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THE POLITICS OF AUTOMOBILE INSURANCE:  
A CASE STUDY

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BY

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## PREFACE

This paper is essentially a case-study of how interest groups attempt to influence the public policy-making process in Canada. The focus of the study is the automobile insurance industry's efforts to prevent the passage of legislation enabling the Manitoba New Democratic Party government to implement a compulsory public automobile insurance plan.

Introduced by the Government in the first year of their first term of office, the auto insurance legislation sparked perhaps the fiercest public debate seen in Manitoba for decades. The public controversy, it is argued, was for the most part generated by the private insurance industry which had a substantial economic interest in preserving the status quo. The industry mounted a massive public campaign against the bill but were ultimately unsuccessful in their efforts. Despite the N.D.P.'s precarious minority position in the Legislature, the Government refused to make any major concessions and managed to pilot the legislation through the House.

The Manitoba auto insurance issue then represents a departure from the typical pattern of government relations with major economic interest groups as described in the existing literature. The latter emphasises the accommodative nature of relations between government and major economic interest groups on matters affecting the group's interests. A major factor explaining this phenomenon, analysts have

argued, is that the Canadian political system is extremely responsive to elites, and that those interest groups which command this kind of access are those which represent elite segments of Canadian society. Robert Presthus further contends that major interest groups are an integral part of the Canadian political elite, along with legislators and senior civil servants, and it is this elite which determines public policy.

The paper shows that the private auto insurance industry had always enjoyed this kind of accommodation from governments both federal and provincial, and had in fact played a key role in the shaping of public policy respecting automobile insurance. In Manitoba in 1970, this relationship clearly broke down. It is demonstrated, however, that the behaviour of the industry did conform generally to what the theory of elite accommodation would lead one to expect, and it was the N.D.P. Government which was unwilling to bargain with the industry in the traditional manner. The theory of elite accommodation does not apply, it is submitted, because the N.D.P. Government was atypical of Presthus' political elite and was not willing to compromise their strong and historical commitment to public automobile insurance to satisfy the demands of a powerful interest group.

## CHAPTER I

### INTRODUCTION

On August 13th, 1970, the Manitoba Legislature passed Bill 56, the Automobile Insurance Act. Essentially enabling legislation, the bill allowed the New Democratic Party government to proceed with the establishment of a Crown corporation to set up and administer a compulsory public automobile insurance plan. While similar legislation had been enacted in Saskatchewan less than fifteen years previously with barely a stir, the Manitoba plan was the centre of a bitter and intense public controversy: one writer has characterized the struggle over Bill 56 as a "classic confrontation ... between socialism and industrial capitalism".<sup>1</sup> Throughout the spring and summer of 1970, the battle over public automobile insurance raged in the Legislature, in the newspapers, on radio and television and even in the streets, where car owners declared their allegiances with bumper stickers and similar paraphernalia.

The opponents of the government plan argued that it was a product of the ideological dogmatism of a socialist party; the NDP claimed that this venture into public ownership was prompted by and justified by its practical merits. However, the question of whether the public scheme was correct, reasonable or otherwise justifiable is not within the scope of this paper: the primary

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<sup>1</sup>Douglas Marshall, "How Manitoba Turned 100 by Standing on Its Head", Maclean's, December 1970, p. 32.

purpose is to describe how groups with a direct economic interest in a public issue attempted to protect those interests and to influence the public policy-making process. Hopefully, this case study will contribute to some extent to a greater understanding of the way in which interest groups operate in the Canadian political system.

The interest groups primarily affected by the government automobile insurance plan were the insurance industry and automobile insurance agents. It was the activities of these two groups, particularly the industry, which made Bill 56 the subject of perhaps the fiercest public debate that Manitoba had seen in decades. Automobile insurance, it is submitted, is hardly a fundamental aspect of human life. In contrast to such basic needs as adequate food, shelter and health care, one would think it would be a relatively minor concern to the average citizen, certainly not one which would kindle the intense emotionalism which characterized the issue in Manitoba. Yet in reading the description of the debate in the following pages (in particular, Chapter V) one would think that automobile insurance was a matter of life or death. While it is impossible to know exactly how Bill 56 would have been treated, what public reaction might have been, if the insurance industry had not campaigned against the bill, it seems clear that it never would have generated the kind of feelings it did in the absence of pressure group activity.

