraordinary situation was created by a condition of *extreme rate competition* among companies for automobile insurance. This competition forced many companies to abandon membership in the Canadian Automobile Underwriters' Association and to accept automobile insurance at rates lower than those authorized by the Association.
>
> "Evidence will be presented to show that the automobile insurance premium rates of 1928 were seriously inadequate to meet the cost of insurance to the companies. The deficiency will be shown to have been due to inadequate rates for the public liability, property damage, and collision coverages. The increases adopted in 1929 were, therefore, necessarily greater than would have been the case if the 1928 premium rates for these coverages had been on an adequate rate level.
>
> "The reason for the inadequacy of 1928 rates arises from the history of the automobile tariff during the past five years."

The procedure of the Bureau in arriving at its insurance rates was detailed very fully, and the basis on which the rates were founded is thus stated in the Memorandum already referred to, as follows:—

> "No individual insurance company has in its own business an adequate volume or exposure for the ascertainment of fair average costs with the degree of refinement which is necessary in modern conditions of automobile insurance. The collation of experience and the premium rate-making process must, therefore, be a co-operative undertaking by a group of companies willing and able to consolidate their experience records to secure adequate rate-making data. Consolidation can only be made when similar records are available."

The value of experience is thus stated:—

> "It is obvious that reliable averages may only be secured when the total experience or exposure available is sufficiently large to produce a safe average."

And further:—

"Certain minimum requirements can be ascertained and mathematically proved. This feature is of practical importance in the interpretation of the experience figures hereinafter presented, inasmuch as the indicated costs on a small volume of experience are likely to be more misleading than helpful when the total number of units of exposure is inadequate to produce a fair average experience."

It is also explained that:—

"If premiums are to be related to aggregate experience of a number of companies, it follows that they must represent the average experience of that group. The experience of any individual company may show a cost record greater or less than this average, with a resulting loss or profit for the Company, but this is counter-balanced in the aggregate figure by a profit or loss, respectively, of another company or companies. Insofar, therefore, as the Insured is concerned, he is reasonably served if his rate represents the average experience of the group."

Following these statements relating to the value of experience, the Memorandum of the Bureau goes on to remark:—

"Premiums are actually determined or constructed by making due allowances for each of the component elements of the premium. *In the preparation of automobile insurance rates for Ontario, in* 1929, *the following relative allowances for each* $1.00 *of premium were made for the various elements of the premium referred to and defined above*:—

Loss Cost (including Allocated Claim Expense.....	.50	
Unallocated Claim Expense	.06	
Total Loss Cost, including Claim Expense		.56
Acquisition Cost (including Agency Commissions and field supervision expenses	.30	
General Administration Expense	.09	
Taxes	.025	
Underwriting Profit	.025	
Total Expense and Profit		.44
TOTAL PREMIUM		1.00

"The above assumption of Loss Cost and Expense were actually used in the ratemaking procedure for 1929. *They represent assumptions of what ought to be the proper balance of the elements which go to make up the aggregate premium."*

I note that this is the position taken in fixing the rates for 1929, though the companies had before them the very clear indica-

tions for 1926 and 1927, and previous years, showing higher loss cost, which led to the statements already quoted from their Memorandum and those which follow.

The Bureau having thus stated the basis upon which it acted, and on which it contended that rates should depend, the Memorandum proceeds:—

"There is now produced and filed with the Commission a bound Exhibit containing the detailed figures compiled and tabulated by the Association, showing the experience record of the Association member companies for the complete policy years of 1924, 1925 and 1926 and the incomplete policy year of 1927. These figures were used by the Association in the rate-making precedure of 1929. Figures prepared on a similar basis from the material then available were used by the Association in the rate-making procedure of 1928.

"The Exhibit includes the experience record for the whole of Canada. The Ontario experience is exhibited in this schedule in its relation to the country-wide experience.

"The experience collated for policy years 1924, 1925, 1926 and 1927, is the material underlying the accompanying Exhibits showing the member companies' experience.

"The experience is compiled once a year and each one of these experience calls comprises the filing of the experience for two policy years, each one tabulated separately. Thus, for instance, in 1928, the experience called for and compiled is that of policy year 1926 valued as of December 31st, 1927, and that of policy year 1927 valued as of December 31st, 1927.

"*The experience compiled in* 1928 *is approximately forty percent. of the total amount of experience of our present member companies for these years. Companies, which are now members, with a total volume of business approximating sixty percent. of the total volume, were not members of this Association in* 1926 *and* 1927. *These companies did not charge the same rates as member companies in these years, nor had they any statistical system enabling them to report their experience in the way desired for rate-making purposes.*

"When adjusting the 1929 rates, the policy year experience for 1924, 1925, 1926 and 1927 was available on a matured basis for the first three years, and an immature basis for the last year. The experience for policy year 1927 was converted from a written to an earned basis by the application of the following factors:—

Public Liability	.60
Property Damage	.70
Collision	.65
Fire	.60
Theft	.60

with the exception of British Columbia, where the following factors were established:—

Public Liability	.55
Property Damage	.55
Collision	.65
Fire	.60
Theft	.60

These factors were established from past experience."

It should be noted that the Bureau makes rates applicable not only to Ontario but in four other Provinces of Canada, as well as in Newfoundland, and influences in some considerable degree the rates west of Winnipeg, and their view, which follows, should be borne in mind in considering the contentions made in this Enquiry.

> "The ratio of losses to earned premiums in Ontario compares fairly with that disclosed for the whole of Canada. The obvious inference is that insofar as this Exhibit is concerned, the indication is that Ontario was bearing no more than its fair percentage of the total cost of automobile Insurance throughout the Dominion. In other words, the premium rates charged by the Companies for Ontario business were related to the premium rates charged in other parts of Canada in a fair proportion to the relative costs in the two divisions."

This statement is of much importance when considering the analysis of the conclusions come to by the Actuary advising the Commission, which are based upon data covering Ontario experience alone, a fact which elicited some criticisms by Counsel for the Bureau, who indicated that Dominion-wide experience was the proper test.

The statistical plan of the Bureau which is explained in the Memorandum is therein stated to have been:

> "in operation since 1924, and experience has been compiled in accordance with it for policy years 1924, 1925, 1926 and 1927. The novelty of the procedure and insufficient equipment of staff and machinery at the inception of the plan, handicapped the companies in the operation of it during previous years, the result being that the records which were produced in 1922 and 1923 were less reliable than those of subsequent years."

IV. NECESSITY FOR ACQUIRING FURTHER DATA:

The fact that these imperfections existed, and that such data as they had was vitiated by the fact that for three or more years the insurance business was passing through, or was affected by, an abnormal period, led me to direct that the insurance companies doing business in Ontario, whether they belonged to the Bureau or not, should be required to collect full data for 1927 and 1928,

so far as it could be done, for 1929 also. These results have now been collected and were available in this Enquiry, and they have been reviewed by the Actuary retained by the Commission in Exhibits No. 221, No. 222 and No. 223. The time that has elapsed in the collection and furnishing of this additional evidence, and for its examination by the Actuary, has been fairly long, but it seemed to me indispensable to get better information than the companies had when the Commission began to function, and to allow a reasonable period for its examination.

In my Interim Report, under my Commission, made on the 3rd of March, 1930, I made, and desire to reiterate, these following statements in relation to information, the securing of which I considered to be absolutely necessary:—

> "I may explain that, at the outset of my inquiry into the reasonableness of the 1929 automobile insurance premium rates in Ontario, I was confronted with the major difficulty that the majority of the insurance companies transacting, in the three or four years immediately prior to April, 1928, upwards of sixty per cent. of the business in the Province, had failed to establish any real system of cost accounting in their offices, and were thus quite unable to produce before me any reliable statistical records, showing the cost of automobile insurance in Ontario.
>
> "The rate-making procedure of the Canadian Automobile Underwriters' Association contemplated the making of rates on the basis of a statistical record of loss cost experience, and its by-laws required its member companies to keep such records according to a uniform statistical plan, but it developed that the majority of the companies were not members of the Association during that period and had kept no useful records of their own experience, and that even companies members of the Association, had failed to keep the required records and contribute their experience to the Association.
>
> "I found that, so far from being able to examine the rates then in force in the light of any useful data, I had to deal with a condition in which more than seventy percent. of the automobile insurance in the Province was being written at rates fixed by the Canadian Automobile Underwriters' Association, and more than ninety percent. at rates based directly on the rates of the Association, upon defective experience, and not the result of any plan capable of comparisons between the results of the business of the various companies.
>
> "Many of the insurance company managers seem to fail to appreciate the importance of accurate statistical data as a basis for rate-making, and the necessity of keeping such data accordingly to a uniform statistical plan. It is time that the companies realized that their right to combine to make rates should be conditioned upon an undertaking to keep such statis-

tical records of their loss and expense costs as are necessary to make and judge the reasonableness, or discriminatory character, of the rates they promulgate and charge."

In consequence, we have not only in review the data upon which the 1929 rates were admittedly raised, but we have a survey of two full policy years of recent date and practically one-half of the full experience of 1929. This has not been unfair to the companies, as will be seen from the fact that they assert in their Memorandum that the rate level previous to the end of 1927 was, as they thought, less than sufficient to cover their loss costs, and they refer to it in this way:—

"In such a situation the member companies were unable to maintain premium rates at what they thought was an adequate rate level, and were obliged to authorize rates less than sufficient to cover their costs. The low point in this course was reached at the end of 1927.

"In 1928, reconstruction of the tariff began, and very modest increases in some rates in that year represent the beginning of a movement toward a sound rate level."

The newly acquired experience gives two years—1928 and 1929—as against one, 1927, where lower rates were in force, and is practically five times the quantity which the Bureau had in fixing the 1929 rates.

The Bureau then explains the way in which their incomplete data was treated:—

"The experience is compiled on an exposure basis by policy years. Each year the experience has been called for, for the two previous policy years, of which one is complete, or matured, and the other is incomplete. That is to say, in 1929, the experience called for is the complete policy year of 1927, which ends or matures on the 31st of December, 1928, and the incomplete policy year of 1928, of which only twelve months' record is available as at the 31st of December, 1928.

"The complete policy year is reported in detail on an exposure basis by coverage, type of car, classification, territories, and car years. *The incomplete policy year experience is reported only by coverage and type of car on a loss ratio basis.* The experience comprises direct business only; that is to say, neither re-insurance accepted, nor re-insurance ceded, is reported. The unit of exposure is one car insured for twelve months.

"Useful indications of the experience record for an incomplete policy year may be obtained by valuation of the experience on the policies written during that year, as of the 31st December, after taking into account due allowance for the unmatured or unexpired liability.

NOTE: This was the view also taken by the Actuary advising the Commission when he came to estimate the value of the

experience of the incomplete policy year of 1929. The factor agreed upon was .62 as to Public Liability, while that of the Bureau in regard to 1928 was .60.

> *"The experience record of a mature policy year gives a true representation of the cost experience of insurance written in that year.* The record of immature policy year is next in order of accuracy and usefulness. The record on a calendar year basis of premiums earned and losses incurred is next in order of accuracy. The calendar year record of premiums written and losses incurred is the least accurate and useful of the various exhibits and compilations which are commonly used in relation to automobile insurance experience."

It will thus be seen that the Bureau was relying upon such experience as it had for a definite number of previous years compiled and viewed in accordance with certain principles, views and formulae, which according to the other evidence submitted to me in the United States, would closely resemble the practice followed there. I think the companies were, as I have said, not only entitled, but bound, to justify their rates, and they could do this in any manner they chose, and they have chosen a statistical plan and adopted certain rate-making principles which bring into play the experience of former years and the method and point of view which they, and other similar organizations, adopt for regarding those experiences.

It developed in the evidence that the Bureau in 1929 had 100 members out of a total of 140 licensed automobile insurance companies, while in 1927 and 1926 the Bureau had in its membership only a small fraction over 50% of the companies, and in 1925, 1924 and 1923 they had 64, 65 and 71 out of a total of 109, 103 and 103 respectively of the companies operating in Ontario in the years last mentioned. This fact has an important bearing on what follows. The experience acted upon by the Association in 1929 was based upon the limited experience, in point of time, of 1927, while it comprehended what was called (as explained in the Memorandum) the full experience of the years 1924 to 1926 inclusive, when the Bureau comprised in its membership only 50 to 60% of the companies operating in Ontario.

I am satisfied that the conditions in the period preceding the fixing of the 1929 rates prevented or hindered the companies in dealing with the rates fixed in 1929 in any scientific or ordered way. I do not, in this, desire or intend to reflect on the good faith of the companies concerned, but it is idle to shut one's eyes to the way in which the raising of the rates came about—not on any sound system, but by a 50% and 25% rise applicable to all rates for private passenger and commercial cars, in respect to Public Liability and Property Damage, and Collision, respectively.

If the methods and tendencies of the time leading up to the fixing of these rates is contrasted with the basis put forward by the Bureau, that they were based upon a body of past experience

sufficient to justify them, it is, to my mind, reasonably plain that they bent to the exigencies of the situation and adopted expediency instead of using their Statistical plan. If in this way, and for the reasons I have stated, they may not have played the game fairly with the insured, if these conditions and these actions affected the fixing of the rates of 1929, then the consequences emerging in 1929 may not afford such a criterion as to reasonableness as one would, perhaps, desire that they should.

To explain my criticism on the conditions which influenced the rates, as made in 1929, I may point out that the Bureau, in Section VII. of Exhibit No. 10, in criticising the returns shown in the figures stated in the Government Yearly Returns to the Department, proceeded to say that it had obtained from its member companies experience records on an entirely different basis from that of the Government Annual Statement. The statement then states:

> "That the consolidation of experience of various companies requires similarity of plan and arrangement of the figures obtained from the individual companies."

and that to meet this requirement the Bureau prepared a Statistical Plan which, it says,

> "has been in operation since 1924, and experience has been compiled in accordance with it for policy years 1924, 1925, 1926 and 1927."

Exhibit No. 10 was filed with the Commission as containing the detailed figures compiled and tabulated by the Association, showing the experience record of Association member companies for the complete policy years of 1924, 1925 and 1926, and the incomplete policy year of 1927. These figures were used by the Association in the rate-making procedure of 1929. Figures prepared on a similar basis from the material then available was, the statement says, "used by the Association in the rate-making procedure of 1928," and included the experience record for the whole of Canada, while the Ontario experience was exhibited in a schedule in its relation to the country-wide experience.

If the history of the rate-making is examined as it appears in Exhibit No. 10 and in the Minute Book of the company, it appears that during 1923, 1924, 1925, 1926 and 1927,

> "the cost of Public Liability, Property Damage, and Collision Insurance, was steadily increasing, notwithstanding the decreasing premium rates. This extraordinary situation was created by a condition of extreme rate competition among companies for automobile insurance. This competition forced many companies to abandon membership in the Canadian Automobile Underwriters' Association and to accept automobile insurance at rates lower than those authorized by the Association.

"The following Table shows the progress of this movement in Ontario:

YEAR	Written Premiums of Member Companies	Written Premiums of Non-Member Companies	Percentage Written By Member Companies
*1923	$3,182,209	$ 945,120	77.1
*1924	2,979,112	1,549,503	65.8
1925	1,539,618	1,923,531	44.5
1926	1,384,409	2,359,123	37.0
1927	1,759,721	2,884,227	37.9
1928	5,018,508	1,262,402	79.9

*Premiums of 1923 and 1924 are Gross Premiums, no deductions being made for cancellation or re-insurance.

"In such a situation the member companies were unable to maintain premium rates at what they thought was an adequate rate level, and were obliged to authorize rates less than sufficient to cover their costs. The low point in this course was reached at the end of 1927.

"In 1928, reconstruction of the tariff began, and very modest increases in some rates in that year represent the beginning of a movement toward a sound rate level."

The membership of the Bureau at that time, beginning in 1923, was as follows:—

1923	71	out	of	103
1924	65	"	"	102
1925	64	"	"	109
1926	65	"	"	121
1927	64	"	"	126
1928	99	"	"	140
1929	100	"	"	140

From the above it is quite evident that the membership was largely increased in 1928, from 64 members out of 126 licensed automobile insurance companies, to 99 out of 140. From these circumstances it is quite obvious, and is indeed admitted, that an extraordinary situation was created by this extreme rate competition of insurance for automobiles, and the most reasonable conclusion to draw is that the Bureau decided to put an end to this rate-cutting competition. To do so they strengthened their hands by getting in the companies who, up to that time, had remained outside the Bureau, and having, with them, got together a sufficiently strong body, they were enabled to stabilize or fix the rate level.

The result of their efforts was that in 1929 their rates were either adopted or adhered to by companies doing 82 percent. of the business, while only about 8 percent. was written at substantial differences or variations therefrom. During 1928 there were only four large non-Bureau companies doing a premium business of over $100,000., and only one over $200,000.

I need not follow all that the Minute Book discloses, but Mr. Laidlaw, a witness for the Bureau, who gave his evidence with a candor and fairness which I am glad to record, speaking as to the decrease in premium rates during the period between 1923 to 1928, (pp. 176-7), described the situation thus:—

> "As figured by the loss ratio of my own company, and I think speaking generally of the companies as shown by the Government Return, there was an increasing loss ratio on the business.
>
> "That means an increasing cost. The loss ratio is the representation of the ratio of the outgo for losses to the premiums.
>
> "I have not examined the expense ratios of the companies generally for those years, but I am inclined to think that the expense ratio remained fairly constant during those years."

Mr. King, Secretary of the Bureau, stated to the Commission that the Actuarial Committee appointed in 1927 to work with the Actuary in connection with the preparing of statistical and other data for rating purposes, was not re-appointed in 1928—that 1927 was the only year in which it functioned. (p. 694 of the evidence).

It is sufficient to refer to the Report of Mr. King, who was also the Chairman of the Actuarial Committee, which stressed the point that:

> "Although owing to the limited experience available in the Canadian field, it had been found necessary to temper the indicated premiums with their individual judgment as underwriters, the Committee had preserved in their recommendations rate levels which should produce a premium to provide a sufficient income to take care of the indicated claims experience. Careful rate level tests had been made to substantiate the recommended rates."

and the following resolution was passed:

> "That the recommendation of this Committee, in regard to automobile rates for Private Passenger Cars for 1928, is that the same should be advanced to produce an average increase of 15% over the 1927 figures;
>
> "That the commissions payable to agents be reduced to the 1926 level;
>
> "And that a sub-committee be appointed to consider the necessary details to give effect to the terms of this resolution, having regard to the experience figures reported and the recommendations of the Actuarial Committee, and report back to this Committee."

Obviously whatever may have been the view of the Bureau with regard to the experience which the Actuary has reported to them for 1925 and 1926—and Mr. King states (p. 741 of evidence) that all the Bureau member companies in each of the years 1924, 1925 and 1926 and 1927, did not use and comply with the Bureau statistical plan—they determined to make no practical change in the 1928 rates with the view of getting additional membership. They realized without that increase they could make no effective stand for higher rates, and in the transition period they were willing to subordinate their statistical plan and rate-making principles to expediency in order to induce outside members to come in.

That is one reason why it is difficult, when asked to consider the reasonableness of the 1929 rates, to judge them by what are called the actual results of 1929, because those rates, to my mind, were jumped up by 50% and 25% respectively, upon certain coverages, not on the basis of any statistical plan which they had practically disregarded in 1928, but as a readjustment which was thought to be necessary, and which had been delayed and deferred until it became expedient, in the interest of the companies, to put it in force.

That is one illustration of how little the interests of the public insured are considered when, in the first place, a rate war occurs, then an effort to consolidate the Bureau's position, a present continuance of lowered rates, or some other concession, as an inducement to others to come in, and then a sudden jump of rates as soon as they are safely within the membership of the Bureau.

I find in this jump of premiums by a percentage a most unusual expedient in the expense loading was adopted. The expense loading up to then had been 50% of the gross premiums, and it appears from the evidence given on behalf of the Bureau that it had not increased between 1923 and 1928 (ante). When 50% was added to the gross premium it added 50% to the provision for expenses as well as to the provision for losses. This increase was unwarranted by any evidence given before me, and if not used for expenses would naturally have been applied to take up part of the losses. But in them I find no such credit. Hence I cannot adopt the showing of losses in the 1929 experience as a true guide by themselves alone.

There is another consideration. During 1928 changes were made in the form of policy and the standard of value in regard to Fire and Theft insurance. The change was from a named figure and so adjusted that the older a car became the higher was the premium charged. This practice was changed, so as to insure the car for its actual value at the time of the loss, and, by a combination of the list price of new models and an average rate percent. calculated as an equivalent of the two factors of decreasing value and increasing hazard, to give a flat rate according to a formula developed by the Bureau, from a combination of the list prices.

These changes were made wholly upon the judgment of the Bureau members, and without consideration of the effect on the public, and when the 1929 rates were fixed the Bureau had "no useful records of premiums and losses," due to the change, and so left the rates the same as they were in 1928.

The proposition then, as I understand the argument of the Bureau, in favour of actual results, is that the Bureau is to retain the right to act as expediency dictates from time to time in regard to rates, so far as they affect the power and efficiency of the Bureau, and that it is further entitled to make changes in the basis of automobile insurance behind the backs of, and without the knowledge of, the public, or without public explanation, and that they may entirely disregard or neglect the results produced by their own rules, regulations, statistical data, etc., if in these matters of expediency some advantage may accrue to the Bureau companies by such disregard.

It may well be that conditions such as produced by the delicate handling of the 1928 rates and the rule of thumb jump in 1929, may not recur. But I cannot think that I am expected to judge rates arrived at under such conditions as if they were scientifically produced, or to regard their result as giving a fair or compelling demonstration of their reasonableness, or as a standard to be regarded as unquestionable.

V. IMPORTANT BEARING OF NEW DATA:

The actuary advising me reported (See Exhibit No. 223), that:—

> The Loss Cost Experience available to the Bureau in 1928 represented only some 40 percent. of the total experience of present (1929) Bureau companies, and that the companies which write a total volume of business, approximating the remaining 60 percent., were not members of the Bureau in 1926 and 1927, so that their experience was not included in the record. *In those years these companies did not charge the same rates as member companies, nor had they any statistical system enabling them to report promptly their experience in the form required for rate-making purposes.*
>
> "This circumstance became a controlling point in the procedure of the Enquiry. The Commissioner's Actuary reported that on the basis of the statistical evidence then available it would be impossible to form a judgment concerning the reasonableness, or unreasonableness, of the rates, and that in the absence of further data the actuarial evidence for the Commissioner would of necessity be negative in character. After giving all companies affected an opportunity to be heard, the Commissioner issued an order requiring additional Loss Cost experience data to be submitted by Bureau and non-Bureau companies. This requirement was subsequently extended to include the experience of a more recent period.

"The volume of experience data which thus became available to the Commissioner (Exhibits No. 151 and No. 191) may be compared with that contained in Exhibit No. 15 by taking, for example, the total number of private passenger cars included in the experience on Public Liability coverage for the respective three-year periods; viz:

PRIVATE PASSENGER CARS
PUBLIC LIABILITY COVERAGE

Exhibit No. 15:

Bureau Companies' Data, Policy Years 1924, 1925, 1926, exposure basis, car-years 54,817

Exhibits No. 151 *and No.* 191:

Ontario Rates Enquiry, Bureau and Non-Bureau Companies' Data, Policy Years 1927, 1928, and 1929, exposure basis, car years 247,549

"The comparison indicates that the more recent data obtained through the instrumentality of the Commission is nearly five times as great in volume as that available to the Bureau when the 1929 rates were determined. It is, perhaps, the most extensive body of Ontario Loss Cost data on automobile insurance that has ever been brought together.

"But although extensive in the mass, this experience, because of the great number of rate classes in use, is not sufficiently large to serve as a basis for judging all specific rates. For Public Liability and Property Damage there are six different rates, one for each of the three classes of automobile and the two rating territories.

"For collision insurance the number of rating subdivisions is one hundred and twenty (two representing territorial, four representing coverage, and fifteen representing price-group distinctions). A like situation obtains in respect of Fire and Theft insurance. These latter groups are judged in terms of the indications of their total experience without sub-division."

The insurance experience produced by the Bureau for the years preceding 1928 proved, on examination, to be not only deficient in quantity, as I have mentioned, but also showed the absence of many details caused by its rather fragmentary character. To my mind the recent evidence is much more satisfactory, both in volume and in freshness, and should largely guide me in determining, if I can, whether the rate level adopted on the 1st of February, 1929, was justified or not.

The information is decidedly better than that which the companies had, and is more surely based on two full and complete policy years, and as it comprises the experience of all companies operating in Ontario it is much more trustworthy, as indicated in the extracts which I have quoted from the Bureau Memorandum.

If the record of Ontario alone is compared with the whole of Canada it will be seen, as stated in Exhibit No. 10, Section VI, that, in comparing the allowance for claims in the premiums collected in Ontario with the expected or normal loss record, Ontario fared better than the Dominion.

The figures as given in the Bureau Memorandum are as follows:—

> "In 1925, the companies in Ontario had a surplus of 2.1% —in 1926 a deficiency of 5.7%—in 1928 a deficiency of 13.5%.
>
> "In 1925 the companies in the whole of Canada had a deficiency of 1.5%—in 1926 a deficiency of 8.0%—in 1927 a deficiency of 19.8%, and in 1928 a deficiency of 19.7%."

VI. DATE AT WHICH REASONABLENESS SHOULD BE DETERMINED:

I have come to the conclusion that in dealing with the reasonableness of the rates which were established in 1929 they should be considered, and their reasonableness determined, as of the date at which they were promulgated; viz: the 1st of February, 1929.

As the Bureau asserts, "the premium still remained an estimate of a future probability; conditions are continually changing." From that it follows that the more recent and complete experience is, the more light it is likely to cast upon the future. As the year 1929 has not yet become a mature policy year it was necessary to do what the Bureau did with regard to 1927. In dealing then with 1927, then an incomplete policy year, it was valuated as of the 31st of December, 1927, after taking into account and making due allowance for the unmatured or unexpired liability.

From the actuarial standpoint the actuary assisting the Commission has chosen the most recent years for his standard of comparison, and has given full evidential value to the results of 1927 and 1928, and has calculated that of 1929 as 100% in value, though out of 105,222 cars reported as written in that year the usable proportion of this number (for public liability), for example, is only 62%.

Reading between the lines, and in the light of the evidence which I have had before me, it seems that a somewhat natural conclusion would be that the increase made in 1929 was made with a view, if possible, to recoup the companies for the loss they had sustained during the rate war, and until the end of 1927, or to prevent a recurrence of that state of affairs, and that the rates in 1928 and 1929 may have been fixed with an eye to that situation. It would be extraordinary if it were not so, because motor insurance is a business in which companies are entitled to look, not for a loss, but for a reasonable profit.

When one peruses the schedule which immediately follows, taken from the Bureau's Exhibit No. 224, which sets out the

amount of losses incurred during 1927 and 1928, it would not be a matter of wonder if the companies desired to put themselves in a position where that situation would not occur again, and indeed, to leave them with a surplus which would help to wipe out part of their last losses. But I am bound to record here that the Bureau entirely repudiates this suggestion. But if the excess of losses, when viewed in relation to the loss provision in the rates, was caused in whole or in part (and it certainly was in part) by the fixed rates not being collected, the fault lay with the companies and not with the public, or with the provision for loss in the rates as established during the same period.

SCHEDULE FROM EXHIBIT No. 224

ONTARIO TERRITORIES COMBINED

Private Passenger Cars—Public Liability

Data Taken from Exhibits No. 151 and No. 191

Bureau and Non-Bureau Companies Combined:

Policy Year	Exhibit and Page No.	Earned Premiums	Loss Provision In Earned Premiums	Losses Incurred	Deficiency In Loss Provision	% of Deficiency In Loss Provision
1927	151–7	$ 728,802	$ 364,401	$ 581,784	$217,383	59.65
1928	191–7	1,116,865	558,432	770,391	211,959	37.96
1929	191–22	958,609	479,305	491,188	11,883	2.48
1927, '28, '29		$2,804,276	$1,402,138	$1,843,363	$441,225	31.47

Private Passenger Cars—Public Liability

Bureau Companies Only:

1927	151–7	$ 665,685	$ 332,843	$ 543,838	$210,995	63.39
1928	191–7	971,720	485,860	699,652	213,792	44.00
1929	191–22	731,122	365,561	389,424	23,863	6.53
1927, '28, '29		$2,368,527	$1,184,264	$1,632,914	$448,650	37.88

In the above Table the words "loss provision in earned premiums" indicates not necessarily the provision included in the rate then established, but the provisions in the rates actually collected, which is 10%, or some other percentage, below the fixed rate, and in the case of all coverages where that discount is allowed, would depress this total, thus making a larger loss ratio not founded upon inadequate provision for losses in the Bureau rates.

