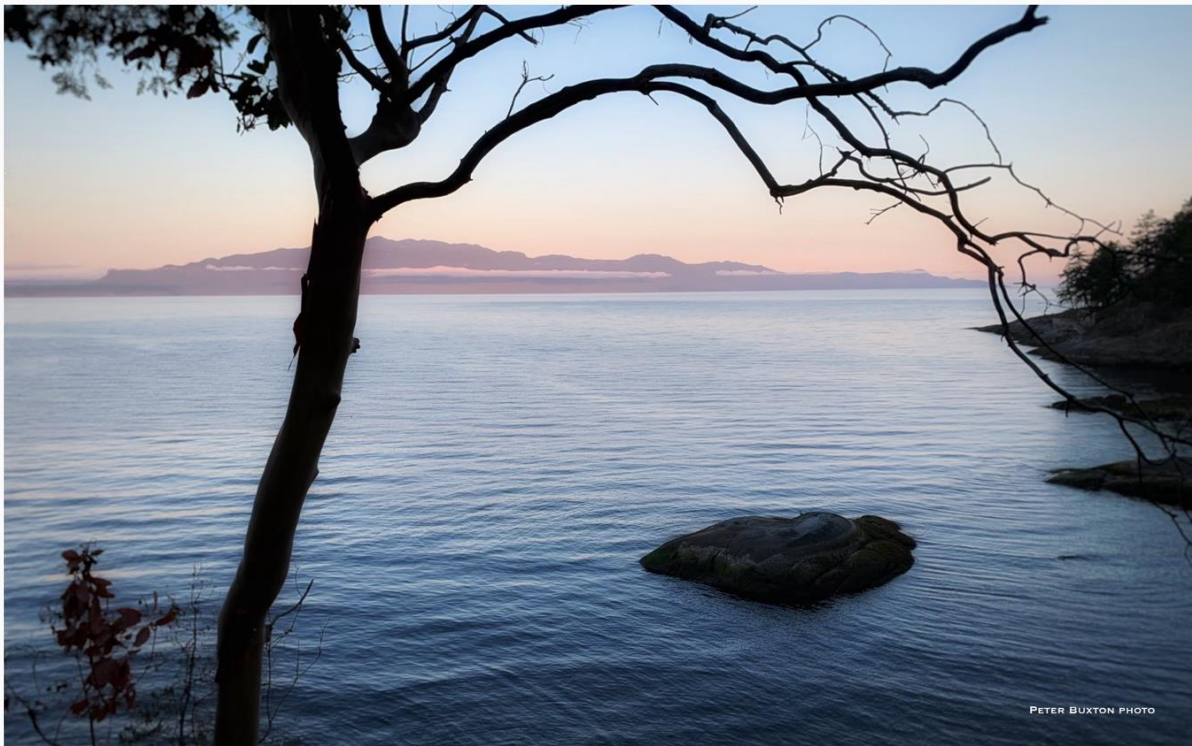


ISSUE 3  
1 MARCH 2024

# THE DAWNING OF A NEW AGE

1973 TO 1975



*To understand the concept of a government automobile insurance plan,  
one must appreciate that such a plan is in fact, a social instrument,  
and not simply the transfer of ownership of an existing system.*

*Robert Strachan*

## CONTEXT

The election of the Summer of '72 produced a 38 to 17 split in the Legislature. In our democratic system such a lopsided electoral victory amounts to near absolute power. Given that the balance was in favour of the NDP for the very first time, it's not hard to imagine how along with the win came a state of euphoria.

Legend has it that during the first meeting of the new government Barrett slid in sock feet along the length of the Cabinet table and asked them all "Are we here for a good time or a long time?" to which he received a resounding affirmation that they were there for a good time<sup>1</sup> – in their view that meant good legislation for the majority of the people rather than the wealthy few. They governed as if, for the first time in recorded BC history, the bosses were on the outside looking in.

*Legislation By Thunderbolt* as the Opposition eventually framed it ensued. Over 400 pieces of legislation over three years were enacted as compared to past Socred performance of about 40 pieces a year. Many were radical in nature and continue to shape our daily lives in 2024.

In the name of food sustainability, the NDP put large swaths of arable land with a potential to make developers millions into a newly created Agricultural Land Reserve. Labour law was completely overhauled including the establishment of the Labour

Relations Board. Other changes, some of which today we take for granted, included:

- Mincome for those over sixty
- Pharmacare
- A Province-wide ambulance service with licensed paramedics
- The Islands Trust Act to protect the Gulf Islands
- Full preservation of Cypress Bowl for recreation
- Dramatic expansion of Community Colleges
- The BC Human Rights Commission and a Human Rights Code
- Rent Controls
- Collective bargaining rights and the right to strike for government employees.
- Full Hansard recording of Legislative proceedings.
- Question Period and increased resources for the Opposition<sup>2</sup>

The insurance industry was also about to feel the winds of change.

Lunching at Hy's in Vancouver, the Captains of Industry mulled over the headline on page 7 of the January 1973 edition of the *Automotive Retailer* magazine:

## PROVINCIAL INSURANCE COMPANIES BATTLE OVER PROPOSED GOV'T TAKE OVER

As Chairman of the Insurance Industry's BC Advisory Committee, Bert Warrick's declaration that provincial insurance companies were not going to be run out of business without a fight came as no surprise. In announcing the campaign for the right to compete with the proposed government automobile insurance Mr. Warrick pointed out that

"... 2,700 people are employed in the automobile insurance business in BC. In addition, there are over 2,000 agents representing the various companies and some 500 independent adjusters."<sup>3</sup>

In the town of the 'newlywed and nearly dead', residents quietly sipped their tea over the 17 February 1973 headline in the weekend edition of the Victoria Times:

### BC TO SELL ALL INSURANCE

The BC government, in a dramatic three-pronged move Friday, commenced a complete takeover of the \$135 million [just over \$1.2 billion dollars today] automobile insurance industry and also cleared the decks to enter the general and life insurance field.

The proposed Insurance Corporation of BC will emerge as the nation's largest insurance underwriter.

