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way of reduction on account of the excess expense collection. While from an actuarial standpoint this increased and unexplained provision for expenses might not be considered an undue increase, yet I should not be surprised if it was considered to have unduly increased the price of insurance if the point had to be seriously considered.

I should like to make it clear that the Bureau in a book of 139 pages (Exhibit 10) set up that the 1929 rates were produced on a proper statistical basis, and as I quoted in my report on pp. 6-10 they put forward the following:

"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 procedure 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."

And it was further stated therein that the statistical plan had 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."

And the experience collated for policy years 1924, 1925, 1926 and 1927, is the material underlying the accompanying exhibits showing the member companies' experience."

As the Bureau, in defending its 1929 rates, sought to establish their actuarial and statistical correctness, it was necessary to meet them on their own ground by other actuarial examination and scrutiny. If it was unsound to do this, then the companies' case is likewise unsound. I adopted the conclusions of the actuary advising the Commission, with one exception, which was in favor of the companies, in that I gave twice as much weight to the indications of 1929 as he did to that experience. In my report, while I deplored the complexity and minute considerations which such plans involved,

with all the expense and delay so caused, I applied the principles claimed to underly the Bureau's own rate-making procedure to my problem of testing the 1929 rates, as otherwise the companies would have complained that their case had not been considered or met. I had noted, in reviewing the experience of the three years, 1927, 1928 and 1929, that in the two earlier years the loss cost was lower than in 1929, and tended to depress the average, and it was due to that consideration and in view of the desire expressed for the first time on the argument, or shortly before that time, that the companies should be judged by the 1929 so-called "actual results," that I gave that year's experience twice the value allowed by the Commission's actuary, with the result shown in the "A" Tables of Appendix I. (Report page 80).

Although I dealt with the case made by the Bureau on the principles underlying its actuarial and statistical plan, the facts which developed in the course of the inquiry showed that the 1927, 1928 and 1929 rates had no real actuarial or statistical basis (except that in 1927 they used their statistical experience for the purpose of disregarding it by deliberately decreasing the rates it indicated). On this insecure foundation rested the rates of 1928 and also those of 1929, in which latter year a singular and unusual course was adopted, i.e., that of adding 50 per cent. to the whole premium on two coverages and 25 per cent. on collision premiums. This is all summarized on p. 79, and formed a practical basis for my conclusions.

I may refer to the statement in the report, on p. 76, as to the sum of \$654,318. On that page it is said:

"I append as Appendix '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. . . . The statement indicates that the 1929 Bureau rates for private passenger cars were excessive to the extent of \$654,318."

In Appendix "B" the origin and details of this sum are carefully and accurately set out, demonstrating that, after determining the actual cost of insurance as derived by the actuary advising the Commission from the statistics for 1927, 1928 and 1929, and adding the 45 per cent. expense provision which I recommended as fair, the premiums chargeable at the 1929 manual rates fixed by the Bureau exceeded the premiums chargeable at the rates so calculated for me by \$654,318. If the report and its conclusions are right, these figures set out in Appendix "B" show the excess in the premiums chargeable on all five coverages on private passenger cars.

Frank E. Hodgins,
Commissioner.

Osgoode Hall, Toronto, Jan. 16, 1931.