VII. REASONABLENESS OF RATES:

To my mind the question of the reasonableness of the rates fixed on the 1st of February, 1929, is in one aspect a question of fact, but as it was fixed by the Bureau according to a statistical plan, and as the outcome of their machinery of rate-making, it must, I think, be judged on that basis. It cannot have been expected, when my Commission was issued, nor was it forseen, that the paucity of properly collated insurance experience, not available when the rates in question were fixed, would result, as it has, in so much delay that the rates then established have remained unimpeached, and their reasonableness unascertained until the present time.

There is another cogent reason for so dealing with the subject. If the test was not to be as of the time the rate was fixed and began to be exacted, but only after the expiry of the full policy year of 1929, then the companies might fix any rate they liked, secure in the consciousness that if the rate was excessive they could not be called on to recoup policy-holders until the actual results of the rate had been demonstrated after the lapse of two years from the date of its promulgation, or, in fact, six months later than that. This cannot be a fair way to treat the insured, and it is not the basis upon which the companies entered upon the business or rate-making in the year under scrutiny. And if the companies are allowed to forecast the future and exact during the interval the rate they then fix, they must do so subject to the terms of the law, under which alone they get their right to act in combination, and with due regard to what I think is the underlying principle to guide all rate-makers, or their critics. This principle may fairly be expressed thus:—

> "Just and reasonable rates must ordinarily lie above the line of confiscation, and below the line of value of the service to the user. The line of just and reasonable rates will be drawn so as to produce an equitable division of the spread."

And the condition imposed by the law is that the insurance companies in combination shall not unduly increase the price of insurance to the public. That must be determined at the time they begin to collect the prices, that is, the premiums, and not long after it. They should in fairness expect to have their rates criticised by reference to the basis on which they were fixed.

It is, perhaps, worth while here to point out that in determining the reasonableness of rates I must have regard to the law as it exists in Ontario at the present moment. The word 'reasonableness' must be construed under our law in connection with the word 'unduly,' which is used in the Criminal Code. Section 498 of the Code makes it an offence for any person who combines, agrees, or arranges, with any other person to "unduly prevent or lessen competition in the price of insurance upon any person or property." The following opinions, which were quoted in the

House of Commons by the former Prime Minister of Canada on the 11th of May, 1923, were given by the judges in the cases following:—

In Rex. v. Elliott (1905, 9 O.L.R., 648) the Hon. Mr. Justice Osler, in the Court of Appeal, expressed himself thus:—

> "The right of competition is the right of every one, and Parliament has shewn that its intention is to prevent oppressive and unreasonable restrictions upon the exercise of this right; that whatever may hitherto have been its fullest extent, it is no longer to be exercised by some to the injury of others. In other words, competition is not to be prevented or lessened *unduly;* that is to say, in an undue manner or degree, wrongly, improperly, excessively, inordinately, which I may well be in one or more of these senses of the word, if by the combination of a few the right of the many is practically interfered with by restricting it to the members of the combination."

In Weidman vs. Shragg (59 S.C.R.), the present Chief Justice of Canada said:—

> "The difference, in my opinion, between the meaning to be attached to 'unreasonably' and that which should be given to 'unduly', when employed in a statutory provision such as that under consideration, is that under the former a chief consideration might be whether the restraint upon competition effected by the agreement is unnecessarily great, having regard to the business requirements of the parties, whereas under the latter the prime question certainly must be, does it, however advantageous or even necessary for the protection of the business interests of the parties, impose improper, inordinate, excessive, or oppressive restrictions upon that competition, the benefit of which is the right of everyone."

Later on in 1923 in The Attorney-General v. Wholesale Grocers (53 O.L.R. 627), I myself expressed this view:—

> " 'Undue' is not quite the same as 'unreasonable'; it may be said to import the idea of unfairness and while the respondents might establish that what they have done is reasonable, both as to themselves and other affected by their actions, and also as to the public at large, it may be contended that if it resulted in unfairly oppressing or injuring trade, it thus gave a cause of action, which is not met by the usual defence based on the necessities and proper conduct of their own trade.
>
> "This view does not necessarily make malice a decisive constituent, but it makes the test a higher one, introducing into the domain of business exigencies as shewing just cause or excuse, the element of oppression, malice and unfairness, and their effect on others, and renders it harder to justify restraint of, or interference, with, trade.

"The legislation thus interpreted imports the consideration of the effect of the conduct of the respondents and introduces the elements of fairness in enforcing their legal rights on the one hand and oppression on the other."

From the above, which are binding in this Province, I am confirmed in the view that I have stated namely, that I must, in determining the question of reasonableness or unreasonableness have regard to whether or not the price of insurance has been unduly enhanced or competition unduly lessened.

The fact that the Bureau, whose membership does not include some forty companies, and does not, I think, at present, contain any mutual company, or perhaps only one, assumes to fix a rate which shall be the price of insurance for all its members, undoubtedly lessens competition among its members in regard to price, and unless one has regard to the whole of the experience in Ontario, and indeed possibly in the whole of Canada, a true view of its effect on competition and on the fairness of the price cannot be obtained. An enquiry merely into the experience statistics, premiums and losses, etc., of the Bureau companies, such as now put forward, might only solve the question as between the Bureau companies inter se, but would leave out entirely the consideration of whether the same result would follow in the whole insurance field, when the activities of, and rates charged by, other companies are considered.

The problem therefore, which I have to solve here is the reasonableness of the rates, having regard to limitation upon competition which, if undue, necessarily imports unreasonableness, and it seems necessary to consider whether the fixing of rates binding upon the Bureau companies, which in 1929 included 100 out of 140 companies, which did about 80% of the business in 1928, did unduly lessen competition among them, however reasonable it may have been in view of the necessities and proper conduct of the insurance business, and whether, if that is decided in favour of the companies forming the Bureau, it prevented or lessened competition unduly in the price of insurance, having regard to the whole of those doing similar business in Ontario.

I cannot, on the evidence produced before me, find that the competition as to price between the Bureau companies has been unduly lessened, as they have all agreed to it, and are apparently satisfied with it, though it has unquestionably lessened competition among them, though not unduly, in the sense in which the word has been judicially construed. It has lessened competition in the whole insurance field, and unreasonably so if it is found that the rates are too high as fixed by the Bureau. If this is so and it is shown that other companies doing business in Ontario are able to continue and compete successfully, when charging lower rates, it is difficult to find that they are to be classed as rates proper to be enacted by a powerful group of companies acting in concert.

These considerations, among other things, lead me to conclude that a survey of the experience of the whole of the companies doing business in Ontario, and over a range of the complete policy years 1927 and 1928, to which is added what is shown of 1929, is the most fair method of arriving at a proper conclusion as to whether or not the rates of one year, 1929, are or are not reasonable, and as affording a much more trustworthy basis for a decision in their inherent fairness, and as to whether the body which fixed them unduly lessened competition in the price.

VIII. THE ENQUIRY IS AS TO RATES AND NOT INTO SUFFICIENCY OF PREMIUMS ACTUALLY COLLECTED

I must emphasize that this Enquiry is into the reasonableness of the premium rates and not into the premiums actually collected. The Companies which fixed the rates effective in February, 1929, may or may not have collected them thereafter, and if they departed from them they thereby lowered the volume of premiums which should have been received if the manual rates had been observed. But if that is done, it is contrary to the reason for having a fixed rate, and "cutting" rates, or giving rebates, or granting more favourable conditions in regard to risks, etc., is unfair to the large majority of those insured, who pay up upon the original basis. It also produces a false figure when the "loss ratio" is calculated, and tends to show a larger percentage of loss, caused not by the actual losses, but rather by the unfair lowering of the rate to favoured customers.

I do not deny that if my Report were delayed until six months after the expiry of the present year, perhaps longer, the Bureau might be able to demonstrate that its members had in fact, either made or lost money by the rates they had established on the 1st of February, 1929, or by failure to collect the full rate in all cases. However interesting that information may be when it is available (in case the rates should be held to have been unduly increased) and whatever method should be taken for recouping those insured, and its measure, I have concluded that I must proceed on the assumption that the reasonableness of the rates should be determined as of the time they were established, and that my finding should indicate the proper rates or rate level.

Even if that were determined, as a matter of fact, one way or the other, with regard to the Bureau companies, there would remain, as I have just pointed out, the impossibility, in view of our Statutes, of dealing on this point with the operations of the Bureau companies alone. Besides this, they assert that their rates were fixed, not only for Ontario, but for other jurisdictions, and it is in evidence before me that many of the companies outside the Bureau adopted the Bureau rates, or those rates with a percentage deduction.

But while I have endeavoured to reach a proper conclusion, according to the considerations which I have outlined in this Report, I cannot refrain from saying that my experience as Commissioner, in dealing with the Memorandum of the Bureau, the various reports made by the Actuary who is assisting the Commission, the evidence and reports of the Actuary of the Bureau, that of the managers of companies, and others skilled in rate-making, and the arguments of Counsel, I am profoundly convinced that to attempt to investigate and settle rates upon conflicting actuarial views, or rather upon opinions which, laying more or less emphasis upon elements of what is called "judgment" and upon what are demonstrated "trend" or "tendencies," and on factors developed in one way or another from these foundations is a difficult and unsatisfactory procedure, leading to great expense, and arriving at no conclusion which can be regarded as completely satisfactory to those who make and exact the fixed rates of premium, or to those who have to pay them.

I therefore venture in this Report to include a suggestion which I hope may obviate the initiation of any such Enquiry by a Royal Commission in the future.

IX. ACTUARIAL VIEW OF THE RESULT OF THE DATA COLLECTED:

In dealing with this complicated subject it is well worth while to outline the view taken by the Actuary advising the Commission. I may add that in order to acquaint myself with the methods of rate-making as used in New York State and elsewhere in the United States of America, and with the formulae, principles, arguments, and views used and held by those expert in the knowledge gained by both Bureau and insurance departmental officials, and by company managers and actuaries, a list of which I append, I visited New York City twice, Springfield, Boston, Hartford, Washington, Philadelphia, and Baltimore, and spent much time in taking evidence from those in these centres qualified to deal with one or more phases of the problems which arise in this department of insurance practice. Most of the officers of companies who appeared before me were executives of corporations which carry on under Ontario licenses a very large proportion of the business of automobile casualty insurance in the Province.

While I have no intention of setting out the details or views elicited from these witnesses, or in the numerous and complicated exhibits filed by one side or the other, it is proper to set out the standpoint on which the Actuary advising the Commission made his various Reports, which I have examined in the light of all evidence, favourable or the reverse, to that standpoint, or indicating different approaches to certain problems, though not necessarily opposite views therein.

His detailed conclusions are to be found in two Exhibits—No. 221 and No. 222—both of them complete and detailed, the result being concentrated and applied in Exhibit No. 223. I have quoted elsewhere other paragraphs from his reports in order to do full justice to his views on insurance practice and formulae, and his method of working, so that those interested may have full knowledge of them. (See also page 36 *et seq* and Appendix C).

There are one or two observations, however, that I should like to make. They are as follows:

(1) In Ontario, the premiums written in 1929 on Private Passenger cars amounted to $4,720,746.; on Commercial Vehicles, to $605,034.; and not classified to $1,473,508.

Within this group the coverages which developed the greatest amount of premium income are Public Liability and Property Damage, making close up to 50% of the total for private passenger cars.

(2) That for rating purposes the various types of automobile are differentiated as to Territory and Class. For instance, the cities of Toronto, Hamilton, and Windsor, are grouped together, and the remaining territory in Ontario is subject to differential (lower) rates in all classes, while fire coverages for Northern Ontario require a higher rate.

As regards public liability and property damage of private passenger cars, three classes are observed, low priced cars, e.g., Fords, etc.; medium priced cars, Buicks, etc.; expensive cars, Cadillacs, etc.

(3) From 1923 to 1928 rates declined from their highest level and there was a progressive decline until 1927, when the rates reached their lowest point.

In 1923 the percentage of total business written by the Bureau companies was 77.1%; in 1927 it had diminished to 37.9%.

In 1928 a number of companies rejoined the Bureau which gave the Bureau companies 79.9% of all premiums written in 1928.

(4) For 1929 the Bureau decided that no changes should be made in the *relative* charges for territories or makes of car, but the changes should be confined to such general readjustment as experience showed to be necessary for the various coverages and provisions, that is to say, the general premium rate level was adjusted without changing the relativity of the premium charges.

(5) The deficiency of the premium rates in 1928 was due to inadequate rates for public liability, property damage, and collision coverages, and the increases adopted in 1929 were therefore necessarily greater in percentage than would have been the case if the 1928 premium rates for these coverages had already been on an adequate rate level.

(6) That the rate level is affected by fleet rating where the temptation of taking a chance on a rate and charging a lower premium is found to exist to a greater or less extent, while the debits which should be charged owing to the experience on some fleets have not been exacted.

(7) Apparently, in 1928, as a condition of individual companies joining the Bureau, special exemptions were granted to them which depressed the rate level.

With these matters in mind the Actuary proceeded to work out the Loss Cost indications developed in the recent combined experience in this way, as reported by himself:

"*Development of the Data*:

"To facilitate interpretation of the experience data, a procedure for its development into average loss costs has been worked out by arrangement between the Actuary of the Bureau and the Commissioner's Actuary.

"The experience for 1927 and 1928 is available on the 'complete' policy year basis, and that for 1929 is on the incomplete' policy year basis, developed to statistical completeness through the use of appropriate factors. The formulae and methods employed are described in detail in reports dated July 23, 1930, and August 22, 1930.

LOSS COST INDICATIONS DEVELOPED BY THE COMBINED EXPERIENCE:

"In order to judge the merits of a schedule of premium rates it is necessary to erect standards of comparison. In the present instance separate standards for Loss Costs and Expense Costs must be employed. In this section the matter of Loss Costs only is considered.

Private Passenger
Public Liability and Property Damage

"The standards of comparison erected take the form of Loss Cost averages, or "average pure premiums' for each coverage and type of automobile as developed from the combined experience of Bureau and non-Bureau companies. These average pure premiums are then compared with the average pure premiums underlying the 1929 Manual rates.

"This method of procedure includes the following major steps, viz:

(1) Calculation of aggregate 'expected' losses as provided for in the Manual rates.

This is accomplished by multiplying the Manual rate for each class of car by a quantity representing the relative

importance, or 'weight,' of that class in the total number of car-years exposed, and dividing by two in order to isolate the amount provided for Loss Cost purposes.

(2) Tabulation of the actual Loss Cost reported to the Commissioner by the companies.

(3) Comparison (in percentage form) of the quantities described in steps (1) and (2).

"So far as the data will permit these comparisons have been made in respect of risk classes as well as by coverage and type of car. Detailed schedules showing the calculations relating to the various sub-divisions of the experience are contained in reports dated July 23, 1930, and August 22, 1930.

"The most recent data included in the compilation is that of policy year 1929. Since statistical observations ceased as at December 31, 1929, it will be evidence that such part of the 1929 policy year exposure as could be taken into consideration is that extending from January 1, 1929 to December 31, 1929, or in other words, about one-half year as the average for all policies issued during 1929. This circumstance has the statistical effect of 'shrinking' the number of cars exposed in that year. In the case of the private passenger public liability experience, for example, the number of cars reported as written is 105,223, while the usable portion of this number is only 62 percent., or 65,237 car-years.

"Other limitations inherent in the experience are those ordinarily arising out of the paucity of data in small and unimportant groups. Wherever it has seemed unreasonable, because of insufficient data, to make the comparison of 'expected' and 'actual' losses of small groups the procedure has been to consolidate the data into larger groups."

X. CONSIDERATION OF ACTUARIAL VIEWS AND METHODS, AND OTHER EVIDENCE.

A short summary of what I understand to be the way in which the Actuary proceeded in the two elaborate Exhibits, No. 221 and No. 222, in order that it may not appear that anything has been overlooked, is set out later in the Report, (page 36). No good will be served by my attempting to discuss them in detail. I have carefully considered these details, have taken a great deal of trouble to understand thoroughly what each of the tabulations means, and what the reasoning involves, and as Commissioner I must take the responsibility of the conclusions reached in my Report after considering in my own way the data supplied to me, and the evidence before me. I do not find any very definite divergence between the Actuaries acting for each side in the Enquiry, except in the importance sought to be given to indications afforded by data worked up and explained, and the emphasis put on the elements therein.

To deal now with the question immediately before me: The basic fact that seems to me to bear the most real relation to insurance rates is the actual cost of insurance to the insurance companies. Now the actual cost for any year or series of years must be ascertained by dividing the aggregate losses during the year, or period, by the number of cars exposed to risk; the result will be what the average cost per car has been to the insurance companies, that is the actual cost, or as one might put it, the average loss per car. It seems to follow naturally that when that fact is ascertained it affords a good indication of what the provision for loss in the premiums ought to be.

In casualty automobile insurance in Ontario there appear to be three groups of cars—the low priced, the medium priced, and the expensive cars—and insurance companies know in which group any car offered to them for insurance is included. There are, however, five coverages, any one of which may be required by an individual car owner. There are also differences between the exposure to risk in the country and city districts to be considered. In order to ascertain the actual cost per car in each of these groups or classes, and under each of these coverages, and to deal with the territorial areas having different degrees of risk, the number of cars and the aggregate losses respectively affecting each group, coverage, and territory, should be studied.

With that information at hand, the companies ought to be able to fix the other elements of the premium dollar as they have, in the statement filed by the Bureau, purported to do. In that premium dollar they have made provision for losses or Loss Cost at 50%, and 6% for unallocated claim expenses. The expense of getting and doing the business of insurance, otherwise overhead expense, is put at 44%, 30% of which is Acquisition Cost, 9% is General Administration Expense, while Taxes and Underwriting Profit are each 2½%.

Now, it is these assumptions of Loss Cost and Expense Cost that the Bureau say were actually used in the rate-making procedure of 1929, so as to ascertain the proper balance of the elements which go to make up the aggregate premium. I do not understand that in fixing Loss Cost at 50% any ratio between the premiums received and the losses actually incurred is possible as a scientific, or other than as a relevant fact, because that, while very interesting and important, is only the working out of the truth or falsity of the assumptions made as to loss cost in the premium dollar, and is not available when the rate level is determined. Therefore I give the Bureau credit for having arrived at the 50% for Loss Cost on the basis of the actual cost of insurance per car exposed to risk during the years or period over which their experience had been collected, and not upon the loss ratio for that period, which I have pointed out is, even if it had been before then, open to serious question as to the basis on which it is made up.

An examination of Exhibit No. 224, page 2, put in by the Bureau, professes to give for the two Ontario territories combined the private passenger car experience of the Bureau and non-Bureau companies for 1927, 1928, 1929 and also for 1927, 1928 and 1929 combined, for each of the coverages. This shows the deficiency or excess in loss provision in earned premiums during these three years, based on actual losses, and shows that while the losses were in excess of the loss provision in 1927 and 1928 in public liability, property damage, and collision, yet in 1927 and 1928 they made money over and above the loss provision upon fire and theft insurance, and in 1929 on theft insurance as well. Now, it seems to me that that result, while essential to be regarded by any insurance manager, leading him to consider which of the coverages and which of the classes, or which of those two elements combined, having regard to territorial differences, have produced losses, and thus to make better or different selection in the future, is not a true test of what is a reasonable rate, because it must be evident to anybody who reflects that the deficiency of loss provision may be caused by the charging of lower rates than should be exacted, quite as well as by an excessive amount of actual losses due to accidents, etc. And with regard to Bureau Companies' experience alone, it would seem that with regard to medium priced cars the Bureau Companies must have an unusually large number of risks on a class where the chances of loss are proportionately much greater than in the low priced or high priced classes. If either of the two elements, i.e., if premiums collected are not at rate level or if losses paid are due to abnormal conditions or to unfortunate selection of risks, exist, then the result may be attributed to either one or the other. And in this case it is obvious that in 1927 and 1928—indeed, it is put forward on the face of the Bureau companies' statement—the rates themselves were much too low, and it is in evidence that they had been insufficient previous to that time. The year 1927 was practically the end of the rate war and in 1928 the Bureau companies did not feel that they could get away from the effects of the rate war except to a very limited extent when settling premiums for the year 1928. And I find no scientific test applied either in 1928 or in 1929 based on proper experience, and I am not over stating the matter when I say a jump of 50% and 25% over the then premium rate level involves the increase of items on the expense side which have no relation to losses paid by the companies.

For these reasons I have come to the conclusion that, notwithstanding the total experience shown in Exhibit No. 224, the sounder view, in fact the only sound view, is that taken by the Actuary advising the Commission, (for example on page 27 of Exhibit No. 223) where he endeavours to ascertain the results for 1927, 1928 and 1929 by getting the average cost per car on the basis of the 1929 exposures as applied to each of these years. The reason for applying, as in the example quoted dealing with public liability, the provision for losses in the 1929 rates which are under investigation, to the losses incurred in the years 1927 and 1928 is

(if the basis is correct which I have indicated) to see whether, had the rates been in force in those two years, the loss provision would have been adequate to meet the losses incurred and then to apply the same test in 1929 to see how they came out in that year. In this way a view is got as to whether the rates for 1929 were justly founded in the light of the experience of 1927, 1928 and 1929. The companies show a private passenger loss ratio of 56.2%; a commercial loss ratio of 78.6%; and a fleet loss ratio of 88.8%; and in the aggregate for 1927, 1928 and 1929 a loss ratio of 62.7%. It will be found that if they had in those years been charging the rates they have now fixed in 1929, not only would they have overcome the losses which they report, but would, in 1927, (for example, in public liability for private passenger cars) have exceeded the necessary provision for losses by 2%, and in 1928 by 6%; whereas in 1929 they would have exceeded it by 3%, giving an average over the three years of an excess of 4%. This 4%, of course, is to be distributed among the various classes and territories; but however distributed, the method of treatment indicates, as I think, very clearly, that if the experience on which the 1929 rates was founded had been based on the actual results of 1927 and 1928, as now known, it would not have warranted the increase that was made in the year 1929, and must have been founded in part on judgment influenced unduly by the effect of the low rates which had been prevailing.

Those rates, i.e. for 1927 and 1928, were founded upon imperfect knowledge and experience, and on an apprehension drawn from their own known losses for those two years— which, as pointed out, is to my mind a false basis for rate fixing, and were open to the objections to which I have alluded. But now, having got the more recent experience of 1927 and 1928, and tested it by applying the rates published in 1929, it is found that if they had been in force during those periods, the loss ratio would have been the other way, i.e., they would have sustained no loss beyond their loss provision, but rather would have gained. It is not an unfair assumption to say that had that experience been before them they could not reasonably have fixed the rates at what they did fix them, and that consequently it is my duty having the more recent experience, and having tested it out, to act upon it.

XI. AGREEMENTS OF GOVERNMENT AND COMPANIES' ACTUARIES.

My findings should be prefaced by a reference to the agreements come to between the Actuary advising the Commission and Mr. Frederickson, representing the Bureau. These are as follows: The first agreement reported to me is on page 4 of the Report dated July 23, 1930 (Exhibit No. 221):

Copy of Agreement

"We have agreed as follows:

1. That pure premiums by class and territory (e.g. six for private passenger, public liability) shall be developed and

shown in an exhibit for each of the years 1927, 1928 and 1929, for the combined 1928 and 1929, and for the combined 1927, 1928 and 1929. Such pure premiums will be computed by applying to the average Ontario pure premium (for each year or group of years, as the case may be), class and territory differentials.

2. Class differentials and territory differentials shall be based on the average three years' experience.

3. Correction factors shall be computed and applied back to eliminate any distortion of 'actual' losses for the Province as a whole.

4. The pure premiums calculated as above shall be shown in a schedule of the form attached, which schedule shall exhibit also the corresponding pure premiums underlying the 1929 manual rate.

Harwood E. Ryan (*Signed*)
Actuary for the Ontario Rates Enquiry Commission.

C. H. Frederickson (*Signed*)
Actuary for the Canadian Automobile Underwriters' Association.

Dated June 25th, 1930."

The next agreement reported to me is dated July 30th, 1930, and is found on page 5 of Report of August 22nd, 1930 (Exhibit No. 222):

"This Memorandum is for the purpose of recording certain conclusions reached by Mr. C. H. Frederickson, Actuary of the Canadian Automobile Underwriters Association and Mr. H. E. Ryan, Actuary for the Ontario Rates Enquiry Commission in relation to a procedure to be adopted in developing the statistical data covering experience on the following classes of business:

Private Passenger—	Collision
	Fire
	Theft
Commercial	Public Liability
	Property Damage
	Collision
	Fire
	Theft

"On a previous occasion it was agreed that an appropriate test of the rates for any coverage would consist of a comparison between indicated pure premiums and the pure premiums underlying Manual rates. With the possible exception of Private Passenger—Public Liability and Property Damage, mechanical difficulties stand in the way of utilizing to the utmost extent the official experience compilation contained in Exhibits 151 and 191. In certain cases, as for example, collision experience, the data are not given in sufficient detail to

enable essential distinctions to be made in respect of the individual collision coverages. In other cases the number of classes used in the rating of risks is so great that the number of cars exposed to risk in most of these classes is negligible.

"It has seemed to us that an agreement should be reached with reference to a rational procedure which might be followed without prejudice for the purpose of developing the available experience to the point of usefulness. Accordingly we have agreed in some detail upon the manner in which the data for the several divisions of experience shall be developed.

Private Passenger—Collision

"The official Private Passenger Collision experience is shown in a consolidated form which combines all of the individual forms of collision coverage. Details are lacking for adequate analysis upon which to base conclusions as to the meaning of the indicated pure premiums. A distribution of exposures based upon 1929 writings is, however, available for each Ontario territory and for each collision coverage separately. This exposure is based upon individual returns submitted to the Canadian Automobile Underwriters Association by its member companies pursuant to the 1929 Statistical Plan. The tabulation of these distributions appears on original printer-tabulator tapes in the possession of the Canadian Automobile Underwriters Association. These are marked for identification "Collision—Private Passenger Writings" and endorsed with the date—July 30, 1930. Copy, subject to verification is attached.

"For the purpose of developing average pure premiums underlying the 1929 Manual rates, these distributions will be multiplied by the Manual rate applicable to each class, territory and coverage, and the weighted result "unloaded," (that is divided by two). The figure of comparison to be used in connection with such average pure premiums will be obtained by developing for each year and combination of years, previously agreed upon, average pure premiums for each coverage, and territory, through the use of Dominion-wide average pure-premiums for collision business as a whole and of differentials for coverage and territory based on three-year average results.

"The actual quantities to be used in this connection are as follows:

"(1) Country-wide premiums developed by Mr. Frederickson (corresponding to an exposure for 1929 of 32.203 car-years)

1927	28.71
1928	24.59
1929	27.55
1928-9	25.92
1927-8-9	26.48

(2) Coverage differentials—Three year average

Full coverage	2.10
$25. Deductible	.99
$50. "	.83
$100. "	.53

(3) Territory (Ontario) (Three year average)

1	.73
2 & 3	.85

Private Passenger—Fire

An abridged procedure has been adopted for this coverage for the following reasons:

(1) A somewhat different problem is here presented than in the case of collision experience inasmuch as the fire experience is homogeneous, whereas in the official collision experience four coverages are combined and cannot be interpreted without applying computed differentials.

(2) There are 99 fire rating groups and two class divisions, making in all 198 subdivisions of exposure. In many of these subdivisions the exposures are negligible.