The experience of Saskatchewan, where an essentially similar plan was established in 1946 by the Co-operative Commonwealth Federation Government, seems to support this contention. The

insurance industry did not mount a vigorous campaign against the Saskatchewan plan and it was implemented with relatively little controversy. As one Saskatchewan writer (and an avowed opponent of the CCF) commented: "The people of Saskatchewan accepted compulsory auto insurance ... without much grumbling or concern". He went on to say that the government was able to implement such public schemes because " ... they were concerned only with special groups and situations",<sup>2</sup> and thus "passed into law virtually unnoticed by the public at large".

However, the industry's lack of organised opposition to the Saskatchewan scheme is interesting not only because it underlines the role played by the industry in fanning the flames around Bill 56, but also because it can tell us much about the motivation of the industry's campaign in Manitoba. The industry claimed that it opposed Bill 56 not only, or even mainly, because of the economic threat to the industry itself, but because it was a threat to the basic democratic values of our society. Its rhetoric in opposing Bill 56 focussed on its alleged implications with regard to such values as individual freedom and free enterprise. Surely, these were equally at stake with the Saskatchewan plan. The difference, it is suggested, is that in Saskatchewan the industry had relatively little to lose by a public automobile insurance plan. Not more than ten per cent of car owners were even

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<sup>2</sup>Robert Tyre, Douglas in Saskatchewan, (Vancouver: Mitchell Press, 1962), p. 9.

partially insured before the government plan was introduced.<sup>3</sup>

In Manitoba in 1970 automobile insurance was big business, as Chapter II demonstrates. Most cars were insured and private companies were transacting about \$35 million in premiums annually. The "special group", the insurance industry, had a great deal at stake and thus great incentive to fight to preserve the status quo in automobile insurance. Moreover, it had the power and the influence to impel others, particularly those with a related interest in the private enterprise system, to join it in that fight.

However, while it is not really very surprising that the industry would be prepared to go to great lengths to protect its interests in automobile insurance, it is, from one point of view, rather surprising that the battle over auto insurance took place at all. What literature exists on pressure groups in Canada emphasizes the accommodative nature of relations between economic interest groups and government on issues which affect the groups' interests. Attempts by groups to influence or alter legislation or other government actions are usually carried out on a direct basis behind closed doors and at the bureaucratic level. This bargaining process normally results in a compromise solution acceptable to the parties directly involved in the negotiations.

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<sup>3</sup>British Columbia, Report of the Royal Commission on Automobile Insurance, 2 vols. (1968), 1:7,9. In 1946, Saskatchewan government officials estimated that less than twelve per cent of car owners carried liability insurance. Saskatchewan, Report on the Study of Compensation for Victims of Automobile Accidents (1947), p. 12.

Occasionally, the rules of the game are violated by one or both parties and the bargaining process breaks down. In these cases, the interest group may resort to more aggressive tactics to pressure the government to accede to its demands. It may present its case to the Opposition in the legislature in the expectation that the latter will take up its cause, or it may mount a public campaign to mobilise public pressure. However, it would appear that pressure groups, at least long-established and powerful economic interest groups, rarely need to resort to such measures to accomplish their objectives and protect their interests. The access to the government decision-making process that they enjoy precludes the need to seek support outside the bureaucracy and the government in power.

Recent analyses of Canadian interest groups have argued that a major factor explaining this pattern of government accommodation of interest group demands is that the Canadian political system is extremely responsive to elites, and that those interest groups which command this kind of access are those which represent elite segments of Canadian society.

In Pressure Group Behaviour in Canadian Politics A. Paul Pross contends that "The Canadian policy system... tends to favour elite groups, making functional accommodative, consensus-seeking techniques of political communication, rather than conflict-oriented techniques that are directed towards the achievement of objectives through arousing public opinion".<sup>4</sup> Robert Presthus, in

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<sup>4</sup>A. Paul Pross, ed., Pressure Group Behaviour in Canadian Politics, McGraw-Hill Ryerson Series in Canadian Politics (n.p.: McGraw-Hill Ryerson Limited, 1975), p. 19.