And while Scott Wallace and David Anderson, Leaders of the minority Provincial Conservative and B.C. Liberal Parties respectively fought a rear guard action in the Legislature, W.A.C. Bennett, the Social Credit leader of the Opposition, was quoted as saying:

"[he] did not want to be a 'carping critic' and thought the legislation should be brought forward. He said the NDP had had 40 years to work on it."<sup>4</sup>

Both the magnitude of the task and its urgency was well summarized in the basic statistics reported in the 1972 Annual Report of the Motor-Vehicle Branch. Seven hundred and sixteen fatalities and 59,996 injuries came as a result of the activity of just under 1.2 million registered vehicles and just over 1.3 million licensed drivers.

Leading the charge on the Government side was Robert Strachan, who came to BC as a Scottish immigrant carpenter. By the time Barrett tapped him as Minister of Transport and Communications and first President of ICBC, Strachan was a veteran politician. Initially elected in 1956, he was a long-standing advocate of government insurance.



Robert Strachan (image source Google)

The Socreds saw the creation of ICBC as a simple government take-over of a private sector industry. The NDP saw it very differently. In Strachan's words:

*“To understand the concept of a government automobile insurance plan, one must appreciate that such a plan is in fact, a social instrument, and not simply the transfer of ownership of an existing system.”*

And so out of the turmoil, and dislocation, and redefinition of the world as it was then known, came another part of the NDP legacy. On 18 April 1973 *The Insurance Corporation of British Columbia Act* and *The Automobile Insurance Act* [currently titled *The Insurance (Vehicle) Act*] were passed.

In the shorthand of the political dialogue, the NDP promised automobile insurance that would benefit the broad base of British Columbians as opposed to the few who they saw as acting as agents for extra-Provincial interests. In 1973 they aimed to fulfill that promise through the creation of this new Crown Corporation. ICBC, like so much else from that era, continues to this day. It is now exactly 50 years on from its first day of operation to the date of the publication of this issue of the ICBC History Project.

As it turns out, both sides of the House eventually came to see ICBC as an instrument of social policy as well as an insurance company. Be it NDP, Socred or BC Liberal, each in its turn to govern would impose its will on the Corporation. The philosophical conflict between its political masters, already apparent in the early stages of ICBC's creation, would whipsaw ICBC over the years and thus hamper its ability to reach its full potential as either an instrument of social policy or as just an insurance company.

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(image courtesy of Wendy Mulligan)

## THE BUILD

In more recent times, Yuval Harari, in his 2014 edition of his groundbreaking book *Sapiens* wrote:

“We control the world basically because we are the only animals that can cooperate flexibly in very large numbers.”

The physical realization of ICBC was a living demonstration of the truth of that statement.

A small cadre of Executives served as the interface between the Corporation and the politicians. In just 316 days they implemented a Corporate strategy within which was formed all the basic departments of an insurance company, the physical places to house them, and the people to staff them<sup>5</sup>.

On the first day of effective automobile coverage, 1 March 1974, over 1,800 people stood directly employed by the new Corporation. They were both willing and able to take on responsibility for the ongoing actions of over a million motorists.

## THE EXECUTIVE



Norman Bortnick (image source Google)

The first General Manager of ICBC was Norman Bortnick. He was a Chartered Accountant and came from the position of Treasurer at the Saskatchewan Government Insurance Office (SGIO) as that Province’s government automobile insurance plan was then known<sup>6</sup>. While I never met Mr. Bortnick in person, I shared a respect for him with many of my peers. He had a reputation for competency, integrity, and a genuine concern for the rank and file.

ICBC ‘s First Senior Executive	
Robert Adams	Administration
Robert Jones	Underwriting
Hugh Earle	Automobile Plan
Peter Prepchuk	Corporate Services
Gordon Root	Marketing
Douglas Scrivener	Claims
Terrence O’Grady	Secretary and General Counsel <sup>7</sup>

You can see photos and names of all the Board Members in the Annual Reports that I have published in the Research tab on my ICBC History Project website ([www.icbchx.ca](http://www.icbchx.ca)).

## LEGAL

Lawyers from Saskatchewan were seconded to the BC Government to write the legislation. They worked with, among others, John Leighton and Tom Spouse in ICBC's newly formed Legal and Underwriting Departments respectively. *The Automobile Insurance Act* was a skeletal document laying out the basic precepts. *Regulation No. 1 Pursuant to the Automobile Insurance Act*, fleshed it out.

Part 8 of the Regulation included provisions to maintain the past role of the Traffic Victims Indemnity Fund (TVIF). The Standard Policy Form (SPFs) wordings already in existence pertaining to Accident Benefits were now included in Part 7. Additionally, and more expansively, it also included a detailed statement of all other aspects of both basic and extension coverages titled as Parts 6, referring to Third Party Liability Coverage, and Parts 4 and 9, referring to Own Damage Insurance.

The Act and the Regulation were the bible by which the Claims Department would operate. Each year the Regulation was updated through Orders in Council to reflect changes either recommended by ICBC and approved by the Government of the day or simply initiated by the Government of the day.

Beyond the creation of coverage related wordings, the Legal Department would be involved in the usual Corporate contractual dealings. These would be particularly significant in the beginning given the frenetic acquisition and construction of physical assets that went on at the time.

Soon after 1 March 1974, there would be other responsibilities for the legal department. They would include the resolution of both tort and contractual litigation. Actions pursuant to third party liability coverage would set the parameters of tort compensation. Contractual actions would provide a reference point for the interpretation of the Act and Regulation as it applied to coverage issues. For more detailed information on this see *The Annotated British Columbia Insurance (Vehicle) Act 2<sup>nd</sup> Edition* by Gregory and Gregory, published by Carswell.

While the actual wording of both the Act and the Regulation was available to the public in the same manner as all other Provincial statutes, a network of independent insurance brokers and Motor Vehicle Branch (MVB) employees would distribute plain-English brochures in booklet form at the point of purchase. The booklets would include coverage explanations as well as what to do in the event of an accident.