"For these reasons it has been decided that for the calculation of the average 1929 Bureau Manual Rates it will be assumed that the rate *charged* for 1929 was the rate also *collected*. This is equivalent to adopting the Bureau Companies' average earned premium shown in the experience compilation for 1929 as being the equivalent of the weighted average premium which would be obtained by applying against the numerous subdivisions of exposure the specific Manual rate corresponding thereto.

"The presentation of results on the fire coverage is to be in the same form as to individual years and combinations of years as previously adopted.

Private Passenger—Theft

The same reasoning and procedure applies here as in the case of Private Passenger—Fire.

Commercial

Public Liability—Property Damage—Fire—Theft

These coverage subdivisions will be treated in exactly the same manner as above described under Private Passenger-Fire.

This division of the experience presents the same difficulties as those already described in connection with Private Passenger—Collision experience.

"According to a tabulation made by Mr. Frederickson, the total commercial car collision exposure for the years 1927, 1928 and 1929 combined is only:

Ontario 2	1,906 cars.
Ontario 4	2,562 cars.

"It appears, therefore, that further analysis is likely to prove futile and that the loss ratios actually experienced on this class of business should be permitted to speak for themselves.

Remainder of Experience

The remaining experience has been reported on the loss ratio basis and requires no consideration in this Memorandum.

(*Signed*) *C. H. Frederickson.*
(*Signed*) *Harwood E. Ryan.*

July 30, 1930."

XII. PRINCIPLES AND METHODS APPLIED BY ACTUARY TO DATA.

The principles upon which Exhibits No. 221, No. 222 and No. 223 rested, and the methods applied therein, as well as the data obtained, in order to throw light upon the question which I have determined are as follows:

Exhibit No. 221 deals with the public liability and property damage coverages for private passenger cars; Exhibit No. 222 deals with the collision, fire and theft coverages for private passenger cars, and also with commercial cars, fleets, and miscellaneous types of vehicle. All calculations are based so far as possible on the data of all companies combined. Exhibit No. 223 presents and interprets the results developed in Exhibits Nos. 221 and 222.

Exhibit No. 221. Private Passenger Cars—Public Liability and Property Damage.

"Exhibit No. 221 shows the development of twelve specific pure premiums (six for public liability; six for property damage) for each of the years 1927, 1928 and 1929 combined, and for the three years combined. The pure premiums so developed were calculated in conformity with the first agreement already quoted. The Exhibit also includes a percentage comparison between the pure premiums so developed and the pure premiums underlying the 1929 Manual Rates. In 1929, 57% of the premiums written on private passenger cars were written on these two coverages ($2,698,418, out of $4,720,746.)

Briefly the development includes the following stages for each coverage:

(1) The average pure premiums for the province for each year, i.e., the average loss cost per car, are taken direct from Exhibits No. 151 and No. 191, with the exception of the year 1929, where agreed development factors (.62 for public liability and .68 for property damage) were employed. (See page 19 public liability; page 29 property damage).

(2) These average pure premiums are then broken down or distributed by class and territory by the use of class and territorial differentials in order to develop the loss cost per car; i.e. "approximate pure premiums" for each territory and for each class of car for each year and for each combination of years. (See Schedules 1 to 5, column 4, public liability; Schedules 12 to 16, property damage).

(3) The approximate pure premiums resulting from this distribution are then modified by the application of a "correction factor" designed to eliminate the distortion consequent upon the application of the differentials. The results are shown as "indicated pure premiums" (See Schedules 1 to 5, column 8, public liability; Schedules 12 to 16, column 8, property damage).

(4) The indicated pure premiums so calculated are then compared in terms of ratio percent with the pure premiums underlying the 1929 Manual rates (see page 27 for public liability; page 39 for property damage; also see Schedule on page 6).

Exhibit No. 222. Private Passenger Cars— Collision, Fire and Theft.

Commercial Cars.

"Exhibit No. 222 shows the development of average pure premiums, i.e. the average loss cost per car for the collision, fire and theft coverages for private passenger cars, and for commercial vehicles, and of loss ratio indications for fleets (all coverages combined)."

The following extracts from the report of the Actuary advising the Commission deal with the results obtained by him on the various coverages. (Exhibit No. 223, Report dated September 19, 1930, pp. 25-35 inclusive.) See also Appendix C.

Loss Cost Indications Developed by the Combined Experience

"In order to judge the merits of a schedule of premium rates it is necessary to erect standards of comparison. In the

present instance separate standards for loss-costs and expense costs must be employed. In this section the matter of loss costs only is considered.

Private Passenger

Public Libility and Property Damage

"The standards of comparison erected take the form of Loss-cost averages or "average pure premiums" for each coverage and type of automobile as developed from the combined experience of Bureau and non-Bureau companies. These average pure premiums are then compared with the average pure premiums underlying the 1929 manual rates.

"This method of procedure includes the following major steps, viz;

"(1) Calculation of aggregate "expected" losses as provided for in the manual rates.

"This is accomplished by multiplying the manual rates for each class of car by a quantity representing the relative importance or "weight" of that class in the total number of car-years exposed and dividing by two in order to isolate the amount provided for loss-cost purposes.

"(2) Tabulation of the actual loss-cost reported to the Commissioner by the Companies.

"(3) Comparison (in percentage form) of the quantities described in steps (1) and (2).

"So far as the data will permit these comparisons have been made in respect of risk classes as well as by coverage and type of car. Detailed schedules showing the calculations relating to the various subdivisions of the experience are contained in reports dated July 23, 1930, and August 22, 1930.

"The most recent data included in the compilation is that of policy year 1929. Since statistical observation ceased as at December 31, 1929 it will be evident that such part of the 1929 policy year exposure as could be taken into consideration is that extending from January 1, 1929 to December 31, 1929, or in other words, about one-half year as the average for all policies issued during 1929. This circumstance has the statistical effect of "shrinking" the number of cars exposed in that year. In the case of the private passenger public liability experience, for example, the number of cars reported as written is 105,222 while the usable proportion of this number is only 62 per cent., or 65,237 car-years.

"Other limitations inherent in the experience are those ordinarily arising out of the paucity of data in small and unimportant groups. Wherever it has seemed unreasonable, because of insufficient data to make the comparison of

"expected" and "actual" losses of small groups the procedure has been to consolidate the data into larger groups.

"In order to present as briefly as possible the results developed in accordance with the foregoing procedure the following statistical information has been abstracted from the technical analyses dated July 23, 1930 and August 22, 1930.

PRIVATE PASSENGER CARS
PUBLIC LIABILITY COVERAGE

Policy Years	Car-Years Exposed to Risk	(1) Losses as Reported to Ontario Rates Enq. Commission	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	76,719	$ 581,784	$ 593,102	102%
1928	105,593	770,391	816,324	106%
1929	65,237	491,188	504,336	103%
1928 and '29	170,830	1,261,579	1,320,660	105%
1927-'28 and '29	247,549	1,843,363	1,913,763	104%

(Exhibits 151 and 191)

"For this group the three-year experience indicates that the provision for losses contained in the 1929 manual rates is 4% in excess of loss requirements. The manner in which this excess is distributed according to territory and class is shown in report dated July 23, 1930 at page 27.

The three years combined the distribution is as follows:

Class	*Cities*	*Country*
1	104	115
2	88	101
3	105	120

"With regard to private passenger cars, property damage, the following result, obtained in a similar manner as that regarding public liability:

PRIVATE PASSENGER CARS
PROPERTY DAMAGE COVERAGE

Policy Years	Cars-Years Exposed to Risk	(1) Losses Incurred	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	70,154	$ 358,159	$ 435,852	112%
1928	99,612	511,949	618,866	121%
1929	68,294	372,419	424,295	114%
1928 and '29	167,906	884,368	1,043,160	118%
1927-'28 and '29	238,060	1,242,527	1,479,013	119%

(Exhibits 151 and 191)

"For this group the three-year experience indicates that the provision for losses contained in the 1929 manual rates is 19 per cent. in excess of loss requirements. The manner in which this excess is distributed according to territory and class is shown in report dated July 23, 1930 at page 39.

"For the three years combined the distribution is as follows:—

Class	*Cities*	*Country*
1	127	123
2	110	113
3	100	108

PRIVATE PASSENGER CARS

FIRE AND THEFT COVERAGES

"While the aggregated exposures of these groups is large, it has been found necessary, because of the great number of subdivisions used in rating, to resort to a still different procedure, namely:

"For the purpose of computing the average Bureau manual premium on 1929 business the data of Bureau companies only has been used. This assumes that the premiums written by the Bureau companies have been at manual rates without deviation. Fifty per cent. of the average premium so calculated then represents the provision for losses contained in those rates. This figure is brought into direct comparison with the average pure premium indicated by the experience of all companies.

PRIVATE PASSENGER CARS

FIRE COVERAGE

(1) Policy Years	(2) Car Years Exposed to Risk	(3) Losses Incurred	(4) Average Pure Premium	(5) Average Pure Premium Underlying 1929 Manual Rates	Ratio of (5) to (4)
1927	102,553	$191,621	$1.87	$2.82	151%
1928	126,118	277,009	2.20	2.82	128%
1929	*77,687	218,896	2.82	2.82	100%
1928 and '29	203,805	495,905	2.43	2.82	116%
1927-'28 and '29	306,358	687,526	2.24	2.82	126%

*Developed (factor .60)

"For this group the three-year experience indicates that the provision for losses contained in the 1929 manual rates is 26 per cent. in excess of requirements.

Private Passenger Cars

Theft Coverages

Policy Years	Car Years Exposed to Risk	(1) Losses Incurred	(2) Average Pure Premium	(3) Average Pure Premium Underlying 1929 Manual Rates	(4) Ratio of (3) to (2)
1927	81,748	$130,961	$1.60	$2.53	158%
1928	103,035	162,865	1.58	2.53	160%
1929	*65,974	133,789	2.03	2.53	125%
1928 and '29	169,009	296,654	1.76	2.53	144%
1927-'28 and '29	250,757	427,615	1.71	2.53	148%

*Developed (Factor .60)

"For this group the three-year experience indicates that the provision for losses contained in the 1929 manual rates is 48 per cent. in excess of requirements.

Commercial Cars

All Coverages

"The method of procedure adopted in the case of all commercial coverages is identical with that used in testing the rates for fire and theft coverages for private passenger cars. Because of the small exposures involved the results for the three years are consolidated.

Commercial Cars

All Coverages

Policy Years 1927, 1928 and 1929

Coverage	Number of Cars Exposed	(1) Average Pure Premium	(2) Average Pure Premium Underlying 1929 Manual Rates	(3) Ratio of (2) to (1)
Public Liability	26,827	$10.19	$10.71	105%
Property Damage	23,856	13.75	10.40	76%
Collision	4,836	26.68	20.61	72%
Fire	26,488	5.47	3.94	72%
Theft	15,637	1.29	1.45	112%

"From the foregoing it appears that the provision for losses in the commercial car group is maladjusted as between coverages. The ratios speak largely for themselves.

Remainder of Experience

"The remaining part of the experience is not available on an exposure (or loss-cost) basis, but is on a loss-ratio basis and comprises fleets of automobiles, public vehicles, garages, dealers' and manufacturers' cars.

Fleets—All Coverages Combined

"Reference to Exhibits 151 and 191 discloses the loss ratios which have been experienced on fleets, as follows:

Policy Year	BUREAU COMPANIES			NON-BUREAU COMPANIES		
	Earned Premiums	Incurred Losses	Loss Ratio %	Earned Premiums	Incurred Losses	Loss Ratio %
1927	$356,619	$401,204	112.50	$ 75,991	$ 63,148	83.10
1928	395,645	382,222	96.63	142,955	111,237	77.81
1929	Is Undeveloped					

"The fleet experience of Bureau Companies as above indicated forms only a part of their total fleet experience, namely the part which has been reported on the "Ontario basis" schedules. The remaining Ontario fleet experience is consolidated with fleets written in other Provinces and is not separable. Also, the experience under 1929 premium writings is not included above for the reason that no method has been developed for adjusting the 1929 loss ratio on fleets to the basis of a complete policy year. The most significant indication of these loss ratios is that fleet business has been written at a loss.

Public Vehicles, Garages, Dealers' and Manufacturers' Cars All Coverages Combined

"The total experience in this group is so small that the loss ratio cannot be interpreted."

In his Memorandum, Exhibit No. 248, Mr. Frederickson disregards what I take to be the gist of Exhibit No. 223, prepared by the Actuary advising the Commission, namely, the ascertainment of the actual cost of insurance; i.e., how much each car insured viewed in the light of the actual losses, cost the companies for insurance. I fail to see how, in an enquiry into the reasonableness of rates or as to whether the price of insurance has been unduly raised, the factor of the actual cost of insurance to the companies can be ignored, and it is a matter of surprise to me to find that in this Memorandum that point has not been dealt with. If this factor is essential to rate-making, it is surely essential to judging the reasonableness of rates.

Nor am I able to accept the position taken by Mr. Frederickson in the Exhibit referred to. It is true, as he says,

> "that no rate-maker making rates for 1929 could have available the loss cost experience records as appear to have been used by Mr. Ryan."

But while the more recent and complete information was not in the hands of the rate-makers for 1929 something less extensive and something much less trustworthy was. My preference is for the former, but my ideas do not at all coincide with the statement made that the study of the results of the year 1929 alone, so far as known, is a more reasonable guide to determine the question as to the deficiency or excess provision for losses in the 1929 Manual rates than the data which the Actuary advising the Commission used. It is also a very striking departure from the case set up by the Bureau in its original Exhibit No. 10, to which I have referred in this Report at length.

I do not dispute the rights of the companies to set up any argument they desire, however inconsistent it might be with contentions previously raised, but apart from that it is hard to understand why, if more recent data has now been ascertained, both it and the data the companies had when they fixed the rate in 1929, should be thrown aside by me, and that reasonableness should be tested by the "results" for the year 1929 alone. It is this "testing by results" that convinces me that the actual cost of insurance to the companies has been practically ignored in the memorandum, for, as I have pointed out previously, the actual results of 1929, so far as they are available, while a guide to the cost of insurance, are neither the method adopted by the Bureau in making up its rates, nor is it one put forward by them now. What the Bureau desires is a test by certain results only, and not by results studied in the light of the loss provision in the rates themselves.

I have already expressed my view that the experience of the Bureau companies is not as satisfactory as that of all companies doing business in Ontario. As pointed out elsewhere, if the reasonableness of the rates in Ontario is to be determined, or if the question is whether the price of insurance has been unduly increased in Ontario, the experience of all companies must be taken and the cost of insurance to all companies must be considered.

It is quite impossible to determine in this enquiry merely the question whether the Bureau companies rates, confined to the member companies and exacted by their members, were reasonable or unreasonable. That would be something of a futile enquiry, and as I had occasion to observe in the earlier part of the Report, the Bureau prides itself upon the fact that it not only settles the rates for Bureau companies in Ontario, but for four other Provinces, and very much influences other parts of Canada. It is also in evidence before me that Bureau rates are used with more or less uniform discounts or changes by the rest of the companies which operate

in Ontario outside the Bureau. Having rejected the contention it is unnecessary to further pursue the matter except to say that the Exhibit which I have been discussing does not contain, in my view, anything to offset the considerations which I have already put forward in this Report.

I do not except from this the question of the three-point and five-point coverage. The evidence of the Actuary advising the Commission was that he had not taken that into consideration because he thought it would make little or no difference in the result. I think he was right in disregarding it. From Section VIII. I would conclude that the Bureau in its rate-making also ignored it. The discount given for these coverages is merely the giving of a wholesale rate instead of a retail rate. It is quite voluntary, and is allowed not on account of the sufficiency or insufficiency of the rate themselves, but is given confessedly for the purpose of getting a larger share of business from any customer. Allowance cannot be made for that in considering whether the rates payable by individuals for different coverages are or are not reasonable. If these rates are in themselves reasonable, the fact that the companies are willing to give a discount for a larger amount of business is no argument against that reasonableness, even if I were disposed to make any allowance for it.

In regard to the answers given by Mr. Charles J. Haugh to questions propounded to him in November, 1930, by the Bureau, I note that on the question as to the use of data of all companies he is willing to accept the experience of the Bureau companies alone for the years 1924 to 1927 inclusive (Section VIII., Exhibit No. 10) as "sufficient" and "homogenous," although doing only about 40% to 60% of the Ontario business (Section VIII., Exhibit No. 10). The fact that they are homogenous is no doubt true, but Mr. Haugh's views that they afford a "satisfactory basis for a general rate level" are expressed to be based on the condition that the exposure should be sufficient in volume to form such a basis. This condition leaves it to be imagined that the experience for those years is sufficient. This does not accord with my conclusions, and does not take into account what is stated in Exhibit No. 10, which certainly destroys the basis assumed by Mr. Haugh. The extract follows:—

> "The experience compiled in 1928 is approximately forty percent. of the total amount of experience of our present member companies for these years. Companies, which are now members, with a total volume of business approximately sixty percent. of the total volume, were not members of this Association in 1928 and 1927. These companies did not charge the same rates as member companies in those years, nor had they any statistical system enabling them to report their experience in the way desired for rate-making purposes."
>
> "Evidence will be submitted to show that during this period, from 1923 to 1929, the cost of public liability, property

damage, and collision insurance was steadily increasing, notwithstanding the decreasing premium rates. This extraordinary situation was created by a condition of extreme rate competition among companies for automobile insurance. This competition forced many companies to abandon membership in the Canadian Automobile Underwriters' Association, and to accept automobile insurance at rates lower than those authorized by the Association."

"In such a situation the member companies were unable to maintain premium rates at what they thought was an adequate rate level, and were obliged to authorize rates less than sufficient to cover their costs. The low point in this course was reached at the end of 1927."

The New York situation, cited by Mr. Haugh, is different, the Bureau there being supplied with an overwhelming volume of experience from by far the largest number of companies doing business in the State of New York. Besides this, the decision of the New York State Superintendent of Insurance, not to require the combination of the experience of all Companies, though valuable, is not, as a mere fact unexplained by any given reasons, one that I can regard as of great weight in such an enquiry as I am conducting.

In Mr. Haugh's answer to the second question regarding determination of general rate level, I am somewhat in accord with the view there expressed that:

"It is obvious that rate levels determined by averages over past periods, can never correctly meet either rising or decreasing loss costs. Furthermore, companies cannot rely upon realizing a balance between deficiencies and surpluses from year to year over long periods by such a method of determining rate levels."

This must be a very recent change of heart, but it fits in with the method I propose in this Report, and I am glad to learn that the New York Compensation Inspection and Rating Board have abandoned the plan of determining "by an average of the loss cost of the latest three year period available" in favour of one based probably on a yearly survey.

But I do not think that the Bureau here, or elsewhere, ever considered themselves as bound by any purely arithmetical rule or formula for rate level determination, and I am glad to have Mr. Haugh's statement to that effect. His insistence, however, that if the loss provision developed by the National Bureau proves to have been within 5% of the experience reported for the year in which they are applicable he "would consider our estimates had been very good," certainly does not accord with his other contention that "the rates reflect the loss indications of the experience used."

This 5% means a rather wide area for what he terms "the exercise of expert judgment in relation to all the known facts," from which category I can hardly reconcile the exclusion here of the experience of all non-Bureau companies, and of companies doing business in a different manner, with different policies and underwriting rules, or writing only a certain type of risk, or drawing business exclusively or principally from some special source, or of companies whose experience, or loss cost experience, shows a wide variation in the indications between them and the Bureau companies.

I cannot believe that the New York Bureau deliberately shuts its eyes to these matters in its exercise of expert judgment, but rather that they know and do not consider them in ascertaining what, in a world of business competition, is the competitive rate which Bureau companies could, or should, charge. I feel that I am bound for reasons pointed out elsewhere to consider all those various factors in determining the reasonableness, or the reverse, of the rates, and not merely whether, if confined to Bureau companies alone, it might be justified by their peculiar experience. As I read Exhibit No. 10, in Sections II. VI. and VIII. the Bureau here did consider, though not adopting, the Government returns for the whole of Ontario, and the experience of the Bureau companies over the whole of Canada.

Having before me these agreements, the evidence, and Exhibits, especially the tabulated and detailed statements of both actuaries, including particularly Exhibit No. 224 prepared by Mr. Frederickson, and statements made by him dealing with the examination of the late Mr. Ryan, and by Charles J. Haugh, and having given my best consideration to all the material filed with the Commission, in the light thrown upon it by the mass of evidence given both here and in the United States, during 1929, in order to arrive at a satisfactory answer to the questions to be decided, and having due regard to what is shown by the actual results of 1929, so far as that calendar year discloses them, including the estimate made of the losses likely to be met with on policies written during 1929, I now make my findings as follows:—

As to Private Passenger Cars, Collision, Fire and Theft coverages, different considerations appear in these coverages according to Exhibit No. 222, and to the agreement between the actuaries, which has already been quoted, dated July 30th, 1930. The actuarial results by agreement are based upon the distribution of exposures gained by individual returns submitted to the Bureau by its member companies, pursuant to the 1929 Statistical Plan. With regard to Fire coverage for these cars the following statement is made in the agreement:—

> "For these reasons it has been decided that for the calculation of average 1929 Bureau Manual rates it will be assumed that the rate charged for 1929 was also the rate collected."

This is equivalent to adopting as the standard, the Bureau companies' average earned premium shown in the experience compilation for 1929.

This assumption is also made with regard to this coverage in relation to theft. But for this agreement I would not feel that I was justified in making a finding based upon the Bureau companies' experience alone on the Fire and Theft coverages, for reasons I have already given, but the agreement seems to enable me to deal with it so far as the Bureau companies are concerned, by applying the test agreed to by both actuaries.

With regard to Commercial Cars, with regard to all five coverages, and to Fleets, I am unable to make a finding useful or definite as to the 1929 rates, as it does not appear to me that there is sufficient experience which can be properly construed as indicating anything concrete enough to enable me to decide whether the rates fixed were or were not reasonable. This appears from what is stated in his Report by the Actuary advising the Commission.

Being disposed to ascertain the result of attaching somewhat more importance to the 1929 actual and estimate results than is done in Exhibit No. 223, by the Actuary advising the Commission, I suggested that results be worked out giving to the 1929 experience a value of twice as much as the experience of each previous year, namely, 1927 and 1928, and also of treating the experience of 1927 as having the weight of one, that of 1928 the weight of two, and that of 1929 the weight of three. I did this with a view to giving to the companies, as far as I could, the fullest benefit from the most recent experience.

I have also asked the Actuary advising the Commission to ascertain and show what difference those views of the three years' experience would produce. The schedules differ only slightly in their results, showing how a mass of figures, as to which different calculations may be applied, may afford little help in reaching any practical result.

The result of the late Mr. Ryan's tabulations giving each year equal weight are shown on pages 39 *et seq.* In Appendix A. to this Report are shown by coverages the results of the two calculations which I desired should be worked out for me, the Tables marked "A" giving double weight to 1929, and the Tables marked "B" giving triple weight to 1929 and double weight to 1928. I have determined, in view of the companies' desire that the 1929 experience should be the governing factor, to adopt as the standard for my Report the results of the three years' experience—1927, 1928, and 1929—but giving the latter year double weight in my calculations.

XIII. FINDINGS ON LOSS COSTS

My findings, therefore, so far as they are justified by the experience before me, and on the modified basis as stated, are as follows:—

PRIVATE PASSENGER CARS—PUBLIC LIABILITY COVERAGE:—

The loss provision in the 1929 Manual rates, by class and territory, is as follows:

	Territory 1.	*Territory* 2.
Class 1	$8.00	$6.50
" 2	9.50	8.00
" 3	12.50	10.50

The necessary loss provision in the said rates, as derived from such experience, is:—

	Territory 1.	*Territory* 2.
Class 1	$7.71	$5.65
" 2	10.81	7.93
" 3	11.97	8.77

The loss provision in the said rates exceeds the necessary provision on the average by 4%, although it will be noted that the loss provision in the rate for Class 2 cars in Territory 1, is inadequate.

The number of high priced cars (Class 3) is so small that the loss cost indications thereon are not as reliable as on Classes 1 and 2. Inasmuch, however, as the average necessary loss provision ($7.45) is clearly established and the meagreness of the exposure in Class 3 only affects the propriety of its distribution, I am of opinion that the indications of the experience of Class 3 cars are sufficiently reliable for my purposes, as they always appear to have been for the Bureau.

PRIVATE PASSENGER CARS—PROPERTY DAMAGE COVERAGE:

The loss provision in the 1929 Manual rates, by class territory is as follows:—

	Territory 1.	*Territory* 2.
Class 1	$6.50	$5.00
" 2	8.00	6.50
" 3	10.50	9.00

The necessary loss provision in the said rates as derived from the experience before me, is:—

	Territory 1.	*Territory* 2.
Class 1	$5.16	$4.10
" 2	7.32	5.81
" 3	10.56	8.39

The loss provision in the said rates exceeds the necessary provision on the average by 18%.

The observations made with respect to Class 3 cars in the Public Liability coverage apply to the same class of cars in this coverage.

PRIVATE PASSENGER CARS—COLLISION COVERAGE:

In this coverage, due to the paucity of experience and to the comparatively small number of cars using this coverage, I can make no finding as to the reasonableness or otherwise, of the loss provision therein, but in my recommendations I deal somewhat with what might render this coverage more popular and less expensive. But as the Collision premiums were raised by 25%, and so making an additional provision of 25% for expenses, they are to that extent in excess of the proper rate.

PRIVATE PASSENGER CARS—FIRE COVERAGE:

I have already explained the manner in which the experience has been developed. There are upwards of 90 different Manual rates for this coverage in each territory, and, accordingly, the experience has been developed to show only the average necessary loss provision in the rates.

The loss provision underlying the average 1929 rate is $2.82, or 19% in excess of the necessary loss provision of $2.36.

PRIVATE PASSENGER CARS—THEFT COVERAGE:

In this coverage, as in the Fire coverage, average loss cost indications only could be developed.

The loss provision underlying the average 1929 rate is $2.53, or 43% in excess of the necessary loss provision of $1.77.

COMMERCIAL CARS, PUBLIC VEHICLES, ETC.:

Commercial cars are frequently insured as Fleets at special rates determined in accordance with a so-called experience rating plan. Elsewhere in this Report the inadequacy of these Fleet rates and their effect upon the general rate level is fully discussed.

The experience on Public Vehicles, and upon Garages, Dealers', and Manufacturers' Cars, is so meagre as to be wholly unreliable for my purposes, and there is no evidence before me to indicate that the rates charged in these classes are excessive.

XIV. PROVISION FOR EXPENSES IN PREMIUM RATES

Consideration of the bearing of the Expense Loading on the question of the reasonableness of the 1929 rates raises two questions.

The first is the effect of the 50% and 25% addition to the 1928 premium rates, one-half of which increase represented additional provision for expenses; and the other whether the amount of the loading for expenses itself was reasonable.

As to the first point, taking as an example a premium rate of $16.00, it is clear that a 50% increase in that rate would increase

the provision for expenses which it contained, as well as the other half, the provision for losses. The premium would become $16.00 plus $8.00=$24.00, of which $12.00 would represent provision for losses, and $12.00 provision for expenses. Taking, however, the added percentage which, on the average over all the rates, approximated 31%, the new premium would be $16.00 plus $4.96=$20.96, of which $10.48 would be for losses and $10.48 for expenses.

The provision for the several items of expense and underwriting profit in the $16.00 premium rate contrasted with the provision in the $20.96 premium rate is as follows:—

	% of P.R.	$16 P.R.	$20.96 P.R.
Unallocated Claim Expense	6%	$ .96	$ 1.26
General Administration Expense	9%	1.44	1.89
Acquisition Cost	30%	4.80	6.29
Taxes	2½%	.40	.52
Underwriting Profit	2½%	.40	.52
	50%	$8.00	$10.48

No evidence has been given to show any warrant for any increase in these various items in the provision for expenses, so that the additional $2.48 represents 30 cents additional for Unallocated Claim Expense; 45 cents additional for General Administration Expense; $1.49 additional for Acquisition Cost; and 12 cents additional for both Taxes and Underwriting Profit.