Elite Accommodation in Canadian Politics, carries this analysis somewhat further, arguing that major interest groups are an integral part of the "political elite" in Canada, along with legislators and higher civil servants, and it is this elite which effectively determines public policy decisions:

In sum, our empirical analysis of interest group interactions with legislators and higher bureaucrats suggests that both the substance and implementation of public policy in Canada are largely shaped by accommodation among three political elites, comprised of legislators and higher bureaucrats and the leaders of major interest groups. Among them, they possess disproportionate shares of such scarce political resources as legitimacy, expertise, continuity, access and power. Despite the vaunted institutional autonomy of the Cabinet, it seems clear that in operational terms the national political process is essentially one of continual ad hoc bargaining and compromise, in which the resolution of the claims of a bewildering variety of interests is often the major activating force in the behaviour of governmental elites. At the very least government's policy initiative is virtually always<sup>5</sup> shared with members of the private political elite.

Historically, the automobile insurance industry has been no exception to this pattern of relationships with government. As subsequent chapters will demonstrate, it has played a key role in the shaping of public policy with respect to automobile insurance in Canada. Despite the fact that auto insurance has been the subject of considerable public dissatisfaction and controversy ever since, it would seem, the first policy was written, the insurance industry has managed to keep government regulation and control of the business to a bare minimum. Prior to 1970, Saskatchewan was the only Canadian

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<sup>5</sup>Robert Presthus, Elite Accommodation in Canadian Politics, (Toronto: Macmillan of Canada, 1973), p. 17.

jurisdiction to implement legislation which seriously affected the automobile insurance business. In general, the industry's access to decision-makers, particularly at the bureaucratic level, has been sufficient to allow it to protect its interests without resorting to the public arena to plead its case.

The Manitoba automobile insurance issue then would seem to represent a departure from the general pattern of relations between government and interest groups. The industry was not only ultimately unsuccessful in its efforts to stop the passage of the bill, but also it resorted to unusually drastic measures in the attempt. The theory of elite accommodation would not seem to hold in this case. Yet, on closer examination, it becomes apparent that the behaviour of the industry did conform generally to what the theory would lead one to expect. Even though public automobile insurance had been a major plank in the New Democratic Party's election campaign in 1969, the industry at first attempted to head off its implementation through the usual quiet tactics of interest group bargaining with government, for example, offers of expert help, private consultation with government officials and presentation of briefs. It was not until it became quite evident that these tactics had failed, with the introduction of Bill 56 in the House and the release of a government committee report recommending a compulsory public plan, that the industry decided to launch its public campaign against the legislation.<sup>6</sup>

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<sup>6</sup>While a few public initiatives had taken place prior to this time - for example, protests by the village of Wawanesa, the home of Wawanesa Mutual - the industry as an organised group did not start the full-scale public campaign until this time.

Indeed, up to that point in time, the modus operandi of the NDP Government in dealing with the issue and the industry also appeared to deviate little from the accommodative government approach posited by the theory. Shortly after their June 1969 election and despite their strong election commitment, the NDP publicly indicated that they were willing to consider other options. Consultation with industry representatives was followed by the establishment of a special committee "to investigate the feasibility of instituting a program of public automobile insurance and to hear and consider representations respecting all aspects of automobile insurance ..."<sup>7</sup> On the face of it, these activities were quite in keeping with the forms of long-established government practice in dealing with interest groups. By adopting this approach, the Government appeared to be retreating from its original position and to be willing to take into account the views of the industry and other persons and groups with an interest in auto insurance.

In reality, however, it seems quite clear that the Government's apparent backing-off on the auto insurance issue was merely a strategy designed to give the appearance of accommodation. It did not reflect any real desire to accommodate the industry's interests, much less any genuine concern that the industry had anything valid to contribute to the Government's auto insurance policy. The NDP was determined to proceed with public auto insurance and they were not prepared to compromise their commitment to satisfy the industry.

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<sup>7</sup>Manitoba, Report of the Manitoba Automobile Insurance Committee (1970), p. 3. Emphasis added.

Thus it was the NDP Government's approach to the issue and to interest groups' involvement in decision-making with respect to that issue which made the Manitoba public auto insurance issue an atypical case in the usual pattern of interest group accommodation described by analysts like Presthus and Pross.

While the violence of the controversy over public automobile insurance may have contributed to its appeal as an interesting subject of study, unfortunately it also created barriers to thorough research. A basic source of information in an original study such as this should be the participants in the activities under study - in this case, primarily the insurance industry and the Government. However, given the emotional intensity of the confrontation and also the fact that the Manitoba public auto insurance plan continues to be the subject of great controversy, neither side was willing to be as open as necessary.

