

The Unreasonable Man – A Commentary

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Résumé de l'article

Dans une amusante chronique, notre collaborateur rappelle certains faits et certaines anomalies ayant trait aux assurances. Nous avons pensé que le lecteur prendrait connaissance avec intérêt de sa chronique. Dans ce qu'il ne fait qu'effleurer, il y a des idées valables. Nous souhaitons que le lecteur engage une discussion avec notre collaborateur, comme celui-ci l'y invite. A.

The Unreasonable Man – A Commentary

by

ANGUS H. ROSS

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According to George Bernard Shaw "the reasonable man adapts himself to the world; the unreasonable man persists in trying to adapt the world to himself. Therefore all progress depends upon the unreasonable man".

Today, twenty-five years after his death, what would be Shaw's opinion of the industry in which we work — the insurance fraternity? It is without too much fear of contradiction that I can state he would probably find us, in the main, to be reasonable men — and this is not the compliment one would feel it to be. To be sure, there are those in the industry who innovate, who make changes, not for the sake of change, but because the needs of society, of industry are themselves changing and their insurance requirements are no more a constant. However, it is a regrettable fact that these innovators form a very minute portion of those employed in insurance, not just here in Canada, but on a global scale.

In this article, I am going to attempt to fill the role of the unreasonable man and if, by the end of it, I have achieved some small progress in the thoughts of the reader, or have

opened even one small avenue to further study, then I shall feel some justification for having overthrown the mantle of the reasonable man.

I — Inspections

"You will find it a very good practice always to verify your references, Sir !" (Burgon, *Mémoires of Dr. Routh*, July 1868).

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It would require a somewhat expansive stretching of the imagination to think that the good Dr. Routh had insurance underwriters in mind when he made the statement above, but the connection is, nevertheless, valid. For some time I have been surprised at the stolid, mulish mentality which seems to persist in most companies when the question of dwelling insurance arises. A company which would not accept \$100,000 on a light manufacturing risk without an inspection report, would take the same amount on a dwelling, no inspection, without too much hesitation.

Admittedly, there are differences in the risks — the amount on the manufacturing risk is probably only part of a much larger amount and the likelihood of a total loss is far less; yet this is the inspected risk ! Perhaps this attitude stems from the halcyon days when residential risks — and personal lines in general — were a consistently profitable line, but is this any reason for continuing these practices in today's inflationary times when personal lines profits are generally as elusive as the unicorn of yesterday ? But imagine the expenses involved and forget the idea.

A large and respected American company had a significant volume of residential business in a particular area of the States. The results were atrocious and something had to be done. A purgative dose of Retail Credit reports and a

photograph of the dwellings to be insured was the simple remedy which turned the account around, and the increase in expenses was more than offset by the reduction in losses. Premium reductions were also made possible.

There is, of course, another simpler remedy — increased premium, year by year, until the insureds' cries of protest are finally acted upon by the Government.

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II — The Plimsoll Line . . . Erased

“Lead us, Heavenly Father, lead us
O’er the world’s tempestuous sea”
(James Edmeston, 1791-1867)

Unfortunately, these words seem to have inspired underwriters to believe that certain vessels sail under a divine flag of immunity from disaster and all are amazed when disaster strikes. It took many years of parliamentary campaigning by Samuel Plimsoll before a compulsory load line was enforced — on British vessels — by the Merchant Shipping Act in 1876. His major intent in the campaign was the protection of sailors, but it had also the ancillary effect of reducing shipowners' losses. The load lines set the amount of freeboard which must be maintained under certain climatic or geographic conditions (fresh water, Indian summer, summer, winter, winter North Atlantic). Changes were made in 1894, 1906, 1929 and 1932. The first International Load Line Convention was signed in 1930. These lines were generally respected internationally until a particular set of circumstances — oil economics — arose with the closing of the Suez Canal in 1967.

Until that time, tankers had generally been limited in size by the dimensions of the Canal, which provided the quickest route from the Middle East oil fields through the Mediterranean to Europe and North America. However, when the

Canal was closed, a longer journey round the Cape of Good Hope became necessary. It was not long before the economics of size took over — the “supertankers” V.L.C.C. and U.L.C.C.’s (very and ultra large crude carriers) came into being. Then, with that perverse logic which is so typical of man, the question was raised of why, on a voyage of well over twenty days, did the winter load lines (giving a lower carrying capacity) have to be followed when they are only needed for four or five days (going around the Cape of Good Hope). It did not take long for the International Load Line Convention to ratify the necessary changes.

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From the earlier days of sail, one area of the seas has been feared, respected for the natural forces unleashed therein; for the “holes in the sea” followed by waves towering sixty feet and higher which will break the back of even the greatest tanker easier than it would cause the early cockle-shell sailing vessels to founder; for the currents, fogs and rocky coasts which make these waters the most dangerous, bar none, in all the oceans. And it is here that the limits of safety have been reduced — with insurers acquiescence! A check on the tanker casualty list would give an indication of what effects this has had. (For further sombre reading on this topic I recommend “Supership” by Noel Mostert).

III — On the Road

“It is good to be out on the road, and going one knows not where”. Perhaps John Masfield was unwittingly casting sarcasm at the Metropolitan Boulevard, or at any of the poorly designed roads which abound today, when he penned these lines. It is generally agreed that there are four factors applicable to the conduct of automative transport and I shall touch briefly on areas where insurers could — and should — pressure the necessary authorities for changes or take action themselves.

- A - The driver: Recognize defensive driving courses by giving reduced premiums for drivers having satisfactorily completed such courses.
- B - The physical environment: Bring to authorities' attention defects in the highway systems, e.g. no acceleration lanes onto high speed roads (Metropolitan Boulevard); entrances and exits too close for necessary lane changes (enter Decarie North from 2-20 east bound and take Sherbrooke exit. This requires crossing three lines of traffic within a hundred yards — not a rush hour manoeuvre).
- C - The vehicle:
1. Why is there no compulsory road-worthiness test on second hand vehicles sold in Quebec as there is in Ontario ?
 2. Insurance companies, combined, have large stock-holdings in the major auto manufacturers. Why is there a lack of questions at the annual general meetings ? Could insurance companies not arrange proxy voting for one representative on matters of safety design and less damage-susceptible cars ?
- D - Law enforcement:
1. Pressure authorities for traffic wardens to relieve the police of parking ticket duties, thus freeing them for more worthwhile tasks. (I am sure the cost of the wardens would be offset by the fines collected).
 2. Pressure for automatic suspension for impaired driving with confiscation of license and impounding of the vehicle *immediately upon positive proof of impairment*.

IV — That's Life!

"There are lies, damned lies and statistics" (Anon).

Statistics show that young drivers are a worse risk than older drivers. They pay higher premiums.

Statistics show that smokers are a worse life risk than non-smokers. They pay the same premiums. Why?



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In this article I have touched very briefly on some areas where improvements could be made. Among the readers of this magazine there must be many with ideas of improvement which would benefit the industry in general and I would welcome their suggestions, comments, and criticisms.¹

I hope that the industry can show itself more like Churchill "who had one hundred ideas a week — of which at least one was good" than Disraeli's Mr. Kremlin who "had only one idea, — and that was wrong".

¹ Le Blanc Eldridge Parizeau, 275 Saint-Jacques ouest, Montréal 126, Québec, Canada.