It will then be seen that by raising the whole premium rate the provision for expenses goes up as well, and that, whereas $8.00 was previously sufficient in the premium selected as an example, it would now contain $10.48 instead, and if the average increase of 31% was applied to all the premiums written in 1929, namely, $8,272,684.00 on all coverages, it would make an additional expense provision for the companies of $978,829.

Paraphrasing Mr. Justice Masten's statement as to Fire Insurance premiums:—

> "The primary object and purpose of conducting this insurance business was to secure to the insured, in case of fire, this sum of $63.00. An outlay of $33.00 for gathering in $63.00 in premiums and paying it out in losses, seems, on its face, to be disproportionate and excessive."

It may be said that in automobile insurance it takes $50.00 to gather in $50.00 to be paid out on losses.

To this extent the increase thus made to the provision for expenses establishes, in my judgment, in view of all the evidence, an unusual and unscientific addition to the 1929 rates, and so makes

them to that extent unreasonable. From the beginning to the end of the evidence no suggestion or hint has been given of any other distribution, or that the 31% average increase was wholly or in part, required for expenses, and no ground whatever is made for the increase of 31% in regard to any items of expense—except for Acquisition Cost—and that answer was only that 30% is the Bureau's Commission rate. That is no answer whatever as to its reasonableness.

By the increase the agent's commission went up and each of the other items likewise without any attempt at justification, whereas the unincreased amounts have all along been represented as satisfactory to the agents and the companies concerned. The Loss Cost and Expense Loading are set out in Exhibit No. 10 in the proportion I have here discussed, and will be found in the proper divisions of the premium dollar of the 1929 rates in Section IX. of that Exhibit.

Mr. Stellwagen, who was examined before me, says at page 4016-D, after discussing this question, that to make an increase of 25% in the rate it is incorrect to do so on the basis of 25% for both losses and expenses. In Exhibit No. 265 there is worked out on the basis given by Mr. Stellwagen, how, if a premium of 31% is needed to provide for losses, the figures would stand.

STATEMENT

"Showing adjustment Ontario Expense Loading on basis described by Mr. H. P. Stellwagen, Vice-President, Indemnity Insurance Company of North America, at page 4016-A of Evidence—assuming additional provision necessary for losses to be 31%.

	Old	New
General Administration	.09	.072
Unallocated Claim Expense	.06	.048
Acquisition	.30	.30
Taxes	.025	.025
Profit	.025	.025
	.500	.470

On the broader question as to whether of the premium a proportion of 50% including therein the 6% for Unallocated Claim Expenses, is or is not reasonable, I find that no other item except that of 30% for Acquisition Costs, is questioned (except as to the 31% increase) by the Actuary advising, as being excessive or unreasonable. This 30% is absorbed chiefly by the amounts paid for commission to local and producing or special, agents, and this raises the question of the intrinsic reasonableness of the Acquisition Cost in this respect. The Toronto Insurance Conference of

General and Provincial Agents and Company Executives, and also the Ontario Fire & Casualty Agents' Association, have been represented before me and their case has been presented by Counsel.

I may, perhaps, be pardoned for quoting from the Report of my brother Judge, Mr. Justice Masten, dated January 18th, 1919, made in regard to the agency system in vogue in fire insurance at that time:

> "The total number of agents licensed by the Superintendent of Insurance for the Province of Ontario, up to and including the 19th day of August, 1918, was 7,610. Just how many out of this total devote their main attention to property insurance, and how many to life insurance, there is no means of ascertaining. Every license issued is a general license constituting the recipient a General Agent for all classes of insurance. No examination, scrutiny, or inquiry of, or regarding, the applicant's fitness is now had. All that is required is that the applicant should represent a licensed company, should be a resident of Ontario, and should pay a fee of $3.00.
>
> "The nature of the work performed by agents engaged in fire insurance varies very greatly, ranging from that of the skilled broker who writes extensive risks, and examines the property to be insured, makes recommendations as to how the rate can be lowered, and the risk improved; and, on the other hand, the agent who merely receives the application for insurance on a dwelling sent in to him by the owners, makes no examination, and passes it on to the company, after extracting as his commission, 25% of the premium received.
>
> "It was claimed before me that this last class of agent performs a great deal of labour because in some cases he has to make numerous visits to the insured in order to persuade him to become insured, and then additional visits in order to get paid the premium, which is usually small.
>
> "It is manifest that this is not quite a candid statement as regards insurance on dwelling houses, because everyone knows that a large percentage of dwelling houses are mortgaged, and a mortgage is never put on without the insurance being written, and this insurance is written without any application, without any effort being expended on the part of the agent who takes the commission for it.
>
> "The conclusion may hold with respect to insurance on the contents of some dwellings, but even in that case it is by no means plain that, in the public interest, it is essential that this work should be done. If, to persuade the owner to have insurance was a real advantage to the community, the argument might have some value. I am, however, of the opinion that, so far as the community is concerned, it would be rather to its advantage if this work on the part of the agents was omitted and the owners and occupiers of this class of property were left to take care of their own insurance and bear their

own loss in case they do not take the trouble to insure of their own accord. Not only would this save the labour of the agent and the commission paid to him, but citizens would be more careful and less liable to permit fires, if they knew that they had to bear the loss themselves.

"The conclusions at which I have arrived on this phase of the matter is that the extra efforts of agents to insure dwellings and their contents, and the extra expense thereby incurred, are not advantageous so far as the interests of the community are concerned.

"Another class of unprofitable work done by agents consists in switching risks from one company to another, whereby the agent secures the commission that formerly went to the competing agent. No evidence was given before me regarding the extent of this practice, but my best opinion is that it prevails to a very large extent, and that much of the labour undertaken by agents, and for which they claim to be paid, is valueless to the community, consisting as it does, of transferring a risk at the same rate from one good company to another company equally good, but no better.

"My conclusion on this phase of the matter is that fire insurance agents do not receive too much remuneration for the time and effort they individually expend, but that a large portion of their time and effort is valueless to the community, and that it and its attendant expense should both cease.

"In most cases the agent is the agent not of one, but of several companies, and it largely depends upon the insurance agent himself as to which of the companies represented by him secures the more profitable or larger share of the business. As a result, when they are free to do so, and not bound by an agreement among themselves, companies frequently seek to secure business by out-bidding the commission paid to the agents by their competitors.

"This competition between the companies for business again increases the expense, which must ultimately be borne by the premium rate, that is, by the payments made by the insurers. The result is that, owing to the competition between the companies and the control which agents have over the business, the expense of insurance is increased to the public, without any chance of it being lowered by competition or other ordinary means, and the public, who have to pay in the end, are unable to lower the expense in any way unless by legislation. The companies themselves are powerless to completely deal with the difficulty, unless all companies can be induced to enter into a binding agreement limiting commissions, because if any strong companies stand out the result is that they get all the preferred business away from those who agreed to lower the commissions. So far a general agreement among the companies has proved to be impossible in Ontario."

In his Report Mr. Justice Masten recommended:

"6. A real scrutiny and examination by the Insurance Department of every applicant for a license as agent, broker, or adjuster, as to his fitness; refusal to grant a license to be subject to an appeal to a Judge."

"9. Consideration by the Legislature of the desirability of limiting commissions by Statute."

I confess I am very much impressed at the apparent willingness of the insurance companies to employ all and sundry as agents, and to take them into their employ to enable them to get a license from the Superintendent of Insurance, and to increase the number of agents who only use insurance as a side line, and who earn their money easily—not agents except in a technical sense—and become entitled to a 20% commission, depending wholly on their introduction of a "risk."

To continue this system increases the cost of the insurance to the insured, and seems to point to a desire by each company to secure as many part-time agents as possible so as to ensure as many avenues for business as possible. At the present time, owing to the Financial Responsiblity Law now in force, insurance for motor cars is not difficult to secure—indeed it is probable that owners of cars are just as alert to get it as the agents are to secure it.

It has been urged that in England and in the United States commissions are lower than in Ontario. I realize that I could make no very definite finding owing to the absence of evidence of English conditions and their method of doing business, but I imagine that the Memorandum of the English Companies (Exhibit No. 192) means what it says when it estimates, for the purpose of rate-making, expenses and commissions to be in the region of 40%. It must also be remembered in connection with this, that in the Workmen's Compensation Command Papers the permissible Expense Loading is from 37½% to 40%. I feel sure, however, that conditions here and in the neighboring States of the Union are much the same.

But according to Exhibit No. 70 (a letter written by Mr. Charles J. Haugh, Assistant Actuary of the National Bureau of Casualty & Surety Underwriters in New York, whose statement was put in by the Bureau in connection with Loss Cost), the Expense Loading of the National Bureau varied in 1929 from 44.6% for Public Liability, to 45.7% for Collision, and 47.8% for Property Damage—an average of 46%. These percentages show that in the United States the Expense Loading differs on different coverages. It is not so here.

As to the fixing by the Companies in Ontario of their Expense Loading at 50%, I have not had the advantage of learning from any record of experience how the companies have developed this

figure. However, the expense ratios of some 66 or 67 companies from 1923 to 1928, according to Major A. E. Nash, are as follows: (Synopsis p. 347).

> "The percentages of total automobile expenses, including commissions, to net automobile premiums earned, for the 66 or 67 companies shown, were 45.18 per cent. in 1923, 45.70 per cent. in 1924, 47.32 per cent. in 1925, 46.05 per cent. in 1926, 47.79 per cent. in 1927, and 46.70 per cent. in 1928.
>
> "This ratio for expense does not include anything for head office expenses in the case of those companies not having a head office here, and without any adjustment in respect of hail and other lines of casualty business which may carry a lower burden of expense."
>
> "The result shown is an unpleasant one for the companies."

He says that for these figures he depended:

> "Firstly upon the Government Blue Books, and secondly, upon the information furnished by the companies, which was accepted, without a minute examination."

It is to be noted that the ratios given by Major Nash are to earned premiums and not to written premiums, and I think that Mr. Linder's point is good that the latter is the proper basis on which to calculate. His views are backed up by competent authorities on the subject in the United States. He also adds that the more recent experience is the best as to this element, because most of the expense items are disbursed at once and not left to conjecture. By calculating on the basis of written premiums the 1928 ratio becomes 43.98% or 2.72% less than the ratio on the earned premiums. I do not find this to be disputed in the reply to Mr. Linder. (Exhibit No. 262).

That being so I think I am entitled to compare what automobile casualty insurance costs in other countries. The cost is shown by the Bureau, (Exhibit No. 10), to be an estimate of which the only stable item is the largest, i.e., 20 per cent., 25 per cent., and 30 per cent. for agents' commission, and I can find no pressure from, or attempt by, the Bureau companies to reduce this item—in fact Counsel for the Bureau declined to attack it, no doubt in view of the statements in Exhibit No. 10, and the evidence supporting them.

In Exhibit No. 262, being a reply on behalf of the Bureau dealing with commissions, I find the following, dealing with agents' commissions:—

> "These rates of remuneration are determined from time to time by the conditions of the business and not alone by the conditions of automobile insurance, but by general conditions affecting all lines of insurance business conducted

through agencies. Automobile insurance business does not stand alone, either in the offices of the companies, nor in the offices of agents.

"The rate of commission paid to the agent has been adjusted by those responsible for the conduct of the insurance business, according to their judgment of what is necessary to obtain the best results for the business, and according to what is fair and reasonable in the matter of remuneration for services rendered."

I have gone over carefully the list furnished by Mr. Proctor, of Jones & Proctor, General Insurance Brokers, in Toronto who gave evidence before me, (Exhibit No. 246), in which is given a statement compiled in June 1930, by the Secretary of the Toronto Insurance Conference, and find that some 2,575 agents are included in it who do fire and casualty insurance in Toronto.

This number is an increase by 93 over the total of the former year. Divided by 140, the number of the companies operating in Ontario in 1929 gives a quotient of 18 for each company. I am also advised that since Exhibit No. 10 was filed twenty new companies have entered this insurance field, which, if they pursue the system of the 140 companies, presages a still greater number of agents.

The list shows the following facts:—

"Up to and including June 10th, 1930, the Insurance Department had issued 2,575 licenses for fire and casualty insurance to residents of Toronto. This is an increase of 93 over the total issued for the full license term of 1928-29. By September 30th of this year the total number of licenses issued in Toronto may reach 2,700. This number does not include the agents licensed in the suburbs of Toronto.

"The following analysis of the licenses issued has been made:—

"Number of Licenses Issued up to June 10th, 1930		2,575
Full time agents	1,241	
Employees of fire, life and casualty companies	313	
Real Estate Agents	433	
Lawyers	181	
Stock Brokers, Financial Agents, etc.	56	
Steamship ticket agents	27	
Builders and Contractors	24	
Mortgage Brokers	19	
Accountants	16	
Customs Brokers	5	
Ministers	7	
Teachers	4	
Rabbis	1	
		2,327

"The remaining part-time agents comprise teamsters, truck-drivers, adjusters, tobacconists, and what have you.

"This analysis was made by checking the names of persons licensed against the Toronto Directory and the records of the Insurance Department, so that the analysis is as accurate as possible."

"The following is a comparison of the agency situation for the past several years:

Year	Full-time Agents	Part-time Agents	Real Estate Agents	Lawyers
1925-26	1642	1289	439	122
1927-28	1596	897	548	145
1928-29	1551	931	570	173
1929-30	1241	1334	433	181

"The reduction in the number of full-time agents may be accounted for by the fact that in former years the company employees were included as full-time agents. Thus, 313 Company employees added to the 1241 full-time agents would approximate the number of full-time agents in the two previous years. Due to classifying company employees as part-time agents likewise show an increase in the number of part-time agents for 1929-30."

In New York State, in the Rules (Exhibit No. 86) formulated by a General Conference of all stock companies on Acquisition and Field Supervision Cost (effective February 1st, 1930), acquisition cost is defined as follows:—

"Production Cost shall mean the total expenditures of a company for Acquisition and Field Supervision Cost combined.

"1. The total Production Cost (Acquisition Cost plus Field Supervision Cost) allowed to an agent on any one risk shall not exceed the maximum specified for that kind of risk in Section VI. of the Rules.

"2. The total Production Cost on all the business of a certain class produced by a company shall not exceed the maximum specified for that class in Section VI. of the Rules."

In Section VI. the appropriate percentage is 25%, while in Massachusetts it is 15%. In Section VI. however, as remuneration to producers (agents such as I am dealing with), the amount to be allowed for automobile Property Damage and Collision is given as 20%, and all other coverages 17½%. Both are calculated on the gross paid premiums.

I think some sort of pressure ought to be applied to the companies to reduce the number of local agents, and in reducing them

to secure a better class of men devoting more time to their interests, than can possibly be done by a "producer." Having regard to the views in relation to agents, other than those of life and marine insurance companies, of the Hon. Mr. Justice Masten, in his Report, now ten years old, with which I am in accord, it seems to me that this is an appropriate time to urge that something be done to assist, or to urge, the insurance companies doing casualty automobile insurance, to grapple with the problem of acquisition costs in this respect.

For these reasons, and in view of the increase of 31% in the provision for expense over the 1928 rates, giving in the 1929 premiums the figures and proportions I have already set out, there seems to me to be no reason why the companies cannot, for the future, reduce the expense to 45% of the gross premium rate.

Had they only calculated the Loss Cost and then added 45% on that loss cost to make up their premium they would have served their own purpose, namely, to overcome the adverse loss ratio and have dealt reasonably with the matter of expense. An expense loading of 45% in the 1929 rates would have provided 6.2% more money for expenses than the 50% loading provided in the 1928 rates. No evidence indicating any insufficiency in the Expense Loading has been given.

XV. SHOULD A SIMPLER RATE-MAKING PLAN BE ADOPTED?

In suggesting what I consider to be a simpler method of dealing from year to year with what is and is not a reasonable premium to charge, I would like to make a few general observations:

Obviously the business of insuring automobiles should be carried on at a reasonable profit. This is something to be constantly kept in mind, because this class of insurance business is complicated and more difficult than some other and older and better established forms of insurance. Nothing should be done, as it seems to me, to unreasonably or oppressively deal with those who are carrying on the business, in which they are allowed to combine for the purpose of experience and stability of rates, subject only to the fact that they must not unduly increase the price of insurance to the public.

On the other hand it was equally important, and in fact essential, that there should be in this complicated line of business, as I believe this to be, some sort of control over the rates which are charged to the public, especially as the adoption of the Financial Responsibility Law will greatly increase the number of insured motorists, unless there is a very drastic reduction in the number of accidents due to negligence.

The insurance of automobiles is rendered complex by the number of different motors put on the market, by the different

prices charged for these motors, and by the different exposures in the territories in which they operate. It suffers from being unable to wholly control the cutting of rates once established. Especially is this so in regard to the insurance of fleets, the rating of which provide a temptation to depart from the rule of single ownership and control. There are also companies organized who do a safe and special business where the risk is much smaller, more limited in scope, and better guarded against, where naturally the business can be done at a less cost, and over all this there is the tremendous competition for business through the number of agents employed, an evil which ought to be corrected by the companies themselves.

When I speak of the complexity of the business I am not dealing so much with the involved nature of the enquiry to be made, when the subject is approached on an actuarial basis, in order to evolve rates for different classes, coverages, and territories. I am looking at the problem that confronts the insurance man when he undertakes to forecast, as he must, the losses that he will have to deal with and the expenses he will have to meet.

For these reasons I am strongly in favour of adopting now, and permanently, if its working appears successful, some simpler plan and one based more upon the actuality which confronts insurance men from year to year in carrying on their business. The plan suggested is based, or largely influenced, by actuarial results as found by comparing the premiums earned with the losses actually encountered. It does not seem to me that any insurance man can complain if the rate is settled from year to year upon such a basis as that, but the public might very well suffer unless some effective control is instituted. This, I think, could be done without some of the complicated machinery which has been revolving in my presence in this Commission since I undertook it. There is always the danger that the fixed rate will not be charged or will not be received by insurance companies, and this can be easily concealed or become less apparent when the extraordinarily large number of actual premiums received is contemplated in detail as set out in what is called the Rate Book of the company.

There is one indispensable test that can always be applied, and that is the average cost of insurance. This is obtained by ascertaining the amount of the actual losses in each policy year and by finding out how many insured cars have been exposed to risk during that time. The division of the former sum by the latter will tell exactly how much, on the average, the insurance of each car has actually cost the insurance companies. To ascertain that, and to obtain a proper standard of comparison, it is essential that the statistics called for and now compulsory under the Statute passed last Session should be steadily maintained by all companies. They provide an experience upon which the Insurance Department can always depend when they come to determine the reasonableness or unreasonableness of the rates submitted and charged.

Nothing that I have said weakens in any way my conviction that, while the unravelling of the statistics, and the application of their results to the practical business of rate-making, is exceedingly complex, it is essential as a method to enable the Department to produce a standard, and at any time to check, by the possession of correct and extensive information, any undue rise or any undue depression of the rates in this particular class of insurance.

With these safeguards I do not see that the insurance business differs in its broadest outline from almost any other mercantile enterprise. The insurance companies have something to sell, namely, a guarantee of indemnity, and the merchant has also a commodity to offer which, however, is tangible. The insurance companies have to forecast whether their sales will come up to expectations and as to what the risks they have thereby undertaken will probably cost them. The merchant has his stock, which he must procure, and he must ascertain its probable cost. The insurance man must have regard to changing forms of insurance, to necessary competition, to trends of various kinds, favouring one class of motor or one particular coverage, changes in the law, and other considerations, just as the merchant has to foresee what fashion or use will affect the disposal of his stock.

I see no reason why, if the merchant at the end of the year ascertains the cost to him of his stock, and the amount he has sold it for, he should not know whether he has or has not made a profit on the articles he has sold at their various prices. They are thrown into the stock, and he knows what they cost, and he knows what they produced, and the balance is his profit. I think the insurance business can be regarded in somewhat the same way, and if all the cars that have been insured have cost the insurance companies a fixed sum then they know the average cost of each car to them, or can forecast the average run of loss upon the unexpired policies. In the cost to the merchant it is not so vital a matter for him to know the exact profit made upon each single article as it is for the insurance company to know upon what type of vehicle and on what coverage they have made or lost the largest proportion of money.

The experience and foresight of those who manage insurance companies must be trusted to select out of the various risks offered those which are likely to be profitable. Failure to do this, or a reversal of expectations is apt to be disastrous, and a yearly survey based upon actual results, it seems to me, will prove a safeguard to insurance companies, who should welcome a yearly revision according to a known standard.

However that may be, I am wholly in favour of endeavouring to reduce the complexity of the fixing of the rates to be charged by automobile casualty companies to the simplest proportions by the plan I suggest.

The Insurance Department has now a body of experience, exceeding anything that either the Bureau or any other body in

Ontario had when the Enquiry began. We have had, during its course, the views of one of the leading actuaries in the insurance world upon the meaning and effect of this mass of experience and its distribution in the average among the different risks by classes and territories in Ontario. We have also had the co-operation of the Bureau and other companies in the collation, examination and exposition of this experience, and it is now proper to consider whether some better understanding, and simpler and much less expensive method of arriving at reasonable rates upon which automobile casualty insurance business can be ascertained.

XVI. THE ENGLISH METHOD

While in England I succeeded in getting much useful information as to the way in which the English Insurance companies who write automobile insurance conduct their business.

They succeed in making their own rates, and apparently in satisfying the public—at all events, up to the present time—and they express confidence in their ability to continue to do so without laying undue burdens on those required to carry insurance, notwithstanding the adoption in England of compulsory insurance for all motorists.

In one important particular the Government intervenes in England to protect the insured; that is in respect to Employers' Liability, otherwise Workmen's Compensation Insurance, which is entirely done by the insurance companies, and forms an excellent example of how an important branch of insurance can be controlled by the State without the enormous mass of machinery and investigation, technical and otherwise, which characterizes the practice in the United States of America.

While I have in my previous Interim Report discountenanced the undertaking by the Government of any system of compensation for workmen in case of accident by means of State Insurance, or by what is denominated a State monopoly, I can see no serious reason why the Government might not go the length of securing control of the "rate" of insurance on motor owners and drivers to the same limited extent, and in some such way as is adopted in England with regard to Employer's Liability Insurance.

This control exists only to the extent of determining and fixing a loss ratio between the losses actually incurred and the premiums earned. In this way, and taking that ratio to be, say 60%, all other matters are eliminated, such as cost of acquisition, overhead expense, profit, etc., consideration of which in the United States gives such an infinite amount of trouble, detail research, and controversy. In England this percentage of 60% (62½%) is taken as to one mass of premiums; namely, the total amount of premiums involved per annum in the particular class of insurance dealt with.

There is, of course, a difference in applying this method to automobile casualty insurance, namely, that automobile insurance

in Ontario has hitherto dealt with three classes of vehicles and their various makes, and five coverages in each class as well as two or three different territorial divisions. Is there any reason why each of these classes, territories and coverages, should not be calculated and tabulated so as to be treated in separate agreements in which the agreed, or determined, loss ratio should be the standard for fixing the rebate or additional excess charge in any succeeding years for each class, territory and coverage?

The English plan is fully described in a set of Command Papers published annually since 1923 (1923-1928 inclusive), entitled "Undertaking Given by the Accident Offices Association on Behalf of Its Constitutent Offices for the Purpose of Limiting the Charges to Employers in Respect of Employers' Liability Insurance." I append a synopsis of these Command Papers in Appendix D. to this Report.

"The General Effect of the Undertaking," as described in the Command Paper dated July, 1925, "is that the Accident Offices Association engages on behalf of its constitutent members to adjust from time to time the rates of premiums for this class of insurance in such a way as to make the "loss ratio" (i.e., the proportion which the total amount paid or set aside in respect of claim bears to the premiums) not less than 60 per cent. for each of the years, 1924, 1925, and 1926, and not less than 62½ per cent. in subsequent years (or such other proportions, not being less than 60 per cent., as may be agreed between the Secretary of State and the Association). If, on the year's experience, it is found that the 'loss ratio' falls short by more than one-half per cent. of the percentage mentioned, policy-holders in the companies belonging to the Association are to be allowed a corresponding rebate in connection with the premium which next falls to be paid. If, on the other hand the 'loss ratio' exceeds the percentage by more than one-half per cent. an adjustment will be effected by means of an excess charge."

Under this plan the insured employers, the policy-holders, have become entitled to, and have received rebates on their premiums at the following percentages: 1924—7.12 per cent.; 1925—8.06 per cent.; 1926—5.25 per cent.; 1927—10.87 per cent.; 1928—7.85 per cent.

It will be observed that this control exists only to the extent of fixing a permissible loss ratio (i.e., the proportion which the total amount paid or set aside in respect of claims bears to the total premiums of all companies members of the Association) say 60%, and providing that if, in any year, the loss ratio falls below 60% the policy-holders shall be allowed a rebate on their next premiums, and that if, on the other hand, the loss ratio exceeds 60% the policy-holders shall be required to pay an excess charge

with the next premium. In this way all other matters such as cost of acquisition, overhead expense, profit, etc., are, as I have said, eliminated.

The loss ratio experience is determined by comparing the total premiums earned by all companies members of the Accident Offices Association, with the total amount paid or set aside in respect of claims by such companies. The experience loss ratio (in 1928—54.65%) is then compared with the pre-determined permissible loss ratio (in 1928—62.50%) and the amount of the rebate or excess charge established; (in 1928, a rebate of 7.85%).

The main principle of this plan appeals to me as suitable for adoption in Ontario as applied to automobile insurance. The Bureau (The Canadian Automobile Underwriters' Association) occupies a position in the automobile insurance field in Ontario comparable, although more extensive in its membership, to the position occupied by the Accident Offices Association in the field of Employers' Liability Insurance in England, and includes now 100 companies out of 140 doing business in Ontario in 1929. The Superintendent of Insurance, for such a purpose, represents the Government.

The loss ratio experience by all the insurance companies in Ontario should hereafter be established to the satisfaction of the companies and the Superintendent, through the compilation of statistical data now being prepared and furnished to the Insurance Department in pursuance of Section 69-a of the Ontario Insurance Act, inserted in the Act last Session upon my recommendation. These statistics are vital to the plan I am now dealing with. In order to permit the Superintendent of Insurance to ascertain the true loss cost and other data from year to year it is, to my mind, also essential to give authority to the Superintendent of Insurance to order, after due notice and a hearing before him, an adjustment of automobile insurance rates whenever they are found to be "excessive, inadequate, unfairly discriminatory, or otherwise unreasonable."

Section 275-a, which contains the necessary provision in that regard, was inserted in the Insurance Act last Session, in pursuance to my recommendation, but remains subject to proclamation. I desire to reiterate my former recommendation now. Legislation necessary to give power to fix the proper loss ratio must be expressly given to the Superintendent of Insurance. I have discussed elsewhere in this Report the elements of a reasonable premium rate, but the exact figure should be fixed by the Superintendent of Insurance, either by agreement, or by his decision, after a hearing of those concerned.

There are two qualifications which might be noted, and must be carefully considered:

(1) That the English plan contemplates a rebate to, or an excess charge payable by, the policy-holders in the next following year, who are generally the same persons insured in the former year, and they form a comparatively small and stable group. In Ontario the rebate or excess charge would have to be distributed over the mass of policy holders, involving a decrease by the insurance companies in their premium rates for the following year, when the loss ratio falls below that fixed, or an increase for the following year, when the loss ratio has risen above it. Thus, in each case there will be passed on to the public the benefit of a favourable loss ratio or the consequences of an unfavourable loss ratio in the preceding year. This will practically ensure the same result as in the English plan, by providing that all insurance premiums should be reduced or increased each year on the basis of the profit or loss on the yearly business. In this way, while it is true that most people keep up their insurance year by year, and there is a constant change in the classes of motors, the coverages, and the rates, the rebate or excess will be in fact fairly distributed by a reduction or increase of each and every premium. The motorist will not lose much in case of an excess charge if the numbers who insure increase, as they are almost sure to do and will be equally well served if the results of the year indicate a decrease in his premium.