This researcher did attempt several personal interviews. The general response was reluctance to answer specific questions and the interview usually dissolved into a diatribe on the duplicity of the opponent, and the evils or benefits of public auto insurance. This was particularly a problem with the insurance industry representatives, and particularly with respect to the financing and organisation of their campaign. Attempts were also made to solicit information through written requests to answer specific questions in writing. This approach was also generally fruitless. As a result, this researcher relied mainly, although not exclusively, on generally available sources of information - particularly the Press and Hansard.

A brief description of the chapters which follow may help to illuminate the approach taken by the author in this case study. Chapter II and Chapter III are primarily intended to provide a background for the Bill 56 debate. Chapter II, "The Operation and Regulation of Automobile Insurance in Manitoba, 1970", defines and describes automobile insurance, the industry which provided it, and the extent and nature of government control over both the industry and the car driver and owner. Admittedly, this chapter may be somewhat tedious reading but it is essential to an understanding of the issues involved in the controversy. Chapter III, "The Issues", may be not much more exciting but again it is essential to an understanding of the issues. As well, it places the automobile insurance debate in an historical context by tracing previous public investigations into automobile insurance and the automobile insurance industry. It takes the issues involved in Bill 56 and describes how other governments and the insurance industry dealt with them.

Chapter IV, "The New Democratic Party Stand", analyses the New Democratic Party's position on auto insurance both in an historical and current context. Chapter V, "The Legislative Process", details the progress of the bill from the NDP's first pronouncements on automobile insurance upon taking office, through the process of drafting a bill and moving it through the Legislature, to its final passage on 13th August 1970. Given that the industry's campaign and the controversy continued beyond this date, it may be useful at this point to comment upon the reason why this case study ends somewhat abruptly on the day the bill was passed. There are two reasons. Firstly, the

successful passage of the bill was in fact the climax of the debate and the firm indication that the industry had not succeeded in its campaign to stop the legislation. Description and analysis of anything that followed would not alter the findings of this case study in any substantial way. The second reason is simply the manageability of the topic for the researcher. Since auto insurance remains an important issue even to-day five years later - editorials on Autopac, the government plan, appear it seems almost daily in the Press - it is simply necessary to create a somewhat arbitrary time-frame for the case study.

Chapter VI, "The Media", is a description and analysis of the treatment of public automobile insurance and the Bill 56 debate by the Press. While this may have some (but very doubtful) value as an indication of public opinion, it does provide some insight into the impact of the industry's campaign. Some might argue as well that, as the Press is controlled by members of the economic elite, it is useful to see to what extent it supported, or served as an ally of, the private insurance industry.

Chapter VII, "The Bill 56 Campaigns: The Industry Versus the Government", analyses the tactics, strategy and organisation of the automobile insurance industry as a pressure group generally and specifically in relation to Bill 56. It also outlines how the government responded to this pressure, and how it was able to withstand a very concerted attempt to not only defeat a very important piece of its legislation but also to remove it from office.

In conclusion, one must comment on what may appear to be a very significant omission from this paper, i.e. the role of the Opposition parties. At first, it was intended to include a separate chapter on this aspect. Upon reflection, and in the course of writing this paper, it became evident that such a chapter would be superfluous because their activities and position are covered quite adequately in other chapters. Moreover, a separate chapter might blur one of the important points which emerged from this study, i.e. that the major source of opposition to the bill did not originate from the Legislative Chamber.

CHAPTER II  
THE OPERATION AND REGULATION OF AUTOMOBILE INSURANCE  
IN MANITOBA, 1970

Automobile insurance is a method whereby an automobile driver or owner protects himself against the often serious financial risks associated with operating that vehicle. More precisely,

Insurance, other than life insurance, may be defined as a contract whereby one party, called the insurer, or underwriter, undertakes for a sum of money called a premium, to indemnify the other party, called the insured, against loss or liability from certain risks to which the object of insurance may be exposed, or from the happening of a certain event. In particular, automobile insurance is a contract of indemnity (up to the amount stated in the policy) against liability for loss or damage to persons or property caused by an automobile, or the use or operation of an automobile, and against loss of or damage to an automobile.