## UNDERWRITING

Underwriting was tasked with creating a set of rating tables out of the tangle of

information gleaned from an uncooperative private sector. *The Green Book* – an annual publication giving details of accidents and claims used by the private sector companies to set rates – was two months late that year. When it did come out it omitted information on BC.<sup>8</sup>

To complicate matters even more, there had never really been any consistent application of the old *Green Book* rating tables amongst private sector insurers. In that world multiple competing companies set rates for individual applicants to accommodate various risk and profit potentials. ICBC on the other hand had to mediate a path that fairly considered the interests of all British Columbians. To accommodate the new reality of insuring *all* motorists, as opposed to selective risk acquisition, systemic rating replaced the bespoke. Consequently, while some insureds saw premium rate decreases with ICBC, many did not. Political pressure was applied to the Government through Legislative debates and the Press. That then led to the creation of Department R (for Refund) within ICBC.

In June of 1973 Len Damberger was hired away from Wawanesa to join ICBC's underwriting department. In his initial time at ICBC he worked at the Royal Centre. As the building at Burrard and Georgia was not yet finished, he was required to take the construction elevator up the outside of the building to his 21<sup>st</sup> floor office. He remembers the explosion of the floating gas bar in Coal Harbour and later in 1981, and the deaths of three workers when the scaffolding on one of the nearby Bentall buildings, also under

construction, failed. One time he discovered a bullet hole in an office window near his desk. He tells me he didn't take it personally.

He was given the task of managing Department R. It was located on West Broadway so a less adventurous commute and work environment although just as challenging an assignment. Rates were the ultimate political hot potato at the time. He managed a staff of about 120 people. Criteria had to be established to try and create apples-to-apples comparisons to see what refund eligibility actually applied. It didn't help that as the volume of applications increased the Government changed the rules to stem the flow.

Responding to competitive rates is a fact of life for all insurers. The difference here was that the ICBC response was to accommodate politics rather than profitability or market share considerations. Barrett had been quoted as saying that no one would pay more in 1974 with ICBC than they had in 1972 with the private sector.<sup>9</sup> This would be an early instance of how ICBC was affected by politics in its struggle to achieve that part of its mandate involving *the fair and efficient collection of funds to pay losses*.

## **PUBLIC INFORMATION**

The Public Information Department was also among the first occupants of the Royal Centre offices. Their initial task was to answer a toll free number set up to introduce the public to the concept of government owned auto insurance. I joined ICBC in November of 1973

and was one of about 30 staff answering the phones. I can tell you from personal experience that the vast majority of people we spoke to were either NDPers there to give support and/or to gloat or dyed-in-the-wool Socreds wanting to vent their spleen on the front line staff of 'Moscow Mutual'. Those calls required us all to acquire, and quickly so, a rudimentary understanding of the beast we were riding.

At the time I was reading Frank Herbert's *Dune*. I really did feel like a rider on the Shai-Hulud – the giant sand worms that are depicted as roaming the deserts of Arakis. Even with my two previous years, first in a similar Public Information role at the Manitoba Public Insurance Corporation (MPIC) and then as an adjuster in MPIC's North Winnipeg Claims Centre, the beast I found myself fearfully clinging to appeared somewhat mystical. I can only imagine how adaptive and intelligent many of my peers at the Public Information Department must have been to survive that maelstrom coming in cold.

## A CONFLUENCE OF TALENT

Like these forerunners, the bulk of the 1,800 employees that followed came from different work cultures. Although some had served on joint endeavours like the Exchange or the Facility, most had not only never worked together, but many had been in competition with one another. For example, Len Damberger, late of Wawanesa was to form a close personal and working relationship with Tom Spouse late of Zurich. Like many others,

both Len and Tom would stay with the Corporation until retirement. Len's position on leaving ICBC was Regional Manager of Field Operations. Jim Mapey, also stayed with the Corporation until retirement. He came from a private sector adjusting job in Calgary. Douglas Scrivener owned an independent adjusting company operating in Saskatchewan and Alberta. He was one of the first to lose his position as a result of politics.

Others came right off the street to the world of insurance. One that I know of in particular, Colin Brown, was freshly landed in Canada from Northern Ireland. He started a successful 50 year and counting insurance career with absolutely no insurance experience or aspirations. He tells me his ears pricked up when he heard the words *well paid* in connection with ICBC and so decided to apply. Another, Tom Duncan, at 17 years old, wandered into the city core looking for a job as a forest ranger in BC's wilderness. He wound up in ICBC's Reprographics Department in the heart of downtown Vancouver. See the footnote to hear the whole story from Tom directly.<sup>10</sup>

No matter the background, culture or age, there was a camaraderie that comes from starting something entirely new. Gail Attara's recollections illustrate this well.





Gail Attara in 1973 (image source provided)

She started with ICBC in Data Entry in her late teens on 10 December 1973. She had come from a retail sales job. She eventually rose to a senior position in the Public Information Department before leaving ICBC in 1981 to move out of province. While at ICBC she and others founded the ICBC Social Club involving mostly employees in the Lower Mainland. She became its first President. It was organized to the point of holding its first AGM at the Vancouver Aquarium and then on to its first Christmas Party in December of 1975. Employees worked hard and then socialized after work as a group. I asked her how it felt. She said, *"It was just fun ... we saw we could change the world and we did."* She still has friends from that time.

A few had direct experience with other government-run operations. Trevor Wignall, a Claims Centre Manager at the Manitoba Public Insurance Corporation was hired as Vancouver Island's first District Claims Manager. He brought with him several of his Winnipeg Claims Centre staff including Brian Thurber, John Landels, Randy Christie, John Waldie, and myself.

Not everyone thought ICBC was an ideal employer, however, particularly if you didn't have a sense of purpose. Here's a quote from one ex-employee of the time:

*"It was the 70's, and there weren't a lot of opportunities for women in the working world. It was at times a sexist environment there. I wasn't all that happy ... it was just a job that paid the bills."*

ICBC, while a progressive employer over time, was then and still is to some extent always reflective of the culture within which it operates. What I believe ameliorated this element at ICBC was the sense of mission and newness of the venture.

## **CORPORATE SERVICES**

Corporate Services was another newborn department that had to hit the ground running. They created hundreds of workstations to suit the differing needs of the various specialized staff. They purchased and maintained a fleet of vehicles for Road Adjusters, travelling Agency staff, etc. The Corporation, even in its infancy required a massive number of printed forms and procedural manuals. Some shortcuts were taken. I can remember a training manual that was photocopied right out of an Allstate manual. I knew this because in some places they had overlooked whiting out Allstate and replacing it with ICBC (ah the days of typewriters and *White-Out!*). Beyond cars and paper, everything from the buildings

themselves right down to the pictures on the walls had to be sourced from scratch.