(2) The second point of difference is of even less consequence. The Bureau represents a large majority of companies doing business here, and while an agreement with them will serve almost every purpose, the companies who prefer to remain out of the Bureau will naturally conform to a loss ratio based on the whole experience of all companies transacting automobile and casualty insurance in this Province, and fixed by the Superintendent of Insurance after investigation and consideration of the statistics of experience, the value of which will increase year by year.

I am much impressed in this plan, by what appears to be a desirable as well as a simple and effective method of rate regulation and control, and I strongly recommend its application here. If my recommendation is adopted the Superintendent of Insurance for Ontario should be charged with the duty of fixing, in the light of this Report, and with the great advantages of the statistics now before him (and which will yearly hereafter be compiled and available to him) what is the true loss ratio applicable for the next year to all companies, which may be a subject of agreement, based on considerations which he and the companies may think should be regarded, or which, failing agreement, he shall consider as fair and reasonable to be applied. These ratios in classes, coverages and territories will represent an average figure derived from present and up-to-date statistical information, and can be revised yearly in the light of later data so as to ensure fairness to the companies concerned, and fairness to the insuring public. This naturally follows from the fact that the influence to each year's losses or gains will be reflected in the premiums which they have to pay.

The plan suggested ought to meet with the approval of the Companies because the initial figure to be made the basis of an agreement or of a determination by the Superintendent of Insurance, as outlined above, would be arrived at from a consideration of the very recent information now in the hands of both parties, and once that is fixed—though, of course, subject to change if conditions change in future years—the premiums which the insurance companies charge will be determined basically upon a consideration of the proper proportion between the losses suffered and the premiums earned, or which should be reserved. It will thus leave the Companies freer with regard to expenses and remove the difficult questions of whether interest on their reserves should have formed a charge against or deduction from expenses, as also what is a fair underwriting profit and what are permissible as acquisition and other costs.

The Bureau in the course of this investigation have (Exhibit 15) indicated to my mind that the companies are not unwilling to be judged upon the basis of "loss ratio," which, according to their statistics, has increased since 1925 from 47.9% to 63.5% in 1928 in Ontario according to the following table:

AUTOMOBILE INSURANCE IN ONTARIO

Year	(1) Premiums Written	(2) Premiums Earned	(3) Losses Incurred	(4) Percentage of Losses to Premiums earned
1925	$3,463,149	$3,404,911	$1,631,926	47.9
1926	3,743,532	3,658,146	2,037,903	55.7
1927	4,643,948	4,295,003	2,835,352	66.0
1928	6,280,910	5,676,683	3,603,171	63.5

"That this is consistent with the companies' record for the whole of Canada in automobile insurance is shown by the compilation by the Dominion Insurance Department of similar figures for all companies for the Dominion."

In Exhibit 224, presented in criticism of Exhibit 223, there is a complete survey of the deficiency or excess in loss provision in all five coverages for the policy years 1927, 1928 and 1929 for private passenger cars as well as that of commercial vehicles and fleets. It also comprehends the percentage of deficiency or excess in loss provision as shown by the experience of Bureau and non-Bureau companies combined as well as that of Bureau companies alone, and I take it, from the care with which this document has been prepared, that the Bureau—and indeed all the companies represented—have changed somewhat the basis with which they set out to prove reasonableness of the rates. This basis was, as I understand it, established on this theory.

"The premium rate for automobile insurance, like the rate for any other kind of insurance, is made up of two elements

namely—a loss or claim element and an expense element. The former provides the amount necessary to pay losses and furnish claim service; the latter provides for the cost of administration, acquisition and supervision of business, taxes and for a reasonable underwriting profit."

"To meet this situation some refinement of the division of premium into the two elements must be made. Instead of two the following division into four parts will be recognized in the premium:

1. *"The loss cost"* which is the amount actually paid to the insured by way of indemnity for his loss, together with the allocated claim expense incurred in connection therewith.
2. *"The unallocated claim expense"* which is the amount expended by the company in claims service for the insured which cannot be and is not allocated in a specific claim.
3. *"The expense element"* which is the amount expended by the company in the conduct and management of the business including therein the agency and field supervision costs, the general administration expense and taxes.
4. *"The profit element"* which is the reasonable remuneration to the insurer for the services rendered."

"Since premiums are advance estimates of probable future results it follows also that the various parts of the premiums are also estimates of probable future cost. The accuracy of the estimates can only be positively proved by actual experience following the application of the rates to the period for which they are intended."

Furthermore, when one considers the method of division made by the Bureau for the elements in each premium dollar, the following is the table adopted:

"Loss cost (including allocated claim expense)	.50	
Unallocated claim expense	.06	
		.56
Acquisition costs (including agency commissions and field supervision expenses)	.30	
General Administration Expense	.09	
Taxes	.025	
Underwriting Profit	.025	
		.44
Total Premium		1.00

"The above assumptions of loss cost and expense were actually used in the rate-making procedure for 1929. They represent assumptions of what ought to be the proper balance of the elements which go to make up the aggregate premium."

Apart, however, from the fact that the introduction of "loss ratio" somewhat ignores the fact that this investigation is into rates and not into premiums, yet a plan which has as an essential element a consideration of the losses actually suffered and the premiums earned, in arriving at the basis of the proper and reasonable rate, and a comparison of the ratio between them, as well as the true cost of insurance per car year, as the foundation for rates, seems highly reasonable. It shows as nothing else can show, the profitableness or unprofitableness of the insurance business being done: It is a true and trustworthy record, provided always that the companies have charged and received a settled premium which has not been subject to rate-cutting, or to discounts, or to allowances, based upon variations of the risk or curtailment of the amount insured for, or upon other matters.

It is to insure the maintenance of a proper standard that the important element of Loss Cost, which is the actual amount paid in relation to each vehicle insured, is determined, and the reasonableness or sufficiency of the rates placed under the supervision of the Superintendent of Insurance. With statistics showing the actual and true cost of insurance, and with further data indicating the loss ratio, *i.e.*, the ratio between actual losses and premiums, he is in a position to fix a fair standard for the loss element in the insurance premium, and this standard is the factor of safety for insurers and insured alike.

It is preferable that such loss ratio be ascertained after a conference with the companies, or a hearing by the Superintendent of Insurance, subject, if necessary, to an appeal to the Lieutenant-Governor in Council. This last procedure is the alternative to an agreement, but does not prevent an agreement, and when the factor of safety is once fixed by the Superintendent of Insurance his conclusion of its application, either modified or unmodified, as above mentioned, by circumstances which, in his judgment, deserve recognition, should be open to an appeal, as it would be the pivot upon which thereafter, subject to adjustments year by year, or period by period, the whole scheme would depend.

My recommendation in this matter, therefore, would be that the Superintendent of Insurance should be vested with authority. upon notice to the companies, to arrive at a proper figure for the year based upon the method of ascertaining the cost of insurance in the way agreed upon by the actuaries and indicated in Exhibits No. 221, No. 222 and No. 223.

If there is to be an appeal from the loss ratio fixed by the Superintendent of Insurance, it should be, in my judgment, to the Lieutenant-Governor in Council. This is not a matter which ought to be considered from a wholly judicial standpoint. It would seem better that the appeal should lie to a body which would have power to make allowances and to draw conclusions on considerations which might not be open upon appeal to an appellate Court.

One consideration which has led me to make the recommendation that the Superintendent of Insurance may, for the present, consider the actual losses suffered by the companies, based, of course, upon the assumption that the companies have charged and received a settled premium without variation, is that in the report of the Actuary advising the Commission he points out that as to commercial cars and as to fleets, and other miscellaneous cars, the data is at present insufficient to make the same sure calculations that he has done with regard to the coverages on private passenger cars. This applies, of course, to collision coverage as well. I think, therefore, that until a couple of years have elapsed, so as to enable the Superintendent to ascertain comparable figures with those he has worked out under the main heading, he should have the right to view the loss ratio of companies, and if he sees fit, to give whatever effect he considers fair to the results shown by it. This is undoubtedly a concession to the companies, because had the experience been more full there could be no reason for not applying the same rule to the commercial and fleet rates, and that of miscellaneous cars, which are, I think, the source, probably, of more trouble in many ways than the others.

In applying the principle of regarding, in the fixing of rates, the "actual results" the question naturally arises: What are the "actual results," and what are the conditions under which these results have been brought about?

Assuming that the true "Loss Cost," or the "Cost of Insurance," has been ascertained, there are two considerations which are essential to be dealt with. The first is that any rules and principles which are laid down are faithfully followed, and that the essentials of fairness to the public have been observed; and the second is that nothing should be done by the companies about which the public knows nothing, and in which they have no voice, which might have an influence on the earnings of the companies, if undisturbed by new plans or alternatives, or limitations of risks, or by discounts.

I here insert a definition of "Loss Cost" and "Loss Ratio," which may be useful to those who peruse this Report:

> "The rate for automobile insurance, like the rate for any other kind of insurance, is made up of two elements—a loss element and an expense element. The former provides the amount necessary to pay losses and furnish claim service, the latter provides for the cost of administration, inspec-

tion, acquisition, and taxes, and for a reasonable underwriting profit. The loss element, if expressed as an absolute amount in relation to the unit of exposure, is called the "pure premium," or "loss cost;" if expressed as a per cent. of the premium dollar, it is called the "Loss ratio." For example, suppose the total or "gross" public liability premium on a certain car were $30.00, and that $11.70 were needed to defray all the items of expense and to provide a 2.5% underwriting profit; the "pure premium" would be $18.30 and the "loss ratio," $18.30 divided by $30.00, or 61%."

XVII. THREE AND FIVE POINT COVERAGE POLICY DISCOUNT.

The question has been argued before me as to whether the allowance of a five and ten per cent. discount for three and five point coverages respectively is or is not unfair discrimination within section 274 of cap. 222, The Ontario Insurance Act. The argument though short was very illuminating. It is defended as fair on the ground that taking it on the whole it encourages coverages such as collision and that it prevents the insured discriminating against the company in his selection of risks.

It was attacked upon the ground that the three and five-point coverages are of the same physical hazard and it is pointed out that by Exhibit No. 248 it is shown that in 1929 there were 13,264 five-point policies which secured a discount of $112,262., and 3,866 three-point coverages securing a discount of $13,302., a total of $125,564., or 3.4% of the premiums which would have been written if no discount had been given: That is to say, instead of written premiums amounting to $3,701,853., they were only $3,576.289., due to the discount. These figures show that the question is a substantial one, but apart from that, I have come to the conclusion that it is unfair discrimination against the individual who takes out a Property Damage or Theft coverage that someone else, because he takes additional coverages, should get a lower rate, but I would recommend that the section be altered by omitting the word "physical" in order to make it quite clear that the identical hazard exists between one coverage and one of a group of coverages which cover the individual coverage mentioned.

XVIII. FLEET RATING.

This subject has given me very considerable difficulty. It was pointed out by Counsel for the Commission that fleet rating as carried out by the recognition of five or more cars all of the same ownership as a fleet was unsatisfactory for the following reasons: That notwithstanding the bad experience of any fleet the companies never or rarely succeed in writing fleet risk at a surcharge; that the application of a fleet rating plan rests largely upon underwriting judgment; That unfair discrimination is practiced and

that the discount really constitutes giving wholesale rates to large risks; That common ownership is not insisted upon; That the companies would welcome the disappearance of fleet rating as it is only desirable if balanced; That it gives unfair advantages to an owner who has five cars as against those who own 1, 2, 3 and 4; That it is impossible to apply any experience rating plan unless all the companies pool their experience with a central bureau which should fix the rate to be charged; That a balanced plan cannot be operated in the absence of a strict government regulation, and for other reasons. There can be little doubt that the subject is a difficult one to deal with because where a fleet rating is given, private individuals in the employ or allied to the company which owns the fleet, are very often taken in, which in itself is an unfair discrimination. Objection also exists because no penalty is or can be, in practice, exacted for a poor fleet experience, without loss of the risk, the result of this being that practically all fleets get the same rate. Except by legislative prohibition of fleet rating unless a balanced plan is operated on the basis of experience, I am unable to suggest a remedy for the existing state of affairs other than to make provision, as is done in the Highway Traffic Act, for a classification of fleets on their pooled experience and to enable and require the companies to charge if they insure a fleet with a bad record a substantially higher premium.

XIX. COMMERCIAL CARS.

I should like to re-affirm the opinion expressed in my interim report dated the 3rd of March, 1930, which I reproduce here:

> "It would be a great advantage to raise the age limit to eighteen, and to insist on very stringent examinations for drivers of all kinds of motor trucks and commercial vehicles, including buses. The boys that drive many, if not most of these trucks, and also light delivery motors, such as deliver the evening papers, etc., are a constant danger from their youthful irresponsibility, and very often callous disregard of others. I think it is safe to say that most of these heavy and cumbrous vehicles with irresponsible drivers, and travelling at their usual rapid rate, secure from damage in their bulk and strength, form a great menace on the streets of a city, and on the highways.
>
> The owners of buses, taxis, and such like vehicles should require to pass a suitable strict examination, owing to the number of persons whom they have under their care."

I may add that since that was written the English Traffic Act has raised the age for drivers of motor cycles to 16 years, other motor vehicles to 17, and for heavy vehicles to 21 years.

I do not desire to end this Report without expressing my thanks to all those who as witnesses, appeared before me in the United States and gave their evidence, experience and opinions, with great

willingness and candor. They comprised men especially eminent in Insurance business or on the actuarial or scientific side of its activities and they aided most materially in elucidating many difficult problems.

XX. APPRECIATION OF THE LATE MR. HARWOOD E. RYAN.

I also desire to express my deep personal regret at the sudden death of Mr. Harwood E. Ryan, of the firm of consulting actuaries Messrs. Woodward, Fondiller and Ryan, New York, the Actuary employed to assist and advise me as Commissioner. He was regarded in New York, where his business was situated, with high esteem, and I can do no better justice to his work and reputation than by quoting some of the references to him after he had passed away. The "Eastern Underwriter," in a leading article, describes him in these words.

> "Few more attractive personalities have ever graced the ranks of casualty insurance. He had one of those rare scientific minds which devoted themselves to clarifying the technical side of the business, and which, in his case, was of all the more value to the fraternity because of his wide experience in so many branches of insurance—supervision, company organization, and as a private consultant. Amiable in manner, thoughtful, and fair, evenly balanced, his work stood out. He was an inspiration also to his Associates. Some of his most constructive efforts were recently placed at the disposal of the Ontario Commission investigating automobile rate-making, one of the most carefully and best thought-out insurance surveys which this country or Canada has ever had."

Mr. Clarence W. Hobbs, Ex-Commissioner of Insurance for the Commonwealth of Massachusetts, (who gave evidence before me herein) speaks of Mr. Ryan as "among the very first of consulting actuaries," and Mr. G. F. Michelbacher, Vice-President of the Great American Indemnity Company, describes him as:

> "Possessed of an orderly mind and a keen appreciation for the fine points of technique, and with a thorough foundation of knowledge acquired in life insurance practice, he early saw the need for the scientific treatment of certain problems in casualty insurance, particularly those concerned with the establishment and maintenance of rates. He was open-minded, however, and recognized that in a new business, characterized by rapid growth and ever-changing conditions, the successful actuary had to avoid being dogmatic: in other words, that an occasional compromise with hard practicalities was necessary in order to get things accomplished.
>
> "He made progress because he avoided being a fanatic who insisted upon the acceptance of the mathematical solution of a problem, whether it appeared practical or not—a spirit which too few of our technicians demonstrated in those early,

hectic days when casualty actuarial science was struggling to secure a foothold in the business."

In these statements I should like to be permitted to agree, as my association with him during nearly two years enables me to concur in their justice.

I must also pay a special tribute to the Counsel on both sides of the Enquiry, particularly to those who have been before me since the beginning, namely Mr. V. Evan Gray and Mr. R. Leighton Foster. The latter, who is now and has been Superintendent of Insurance for Ontario since 1924, acted as Counsel for the Government in the Enquiry. In a somewhat difficult position he displayed much discretion and assisted me in every way as Counsel, while at the same time preserving a distinctly impartial attitude on each phase of the Enquiry. He thus discharged his duty to me as Commissioner to my complete satisfaction, without urging anything which as Superintendent of Insurance he did not think was reasonable in the interest of the Companies, as well as that of his Department. It is important that I should say this as I am responsible for the way in which the Enquiry was conducted, and throughout I insisted on the answer to the case made by the Bureau being presented by Counsel for the Government with complete frankness and irrespective of the views of the Department of Insurance. Mr. V. Evan Gray represented the Bureau and its Member Companies. He had been Superintendent of Insurance for four years, 1920-1924, since when he has been Counsel for the Bureau, and owing to his experience was of great assistance in the Enquiry. Not only do I desire to recognize their courtesy and consideration during this long-stretched-out investigation, but particularly their ability in conducting the examination of the business executives of the Insurance Companies, Commissioners of Insurance, and their assistants in various States of the Union, as well as other officials of Underwriting Bureaus, and the Actuaries and their colleagues.

I was glad to realize that they were regarded by those who were called to give evidence as being fully masters of the intricate subjects under examination, and to see that their eminence was, during this Enquiry, recognized by their election as Fellows of the Casualty Actuarial Society of the United States, which is universally regarded as a very high honour.

Mr. A. W. Anglin, K.C., and later Mr. Glyn Osler, K.C., appeared with Mr. Evan Gray and Mr. J. A. R. Mason as Counsel for the Canadian Automobile Underwriters Association and added very much by their work and arguments to the elucidation of many of the special matters that had to be dealt with.

I have also been much helped by the argument of Mr. Thos. N. Phelan, K.C., representing the Ontario Motor League, and Mr. Angus Heighington, K.C. representing the Agents' Association.

I also mention with much pleasure the services to the Commission of its Secretary, Mr. Ernest M. Lee. His untiring and

systematic work has greatly aided myself as Commissioner, and the Counsel engaged before me, and helped materially to smooth our way, both here and in the United States.

Mr. J. H. King, the Secretary of the Bureau, has been most assiduous in facilitating this Enquiry, for which I wish to express to him my thanks, and Mr. William C. Coo as Stenographer to the Commission, has accomplished everything that anyone could desire.

In Appendix E. will be found a list of the witnesses examined before me, in Appendix F. a list of the Exhibits filed with the Commission and in Appendix G. a list of Sittings of the Commission.

The following are my findings and recommendations:—

XXI. FINDINGS AND RECOMMENDATIONS.

FINDINGS:

1. I find that the automobile insurance premium rates fixed by the Canadian Automobile Underwriters' Association, the "Bureau," effective February 1st, 1929, were unreasonably high and were not properly deduced from the experience which the Companies then had, and are not justified by the later and detailed experience of the years 1927, 1928 and 1929 submitted to me since this Enquiry began.

2. I find that the bases of the 1929 Bureau rates were the rates fixed in 1928, which in turn were founded on those of 1927. I further find that the 1927 rates were not properly deduced from the experience which the Bureau Companies then had, but were purposely kept lower than was justified by that experience, for the purpose of competing with other companies and driving them out of business. I also find that, with a view of strengthening the Bureau organization and securing the adherence of outside companies, the rates for 1928 were left largely unchanged so as to induce those companies to become members, a policy which succeeded early in 1928, when upwards of 35 additional companies accepted membership in the Bureau.

I further find that the method of increasing the rates in 1929 was unusual, unreasonable, and unfair, in that they were founded on rates which had not been fixed on a scientific or statistical basis, as was contended before me, and by the further fact that the provision for expenses was increased by 50% on two coverages, and 25% on one coverage, without any increase in the expenses of the companies. No evidence was adduced before me to warrant such increase.

3. I find that the justification of the 1929 rates on any scientific and statistically prepared basis was not made out. The rate-making procedure described by the Bureau in Exhibit No. 10, had not been put into force before 1929, and even in that year it was not the procedure actually adopted, as only a percentage in-

crease on the 1928 rates was made. The depression of the rates in 1927 and 1928 was at that time against the indications of the experience of previous years.

4. As to the provision for losses in the rates, I made the following findings on the modified basis as stated on page 48:—

PRIVATE PASSENGER CARS—PUBLIC LIABILITY COVERAGE:

The loss provision in the 1929 Manual rates, by class and territory, is as follows:—

	Territory 1	*Territory* 2
Class 1	$8.00	$6.50
" 2	9.50	8.00
" 3	12.50	10.50

The necessary loss provision in the said rates, as derived from such experience, is:—

	Territory 1	*Territory* 2
Class 1	$7.71	$5.65
" 2	10.81	7.93
" 3	11.97	8.77

The loss provision in the said rates exceeds the necessary provision on the average by 4%, although it will be noted that the loss provision in the rate for Class 2 cars in Territory 1, is inadequate.

The number of high priced cars (Class 3) is so small that the loss cost indications thereon are not as reliable as on Classes 1 and 2. Inasmuch, however, as the average necessary loss provision ($7.45) is clearly established, and the meagreness of the exposure in Class 3 only affects the propriety of its distribution, I am of opinion that the indications of the experience of Class 3 cars are sufficiently reliable for my purposes, as they always appear to have been for the Bureau.

PRIVATE PASSENGER CARS—PROPERTY DAMAGE COVERAGE:

The loss provision in the 1929 Manual rates, by class and territory, is as follows:—

	Territory 1	*Territory* 2
Class 1	$6.50	$5.00
" 2	8.00	6.50
" 3	10.50	9.00

The necessary loss provision in the said rates, as derived from the experience before me, is:—

	Territory 1	*Territory* 2
Class 1	$5.16	$4.10
" 2	7.32	5.81
" 3	10.56	8.39

The loss provision in the said rates exceeds the necessary provision on the average by 18%.

The observations made with respect to Class 3 cars in the Public Liability coverage apply to the same class of cars in this coverage.

PRIVATE PASSENGER CARS—COLLISION COVERAGE:

In this coverage, due to the paucity of experience and to the comparatively small number of cars using this coverage, I can make no finding as to the reasonableness or otherwise, of the loss provision therein, but in my recommendation I deal somewhat with what might render this coverage more popular and less expensive. But as the collision premiums were raised by 25%, and so making an additional provision of 25% for expenses, they are to that extent in excess of the proper rate.

PRIVATE PASSENGER CARS—FIRE COVERAGE:

I have already explained the manner in which the experience has been developed. There are upwards of 90 different Manual rates for this coverage in each territory, and, accordingly, the experience has been developed to show only the average necessary loss provision in the rates.

The loss provision underlying the average 1929 rate is $2.82, or 19% in excess of the necessary loss provision of $2.36.

PRIVATE PASSENGER CARS—THEFT COVERAGE:

In this coverage, as in the Fire coverage, average loss cost indications only could be developed.

The loss provision underlying the average 1929 rate is $2.53, or 43% in excess of the necessary loss provision of $1.77.

COMMERCIAL CARS, PUBLIC VEHICLES, ETC.

Commercial cars are frequently insured as Fleets at special rates determined in accordance with the so-called experience rating plan. Elsewhere in this Report the inadequacy of these Fleet rates and their effect upon the general rate level is fully discussed.

The experience on Public Vehicles and upon Garages, Dealers', and Manufacturers' cars, is so meagre as to be wholly unreliable for my purposes, and there is no evidence before me to indicate that the rates charged in these classes are excessive.

5. I find that the provision for expenses in the Public Liability, Property Damage, and Collision coverages for private passenger and commercial cars is not justified, and was unwarrantably increased. Apart from that addition I find that there is no adequate or sound reason why the provision for expenses should be in excess of 45% of the gross premium rates and that the Insur-

ance Companies should be left to make such adjustments in their various expense costs as will enable this percentage to produce a sufficient provision for expenses in the rates.

I append as Apendix "B," Statement showing the 1929 Bureau rates for Private Passenger Cars, contrasted with the rates indicated by my findings and the premiums chargeable in each case. Similar statements can be prepared for commercial cars and other types of vehicles if desired. The statement indicates that the 1929 Bureau rates for Private Passenger cars were excessive to the extent of $654,318.00.

6. As regards the automobile insurance premium rates charged by companies not members of the Bureau their reasonableness may be ascertained by a comparison of their rates with those indicated by my findings shown in the statements included as Appendix "B".

7. I refrain from expressing any opinion as to future premium rates, not only because that question seems to me to go beyond the scope of my Commission, but also because I believe the problem of prospective rate-making is essentially different from and more difficult than the problem of passing upon the reasonableness of rates which have been fixed, as in this case, for upwards of eighteen months when that opinion is expressed. No doubt some of the findings, such as that as to expense, should have due weight in the future, but there are factors not affecting the 1929 rates, such as the working of the Financial Responsibility Law, and the absolute liability of insurer notwithstanding breaches of conditions by the insured, which would be required to be considered.

8. While I am of opinion that the 1929 Bureau rates were excessive and unreasonable, it has been established before me that the Bureau rates in 1927 and 1928 were, in fact, on the average inadequate, and that the companies lost money on account of this inadequacy in those years, but the exact amount of the losses from this cause remains uncertain, owing to the rate-cutting and other matters which I have mentioned in my Report.

9. My opinions with respect to the operations of the Canadian Automobile Underwriters' Association and the existing laws of Ontario respecting the supervision and regulation of insurance rates, mentioned in Clauses (b) and (c) of my Commission, are, unless specially mentioned, sufficiently indicated throughout my Report.

RECOMMENDATIONS:

1. That a system of merit rating be imposed on the companies in the Collision coverages by which insurers with a good record for two years will get a fair reduction in the premium or in the alternative, a system under which those with a bad record will be classified and compelled to pay an increased amount in the manner recommended in the present Highway Traffic Act, Sec. 91 of Chapter 47 of the Ontario Statutes for 1930.

2. That Section 275(a) of the Insurance Act, as enacted by Sec. 12 of Chapter 41 of the Ontario Statutes of 1930, be proclaimed and put into force before the 1st of February, 1931, and when so proclaimed shall be made retrospective as of the date of this Report.

3. That radical changes should be made as to the qualifications of agents of Insurance Companies engaged in casualty automobile insurance in this Province, and their licensing, and that such changes should be somewhat as follows:—

1. No recommendation should be required from any Insurance Company for the granting of the first license to an agent.

2. An oral or written examination, or both, should be prescribed by the Department of Insurance to be passed by applicants for a license who should disclose sufficient insurance knowledge as would ensure proper agency service to an insurance company, and also display the proper appreciation of the duty of an agent, and of the general principles of agency business so as to render less probable the giving of improper or misleading information to prospective policy holders.

3. That the license fee should be substantially increased, and the license should be for one year, and that before renewal the Company or Companies in whose employ the agent has been in the year previous to the expiry of the license should file with the Superintendent of Insurance a statement of the record and of the ability and integrity of the applicant for renewal.

I may mention that the Toronto Insurance Conference of Chief or General Agents and Company Salaried Officials, in their Memorandum (Exhibit No. 217), have submitted to me that:

> "The Conference believes this is an opportune time to put forward the suggestion not only in respect to automobile, but all classes of insurance, that the Government should take under advisement, an Agents' Qualification Law, requiring before the issue of license, that the agent shall have served a certain period of apprenticeship in learning the business, or submitted to a prescribed course of study followed by an examination such as is required in many trades and professions. In support of this suggestion it is pointed out that in professions or callings such as doctor, lawyer, dentist, chartered accountant, or nurse, a definite prescribed course is required and examinations must be passed before one is qualified to practice, and in trades one has to serve an apprenticeship before becoming a plumber, bricklayer, carpenter, plasterer, etc.
>
> "The insurance business is of a highly technical nature and requires much study before a man is efficient. An agent who is incompetent to transact insurance business exposes his clients to losses and some form of qualification is especially desired."

4. My recommendation as to a yearly ascertainment of the loss ratio, and the adoption of what I have styled the "English Method," will be found in my Report.

5. That the loss cost of insurance in Ontario in the future should be established by the combination of the experience of all companies, and that such experience should be developed on the statistical plan prescribed, pursuant to Section 69 (a) of the present Insurance Act.