A typical automobile insurance policy may be composed of three sections: one relating to third party liability, one relating to medical payments, and one relating to loss of, or damage to, the insured vehicle. Third party liability, sometimes described as public liability and property damage, involves an agreement whereby the insurer will indemnify the insured against legal liability upon the insured for loss or damage arising from the ownership, use or

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<sup>1</sup>Canada, Restrictive Trade Practices Commission, Report Concerning the Business of Automobile Insurance in Canada (Ottawa: Queen's Printer, 1960), p. 14.

operation of the vehicle, and resulting from bodily injury to, or death of, any person, or damage to property. The medical payments section is a contract whereby the insurer agrees to pay the medical expenses and funeral costs for each person who sustains bodily injury as a result of an automobile accident. The third section relating to loss or damage to the insured automobile includes what is generally called collision insurance and comprehensive insurance, and consists of a contract whereby the insurer agrees to indemnify the insured against direct and accidental loss of, or damage to, the automobile (a) when the damage or loss is caused solely by collision with another object or upset, and (b) when the loss or damage arises from any other cause including theft, fire or lightning.

Automobile insurance in Manitoba in 1970 was provided exclusively by the private sector. Of the 143 organisations selling auto insurance, the large majority (127) were joint stock companies and fourteen were organised as mutuals.<sup>2</sup> Stock companies are ordinary corporations with shareholders, who own the capital stock of the company, and a board of directors elected by the shareholders. Profits are distributed to the shareholders to the extent that dividends are declared by the directors; conversely, any losses are

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<sup>2</sup>Of the remainder, one was a co-operative and the other was Non-Marine Underwriters, members of Lloyds. Lloyds is a British corporation unique in that the corporation as such does not subscribe policies. Risks are accepted by individuals, each of whom signs for a specified sum for which he alone is responsible. The liability of each individual is limited only by the total of the sums for which he signs.

borne by the shareholders, either through reduced dividends, or, in extreme cases, through the bankruptcy of the company and the partial or complete loss of the shareholders' equity. In a mutual company, policyholders take the place of shareholders. The board of directors is elected by the policyholders and thus the policyholders are deemed to have ultimate control over the company, in theory at least. Policyholders share in the mutuals' profits, at least in part, either in the form of dividends on policies or in the form of reduced premiums in a subsequent year. Any losses are similarly borne by the policyholders. However, despite these technical distinctions, stock companies and mutuals generally operate in the same way.<sup>3</sup>

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<sup>3</sup>British Columbia, Report of the Royal Commission on Automobile Insurance, 2 vols. (1968), 1:178.

TABLE II - 1

COMPANIES WRITING AUTOMOBILE INSURANCE IN MANITOBA, 1970

COMPANIES	NET PREMIUMS WRITTEN IN MANITOBA	ASSETS	MEMBERSHIP IN INDUSTRY ORGANISATION
CANADIAN:			
Abstainers' Insurance Co.	\$ 254,833	\$ 4,602,782**	I.B.C.
Acadia Insurance Co.	203,711	16,836,408	C.U.A.
Adanac General Insurance Co.	6,181	10,535,908	None
Allstate Insurance Co. of Canada	1,237,676	73,000,857	I.B.C.
Beaver Insurance Co.	34,317	2,091,304	C.U.A.
British America Assurance Co.	317,917	55,473,215	C.U.A.
Canada Accident and Fire	194,725	17,552,289	C.U.A.
Canada Security Assurance Co.	117,134	4,219,689	C.U.A.
Canadian General Insurance Co.	432,030	25,725,329	C.U.A. (Branch)
Canadian Home Assurance Co.	227,511	8,010,204	None
Canadian Indemnity Co.	767,753	45,783,217	C.U.A. (Branch) I.I.C.
Canadian Pioneer Insurance Co.	14,873	3,052,378	C.U.A. (Branch) I.I.C.
Canadian Surety Co.	712,159	23,748,911	C.U.A.
Casualty Co. of Canada	107,326	8,671,000	C.U.A. (Branch) I.I.C.
Century Insurance Co. of Canada	9,964	13,237,702	I.B.C. C.U.A. (Branch)
Commonwealth Insurance Co.	163,564	4,906,304	None
Consolidated Fire and Casualty	73,084	14,214,579	C.U.A. (Branch) I.I.C.
Co-operative Fire and Casualty	2,544,790	31,145,260	I.B.C.
Dominion of Canada General	429,310	36,141,150	C.U.A. (Branch) I.I.C.
Dominion Insurance Corp.	404,578	38,886,155	C.U.A. (Branch) I.I.C.
Eagle Star Insurance Corp.	324,396	13,163,702	I.B.C.
Economical Mutual Insurance	644,075	42,719,552	None
Federal Insurance Co.	28,184	15,893,834	I.B.C. C.U.A. (Branch)
Federation Insurance Co.	18,661	6,189,315	I.I.C.