Of course, there were glitches. As late as 1975 I recall being issued a *Pacific 66* credit card to gas up the company car in Port Hardy. The problem was that the nearest gas station accepting this card was located in Campbell River, 250 kilometers away. However, all were survivable, usually with grace.

With respect to the big items, Corporate Services performed miracles. The first Claims Centres, some newly constructed, some in traditional office spaces, some in improvised former retail spaces like old Safeway stores, and some even in Atco trailers, were established in almost every town of size and in every city in our vast and varied Province. Some were permanent and some were placeholders for the *Drive In Claims Centre Concept* that would soon follow.

Under the auspices of *Allen-Ewing Architects of Vancouver*, in just five months, between August 1974 and January 1975, thirteen Drive-in Claims Centres went from site selection and acquisition, through permitting and facility construction, to fully furnished and equipped for staff complements that ranged from 60 to 120 individuals. Four additional Centres, delayed by protracted negotiations with municipal authorities, were completed by June of 1976. The Victoria Claims Centre was completed in 1978. Claims Centres in Maple Ridge and Penticton opened in 1985.

I found the old web site for the Architects, *Allen-Ewing of Vancouver* with some interesting information about the Claims Centres starting with outside views:



North Vancouver



Coquitlam



Richmond



ICBC Penticton, 1985

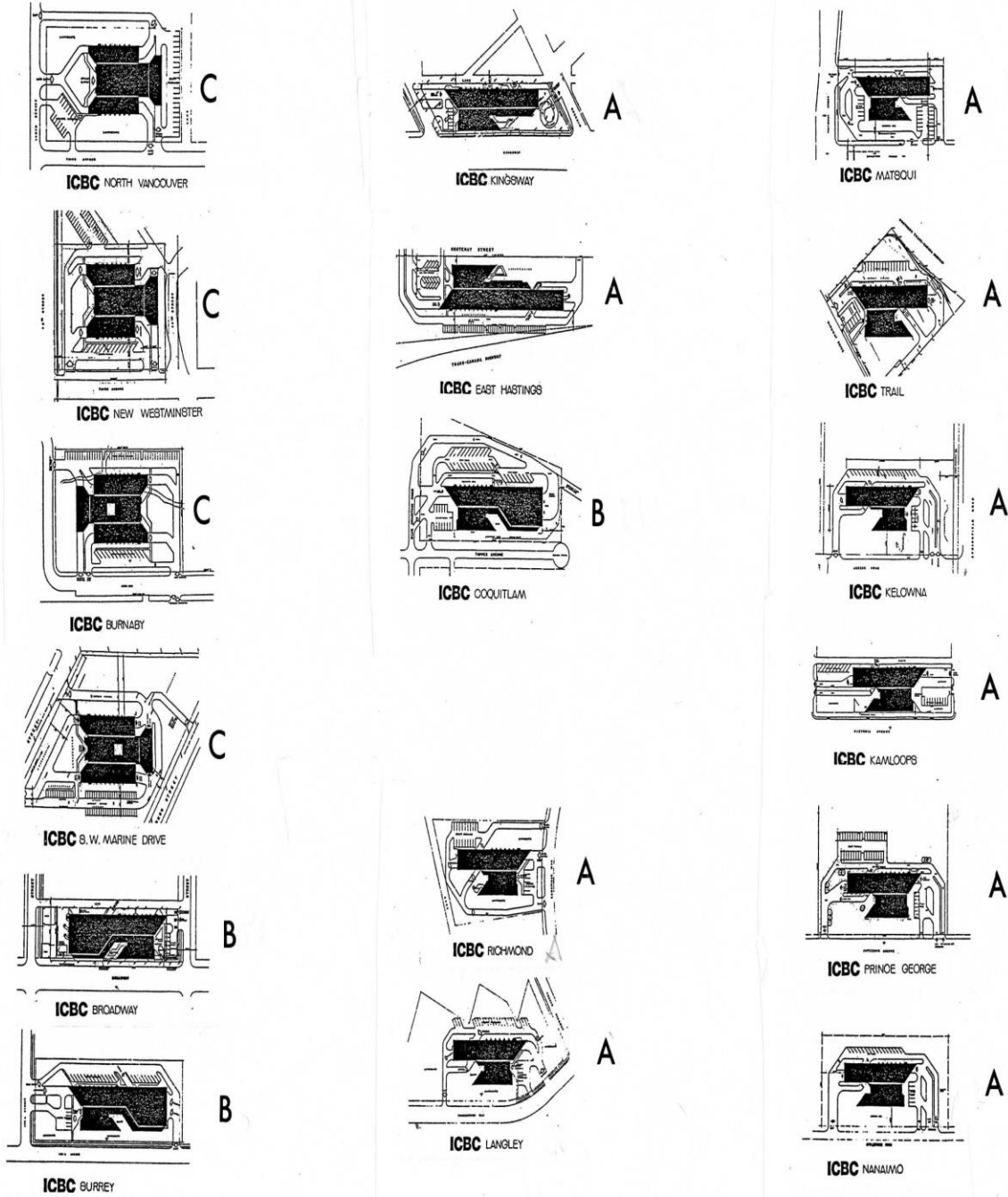


ICBC Victoria, Douglas St, 1978



ICBC Maple Ridge, 1985

Some of the floor plans:



And the story from the Allen-Ewing web site:

#### CLAIM CENTRE PROJECT, 1973 - 1976

##### THE INSURANCE CORPORATION OF BRITISH COLUMBIA

Public automobile insurance in British Columbia was conceived on the basis of earlier Crown Corporations active since 1945 in the Province of Saskatchewan, and since 1971 in Manitoba. The new corporation was named ICBC, The Insurance Corporation of British Columbia, and was created in 1973

In April, 1973, ICBC commissioned Allen-Ewing, Architects, of Vancouver, to undertake early preliminary design of a network of buildings for the Corporation's operations throughout the province. Under extreme pressure of time, a simultaneous program of design and land acquisition was started, using a modular building system that could be adapted to various property configurations. A minimum property depth of 120 feet, common to city blocks, was held throughout the work. Simultaneous and overlapping design, supply, and construction activities were involved wherever time could be reduced.