6. That until motor owners come under Section 72 of the Highway Traffic Act they should not, on applying for renewal of their policy, or for a new policy, be required to take any other coverage than that included in the policy the renewal of which is sought, or that which the application requires. Until the applicant for insurance comes within the provisions of the above Section, he should not be required to take any number of coverages, but should be able to apply for such one or more as he thinks fit. It was not the intention that until motor owners were guilty of some fault that they should be required to take the coverages mentioned in Section 87.

It is not my province to say what should be done, if anything, in consequence of my finding that the rates for 1929 are to the extent which I have mentioned unreasonable, but it might not be out of place to make a suggestion on the subject.

I am deeply impressed with the difficulties encountered in the earlier years of automobile insurance by those who carried it on. It is a comparatively new form of insurance, and has not the stable elements which make life insurance and fire insurance less difficult, while it has a great variety of risks and hazards on different makes and styles of motors. It has not yet reached the point in organization which should have produced lessened expenses, and not very much attention has been paid to this question, nor has it had, until now, any trustworthy record of loss experience. It has had to deal with a rate war, and strong competition, increasing even now in its own field. It has not yet overcome the difficulties of fleet-rating or the hazards of collision due to recklessness, youth, want of experience, or other causes and there are other elements apparent to me which make it difficult to forecast the changes which are inevitable in the business.

This much I may perhaps be allowed to say—and it has not been submitted to or suggested by counsel on either side of the Enquiry—namely, that if the rates for 1931 are prepared with due regard to the matters which have been discussed before me and which are largely embodied in the conclusions stated in my Report, or if, in conjunction with the Superintendent of Insurance, it is possible to fix upon an amount for loss provision on a basis approved by him, and to limit their expense loading to 45%, then, in either of such cases, refunds to insurers of the excess of the

rates charged in 1929 and 1930, which seems the only alternative, might be tempered as to amount by a consideration of the losses undoubtedly made by the insurance companies during 1927 and 1928. I make this suggestion notwithstanding the fact that it is evident to me, as pointed out in the Report,

(1) That the 1929 rates, as well as those of 1927 and 1928 were not, in fact, based on experience either long enough or complete enough, to justify them;

(2) That the 1927 losses were caused by the premiums having been fixed at too low a figure on purpose to drive others out of business; (Ev. 178/9, 3645/6, 3683/5/7, 3703/42/3).

(3) That the 1928 rates were deliberately kept low so as to secure the adherence of the companies which finally joined the Bureau on the 1st April, 1928, (Evidence pp. 3643—3646), and also,

(4) That the 1929 rates—quite apart from the increase made to reach what the companies thought was a more appropriate loss cost level—did in fact, in addition thereto include additions of fifty, or twenty-five percent. to the expense item, in certain coverages, the necessity for which was unsupported by any evidence before me—and might well, in fact, have gone to make up some part of the losses incurred in 1927 and 1928 without that being apparent except to an expert. There is no doubt, if twenty new companies have entered this particular insurance field since the 1929 rates were established by the Bureau, making a total of 160 or more companies doing automobile casualty insurance here, that the 1929 rates must have proved attractive to them and the business must have seemed good.

While, therefore, an accounting for the excess in the rates fixed in 1929 would be strictly just, I would attach much more value to the investigation which I have had the honour of holding, if it produced not so much refunds based on the exact actuarial results to individual policy-holders in the past two years, but a more uniform and, subject to considerations which I have mentioned in my Report, a lower rate in the future, which I think the companies could well afford. This would assure at once a distinct benefit to those insured on the renewal or taking out of their policies on the 1st of February, 1931.

I think it a great advantage to simplify the making, the testing, and approval of rates so as to avoid in the future an Enquiry such as the present one, with all its attendant expense and delay, leaving the reasonableness of the rates largely in the hands of the Ontario Insurance Department and of the companies' members, or in case of difference, to the decision of the Ontario Insurance Department, subject to an appeal, on the lines suggested in my Report and recommendations.

It is of the first importance that the insurance companies should be able to carry on their business at a reasonable profit, and

equally so that the basis of their rates should be subject to early scrutiny and settlement.

It is to the Canadian Automobile Underwriters' Association that I look for the most effective aid in the direction I have indicated. I think, from my experience as Commissioner in this Enquiry, I can thoroughly agree that the commendation of the Canadian Fire Underwriters' Association by Mr. Justice Masten, in his Report of 1919, might well be applied to the Canadian Automobile Underwriters' Association.

His words were that the operations of such an Association "have been, and are, to the advantage of and in the interest of the public, and that such a combination tends strongly to maintain the solvency of the companies, to stablilize rates, to eliminate discrimination, and assist in controlling the expenses of carrying on the business," and that "it ought not to be abolished or hampered in its legitimate work, but, being a combination, ought to be fully subject to supervision and control by the State."

Although throughout my Report I have indicated matters where I think the Canadian "Automobile" Underwriters' Association has, in some measure, failed to live up to its standards, the fact that I consider its assistance in improving conditions of the first importance, indicates my belief in its influence and purposes.

All of which is respectfully submitted.

FRANK E. HODGINS.
Commissioner.

Dated at Osgoode Hall,
the 20th day of December 1930.

APPENDICES

A.—Recalculations of Loss Cost Indications showing, in "A" Tables, effect of giving "double weight" to year 1929, and, in "B" Tables, effect of giving "triple weight" to year 1929 and "double weight" to year 1928 —both in the three year average.

B.—Statement showing Private Passenger Car Rates indicated by findings contrasted with 1929 Bureau Rates and the premiums chargeable in each case.

C.—Extracts from Report of Commission Actuary (Ex. No. 223) dated September 19th, 1930, entitled "Interpretation of Consolidation Loss-Cost Experience—with Introductory Text."

D.—Synopsis of "Command Papers" (Exhibit No. 195) referred to in the Report.

E.—List of Witnesses.

F.—List of Exhibits.

G.—Particulars of Sittings.

APPENDIX "A"

"A" TABLES

Private Passenger Cars

PUBLIC LIABILITY

Statement showing the effect upon page 27 of Exhibit No. 223 if *double weight* were given to the experience of the incomplete policy year 1929 and *single weight* to each of the complete policy years 1927 and 1928, in the three-year average.

Policy Years	Car-Years Exposed to Risk	(1) Losses as Reported to Ontario Rates Enq. Commission	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	76,719	$ 581,784	$ 593,102	102%
1928	105,593	770,391	816,324	106%
1929	130,474	982,376	1,008,672	103%
1928 and '29	236,067	1,752,767	1,824,996	104%
1927, '28 and '29	312,786	2,334,551	2,418,098	104%

Class	Cities	Country
1	104	115
2	88	101
3	104	120

Private Passenger Cars

PROPERTY DAMAGE

Statement showing the effect upon page 28 of Exhibit No. 223 if *double weight* were given to the experience of the incomplete policy year 1929 and *single weight* to each of the complete policy years 1927 and 1928, in the three year average.

Policy Years	Car-Years Exposed to Risk	(1) Losses as Reported to Ontario Rates Enq. Commission	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	70,154	$ 358,159	$ 435,852	122%
1928	99,612	511,949	618,866	121%
1929	136,588	744,838	848,590	114%
1928 and '29	236,200	1,256,787	1,467,456	117%
1927, '28 and '29	306,354	1,614,946	1,903,308	118%

Class	Cities	Country
1	126	122
2	109	112
3	99	107

PRIVATE PASSENGER CARS

FIRE

Statement showing the effect upon page 30 of Exhibit No. 223 if *double weight* were given to the experience of the incomplete policy year 1929, and *single weight* to each of the complete policy years 1927 and 1928, in the three year average.

(1) Policy Year	(2) Car-Years Exposed to Risk	(3) Losses Incurred	(4) Average Pure Premium	(5) Average Pure Premium Underlying 1929 Manual Rates	Ratio of (5) to (4)
1927	102,553	$191,621	$1.87	$2.82	151%
1928	126,118	277,009	2.20	2.82	128%
1929	155,374	437,792	2.82	2.82	100%
1928 and '29	281,492	714,801	2.54	2.82	110%
1927, '28 and '29	384,045	906,422	2.36	2.82	119%

PRIVATE PASSENGER CARS

THEFT

Statement showing the effect upon page 32 of Exhibit No. 223 if *double weight* were given to the incomplete policy year 1929, and *single weight* to each of the complete policy years 1927 and 1928, in the three year average.

Policy Years	Car-Years Exposed to Risk	(1) Losses Incurred	(2) Average Pure Premium	(3) Average Pure Premium Underlying 1929 Manual Rates	(4) Ratio of (3) to (2)
1927	81,748	$130,961	$1.60	$2.53	158%
1928	103,035	162,865	1.58	2.53	160%
1929	131,948	267,578	2.03	2.53	125%
1928 and '29	234,983	430,443	1.83	2.53	138%
1927, '28 and '29	316,731	561,404	1.77	2.53	143%

"B" TABLES

Private Passenger Cars

PUBLIC LIABILITY

Statement showing the effect upon page 27 of Exhibit No. 223 if *triple weight* were given to the experience of the incomplete policy year 1929, double weight to the complete policy year 1928, and single weight to the complete policy year 1927, in the three year average.

Policy Year	Car-Years Exposed to Risk	(1) Losses as Reported to Ontario Rates Enq. Commission	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	76,719	$ 581,784	$ 593,102	102%
1928	211,186	1,540,782	1,632,648	106%
1929	195,711	1,473,564	1,513,008	103%
1928 and '29	406,897	3,014,346	3,145,656	104%
1927, '28 and '29	483,616	3,596,130	3,738,758	104%

Class	Cities	Country
1	104	115
2	88	101
3	105	120

Private Passenger Cars

PROPERTY DAMAGE

Statement showing the effect upon page 28 of Exhibit No. 223 if *triple weight* were given to the experience of the incomplete policy year 1929. *Double weight* to the complete policy year 1928, and *single weight* to the complete policy year 1927 in the three year average.

Policy Years	Car-Years Exposed to Risk	(1) Losses as Reported to Ontario Rates Enq. Commission	(2) Provision for Losses in 1929 Manual Rates	(3) Ratio of (2) to (1)
1927	70,154	$ 358,159	$ 435,852	122%
1928	199,224	1,023,898	1,237,732	121%
1929	204,882	1,117,257	1,272,885	114%
1928 and '29	404,106	2,141,155	2,510,617	117%
1927, '28 and '29	474,260	2,499,314	2,946,469	118%

Class	Cities	Country
1	126	122
2	109	112
3	99	107

PRIVATE PASSENGER CARS

FIRE

Statement showing the effect upon page 30 of Exhibit No. 223 if *triple weight* were given to the experience of the incomplete policy year 1929, *double weight* to the complete policy year 1928, and *single weight* to the complete policy year 1927 in the three year average.

(1) Policy Year	(2) Car-Years Exposed to Risk	(3) Losses Incurred	(4) Average Pure Premium	(5) Average Pure Premium Underlying 1929 Manual Rates	Ratio of (5) to (4)
1927	102,553	$ 191,621	$1.87	$2.82	151%
1928	252,236	554,018	2.20	2.82	128%
1929	233,061	656,688	2.82	2.82	100%
1928 and '29	485,297	1,210,706	2.49	2.82	113%
1927, '28 and '29	587,850	1,402,327	2.39	2.82	118%

PRIVATE PASSENGER CARS

THEFT

Statement showing the effect upon page 32 of Exhibit No. 223 if *triple weight* were given to the experience of the incomplete policy year 1929, *double weight* to the complete policy year 1928, and *single weight* to the complete policy year 1927 in the three year average.

Policy Years	Car-Years Exposed to Risk	(1) Losses Incurred	(2) Average Pure Premium	(3) Average Pure Premium Underlying 1929 Manual Rates	(4) Ratio of (3) to (2)
1927	81,748	$130,961	$1.60	$2.53	158%
1928	206,070	325,730	1.58	2.53	160%
1929	197,922	401,367	2.03	2.53	125%
1928 and '29	403,992	727,097	1.80	2.53	141%
1927, '28 and '29	485,740	858,058	1.77	2.53	143%

APPENDIX "B"

PRIVATE PASSENGER CARS—BUREAU COMPANIES

Statement Showing 1929 Canadian Automobile Underwriters Association Premium Rates

In Comparison with Premium Rates Indicated by Loss Cost Experience with 45% Expense Loading and the Premiums Chargeable in each Case

PUBLIC LIABILITY

(1) Territory	(2) Class	(3) Loss Cost Indicated Pure Premium	(4) Indicated Premium Rate with 45% Exp. Loading	(5) 1929 Manual Rate	(6) Percentage Excess (+) or Inadequacy (−)	(7) Number of Cars Written in 1929	(8) Premiums Chargeable at Indicated Rates (Col. 4 x Col. 7)	(9) Premiums Chargeable at 1929 Manual Rates (Col. 5 x Col. 7)	(10) Excess (+) or Inadequacy (−)
Cities	1	$ 7.71	$14.02	$16.00	+14.1%	23,287	$ 326,484	$ 372,592	+$ 46,108
"	2	10.81	19.65	19.00	− 3.3%	11,178	219,648	212,382	− 7,266
"	3	11.97	21.76	25.00	+14.9%	1,533	33,358	38,325	+ 4,967
Country	1	5.65	10.27	13.00	+26.6%	28,064	288,217	364,832	+ 76,615
"	2	7.93	14.42	16.00	+11.0%	12,298	177,337	196,768	+ 19,431
"	3	8.77	15.95	21.00	+31.7%	1,002	15,982	21,042	+ 5,060
TOTAL		.....	.....	.....	.....	77,362	$1,061,026	$1,205,941	+$144,915

PROPERTY DAMAGE

Cities	1	$ 5.16	$ 9.38	$13.00	+38.6%	22,036	$ 206,698	$ 286,468	+$ 79,770
"	2	7.32	13.31	16.00	+20.2%	10,486	139,569	167,776	+ 28,207
"	3	10.56	19.20	21.00	+ 9.4%	1,472	28,262	30,912	+ 2,650
Country	1	4.10	7.45	10.00	+34.2%	27,246	202,983	272,460	+ 69,477
"	2	5.81	10.56	13.00	+23.1%	11,861	125,252	154,193	+ 28,941
"	3	8.39	15.25	18.00	+18.0%	997	15,204	17,946	+ 2,742
TOTAL		.....	.....	.....	.....	74,098	$ 717,968	$ 929,755	+$211,787

COLLISION

All territories and classes combined		$19.16	$34.84	$38.32	+10.00%	18,637	$ 649,315	$ 714,247	+$ 64,932

FIRE

All territories and classes combined		$ 2.36	$ 4.29	$ 5.64	+31.5%	82,576	$ 354,251	$ 465,649	+$111,398

THEFT

All territories and classes combined		$ 1.77	$ 3.22	$ 5.06	+57.1%	65,906	$ 212,217	$ 333,503	+$121,286
GRAND TOTAL		.....	.....	.....	.....	318,579	$2,994,777	$3,649,095	+$654,318

NOTE:—Loss cost (Col. 3) is obtained by giving *double weight* to the experience of incomplete policy year 1929 and *single weight* to each of the complete policy years 1928 and 1927. Loss cost is based on experience of all companies.

Premiums chargeable for collision at 1929 Manual Rates are only approximate. They are the "written" premiums taken from Exhibit 191, page 24.

Premiums chargeable for collision at indicated rates are based on the assumption that the loss provision in the 1929 manual rates (i.e. 50% of such rates) was exactly adequate. Such loss provision was loaded for expenses by the addition of 45% of the gross premium.

APPENDIX "C"

Extracts from Report of Commission Actuary

Dated 19th September, 1930 (Exhibit No. 223) entitled: "Interpretation of Consolidated Loss Cost Experience—with Introductory Test."

(The Loss Cost Indications and conclusions reached in the Actuary's Report are quoted in full at p. 37 *et seq.* of this Report).

"This Report deals primarily with an interpretation of analyses which have been made of the statistical evidence relating to the loss-cost of automobile insurance in Ontario.

"Automobile Insurance"

"Insurance business as conducted throughout Canada and the United States represents, with certain exceptions, a private, competitive enterprise conducted for profit. The exceptions take the form of co-operative organizations having no capital stock (e.g. mutuals and reciprocal inter-insurers) and Provincial or State Funds furnishing exclusively workmen's compensation insurance.

"Insurance of motor cars, commonly referred to as automobile insurance, as conducted in Canada, is furnished almost entirely by stock insurance companies, although in comparatively recent years a beginning has been made in this field by mutual companies. Automobile insurance in Ontario constitutes a separate and distinct class of business from the other general classes, such as fire, casualty and life insurance. It is written by companies which are essentially fire offices as well as by those which are essentially casualty offices.

"The companies which are licensed for automobile insurance in Ontario may also be classified as follows:—

1. Tariff companies—i.e. those holding membership in the Canadian Automobile Underwriters' Association (also known as "the Bureau").
2. Non-tariff companies.

"The Canadian Automobile Underwriters' Association"

"The Canadian Automobile Underwriters' Association is a voluntary association of companies which write automobile insurance. Its chief functions are to gather statistics relating to the business of automobile underwriting, to establish and maintain uniform rates for automobile insurance, and to regulate acquisition cost through standardization of agents' commissions.

"During the period of membership companies are bound by agreement to observe the premium rates and rules for automobile insurance determined by the Bureau. A company may retire from membership at any time by giving thirty days' notice.

"In 1927 when 126 companies were licensed for automobile insurance in Ontario 64 companies held membership in the Bureau. In February, 1929, the Bureau membership comprised 100 out of 140 licensed companies. Since the inception of this Enquiry one important company has withdrawn from the Bureau. Thus the Bureau membership is constantly changing. (Exhibit No. 10, Section I.)

"The automobiles which become insured are of various general types and for insurance purposes are distinguished thus:

Private Passenger Automobiles.
Commercial Automobiles.
Public Automobiles.
Garages', Dealers', and Manufacturers' Automobiles.

"Numerically the most important of these groups is the one comprising privately owned passenger cars. And within this group the coverages which develop the greatest amount of premium income for the companies are, namely, Public Liability and Property Damage. A more complete statement of the situation is given in the following Table based upon returns made to the Commissioner in the course of this Enquiry.

PREMIUMS WRITTEN 1929

ONTARIO ONLY

Coverage	Private Passenger	Commercial	Other Types
Public Liability	$1,546,144	$231,429	
Property Damage	1,152,274	195,087	
Collision—(All forms)	871,098	73,430	
Fire	657,318	82,891	
Theft	493,912	22,197	
Not Classified	.....	.....	$1,473,508
TOTALS:	$4,720,746	$605,034	$1,473,508

(a)	Fleets	$1,146,328
(b)	Public Vehicles	100,897
(c)	Garages, Dealers, etc.	226,283

(*a*) RATES FIXED BY THE BUREAU

"The premium rates for automobile insurance in Ontario as fixed by the Bureau are set out in a printed Manual published by the Bureau and issued to member companies and their agents through a central distribution system. The Manual shows the premiums which are to be charged by member companies for the various classes of automobile insurance, the various types and makes of automobiles, and the various territories into which the Province is divided for rating purposes. All cars are shown in the Manual except a few rare makes or models. Rates for fleets of cars eligible for special rates under an "experience rating" plan are obtained by the member companies upon application to the Bureau. (Exhibit No. 10, Section X.)

"Rules necessary for the application of these rates and for the regulation of underwriting practices are published in a Rule Manual distributed by the Bureau in a similar manner. Both of these Manuals and the rating plan are in evidence. (Exhibits No. 7 and No. 8.)

"For rating purposes the various types of automobile are differentiated according to (a) Territory, and (b) Class.

"Comparison of typical Bureau rates in force during the years 1923 to 1929 shows that in 1923 the rates were at the highest level of the period and that there was a progressive decline until 1928, when the rates reached their lowest point. (Exhibit No. 10, Section II.) In 1929 the rates were again increased.

"These changes in the rate level are explained upon the ground of severe competition in rates which prevailed during the period. It appears that this competition caused many companies to abandon membership in the Bureau and to underwrite insurance at rates lower than those authorized by the Bureau.

"In 1923 the percentage of total business written by Bureau Companies was 77.1 percent; in 1927 it had diminished to 37.9 percent. During 1928 a number of the companies which had previously relinquished their membership in the Bureau rejoined it. The effect of this movement was to give to Bureau companies 79.9 percent of all the premiums written in the year 1928. To quote a Bureau witness:—

> 'In 1928 reconstruction of the tariff began and very modest increases in some rates in that year represent the beginning of a movement toward a sound rate level.' (Exhibit No. 10, Section II., page 3.)

"Futher increases made in 1929 created the impression outside insurance circles that they were not so modest. Public opinion became aroused and the Ontario Government, after due deliberation, caused this Enquiry to be made.

"History of the 1929 Bureau Rates:"

"During December 1927 and January 1928 the Bureau undertook a Dominion-wide revision of existing premium rates for automobile insurance on the basis of the experience record of its member companies. This revision included a readjustment of the relative rates for the various territories within each Province, the various types of insurance coverage, and the various types and makes of motor car. These readjustments became effective in Ontario on April 1st, 1928. (Exhibit No. 10, Section II., page 1.)

"When rates for 1929 came to be considered, the Bureau concluded that these readjustments were too recent and the subsequent experience based thereon too limited to justify their being disturbed. The Bureau therefore decided that for 1929 no changes should be made in the relative charges for territories or makes of car, but that changes should be confined to such general readjustment as experience showed to be necessary for the various coverages and Provinces. That is to say, the general premium rate level was adjusted without changing the relativity of the premium charges. The new premium rates for 1929 became effective February 1st, 1929, and involved the following changes from the 1928 scale of rates affecting private passenger and commercial automobiles in Ontario; viz:

Rates for fire and theft insurance were not changed.

Rates for collision insurance were increased 25 percent.

Rates for public liability insurance and property damage liability insurance were increased 50 percent.

"It has been testified by the Bureau witnesses that the premium rates of 1928 were 'seriously inadequate to meet the cost of insurance to the companies,' that the deficiency was due to inadequate rates for the Public Liability, Property Damage, and Collision coverages, and that the increases adopted in 1929 were therefore necessarily greater than would have been the case if the 1926 premium rates for these coverages had been already on an adequate rate level. (Exhibit No. 10, Section II, page 2.)

"This view of the situation however, merely established a comparison between 1929 rates and previous rates without inquiring into the status of the latter.

(*b*) Rates Charged by Companies Affiliated with the Bureau

"The distinction made between the rates made and the rates charged by members of the Bureau appears to be largely without difference so far as individual cars are concerned. During the period of extreme competition members desiring to be free of Bureau regulation resigned their membership and so temporarily classed themselves among the non-Bureau

companies. It seems reasonable to suppose that during membership in the Bureau these companies have generally abided by Bureau requirements as regards individual cars, and that if there has been failure on their part to maintain the general level of Bureau rates it has been due to other causes.

"One such cause is to be found in the practice applicable to the rating of fleets. Any fleets of five or more automobiles owned by the insured and registered under the Motor Vehicles Act in the name of the insured, and under one operating management, is eligible for experience rating. The procedure in determining experience rates for fleets is governed by rules and by a formula according to which the premium that would be chargeable at Manual rates is modified by a series of graduated percentages. These percentages are used in determining how much more or less than the Manual rates should be charged after computing the loss ratio of the risk at Manual rates.

"Fleets frequently develop premiums of substantial size and are desirable to the agent or broker who controls the business. He is interested in obtaining for his client the best available rate. Competition for such business induces companies to favour agents and brokers who offer fleet risks, and the temptation is constantly presented for 'taking a chance' on the rates. If a fleet risk is found by the Bureau to deserve an experience rate higher than the Manual rate the company may find itself in the position of having to make a choice between losing the business and of writing at a lower rate quoted by some other company. This alternative puts a strain on the disciplinary intent of Bureau regulations.

"The evidence shows that the control exercised by the Bureau over the rates actually charged by its members is not absolute. The stamping office procedure is conducted by subordinate personnel who visit the various offices in the discharge of their duties. There they are constantly under the moral control of the companies themselves, and are hardly in position to make searching investigation into the records.

"There is no certainty that all Fleet business is submitted to the Bureau for rating purposes. Any company which may fear or suspect that a given fleet, if rated by the Bureau, would be subjected to a debit rate is free to withhold the case from rating. The general level of fleet rates thus tends to be lower than Manual rates.

"Finally the formula used by the Bureau in its rating of fleets does not insure a balance of debits and credits. The formula is balanced in form but cannot balance in total result for the reason that certain limiting values are used which of necessity produce a greater aggregate of credits than of debits.

"All of the foregoing considerations tend to depress the general level of rates charged on fleet business, and, through that circumstance, the entire rate level.

"The theory on which is based the practice of experience rating is that each multiple risk (i.e. one consisting of several car units) may be assigned some measure of credibility as to its loss record. Conceding the theory to be sound, it should be applied correctly and automatically to all fleet risks. When debits are indicated those should be collected and should offset in the aggregate the total credits allowed on other fleets. The soundness of this principle is evident when considered in relation to the fact that the Manual rate is an average rate. Hence in order that the general level of average rates may be preserved on the entire volume of business transacted, the debits and credits must be so arranged as to counterbalance. The desired equilibrium requires to be controlled through the use of a suitable formula supplemented by vigilant administration of the rating procedure on the part of the rating offices.

"Private cars owned by the employees of a common employer are sometimes included as units of a fleet. This practice is at variance with

the rules of the Bureau, which define a fleet as cars under a common ownership. It illustrates chiefly the influence that can be exerted by important agents and brokers who control large lines of business. Their patronage being regarded as desirable by almost all companies the temptation is constantly present to grant concessions in defiance of the Bureau rules.

"Another cause operating to depress the Manual rate level appears in the form of special exemptions granted individual companies as a condition to their rejoining the Bureau in 1928—after the rate war had run its course. This, perhaps, may be regarded as a temporary influence in relation to the rates of 1929 as the evidence indicates that the exemptions were to endure for a limited period only. It illustrates, nevertheless, a practical difficulty in the way of achieving an important object of the Bureau, namely, 'To establish and maintain equitable rates for automobile insurance.' (Exhibit No. 10, Section I., page 1, Object (b).)

(c) Rates Charged by Non-Bureau Companies

"Non-Bureau companies have no association of their own. They adopt such rates and rules as may seem to suit their purposes. Several have testified that they use Bureau rates less a percentage discount (most frequently 10 per cent).

"One large non-Bureau company writes chiefly fire and theft coverages, and these only to the purchasers of cars sold under a time payment plan. This company is non-competitive and may be regarded as an adjunct to the motor sales branch of a large automobile manufacturer. It incurs no acquisition costs and writes insurance at rates substantially lower than those of the Bureau. (Exhibit No. 23). The premium rates for the four coverages written by it vary from the Bureau rates approximately as follows:—

Property Damage and Collision } "Approximately tariff.

Fire and Theft —20% to 30%.

"Non-Bureau rates are thus seen as independent tariffs since the non-Bureau offices are under no obligation to conform to standard practices such as those prescribed by the Bureau.

"Ontario Loss-Cost Data"

"At the opening of the Enquiry the Commissioner took the position that the reasonableness of the rates should be established by those who instituted them, and who had the necessary technical information. Witnesses representing both Bureau and non-Bureau companies gave evidence, and the Bureau undertook to prepare and submit material in justification of the rates fixed and promulgated by it for use in 1929.

"A part of the information so produced is an Exhibit containing detailed figures compiled and tabulated by the Bureau during 1928 showing the loss-cost record of Bureau companies for the 'complete' policy years 1924, 1925 and 1926, and for the 'incomplete' policy year 1927. The Exhibit includes the experience record for the whole of Canada. Ontario experience is there shown in its relation to the country-wide experience. (Exhibit No. 15).

"It was brought out in evidence that the loss-cost experience available to the Bureau in 1928 represented only some 40 percent. of the total experience of present (1929) Bureau companies, and that the companies which write a total volume of business approximating the remaining 60

percent. were not members of the Bureau in 1926 and 1927, so that their experience was not included in the record. In those years these companies did not charge the same rates as member companies, nor had they any statistical system enabling them to report promptly their experience in the form required for rate-making purposes. (Evidence page 735).

"Further Data Called For"

"This circumstance became a controlling point in the procedure of the Enquiry. The Commissioner's Actuary reported that on the basis of the statistical evidence then available it would be impossible to form a judgment concerning the reasonableness, or unreasonableness, of the rates, and that in the absence of further data the actuarial evidence for the Commissioner would of necessity be negative in character. After giving all companies affected an opportunity to be heard, the Commissioner issued an Order requiring additional loss-cost experience data to be submitted by Bureau and non-Bureau companies. This requirement was subsequently extended to include the experience of a more recent period.

"The volume of experience data which thus became available to the Commissioner (Exhibits No. 151 and No. 191), may be compared with that contained in Exhibit No. 15 by taking, for example, the total number of private passenger cars included in the experience on public liability coverage for the respective three-year periods; viz:

"Private Passenger Cars—Public Liability Coverage"

Exhibit No. 15:

Bureau Companies' Data, policy years 1924, 1925, 1926, exposure basis, car-years 54,817

Exhibits No. 151 *and No.* 191:

Ontario Rates Enquiry, Bureau and non-Bureau Companies' Data, policy years 1927, 1928, and 1929, exposure basis, car-years .....247,549.

"The comparison indicates that the more recent data obtained through the instrumentality of the Commission, is nearly five times as great in volume as that available to the Bureau when the 1929 rates were determined. It is, perhaps, the most extensive body of Ontario loss-cost data on automobile insurance that has ever been brought together. But, although extensive in the mass this experience, because of the great number of rate classes in use, is not sufficiently large to serve as a basis for judging all specific rates.

"For Public Liability and Property Damage there are six different rates—one for each of the three classes of automobile and the two rating territories. For Collision insurance the number of rating sub-divisions is one hundred and twenty (two representing territorial, four representing coverage, and fifteen representing price-group distinction). A like situation obtains in respect of fire and theft insurance. These latter groups are judged in terms of the indications of their total experience without sub-division.

"Development of the Data"

"To facilitate interpretation of the experience data, a procedure for its development into average loss-costs has been worked out by arrangement between the Actuary of the Bureau and the Commissioner's Actuary. The experience for 1927 and 1928 is available on the 'complete' policy year basis, and that for 1929 is on the 'incomplete' policy year basis, developed to statistical completeness through the use of appropriate factors. The formulae and methods employed are described in detail in Reports dated July 23rd, 1930 (Exhibit No. 221), and August 22nd, 1930. (Exhibit No. 222)."

APPENDIX "D"

Being Full Synopsis of the "Command Papers" Referred to in the Report as Exhibit No. 195.

In 1923 an agreement was come to by the Accident Offices Association, comprising the bulk, if not all, of the companies in England providing Automobile Casualty Insurance, with the British Government.

That Agreement is as follows:—

"Accident Offices Association,
4 Thames House, Queen Street Place,
London, E.C.

24th May, 1923.

"Following on the negotiations which have taken place between representatives of the Government and representatives of the Accident Offices Association for the purpose of arriving at an arrangement by which there should be a fixed loss ratio in respect of the Workmen's Compensation business transacted by the constitutent offices of the Association, the undersigned, on behalf of the Accident Offices Association undertake for the constitutent offices of that Association to observe the conditions hereunder stated; namely:—

"(1) The proportion calculated as a percentage (hereinafter referred to as the loss ratio) which the combined total amount paid by all the Offices members of the Accident Offices Association in any year on behalf of employers in Great Britain, in respect of compensation or damages for injuries to workmen (including reasonable medical and legal expenses in connection therewith) bears to the combined total amount received as premiums by such offices from such employers in that year in that class of business, is to be not less than sixty percent for each of the calendar years nineteen hundred and twenty-four, nineteen hundred and twenty-five, and nineteen hundred and twenty-six, and for any calendar year thereafter, sixty-two and a half percent., or such other proportion, not being less than sixty percent., as may be agreed between the Secretary of State and the Accident Offices Association.

"(2) In reckoning, for the purpose of the preceding paragraph, the total amount paid in any year in respect of compensation or damages and the total amount received as premiums, allowances will be made in respect of liabilities for unexpired risks and claims outstanding from any previous year, or carried forward into any future year which are to be calculated in such manner as may be prescribed.

"(3) The rates of premium charged for each class of risk will be adjusted from time to time by the Accident Offices Association so that the loss ratio may approximate as nearly as reasonably practicable for that class of risk to the proportion above mentioned, but if on the accounts of any year it is found that the loss ratio over the combined business of the said Offices has fallen short of, or exceeded, the proportion fixed for that year by more than one-half percent. the said Offices are, in connection with the premium which next falls to be paid thereafter, to be bound to allow a corresponding rebate, or to be entitled to make a corresponding additional charge, as the case may be, to the employers, to be calculated in such manner as may be prescribed.

"Provided that the amount so allowed by way of rebate or received by way of additional charge is not to be taken into account in calculating the total amount received as premiums.

"(4) The Accident Offices Association will annually furnish to the Secretary of State a certificate from its auditors, in such form and con-

taining such particulars, as may be prescribed, for the purpose of enabling him to see that the foregoing arrangements have been carried out, and to make a report to Parliament on their working.

"(5) For the purposes of this undertaking, 'prescribed' means prescribed by the Secretary of State after consultation with the Accident Offices Association."

Pursuant to this agreement the Home Secretary issued certain directions, which are thus set out:

"In pursuance of the provisions contained in paragraphs (2), (3) and (4) of the said undertaking, I, the Right Honourable Sir William Joynson-Hicks, one of His Majesty's Principal Secretaries of State, after consultation with the Accident Offices Association, hereby direct as follows:—

"(1) The certificate to be furnished annually by the Accident Offices Association to the Secretary of State from its auditors, shall be furnished not later than the 30th of June, following the year of account, and shall be in the Form annexed hereto.

"(2) The allowances to be made in respect of liabilities for unexpired risks and outstanding claims shall be calculated as directed in the Notes to the said Form: and the allowance in respect of outstanding claims shall be subject to adjustment in such manner as may be directed when actual figures become known.

"(3) Any rebate or additional charge to the employers shall be calculated and allowed or made in the following manner:—

(i) If, according to the particulars in the said certificate, the loss ratio is shown not to have reached or to have exceeded the percentage prescribed or agreed under the said Undertaking, the proportion of the premiums represented by the difference between the loss ratio and such percentage shall be the rebate or the additional charge, as the case may be;

(ii) No rebate or additional charge shall be allowed or made to the insured person in per capita cases, or in cases where the premium for the employers' liability risk under the policy is not more than ten shillings, or in cases where the rebate or additional charge would be less than one shilling, but the aggregate amount of the rebate or additional charge calculated in respect of such cases shall be carried forward to the following year, and shall be added to or deducted from the total amount of the premiums for that year.

(iii) The allowance (whether rebate or additional charge) for any year shall be made on the premium falling due after the 30th June next following the year to which the allowance relates, and shall be calculated in each case on the actual written premium paid, and not on the unadjusted premium."

Prescribed form of the certificate of the auditors of the Accident Offices Association to be furnished annually to the Secretary of State, pursuant to Clause (4) of the undertaking.

Year ending 31st December, 192 .

Premiums	£ s. d.
Total amount of Premiums received. (See Note 1)	
Add Reserve for Unexpired Risks brought forward from previous year (See Note 2)	
Deduct Reserve for Unexpired Risks carried forward to next year (See Note 2)	
Actual written Premiums for the year—	

Losses	£ s. d.
Total amount of Payments under policies. (See Note 3)	
Add Reserve for Liability on Outstanding Claims at end of year (See Note 4)	
Actual Losses for the Year—	

"Note 1. "The figure to be here inserted is the combined total amount received as premiums by the constitutent offices of the Accident Offices Association in respect of Employers' Liability business in Great Britain and Northern Ireland.

"Note 2. The Reserve for Unexpired Risks to be brought forward from the previous year is to be 50 percent of the total amount received as premiums in the previous year by such offices in respect of business as defined in Note 1, and the amount of the Reserve for unexpired risks to be carried forward to the following year is to be 50 percent of the total amount received as premiums during the year of account as shown above.

"Note 3. "The figure to be inserted here is the total amount paid in respect of compensation or damages (including reasonable medical and legal expenses in connection therewith) during the year of account in respect of claims arising during that year in connection with business, as defined in Note 1.

"Note 4. "This amount is to be calculated in accordance with the following formula in the application of which the year of account 1924 is taken by way of example; and the years in Column A. will vary with the year of account, while the date in the heading to Column C. will be the 31st December of that year. The outstanding liability at the end of 1924 will be taken as the sum bearing the same proportion to the amount paid in 1924 on claims that arose in that year and were not completed at the

end of that year as the sum of the amounts in Column C. of the following statement bears to the sum of the amounts in Column B.

"N.B. "In respect of the year ended 31st December, 1924, the following additions may be made, exceptionally, to the amount for outstanding claims as ascertained by this formula, viz:

(a) A sum of $45,000 to meet the payments on such claims in fatal cases due to the operation of the Workmen's Compensation Act, 1923;

(b) An amount equal to 5 percent of the amount as ascertained by the formula to provide a margin of safety.

A. Claims Arising in	B. Amounts paid in the year on claims which arose in the year and were not completed at the end of the year.	C. Sum of amounts paid after the year in which the claims arose (including estimated liability still outstanding at 31st December, 1924).
1920—		
1921		
1922—		
Total:		

"We have vouched the above Statement of Premiums and Losses with the Returns furnished to the Accident Offices Association by its constitutent Offices, such Returns being certified by the respective auditors of these Offices, and we certify that the above Statement has been drawn up in accordance with the directions above given, and that the ratio of losses to premiums is percent.

"We further certify that the

(rebate / additional charge) which fell to be (allowed / made)

to the employers according to the Statement of Premiums and Losses in respect of the year.....has been and is being (allowed / made) to the employers as provided in paragraph (3) of the said Undertaking and the foregoing directions.)

(signed) .....
Auditors of the Accident Office Association.

Date .....

"The further certificate shown in brackets is not required until the year 1926."

On the 2nd of June 1925, the Auditors of the Accident Offices Association gave the following Certificate:—

"We have vouched the above Statement of Premiums and Losses with the Returns furnished to the Accident Offices Association by its constitutent Offices, such Returns being certified by the respective auditors of those Offices, and we certify that the above Statement has been drawn up in accordance with the notes appearing on the Form annexed to the Directions issued by the Secretary of State to the Accident Offices Association on the 27th May, 1925; except that, in arriving at the formula figures for computing the Reserve for Liability on Outstanding Claims at the end of the year, figures relating to Ireland and the Isle of Man have not in all cases been excluded.

"The ratio of losses to premiums is 52.88 percent."

In July 1926, the Home Secretary directed as follows:—

"The certificate of the Auditors of the Association as to the effect of the Undertaking in respect of the year 1925, which is set out herein, shews that the ratio of losses to premiums during the year has been found to be 51.94 percent. The insured employers will, in consequence, be entitled (subject to the terms of the Undertaking) to a rebate of 8.06 percent. In respect of 1924 the 'loss ratio' gave a rebate of 7.12 percent.

"The 'loss ratio' for 1925 has been calculated, as shewn in the Certificate, in accordance with the Directions issued by the Secretary of State on 27th of May, 1925, which, with the Auditors' Certificate for 1924, were presented to Parliament in Cmd. 2483. These Directions were supplemented as regards 1925 by a Direction that there might be added to the amount reserved for outstanding claims a sum equal to 10 percent of that amount, to provide a margin of safety, pending a fuller experience of the working of the formula for calculating the outstanding liabilities.

"It is provided in the Directions that the amount reserved at the end of any year for liability on outstanding claims is to be subject to adjustment when the actual figures become known. On the figures ascertained for 1924 it is calculated that the provision made for 1925 under this head exceeded the actual payments by £84,052, and accordingly, in computing the reserve for outstanding claims at the end of 1925, that amount has been deducted."

In July, 1927, the following Certificate was issued:—

"The Certificate of the Auditors of the Association as to the effect of the Undertaking in respect of the year 1926, which is set out herein, shews that the ratio losses to premiums during the year has been found to be 54.65 percent. The employers will, in consequence, be entitled (subject to the terms of the Undertaking) to a rebate of 5.35 percent. In respect of 1924 the 'loss ratio' gave a rebate of 7.12 percent, and in respect of 1925, 8.06 percent.

"The 'loss ratio' for 1926 has been calculated, as shewn in the Certificate, in accordance with the Directions issued by the Secretary of State on the 27th May, 1925, which, with the Auditor's Certificate for 1924, were presented to Parliament in Cmd. 2483. These Directions were supplemented as regards 1925 and 1926 by a Direction that there might be added to the amount reserved for outstanding claims a sum equal to 10 percent. of that amount, to provide a margin of safety, pending a fuller experience of the working of the formula for calculating the outstanding liabilities.

"It is provided in the Directions that the amount reserved at the end of any year for liability on outstanding claims is to be subject to adjustment when the actual figures become known. On the figures ascertained for 1926 it is calculated that the provision made for 1925 under this head exceeded the actual payments by £59,708, but that the provision for 1924

fell short of the actual payments by £28,532. The sum of £31,176, therefore, falls to be deducted from the reserve for outstanding claims at the end of 1926."

In 1928 Amended Directions were issued, as follows:—

"Directions Issued by the Secretary of State"

on the 19th July, 1928, amending the Directions Issued on the 27th May, 1925, in pursuance of the Undertaking given by the Accident Offices Association on the 24th May, 1923.

"In pursuance of the provisions contained in paragraphs (2), (3) and (4) of the said Undertaking, I, the Right Honourable Sir William Joynson-Hicks, one of His Majesty's principal Secretaries of State, after consultation with the Accident Offices Association, hereby direct that the Directions issued in pursuance of the said provisions on the 27th May, 1925, (hereinafter referred to as the principal Directions), shall be amended as follows:—

"(1) The following Note prescribing the method of calculating the reserve for liability on outstanding claims at the end of each year is substituted for Note 4 in the Appendix to the principal Directions:—

"This amount is to be calculated in respect of 1927 and subsequent years by multiplying the amount paid in the year of account on claims arising in the year of account and outstanding on 31st December by a standard factor. This standard factor will be 10.

"The amount so ascertained shall be subject to adjustment in the light of actual figures as and when ascertained in each of the five years succeeding the year of account.

"For the purpose of apportioning the total reserve as between each of the five years succeeding the year of account, the standard factor is to be sub-divided in accordance with the following Table:—

Year following that in which the claims arose. (1)	Factor for determining the amount expected to be paid in the year shown in column (1) (2)
1st	6⅛
2nd	1⅞
3rd	¾
4th	⅜
5th	¼
6th and thereafter	⅝

"The portions of the reserve to be so allocated to each year will subsequently be compared with the actual payments on claims, and the reserves set aside in the following year will be adjusted in the following manner; that is to say: Where the actual payments on claims exceed the amount previously reserved to meet such payments, the excess of payments over such provision shall be added to the reserve for outstanding claims at the end of the year in which the payments were made, or if such provision exceeds the payments the difference shall be deducted from the reserve for outstanding claims at the end of the year in which the payments were made. The final adjustment in respect of the claims arising in any year will take place at the end of the 5th year, when account will be taken of (1) the reserve made by the factor ¼ compared with the amount actually spent in the 5th year, and (2) the reserve made by the factor ⅝ compared with the liability in respect of claims still outstanding estimated on the 75 percent. Post Office Annuity basis.

"(2) The following form is substituted for the form of the Certificate to be given by the auditors of the Accident Offices Association set out in the Appendix to the principal Directions:—

"We have vouched the above Statement of Premiums and Losses with the Returns furnished to the Accident Offices Association by its constitutent Offices, such Returns being certified by the respective Auditors of those offices, except as regards the addition for rebate, which is based upon Statements signed by officials of the respective companies.

"We certify that the above Statement has been drawn up in accordance with the notes appearing on the Form annexed to the Directions issued by the Secretary of State to the Accident Offices Association on the 27th May, 1925, modified, as regards the Reserve for Liability on Outstanding Claims at the end of the year, by the Directions issued by the Secretary of State on the 19th July, 1928.

"The ratio of losses to premiums is percent.

"We further certify that we have seen Certificates obtained by the Accident Offices Association from each of its constitutent Offices and signed by the respective managers or other responsible officials of such offices, certifying in each case that the (rebate)
(additional charge)
which fell to be (allowed) to the employers, according to the State-
(made)
ment of Premiums and Losses in respect of the year .....
has been (allowed) to the employers, as provided in paragraph (3)
(made)
of the said Undertaking and the Directions issued by the Secretary of State on the 27th May, 1925, as amended by the Directions issued on the 19th July, 1928."

"Signed .....

Auditors of the Accident Offices Association."

In 1928 the following Certificate was issued:—

"The Certificate of the Auditors of the Association as to the effect of the Undertaking in respect of the year 1927, which is set out herein, shews that the ratio of losses to premiums during the year has been found to be 51.63 percent. The insured employers will, in consequence, be entitled (subject to the terms of the Undertaking) to a rebate of 10.87 percent. In respect of 1924 the 'loss ratio' gave a rebate of 7.12 percent., in respect of 1925, 8.06 percent., and in respect of 1926, 5.35 percent.

"The 'Loss ratio' for 1927 has been calculated, as shewn in the Certificate, in accordance with the Directions issued by the Secretary of State on 27th May, 1925, (which, with the Auditor's Certificate for 1924, were presented to Parliament in Cmd. 2483) as modified in regard to the reserve for liability on outstanding claims at the end of the year by the arrangement embodied in the Amending Directions which are annexed hereto."

In 1929 the following Certificate was issued:—

"The Certificate of the Auditors of the Association as to the effect of the Undertaking in respect of the year 1928, which is set out herein, shews that the ratio of losses to premiums during the year has been found to be 54.65 percent. The insured employers will, in consequence, be entitled (subject to the terms of the Undertaking) to a rebate of 7.85 percent. In respect of 1924 the 'loss ratio' gave a rebate of 7.12 percent., in respect of 1925, 8.06 percent., in respect of 1926, 5.35%, and in respect of 1927, 10.87 percent."

APPENDIX "E"

List of Witnesses

Who gave evidence other than with respect to Compulsory Insurance and Safety Responsibilty Laws.

(*a*) In Toronto:

Witness	*Residence*	*Occupation*
Howard B. Armstrong,	Toronto	Deputy Superintendent of Insurance, Province of Ontario.
O. E. Bentley,	Toronto	Superintendent of Automobile Dept., General Accident Insurance Co. of Canada.
Albert Edward Blogg,	Toronto	Asst. Manager for Canada, The American Insur. Co. of Newark, New Jersey; the Security Insur. Co. of New Haven, Connecticut; and The New York Casualty Co. of New York.
Samuel Brown,	Toronto	Manager for Eastern Canada for Automobiles, The Insurance Co. of North America.
Samuel Carlton.	Toronto	Canadian Manager, Alliance Insurance Co. of Philadelphia, and The Indemnity Insurance Co. of North America.
Michael L. Clancy,	Toronto	Insurance Agent.
Wilfred M. Cox.	Toronto	Pres. and Gen. Mgr., The Western, The British American, British Empire, British Canadian, and Imperial Guar. & Accident Insur. Companies.
Owen R. Davis,	Toronto	Dominion Chief Agent, Gen. Exchange Insur. Corporation.
Alfred E. Dawson,	Toronto	General Manager, Toronto Casualty Insurance Co.
Gordon C. Douglas,	Montreal	Automobile Underwriter, Cornhill Insur. Co., and The Provincial Insurance Co.
John Edwards,	Toronto	Assistant Examiner, Ontario Department of Insurance.
L. C. Evans,	Toronto	Assistant Manager, Law Union & Rock Insurance Co., Ltd., and The London & Lancashire Guarantee and Accident Co.
Herbert Fisk,	Montreal	Secretary, Crown Royal Insurance Co.
Carl H. Frederickson.	Toronto	Actuary, Canadian Automobile Underwriters' Association.
Thomas W. Gooding,	Toronto	Accountant, Aetna Insurance Co. of Hartford, Connecticut, and The Home Insurance Co. of New York.
Alfred Rae Gray,	Toronto	Chief Agent for Canada, London & Lancashire Insur. Co., Ltd.

Witness	*Residence*	*Occupation*
Alex. Hurry,	Montreal	Canadian Manager, Northern Insurance Company.
Harold L. Kearns,	Toronto	Automobile Manager, Shaw & Begg, Ltd., who are the Canadian Managers of American Automobile Insur. Co. and The Amer. Auto. Fire Insur. Co.
Joseph H. King,	Toronto	Secretary, Can. Automobile Underwriters' Association.
Col. Arthur E. Kirkpatrick,	Toronto	Pres. and Gen. Mgr., U. S. Fidelity Co. of Canada, and The United States Fidelity Co.
John B. Laidlaw,	Toronto	Chairman, Canadian Automobile Underwriters' Association.
Charles H. Latham, Jr.	Hartford, Connecticut	General Agent of the Automobile Dept. Phoenix Insur. Co. and also representing The Equitable Fire & Marine Insur. Co.
Joseph Linder,	New York	Partner, Messrs. Woodward, Fondiller, & Ryan, Actuaries for the Commission.
Douglas K. MacDonald		Manager for Canada, Guildhall Insurance Co. Ltd.
David McIntosh,	Toronto	General Manager, Pilot Automobile & Accident Ins. Co.
Robert Moore,	Toronto	Automobile Underwriter, North Western Mutual Fire Assoc.
Albert E. Nash,	Toronto	Chartered Accountant, on behalf of The Canadian Automobile Underwriters' Assoc.
Hamilton C. Ness,	Toronto	Inspector, Ontario Department of Insurance.
Willoughby N. Norrie,	Toronto	Clerk, British Traders' Insur. Co. and Union Assurance Society of Canton.
Donald G. Overman,	New York	General Manager of Underwriting Dept., The General Exchange Insur. Corporation.
Otto Patterson,	Toronto	Assistant Secretary, American Automobile Insur. Co., and The American Automobile Fire Insur. Co.
Robert E. Patterson,	Toronto	General Manager, Merchants' Casualty Insurance Co.
Neville Pilling,	Toronto	Manager for Canada, Zurich General Accident & Liability Insurance Co., Ltd.
Philip A. Porter,	Toronto	Representing The Dominion Fire Insur. Co., The North Western and National Insur. Co., and The National Ben Franklin Fire Insurance Co.
Charles Priestman,	Toronto	Secretary-Treasurer, Ontario Fire & Casualty Insur. Agent's Association.
James Ernest Proctor,	Toronto	General Agent and Chairman of Special Committee of Toronto Insurance Conference.

Witness	*Residence*	*Occupation*
William Robins	Toronto	Chief Agent, Great American Insur. Co. of New York, and American Alliance Co.
Roy T. Robinson	Toronto	Representing Canadian Fire Insur. Co., and Canadian Indemnity Co.
Benjamin D. Rogers	Montreal	Superintendent of Agencies, Halifax Fire Insur. Co.
Harwood E. Ryan	New York	Actuary of the firm of Messrs. Woodward, Fondiller & Ryan, Actuaries for the Commission.
Culbert Scott	Toronto	Canadian Manager, Recording and Statistical Service Corporation Ltd.
William H. Sherman	Toronto	Representing The Globe & Rutgers Fire Insur. Co., and The Insurance Co. of the City of Philadelphia.
George H. Sherritt	Toronto	Superintendent of Agencies for Ontario and Quebec of the St. Paul Fire and Marine Insurance Co., The St. Paul Mercury Indemnity Co., and The Mercury Insurance Co.
Vance C. Smith	Toronto	Chief Agent for Canada Lumbermen's Mutual Casualty Company, Central Manufacturers' Mutual Insur. Co., and the Lumbermen's Mutual Insurance Co.
Geoffrey Stubington	Toronto	Secretary, British America, The Western, British Canadian, British Empire and Imperial Guarantee Insurance Companies.
Colin E. Sword	Toronto	Office Manager for Canada of Union Assurance Society of Canton, Ltd., and British Traders Insur. Co., Ltd.
Ernest C. Tyrrell	Toronto	Accountant and Treasurer, The Canadian Surety Co.
Walter I. Wells	New York	In charge of computation in the firm of Woodward, Fondiller & Ryan.
John Wilson	Toronto	Automobile Manager for Canada, The Western, British American, British Empire, British Canadian, and The Imperial Guar. & Accident Insur. Co.
Charles A. Withers	Toronto	Representing The Dominion of Canada Guarantee & Accident Co., and The Casualty Co. of Canada.

(*b*) In the United States:

James A. Beha	New York	Chairman of the Board, International Germanic Trust Co., Formerly Supt. of Insurance, New York State.
Alfred M. Best	New York	President, Alfred M. Best Company, Inc.
Walter F. Beyer	New York	Assistant Secretary, Home Insurance Co.
S. Bruce Black	Boston, Mass.	President, Liberty Mutual Insurance Co.
Edward J. Bond, Jr.,	Baltimore, Maryland	Vice-President, Maryland Casualty Co.

Witness	*Residence*	*Occupation*
Wm. Brosmith,	Hartford, Conn.	Counsel, Travellers' Insurance Co.
Merton L. Brown,	Boston, Mass.	Commissioner of Insurance for Massachusetts.
Edmund S. Cogswell,	Boston, Mass.	Second Deputy Commissioner of Insur. for Massachusetts.
W. J. Constable,	Boston, Mass.	Secretary, Massachusetts Automobile Rating and Accident Prevention Bureau.
Hon. Albert Conway,	New York	Superintenden of Insurance, New York State.
Edgar P. Dougherty,	Boston, Mass.	Third Deputy Commissioner of Insur. for Massachusetts.
Col. Howard P. Dunham	Hartford, Conn.	Insurance Commissioner State of Connecticut.
Benedict D. Flynn,	Hartford, Conn.	Secretary and Actuary Travellers' Insurance Co.
Charles F. Frizzell,	Phila., Pa.	Vice-Pres. and Gen. Mgr., Alliance Casualty Co. and The Indemnity Insur. Co. of North America.
L. L. Hall,	New York	Secretary-Treasurer, New York Bureau of Casualty and Surety Underwriters.
Charles J. Haugh,	New York	Assistant Actuary, National Bureau of Casualty and Surety Underwriters.
Allan R. Goodale,	Hartford, Conn.	Assistant Secretary, Travellers' Insurance Co.
Clarence W. Hobbs,	New York	Representative of the National Convention of Insurance Commissioners upon the National Counsel of Compensation Insurance.
F. Robertson Jones,	New York	General Manager, Assoc. of Casualty & Surety Executives.
Austin J. Lilly,	Baltimore, Md.	General Counsel, Maryland Casualty Co.
W. N. Magoun,	Boston. Mass.	Manager, Massachusetts Automobile Rating & Accident Prevention Bureau.
Joseph J. Magrath,	New York	Chief of the Rating Bureau, New York Insurance Dept.
Joseph F. Matthai,	Baltimore, Md.	Vice-Pres., United States Fidelity & Guarantee Co.
Marcus Meltzer,	New York	Statistician, National Bureau of Casualty & Surety Underwriters.
G. F. Michelbacher,	New York	Vice-President, Great American Indemnity Co.
Wesley E. Monk,	Springfield, Mass.	General Counsel of Massachusetts Mutual Life Insur. Co., formerly Insurance Commissioner of Massachusetts.
J. Ross Moore,	New York	Manager, National Automobile Underwriters' Assoc.
Frederick Richardson,	Phila., Pa.	United States Manager and Director General Accident Fire & Life Insur. Corporation, Ltd., of Perth, Scotland.

Witness	*Residence*	*Occupation*
Everett E. Robinson	New York	Manager, Automobile Dept., National Bureau of Casualty and Surety Underwriters.
Livingston L. Short	New York	President, General Exchange Insurance Corporation.
Isaac Siegel	New York	Examiner, Rating Bureau of the New York Insurance Department.
Herbert P. Stellwagen	Phila., Pa.	Vice-President, Indemnity Insurance Co. of North America and The Alliance Casualty Co.
Robert J. Sullivan	Hartford, Conn.	Vice-President, Travellers' Insurance Co.
R. A. Wheeler	Boston, Mass.	Actuary, Liberty Mutual Insurance Co.
Albert W. Whitney	New York	Associate General Manager National Bureau of Casualty and Surety Underwriters.