- Design, land acquisition, and permit negotiation were simultaneous, with cooperation of most municipalities.
- Working drawings of foundations, steel and concrete work were started ahead of finished interior design.
- Steel and precast concrete were tendered ahead of general contract services.
- General contracts were tendered at cost plus fixed fee, and foundation work started immediately.
- Sub-trades and supply were post-tendered and taken over by general contractors.

With a severe shortage of structural steel predicted for the winter of 1973-74, drawings and pretenders for steel were rushed, and issued in July 1973. Erection began in November of that year. The volume of precast concrete panels needed was sufficient to tax the capability of all 3 suppliers in the province. Drawings were expedited, and tenders called in August 1973, on a unit price basis. Contracts were awarded to the 3 suppliers, on the basis of price, capability, and delivery dates (fixed by

liquidated damage clauses in the contracts). Redundancy in the steel frame-concrete panel system added cost, but enabled roofing, early mechanical and electrical work, floor slabs, and rough carpentry to proceed in winter weather well ahead of delivery of precast concrete wall cladding.

The project delivered 13 buildings between August 1974, and January 1975. Cost over-runs for those buildings was approx. 8%. 4 buildings were delayed by municipal interference, and were completed by June 1976, with extra costs incurred for delay, and storage of building materials.

**Project Advisor**- Arthur Allen, Architect, of Regina, (then engaged as architect to the Saskatchewan Government Insurance Office), appointed to advise on Claim Centre design and construction in B.C., 1 January, 1973.

**Location Study** - Johnston Associates, Management Ltd, of Vancouver, undertook computer studies of claims volumes, and extended the study into a location program for building design.

**Architectural Design** - Allen-Ewing, Architects, of Vancouver, undertook research and prototype studies, and conceptual designs.

**Cost Estimating** – Hanscomb Roy Associates, Vancouver.

**Working Drawings, Inspection and Administration** –The Architectural Consortium –comprising architects ; Toby Russell Buckwell; Killick Metz Field Associates; and The Gardiner Thornton Partnership.

**Consulting Engineers** – Structural, Bogue Babicki ; mechanical, Keen Engineering; electrical, W.T. Haggert.

**Landscape Architect** – Don Vaughan and Associates Ltd.

**Project Co-ordinator** - Arthur Allen Consultants Ltd. continued to project completion as advisor to ICBC on all aspects of the building program, co-operating with new staff of the rapidly growing corporation.

## INFORMATION SERVICES

The Information Services Department (ISD) had to record, organize, and provide access to a mass of information for many reasons.

Primary requirements included:

- The management of information related to human resources and physical assets including payroll and purchases,
- An interface with the MVB records involving the specifics of over a million vehicles and an even greater number of licensed drivers,
- The maintenance of records of coverage commitments made by hundreds of MVB staff and almost a thousand individual insurance agencies.

Once claims operations began, there was the need for coordination of claims related information, including linking multiple accident participant reports. Prior to this part of the system being computerized, there was a tear-off index card portion of the claims registration form (CL75) that the adjuster filled out on setting up a file. The card portion for each CL75 was then removed from the form and placed alphabetically in large rolling cabinets. To determine where and when a third party file had been set up, adjusters had to phone around to the various other claims offices and have clerks check their card indexes.

Of course, there was also claims payment and reserving information for Underwriting and Finance to be recorded and accessed.

All this at a time when computers were singular entities, occupying whole rooms with dozens of data entry clerks feeding punch cards into mainframe machines. They worked off 'batches' of forms couriered to them from the various ICBC offices. There were no PCs, no email, and no internet, just internal corporate couriers and the Royal Mail --- and bundles upon bundles of paper forms. While IBM leased the mainframe to ICBC for about \$1.5 million a year, every information system that ran on it had to be built from the ground up. All of this was dependent on a technology that was in its own nascent stage of development – the ultimate Beta version!

## FINANCE

Literally tens of millions of dollars were coming into the Corporation in a two or three month period as people started to apply to the new insurer. Millions were going out in procurement. Employees by the hundreds were appearing on payroll records. In the early days, in fact even to this day, ICBC relies on the Royal Bank of Canada to manage the flow. ICBC's first headquarters was in the Royal Bank building. All employees required an RBC account to get paid.

I have no information on who managed ICBC's investments. I note there is no VP of Finance listed in the original Executive Group. Investment policy is outlined in the Annual Reports and is discussed to that extent in

later sections of this Issue. I'm happy to include any additional information received after publication in a revised edition.

## CLAIMS

The large majority of those 500 independent adjusters that Mr. Warrick talked about in the article in the *Automotive Retailer* magazine weren't going anywhere. Who would want to leave BC? They and many of the claims people on staff in the private sector, combined with outsiders with public auto insurance experience to provide an adjusting staff and contingent support staff in waiting. The expertise from the old timers and the energy from the younger ones provided a depth that would meet the challenge on opening day. In the meantime, they were all mustering at their various locations. My manager in Campbell River was Brian Gaw. Our first supervisor was Ron Mensing. Ron had us all over to his beachside home for dinner on occasion which also helped us bond.

The four of us Manitobans rented a double wide in the Patio Trailer Park in Oyster River. Randy Christie and John Landels had families waiting for them back in Manitoba. They'd arrive once permanent homes had been found. Four of us had company cars, the four door 1973 Plymouth Satellite that you see posed in front of a claims centre in the 1975 annual report. All four were lined up outside the trailer. The neighbours must have wondered!



1973 Plymouth Satellite company car (image source 1975 Annual Report)

I and the rest of the Campbell River crew met regularly at the Beehive Restaurant across the street from the leased facility on the Island Highway that would be the first ICBC Claims Centre in this area. It's now ironically the offices of a personal injury law firm. Over countless cups of coffee the Manitoba four together with Ann Carpenter (Adjuster late of the Cooperators), Joan Greig (Office Administrator) and 'Sam' Cotton (Clerk), Brian and Ron, got to know one another. Along with office procedures we worked out the human side of our professional relationships. I'm sure similar scenes were unfolding all across the Province.

We met other claims personnel from around the Province at more centralized training sessions, some of which I attended in Victoria and some in Vancouver. Those inter-office relationships would also prove their value when Claims Operations began.