APPENDIX "F"

List of Exhibits

(Other than Exhibits relating to Compulsory Insurance and Safety Responsibility Laws).

Exhibit No.	
1	Circular Letter, dated February 8th, 1929, requesting the filing of rates.
2	Rates filed by Canadian Automobile Underwriters; i.e., Rate and Rule Manual.
3	List of 140 Companies licensed to transact Automobile Insurance in Ontario.
4	Rates filed by 100 individual member companies; i.e., affidavit returns.
5	Form of Affidavit filed by 97 out of the 100 members of the C.A.U.A.
6	Rates of 28 active non-member Companies and 12 non-active members—3 parts.
7	1929 Rate Manual of C.A.U.A.
8	1929 Rule Manual of C.A.U.A.
9	Constitution and By-laws of C.A.U.A.
10	Statement in Detail containing 13 sections and schedules, put in by the Association as a statement of its case, which may be added to by subsequent statements or evidence.
11	1928 Premium Income and Loss in Ontario from Government Returns.
12	Automobile Statistical Plan, 1929, of C.A.U.A.
13	Automobile Statistical Plan, Call for 1926 Policy Years Automobile Experience of C.A.U.A.
14	Automobile Statistical Plan—Call for 1927 Policy Years' Loss ratio Automobile experience of C.A.U.A.
15	Automobile Experience Record—Policy Years 1924-1927.
16	Form of Application for Automobile Fleet Rating.
17	The Principal Changes in Classification of indivdual cars during 1928 and 1929.
18	Comparison of Premiums, 1923 to 1929.
19	Addition to Table at the foot of page 2, Section II. of Memorandum of C.A.U.A.
20	Additional rates in various cities.
21	Correction on page 1, Section III. in Memorandum of C.A.U.A.
22	Tabulation of Report made to C.A.U.A. by Member Companies.
23	Classification of Automobile Rates (Private Passenger Cars) of non-member companies as compared with the rates of the C.A.U.A.

Exhibit No.	
24	Merit Rating Plan sent by Indemnity Insurance Company of North America, dated 25th March, 1929.
25	Form of Unlimited All-Risks Automobile Policy of The Toronto Casualty Fire and Marine Insurance Company.
26	Canadian Accounting Statement as of Dec. 31, 1928, of General Exchange Insurance Company.
27	Clipping from Journal of Commerce, dated April 13th, 1929, re Automobile Merit Rating Plan.
28	Letter from The Toronto Casualty Fire and Marine Insurance Company, dated April 15th, 1929.
29	Letter of Provincial Insurance Company, Limited, dated April 13, 1929, showing operating expenses for 1928.
30	Examples of Fleets rated under the Bureau Experience Rating Plan.
31	Comparison of Amount of Premiums written by all Bureau companies reporting and not reporting for 1924, 1925, 1926, and 1927.
32	List of Companies whose experience is included in Exhibit No. 15, and also list of companies whose experience is not included in Exhibit No. 15.
33	List of Companies which have undertaken to file 1929 business and those which have not given any undertaking.
34	Circular of Norwich Union Indemnity Company re Merit-Rating Plan, together with endorsement sheets.
35	Letter enclosing a circular from National Bureau of Casualty & Surety Underwriters, and dated April 12th, 1929.
36	Statistical Reporting Card of C.A.U.A.
37	Automobile Manuals of C.A.U.A. for 1924, 1925, 1926, 1927, and 1928.
38	1929 Rate Manuals for Province of Quebec, Maritime Provinces, Newfoundland, Manitoba, Saskatchewan, and British Columbia, and Rule Manual for British Columbia.
39	Membership list of C.A.U.A. as of January, 1924, and list of applicants and resignations up to present time.
40	Copy of C.A.U.A. Constitution as of June, 1924, together with amendments to present time.
41	Minutes of General Special and Annual Meetings of C.A.U.A. from January, 1924 to January 8, 1929, including Treasurer's Annual Statement and Reports.
42	Comparison of Premiums and Expenses of Companies writing automobile insurance from 1923 to 1927 for "A" Group (Bureau and Non-Bureau companies).
43	"B" Group Statements.
44	"C" Group Statements.
45	List of Companies transacting Automobile Insurance in Ontario, selected for examination by Commissioner's Examiners.
46	Minutes of the Governing Council of the Bureau for 1927.

Exhibit No.	
47	Minutes of the Governing Council of the Bureau for 1928.
48	Copy of Letter, dated April 21st, 1928, from V. Evan Gray to the Governing Council of the Bureau.
49	Particulars of Premiums written, Premiums earned, Incurred Losses, Taxes, Total Expenses and Diviends paid in the years 1923 to 1928 inclusive, of the Lumbermen's Mutual Casualty Company.
50	Advertisement of Pilot Automobile & Accident Insurance Co., Ltd., in "Mail & Empire," on March 8th, 1929.
51	Supplementary Rates and Rules filed by The Pilot Insurance Co.
52	Matter submitted by The Pilot Automobile & Accident Insurance Co. Ltd.
53	Exhibits Supporting the matters submitted by The Pilot Insurance Company.
54	Analyses of Accidents by K. F. Brackenbury.
55	Copy of Wholesale Policy of Pilot Insurance Co.
56	Copy of Retail Contract of Pilot Insurance Co.
57	Copy of the present subsisting contract of Pilot Insurance Co.
61	New York Insurance Law—1929 Edition of Baldwin.
62 -15 parts-	Introductory Letters, being the preliminary text and tables of the Annual Reports of the Superintendent of Insurance of the State of New York, for 1915 to 1929, inclusive.
63 -4 parts-	Endorsements to the Policies covering Property Damage and personal injury liability, under the Financial Responsibilty sections of the New York Vehicle and Traffic Law Act.
65	Loss Cost Experience Forms required to be filed with the Department pursuant to Section 141 (b).
66	Report of the Fire Insurance Committee of the National Convention of Insurance Commissioners in 1921.
67	"What Constitutes a Reasonable Underwriting Profit, and the Method of Determining Same"—National Board of Fire Underwriters, Actuarial Bureau Committee, New York, 1920.
68 (Composed of 18 Exhibits)	Casualty Experience Exhibit for the year ending December 31, 1928.
69	Summary of 1928 Casualty Experience Exhibits filed with the New York State Insurance Department by Companies transacting casualty and surety business in New York State—Countrywide results for calendar year 1928.
70	Copy of letter, dated June 4th, 1929, to Superintendent of Insurance of New York, from National Bureau of Casualty & Surety Underwriters, re Development of Automobile Rates—Private Passenger.
71	Report of the Lockwood Committee—Intermediate Report, filed January, 1922.
72	Final Report of the Lockwood Committee, filed 31st December, 1927.
80	California Report—January 1929—of the joint Legislative Committee relating to Traffic Hazards and Problems and Motor Vehicle public liability insurance.

Exhibit No.	
81	Exhibit of New York Automobile Casualty Experience referred to in Exhibit No. 70.
82	Special Exhibit No. 3, referred to in Exhibit No. 70.
83	Exhibit No. 4 referred to in Exhibit No. 70.
84	Memorandum, dated October 17th, 1929, from Albert M. Whitney, dealing with profits of insurance companies.
85	Article in Journal of Commerce, dated January 21st, 1929, entitled "Law of Rating and Rates, A Most Vital Development," by Clarence C. Fowler, head of the Liquidation Bureau of the New York State Insurance Department.
86	Rules Regarding Acquisition and Field Supervision Cost for Casualty Insurance, Revised Edition with Amendments as of February 11th, 1929.
87	Memorandum on Method of Arriving at Credibility Formula.
88	Mr. Hobbs' Paper on State Regulation of Insurance Rates, ib o. 218, Vol. 11, dated June 1925, and any other papers or books Mr. Hobbs may have written or may write.
101	Constitution of the Massachusetts Automobile Rating & Accident Prevention Bureau, revised to July 20, 1928.
102	Copy of the Financial Statement of the Liberty Mutual Insurance Company as of December 31st, 1928, filed with the Massachusetts Insurance Department.
103	Copy of the Financial Statement of the United States Mutual Insurance Company as of December 31st, 1928, filed with the Massachusetts Insurance Department.
104	Letter from Mr. Cogswell to Mr. Foster, enclosing copy of the statement prepared by Commissioner Monk in 1928, prior to the promulgation of rates for 1929.
107	Data furnished by the Travellers' Insurance Company concerning the Merit-Rating Plan of private passenger cars.
109	Draft of Statutory Provisions relating to the Business of Insurance, approved by the American Bar Association, September 2nd, 1927.
110	Copy of the Paper of B. D. Flynn, entitled "Interest Earnings as a Factor in Casualty Insurance Rate-Making."
111	Biennial Report of the Department of Motor Vehicles of State of Connecticut for the fiscal period, July 1st, 1926, to June 30th, 1928.
113	"The Sphere of Popular Governments with Relation to the Insurance Business," by Howard P. Dunham, Insurance Commissioner, State of Connecticut.
114	Report of Culbert Scott, of the Recording Statistical Service Corporation re the compilation of the experience data of the Insurance Companies, and dated November 22nd, 1929.
115	Report of C. H. Frederickson, of the Canadian Automobile Underwriters' Association, re compilation of experience data, dated November 22nd, 1929.
119	"State Supervision of Casualty Insurance," by Terence F. Cunneen, dated 1927.

Exhibit No.	
127	"Fire Insurance Rates in Virginia," being a Report of the Commission to investigate Fire, Liability, Casualty and Workmen's Compensation Rates submitted to the General Assembly, January, 1928.
130 (2 parts)	Summary of the Special Underwriting and Investment Exhibit from 1904 to 1923, inclusive, of the earnings of fire insurance companies in New York State and Photastic copy of letter from S. Deutchberges to National Board of Fire Underwriters, dated June 24th, 1925, with reference thereto.
133	Article of Joseph F. Matthai in Supplement to the November-December 1928 issue of The Bulletin of the United States Fidelity & Guarantee Co.
146	Consolidated Exhibit, Complete Policy Year 1927—Non-Bureau Companies.
147	Consolidated Exhibit—Incomplete Policy Year 1928—Non-Bureau Companies.
148(a)	Consolidated Exhibit—Complete Policy Year 1927—48 Bureau companies' experience compiled by the Bureau (Dominion basis).
148(b)	Consolidated Exhibit—Complete Policy Year 1927—41 Bureau companies' experience compiled by the Recording and Statistical Service Corporation (Ontario basis).
148(c)	Consolidated Exhibit—Complete policy year 1927—4 Bureau companies' experience compiled by the Bureau (Ontario basis).
148(d)	Consolidation of Exhibits 148(a), 148(b), and 148(c), prepared by the Bureau.
149(a)	Consolidated Exhibit—Incomplete Policy Year 1928—63 Bureau companies' experience compiled by the Bureau (Dominion basis).
149(b)	Consolidated Exhibit—Incomplete policy year 1928—28 Bureau companies' experience compiled by Recording and Statistical Service Corporation (Ontario basis).
149(c)	Consolidated Exhibit—Incomplete Policy Year 1928—11 Bureau companies' experience compiled by the Bureau (Ontario basis).
149(d)	Consolidation of Exhibits 149(a), 149(b), and 149(c), prepared by the Bureau.
150	Statement showing the revaluation of the estimates of losses outstanding and unpaid in Exhibit No. 15, prepared pursuant to paragraph 3 of the Commissioners' Order of May 18th, 1929.
151	Consolidated Loss Cost Experience Data (Bureau and Non-Bureau companies) for the complete policy year 1927, and the incomplete policy year 1928, prepared by Woodward, Fondiller, & Ryan.
152	Report on compliance by Bureau Companies respecting 1929 data pursuant to paragraph 2, of Commissioner's Order of May 18th, 1929.
153	Extracts from Minute Book of the Bureau showing references to rates.
154	Order of the Superintendent of Insurance of Ontario, dated September 18th, 1925, with respect to the Canada Accident & Fire Assurance Company, contained in the Report of the Superintendent of Insurance for Ontario for Business of 1924, at p. 305.

Exhibit No.	
155	Article of John B. Laidlaw in the "Monetary Times," of January 10th, 1930, on "Commission Marks 1929 in Automobile Insurance."
156	Copy of the Judgment rendered by the Court of Appeal of Massachusetts, on January 7th, 1930, retarding the establishment of rates for 1930, attached to letter dated January 20th, 1930, from the Commissioner of Insurance of Massachusetts.
157	Fatal Automobile Accidents in New York State in 1927, by J. U. DePorte.
158	Abstract of the Fiftieth Annual Report of the Superintendent of Insurance of Ontario, 1929, for Business of 1928.
159	Preliminary Text and Tables, being the 71st Annual Report of the Superintendent of Insurance of the State of New York, dated March, 1930, for Business of 1929.
160	Letter from B. D. Flynn, Secretary and Actuary of the Travellers' Insurance Co., dated March 3rd, 1930.
161	Best's Insurance Reports for 1929.
162	Memorandum of Clarence M. Hobbs, re "Legal Status of Rate-Making, and the Inclusion therein of Interest Earnings."
163	Order and Opinion on Fire Insurance Rate Case of Virginia State Corporation Commission, 1930.
164	Article dated January 16, 1930, in "The Insurance Field."
165	"The Fundamentals of Automobile Rate-Making in the United States," by H. P. Stellwagen.
166	An Address before the Casualty Actuarial Society, by H. P. Stellwagen, on Automobile Rate-Making.
167	Copy of Constitution and Laws of the National Automobile Underwriters' Association.
168	Rate and Rule Manual of the National Automobile Underwriters' Association.
169	Classification Code and accompanying statistical sheets of the National Automobile Underwriters' Association.
170	Memorandum showing Compensating Formula for Increasing or Decreasing Premium Volume, and for other Elements.
171	Rules Governing Qualification and Compensation of Company representatives (Commission Rules).
172	Proceedings of the Sixth Annual Meeting of Automobile Mutual Insurance Companies in October, 1925, and included therein, on p. 39, an address on Automobile Statistics.
173	Fleet Rating Formula of the National Automobile Underwriters' Association.
174	1930 Grading Formula of the National Automobile Underwriters' Association.
175	Copy of "The National Underwriter," dated April 11th, 1930.
176	"Casualty Insurance Principles," by G. F. Michelbacher, 1930.
177	Reprint from the Proceedings of the Casualty Actuarial Society, containing two papers, (1) on "The Experience Rating Theory," by Albert W. Whitney, and (2) "The Practice of Experience Rating," by G. F. Michelbacher.

Exhibit No.	
178 (2 parts)	Memorandum Regarding the Expenses of the Statistical Department of the Bureau at Toronto, for 1928, and 1929, and Memorandum regarding Expense of Stamping Department at Toronto and Montreal for 1928 and 1929.
179	Calculation of Average Manual Rate and of Experience Indicated Rate.
180	Working sheets of the Actuary of the Bureau on "Property Damage by Territory, Private Passenger."
181 (4 parts)	Working sheets of the Actuary of the Bureau, on (a) Full Coverage—Collision. (b) $25. Deductible Collision by territory—Private Passenger. (c) $50. Deductible Collision by territory—Private Passenger. (d) $100. Deductible Collision by territory—Private Passenger.
182	Report of the Rates and Statistics submitted to General Meeting of Bureau on January 8th, 1929.
183 (2 parts)	Meetings of the Rates & Statistics Committee in Toronto on December 19th, 1928, and in Montreal on December 27th, 1928.
184	Material submitted by the Actuary and Secretary of the Bureau to the meetings of the Rates and Statistics Committe in Toronto and Montreal on December 19th, 1929, and December 27th, 1929, respectively.
185	Material from the Actuary of the Bureau showing on what the $11. Premium Rate for a Ford car in 1928 was based and how it was arrived at.
186	Financial Statement of the Bureaus of 31st of December, 1928
187	1928 Complete Policy Year Experience—19 Non-tariff companies' experience compiled by the Bureau, (Ontario basis).
188	1929 Incomplete Policy Year Experience—25 Non-tariff companies' experience compiled by the Bureau (Ontario basis).
189(a)	1928 Complete policy year experience—61 Bureau companies (including Preferred Accident Assurance Co.) Experience compiled by the Bureau (Dominion basis).
189(b)	1928 Complete Policy Year Experience—38 Bureau companies' experience compiled by the Recording & Statistical Service Corporation (Ontario basis).
190	1929 Incomplete Policy Year Experience—104 Bureau companies' Experience compiled by the Bureau (Ontario basis).
191	Consolidated Loss Cost Experience Data for the "Complete" Policy Year 1928 and the "Incomplete" Policy Year 1929.
192	Two letters from Accident Offices Association, dated respectively 10th July and 5th August, 1930, and the Questionnaire prepared by Mr. Foster at the Commissioner's request, and confidential answer thereto from the Company.
193	Accident Offices Association Motor Tariffs.
194	Accident Offices Association specimens of Statistical Forms used in collating the experience of members of the Association.
195	The Command Papers which have been issued between the Government and the Accident Offices Association in relation to Workmen's Compensation Insurance.
196	The Insurance Act with amendments up to, and including, 1930.

Exhibit No.	
197	The Hon. Mr. Justice Masten's Report on the Insurance Commission, dated January 18th, 1919.
198	Memorandum for Automobile Insurance Companies, dated April 16th, 1924, from W. F. Nickle, Minister in charge of Department of Insurance.
199	Correspondence of the Insurance Company of North America with the Ontario Insurance Department in 1925, with regard to rates for automobile insurance.
200 (2 parts)	Correspondence of the Union Insurance Society of Canton and the British Traders Insurance Co., with the Ontario Insurance Department, in 1925, and Inspector's Reports in connection therewith with regard to rates for automobile insurance and re the Order of September 18th, 1925.
201	Correspondence of the Zurich Insurance Co., with the Ontario Insurance Department in 1925, with regard to rates for automobile insurance.
202	Correspondence of the Canada Accident and Fire Insurance Company with the Ontario Insurance Department in 1925 with regard to rates for automobile insurance.
203	Order against the General Accident Assurance Co. of Canada, re discrimination of rates and file connected therewith.
204	Report on the Bureau, rules and regulations dealing with the Premium Rate-Making Procedure of the Bureau.
205	Report on Finance Contracts and their relation to automobile insurance rates.
206	Reports on Automobile business of 9 selected companies (11 parts).
207	Report on the Guildhall Insurance Company.
208	Report on the Trans-Canada Insurance Company.
209	Report on the Mount Royal Insurance Company.
210	Report on the Alliance Assurance Company.
211	Correspondence of the General Accident Assurance Company with the Ontario Department of Insurance in August and September, 1930.
212	Summary of Rate Discrepancies referred to in the individual Company reports.
213	Report on Automobile Fleet Insurance practice.
214	Report on Rating Practices of Licensed Insurers and methods of conducting business (automobile insurance).
215	Analysis of Major Nash testimony.
216	File of the Zurich General Accident and Liability Insurance Company, re Automobile Rates for 1930.
217	Memorandum of the Toronto Insurance Conference.
218	Constitution By-laws, Rules and Regulations, of the Toronto Insurance Conference.
219	Rules and Regulations of the Ontario Fire & Casualty Insurance Agents' Association.
220	Commission Rules of the Canadian Fire Underwriters' Association for Toronto and Ontario.

Exhibit No.	
221	Report of Woodward, Fondiller & Ryan, dated July 23, 1930, on Fire Premiums, based on the Experience of Complete Policy Years 1927 and 1928, and Incomplete Policy Year 1929, on Private Passenger cars, Public Liability and Property Damage.
222	Report of Woodward, Fondiller & Ryan, dated August 22nd, 1930, on Pure Premiums Based on Experience of Complete Policy Years 1927 and 1928, and Incomplete Policy Year 1929, on Private Passenger cars (collision, fire, and theft), and commercial cars.
223	Report of Woodward, Fondiller & Ryan, dated September 19, 1930, on Interpretation of Consolidated Loss Cost experience of Complete Policy Years 1927 and 1928, and Incomplete Policy Year 1929, with Introductory Text.
223-A	Agreement, dated May 23rd, 1930, between Mr. Ryan and Mr. Frederickson, as to the Development Factors to be used to reduce 1929 Incomplete policy year experience to a complete policy year basis, and as to Differentials to be used by the Bureau in an Exhibit of the experience of its present members, covering the complete policy years 1927 and 1928, and the incomplete policy year 1929, for the Dominion as a whole, and each territory.
224	Memorandum prepared by Mr. Frederickson showing the Ontario Experience of the Loss Cost Record of all companies for 1927, 1928, and 1929.
224-A	Memorandum re Exhibit No. 224.
225	Summary of Loss Cost, Deficiency of Bureau companies only in Premiums Earned in 1927, 1928, and 1929.
226	Letter from Leslie L. Halton to Mr. Gray, dated October 2nd, 1930.
226-A	Copy of Letter from V. Evan Gray to James A. Beha, dated September 30th, 1930.
227	Memorandum prepared by Mr. Frederickson showing alternative calculation of Three Year Average Experience.
228	Vol. XV., Part II., No. 32, of the Proceedings of the Casualty Actuarial Society, and dated May 24th, 1929, containing an article by H. T. Barber—"A Suggested Method for Developing Automobile Rates."
229	Memorandum of Mr. Ryan re application of Credibility Formula.
230	Statement showing the number of cars exposed, the losses, the number of claims, the claim frequency and the average claims developed by the experience of Policy Years 1928 and 1929 for private passenger cars, fire and theft coverages, in the Province of Ontario.
231	Statement showing the measure of the sufficiency of exposure for 100% credibility on the basis of a formula given by Mr. H. T. Barber.
232	An Exhibit of the Bureau Data of Public Liability Private Passenger Experience for Policy Years 1927, 1928, and 1929, for all territories combined.
233	Volume 3, of the New York Insurance Report for 1928, beginning at p. 481 and following pages.
234	Comparison of Fire Premiums for Private Passenger Collision for 1925, 1926, 1927 and 1928, abstracted from Exhibit No. 15 and Exhibit No. 222.

Exhibit No.	
235	Report of Harwood E. Ryan on the use of class differential 1.35 in Public Liability Experience.
236	Copy of letter, from R. Leighton Foster, to V. Evan Gray, of the Bureau, dated December 20th, 1929, confirming the Agreement made that day.
237	1927 and 1928 Complete Policy Years Experience and 1929 Incomplete Policy Year Experience, Bureau Companies only, Dominion of Canada.
238	Letter, dated April 26, 1929, from the General Exchange Insurance Corporation with enclosure.
239	Letter, dated May 2nd, 1929, from the Great American Insurance Company of New York, with enclosure.
240	Letter, dated May 4th, 1929, from the Railway Passengers' Assurance Company of London, England, with enclosures.
241	Letter, dated May 6th, 1929, from the Guildhall Insurance Company, Limited.
242	Letter, dated May 14th, 1929, from the Halifax Fire Insurance Company, with enclosures.
243	Letter, dated May 18th, 1929, from the Insurance Company of North America, with enclosures.
244	Letter, dated May 20th, 1929, from the Provincial Insurance Company, Limited, of England, with enclosure.
245	Letter, dated October 1st, 1930, from Angus C. Heighington, to the Toronto Insurance Conference.
246	Letter, dated October 14th, 1930, from Jones & Proctor Bros., Limited, attached to which is a memorandum entitled, "Analysis of the Agency Situation in Toronto."
247	Consolidated Statistical Exhibit of the National Automobile Underwriters' Association from September 1st, 1928, to August 31st, 1929.
248	Memorandum of C. H. Frederickson, Actuary of the Bureau, in reply to Report of Harwood E. Ryan, embodied in Exhibits No. 221, No. 222, and No. 223.
248-A	Revised Schedule "A" to Exhibit No. 248.
249	Memorandum of Charles J. Haugh, Assistant Actuary of the National Bureau of Casualty and Surety Underwriters, at the request of the Bureau, in reply to questions submitted. (Reports submitted by John Edwards to be added to Exhibits No. 206 and No. 210).
250	Comments of the Bureau on the Report of Hamilton C. Ness, as to Rules and Regulations dealing with Premium rates and rate-making procedure of the Bureau (Exhibit No. 204).
251	Comments of the Bureau on the Report of Hamilton C. Ness as to Finance Contracts of Bureau Companies (Exhibit No. 205, Part A).
252	Comments of the Bureau on the Report of John Edwards as to Preferred Accident Insurance Company, Exhibit No. 206, the Company being referred to as Company No. 5, in Exhibit No. 212.

Exhibit No.	
253	Comments of the Bureau on the Reports of John Edwards as to the British Traders Insurance Co., Limited, and Union Insurance Society of Canton, the Western Association and British American group, United States Fidelity & Guaranty Co., and Fidelity Insurance Company of Canada, the Ocean Accident and Guarantee Corporation, Ltd., and the Canadian Surety Company, in Exhibit No. 206—the companies being referred to as Companies No. 7, 8, 9, 10, 11, in Exhibit No. 212.
254	Comments of the Bureau on the Report of John Edwards as to Automobile Fleet Insurance Practice in Exhibit No. 213.
255	Comments of the Bureau on the Report of John Edwards as to Rating Practices of Licensed Insurers and Methods of Conducting Business in Exhibit No. 214.
256	Reply of Joseph Linder of the firm of Woodward, Fondiller & Ryan, to a Memorandum of Mr. C. H. Frederickson, filed as Exhibit No. 248.
257	Reply of Joseph Linder to the Memorandum of Charles J. Haugh, filed as Exhibit No. 249.
258	Report of Joseph Linder on Expense Loading and Underwriting Profit.
259	Table showing the volume of Premium Income written by member and non-member companies for the years 1923 to 1929 inclusive, in the Province of Ontario—automobile business.
260	Table by Mr. Frederickson with reference to his calculated figures on p. 5 of Exhibit No. 237.
261	Explanation of how the figures on page 27 of Exhibit No. 223 were calculated.
262	Memorandum of the Bureau in reply to Exhibit No. 258.
263	Reply of the Toronto Insurance Conference and the Ontario Fire and Casualty Insurance Agents' Association to Exhibit No. 258.
264	Mr. Foster's re-arrangement of the elements of the premium dollar shown in Exhibit No. 10, Section V., page 4.
265	Statement by Mr. Foster showing adjustment Ontario Expense Loading on basis described by H. P. Stellwagen.
266	Memorandum from the Superintendent of Insurance to all insurers licensed to transact automobile insurance in Ontario, dated July 24th, 1930, re the Approved Policy from under the Ontario Financial Responsibility Act.
267	Excerpt from the New York Journal of Commerce of January 21st, 1929; excerpt of the Report made to the Bureau Committee, copy of the Report of the Chairman of the Educational Committee of the Third National Conference on Street and Highway Safety at Washington, May 29th, 1930, and a copy of Accident Facts for 1930.

APPENDIX "G"

Particulars of Sittings

Sittings of the Commission for the purpose of hearing testimony and receiving information and argument, were held as follows:—

I. In Toronto: 1929

February .....16th.
March .....18th, 19th, 20th, 21st.
April .....15th, 16th, 17th, 18th, 29th, 30th.
May .....1st, 14th, 15th.
September .....23rd, 24th, 25th, 26th, 27th.
November .....22nd.
December .....18th, 19th.

1930

January .....29th, 30th, 31st.
April .....9th, 10th, 11th.
May .....21st.
September .....22nd, 23rd, 24th, 25th.
October .....6th, 7th, 8th, 9th, 10th, 20th, 21st, 22nd.
November .....5th, 7th, 17th, 18th, 19th, 20th, 21st.
December .....1st, 2nd, 3rd.

II. In the United States: 1929

Albany .....October 8th.
New York .....October 9th, 10th, 11th, 23rd, 24th, 25th.
Springfield, Mass. ...November 4th.
Boston, Mass. .....November 5th, 6th.
Hartford, Conn. .....November 7th, 8th.
Washington, D.C. ..December 2nd, 3rd, 4th.
Baltimore, Md. .....December 6th.

1930

Philadelphia .....April 22nd.
New York .....April 23rd, 24th, 25th.