## AGENTS, SHOPS AND THE MVB

Thousands of partners outside the Corporation also needed to be part of the common purpose.

ICBC opted not to create its own agency work force. Instead, it entered into various working agreements with about a thousand Independent Insurance Agents. These arrangements were win-wins. The agencies were mostly small, family run enterprises at that time. They provided continuity and effective advice to ICBC's clients. The partnership arrangements enabled the agencies themselves to continue on a profitable basis.

Other working agreements were made with the hundreds of independent autobody repair shops and automobile sales and service dealerships. This notwithstanding the imposition of radical changes in the way these entities would have to do business with ICBC and its *Drive In Claims Centre Concept*. I'm sure that ICBC starting its own body shops for research purposes didn't help the negotiation environment. The prevailing paranoia of the day would have many shop owners concerned that ICBC would soon open its own repair shops and put them out of business. This of course was neither the intention nor the reality.

Given that insurance was permanently alloyed with vehicle registration and driver licensing, procedures were established between ICBC and the 120 offices of the Motor Vehicle Branch. At that time the MVB

was a separate entity from ICBC, with entrenched protocols and a different operational culture. All that had to be rationalized.

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## SHAI-HULUD

My immediate supervisor at the Public Information Department was a low key, competent guy named Bob Hamilton. I don't recall his previous insurance background, but he had a better idea of the magnitude of the undertaking than I and many of my peers. I remember standing with him at the floor length window on the 21<sup>st</sup> floor of the Royal Centre one lunch hour in the winter of '73. We were looking down on the busy city intersection, jammed with cars, trucks, buses and pedestrians crossing paths in every direction. He turned to me and said words to the effect *"You know Nick, in a few short months all of that activity, all over the Province, will be our responsibility."*

Still too young and inexperienced to fully appreciate the truth of that statement, it would be another eight years before the full realization of what Bob stated really began to sink in. Even now as I write these words, I am gaining a greater understanding of the *Shai-Hulud*. His words that day would eventually transform my perception of what had initially been just an exciting job, into a vocation that extended beyond the Corporation. No doubt that realization and transition had already occurred in the minds of many, including, but I am sure not limited to, those on the Executive Floor. Many ex-employees have



gone on to live connected professional lives outside of ICBC. Many of the top litigators on both the defense and plaintiff sides of the bar got their start at ICBC’s Legal Department. Many independent adjusters and private investigators, mediators and even plaintiff law firm analysts began their careers at the ICBC Claims Department. Others have gone on to create insurance agencies. Colin Brown was instrumental in building an entire insurance company from the ground up. I’m sure the same sort of successful transition to life beyond ICBC is true for people coming out of other departments that I am not familiar with on a firsthand basis.

It was indeed a revolutionary approach to automobile insurance, centred on the interests of the public that owned it and encapsulated in one Crown Corporation. Like riding sandworms, the early times brought out the best, and sometimes the worst, in all of us.

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## A COMMON UNDERSTANDING

In those early days of its formation, ICBC was not just an insurance company. It was not just exceptional in going from literally nothing to the largest automobile insurance company in North American (by premium volume written) in less than a year. It was in actual deed that *social instrument* that Robert Strachan and the NDP had promoted in the Legislative debates starting in the late 60’s and culminating in the 1973 legislation. While the politicians and the populace could disagree among themselves on its purpose,

there was a shared value that the rank and file could all understand, and which kept us all working to common purpose. Management aggressively promoted the universally held value of prompt and professional service to the public. It was a very busy time, and we didn’t have time to philosophize. The culture around that value, aggressively promoted by management, held us together and saw us through that demanding and exciting phase of ICBC’s beginnings. Once those start up days were done, like all things under the sun, the mood would change within the ranks and priorities would change among the Executive.

They would change sometimes for the better and sometimes not, but first more about the challenges from the outside that existed at the time.

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## BRIDGING THE GAP

Would The Last Insurer Leaving The Province Please Turn Out The Lights

A full fifteen months before the start of ICBC coverage, many private sector companies began to decamp the Province.

You may recall from the previous Issue (*Issue 2 – The Gathering Storm – 1965 to 1972*) that pre-ICBC, the TVIF was a shared responsibility of the private sector insurers. Its purpose was to compensate victims of unidentified and uninsured motorists. The consortium funded this operation by collecting a 3% surcharge from their clients on all auto insurance premiums. *The Act To Incorporate The Traffic*

*Victims Indemnity Fund* was initiated on 27 March 1961. One must assume that significant reserves had built up over time and many outstanding claims were still required to be resolved in 1973 as the Act was not repealed until 1 April 1983, almost 10 years after the start of ICBC.

On 10 November 1972, two months before the Government had even formally announced its intention to introduce legislation in support of government owned auto insurance, the private sector served 12 months' notice on the Attorney General that they would discontinue the operation of the TVIF. This resulted in no means of compensation being available for victims of unidentified and uninsured motorists suffering losses in the roughly four months prior to ICBC coverage coming into effect (10 November 1973 to 1 March 1974). The Government had to step in to address these claims in place of the TVIF<sup>11</sup>. They used ICBC to do so.

I have direct knowledge of one particular situation. The staff of the Campbell River Claims Office was in place as of the month of February 1974. Brian Thurber was the Senior Adjuster. Sometime before 1 March 1974 a local towing company ran a mobile home it was hauling up against the guard rail of the Oyster River Bridge causing significant damage to the mobile home. The towing company had no insurance. Brian adjusted the loss. ICBC paid the claim from what amounted to a Corporate-wide *Ex Gratia* program, presumably funded either by General Revenues or an unexpected draw on

the seed money the Government initially advanced to ICBC.

Also, during this interim period, many private sector insurers refused to extend coverage to its existing clients to cover the time period between the expiry date of their current policies and the first effective date of ICBC coverage<sup>12</sup>. Many of them had been insuring with these companies for years! The Government issued a one million dollar letter of credit to the British Columbia Motorists Insurance Company (BCMIC)<sup>13</sup> to provide coverage to the motorists and accident victims left twisting in the wind by the private sector during this interim period.

I wrote to the Insurance Bureau of Canada asking them if they wanted to comment on the content, but I had not heard back from them by publication time.

In contrast, I was a junior adjuster in the Campbell River Claims Office on opening day, Friday, 1 March 1974. When the manager, Brian Gaw, opened the door for the first time, there was a young man literally waiting on the other side to make a claim for a tape deck he alleged had been stolen overnight. They sat him at my desk. By the timing of that circumstance, I lay claim to opening ICBC's very first file. I had my reservations but that was one theft loss that was not going to be denied! Bill Goble took the first claim at the new Southwest Marine Claims Centre. I am sure the same thing was happening all over the province at various hours on that first day of claims operation.

In those early days, for the time I was on the upper part of Vancouver Island in various adjusting roles, that approach continued. At one point Norm Larden, an experienced adjuster from the private sector recruited into the first ICBC crew in the Comox Valley, and I were given cars, clipboards and Courtenay. Our one and only estimator Carroll Kersey was kept busy in Campbell River. When dealing with vehicle repairers, I picked up on Randy Christie's line, *"I don't know much about body work so I'll have to trust you for now but if I find out you've been taking me for a ride, the road will get a lot rougher for you later on."*

My Courtenay office was generally either the company car or the kitchen table of the claimant (not plaintiff). Once a guess on the future of a given injury appeared realistic to the claimant and myself, I'd sit down with yet another cup of coffee, a draft book, and a release (CL39) in front of me and we'd have a family meeting and usually settle the file. Statements and my file notes justifying the settlement sadly, would be replaced in future times by defense counsel opinions, discovery reports and countless independent medical exams. At that time, only serious injuries attracted legal attention.

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## THE STRIKE OF '75

The world as British Columbians knew it had survived the stormy birth of ICBC. By the Spring of '75 politicians were finding new fish to fry. Business was busy figuring out how to do business in the new world. Motorists were

sporting new plates and finding their way to agencies and claims centres. The strip of clear sky appearing along the horizon however turned out to just be the calm before the next storm.



(Photo courtesy of Doug Kinton (on the far right))

ICBC staff had all been required to go above and beyond the call of duty to do what often seemed at times to be 'the impossible'. IT staff had literally worked round the clock shifts as a matter of course. Public information staff had taken the brunt of adverse public opinion, call after call, letter after letter, day after day. Underwriters and lawyers picked through the bits and pieces of information left by an indignant industry. Claims staff, with offices literally being built around them, and cars full of claimants often lining up around the block, had begun to find their way through the usual conflict of their claimant-insurer world.

The rank and file now began to look for acknowledgement and stability in the form of

a first collective agreement with the Corporation.

The Government however was under pressure from labour on many fronts. In the words of the Vancouver Sun editorial of 20 May 1975, Minister Strachan *“had just surrendered abjectly in the face of an illegal strike by his ferry workers”*. In an article reported in the Vancouver Sun of 9 June 1975, BCGEU Secretary General John Fryer stated of his union, which was also in collective bargaining at the time, *“... the power of this organization [BCGEU] ... [could] bring this Province to a halt ... a complete shutdown.”*

For the Government then, being seen as caving in to the upstart Office and Technical Employees Union, Local 378<sup>14</sup> representing ICBC employees was not in the cards. A tentative agreement initially negotiated between Corporate bargainers and Union Reps was subsequently rejected by the Government members on the Board of Directors, those being Robert Strachan, Dennis and Cocke. It's not hard to see how the situation quickly led to staff downing tools on 18 May 1975. They would not resume paid employment until 2 September 1975.

Soon after the strike began ICBC was declared 'hot' by the BC Federation of Labour. In the words of the Federation's Secretary, Len Guy, as reported on the Vancouver Sun's front page article of 9 June 1975

*“we consider the attempt to keep the insurance business running through other means strikebreaking and strikebreaking cannot be permitted, whether by private company or government-owned Crown corporation.”*

The article goes on to report:

*“He [Guy] said the declaration covers ‘all materials, work, premises, and operations’ of ICBC and added member unions will be asked to immediately cease dealings with the government corporation.”*

The only instance I've found where the hot order was ignored was in Kamloops. There, body shops chose to brave the picket lines and collect only the deductible portion on vehicle repairs and trust ICBC to pay their invoices as they too moved through the financial hardship of the strike. Most other repairers would only fix vehicles on payment of cash by owners at an hourly rate they set. This move turned a pre-strike negotiating position on a universal shop rate into a fait accompli by the strike's end.

Towing company compounds were overflowing with vehicles racking up daily storage charges. Injury claims languished. Drivers could not renew their certificates. Owners could not insure newly acquired vehicles, nor could they renew or adjust coverage, or declare material changes such as new addresses or vehicle use on existing

vehicles. It went beyond cars in the city to industrial equipment in the bush. Logging companies for instance initially could not get Temporary Operating Permits to transport machines across public roads from one logging show to another.

While the esprit de corps amongst union ranks went up (see research document *2024B06 email Doug Kinton on the strike of 75.docx*) as they shared the picket lines and pay interruption (they got \$20 a week from the union), their attitude towards their employer eventually turned dark. As one striker said:

“The employees feel that even if they get all they are asking for, they have been let down. After they got ICBC going, it is like the Corporation came back and said thanks with a slap in the face.”<sup>15</sup>

Both the Government and the Union eventually accepted settlement terms proposed by Industrial Inquiry Commissioner Dr. Noel Hall. The terms included a 39.5% wage increase over a 28 month contract. Dr. Hall also recommended a three day work week of 11 hours and 40 minutes a day for computer personnel, a four day week of eight hours and 20 minutes a day for claims staff and a five day, 35 hour week for office workers.

### **AND THEN THERE WAS THE BACKLOG.**

It's estimated that there were some 130,000 new claims which had been piling up during

the strike on top of 100,000 that were in process of settlement when it began. There were about 350,000 driver certificates due for renewal. Some 300,000 vehicle owners had changed their addresses, their cars, or their insurance coverage since late May. On the general insurance side, ICBC was faced with an accumulation of thousands of applications sent in by agents.

Data entry employees on strike claimed there was a backlog of 100,000 applications for 1974 auto insurance which had not been entered into the computer because of errors in information before the strike. They predicted more would occur for the 1975 applications creating an even greater problem in terms of data management. This would hamper adjusters' ability to get the information they need to settle claims in the future.

Just getting vehicles repaired would present challenges. Len Machta, *Vice Chairman of the Body Shop Division of the Automotive Retailers Association* pointed out that because the manufacturers weren't pre-stocking warehouses, about 80% of all parts needed after the strike ended would be backordered adding a two week to a month delay to individual repairs.

When the dust settled, another step in the evolution of the Corporation had been taken. Terms of employment with its staff were now clearly defined and in place. While the Corporation would eventually clear the backlog and experience labour peace for another six years, it had come at a price--- the

loss of innocence with respect to the relationship between itself and its employees.

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## THE MANDATE

*Canadian Indemnity et al v the Attorney General of British Columbia*

As one might expect, the private sector companies were not pleased with being replaced.

Among other things they challenged the Government's authority to do so. *Canadian Indemnity Co. et al. v. Attorney -General of British Columbia* was initiated in the Supreme Court of BC with judgement rendered on 18 November 1974. It went on to conclusion in favour of the Attorney General almost 2 years to the day later on 5 October 1976 at the Supreme Court of Canada level (litigation at the speed of light compared to nowadays!).

Counsel acting for the insurers (there were 37 of them) were led by E. Davie Fulton, the former Federal Conservative Minister of Justice.<sup>16</sup> Lead counsel at trial for the insurers was D. McKenzie Brown. Peter Leask was on for the Government at all three levels. By the time the case reached the Supreme Court of Canada, the Attorneys General of Canada, Quebec, Saskatchewan, and Alberta had made appearances as *Intervenants*. This was in a time when the Courts normally did not sit in the Summer. Judging by the dates of the Reasons being delivered in the Fall months,

they did so for this case. This goes to show how important the Courts saw this matter.

Essentially the private sector case was framed as the Government, "by setting up a monopoly in automobile insurance for the Corporation, had denied to drivers and owners as citizens the right to buy automobile insurance where they wished and, because insurance is essential for drivers and owners, as citizens, ... [monopoly insurance] abrogates citizens' rights freely to use the nation's highways." This they argued, would bring the Government's actions under Section 91 of the Constitution Act, 1867 which deals with Interprovincial Regulation Of Trade And Commerce which is an exclusively Federal area of jurisdiction. A second line of attack was that bringing in a Provincial monopoly insurer negated the rights of insurers that held Federal charters.

The lower courts, and eventually the Supreme Court of Canada, agreed with the Attorney General that "the insurance scheme envisaged by the legislation in issue is designed to provide insurance to deal with loss and injury resulting from automobile accidents as a form of social insurance administered by a public agency" and thus falls within the exclusive jurisdiction of the legislature of the Province as enumerated by Section 92 of the Constitution Act, 1867 dealing with Property and Civil Rights.

Trials are said to be about competing narratives. In the narrative laid out by counsel for the Attorney General of BC, particularly in the written reasons published in this first

case, which is foundational to the later appeals, is found a detailed statement of the Provincial Government's views on ICBC's mandate. As Justice Aikins stated on pages 47 of the initial judgement:

[“Paragraphs, 19 and 20 of the defence state the position of the defendant Attorney-General in more specific terms:](#)

[19. The Defendant says that the insurance scheme envisaged by the legislation in issue is designed to provide insurance to deal with loss and injury resulting from automobile accidents as a form of social insurance administered by a public agency.](#)

[The Defendant says that the true character of the legislation in issue is: ...”](#)

Seven subparagraphs follow laying out “*the true character of the legislation*”. I’ll quote them individually in the following discussion on whether or not ICBC fulfilled its mandate in the first three years under the Barrett Government regime. You can read the Reasons for Judgement in all three cases in the *Research* tab on this website.

I’ve talked to Doug MacAdams who was junioring the lawyers working on behalf of the insurers at the Supreme Court of BC level and Peter Leask, co-counsel for the Government at all three levels. Neither Doug nor Peter saw a strong case for the insurers. When I asked Doug why the insurers took on what appeared to be a hopeless struggle he

noted the general tenor of the time. Manitoba, Quebec and then British Columbia had, in the space of two years, all emulated Saskatchewan’s 27 yearlong success of public automobile insurance. Ontario, the market that really counted (doesn’t the sun always rise and set on Ontario?), was what was really at stake in private sector eyes. *Eeeek!* The *socialist hordes* at the gates yet again, same socialists, different gate.

Ontario did eventually experiment with radical change to their system of auto insurance, but I leave that to another fool to write about. For now, let’s explore the real story behind the Government’s intentions in creating ICBC.

This Whole Thing About Cost Comparisons

The first two of the seven paragraphs read as follows:

- ... (a) to establish a non-profit scheme for providing universal compulsory automobile insurance within British Columbia;
- (b) to provide automobile insurance at the lowest possible cost to the consumers through:
  - (i) the elimination of profit ...

The establishment of the scheme and the elimination of profit was achieved immediately by virtue of transferring authority to act from the private sector whose legitimate concern is to make a profit, to a Crown Corporation whose legitimate concern is the best interests of the public. That would continue until the Christy Clark BC

Liberal Government would come along declaring themselves as shareholders demanding dividends. A lot more about that later.

It's interesting to note that there is absolutely nothing in that text about ICBC insurance being less expensive than the private sector cost experienced in previous years. Barrett was often accurately quoted in the newspapers as saying ICBC premiums in 1974 would be lower than private sector premiums in 1972. In hindsight it can be seen that Barrett's statement was prompted by political considerations. It was based on his overly optimistic view of a future that did not take into account inflation, the rising frequency and severity of motor vehicle accidents and the public's increasing inclination to claim given that there was now one clearly defined, big, fat pot of gold before them.

The true standard of measurement of any enterprise, be it private or public, however is what does it cost to produce the result. In automobile insurance terms this is rightly framed as the percentage of the premium returned as compensation. More about that later in this issue and others to follow.

### **UNIVERSAL, COMPULSORY = EVERYONE, ALL THE TIME**

For any solution to be effective, it must encompass in its sphere of influence the greatest number of actors. In the situation of ICBC then, a primary objective of government insurance would be to ensure all vehicles on the road were insured. As we know, the

government approach to accomplishing this objective was to combine vehicle registration with vehicle insurance. No insurance, no registration, thus no permission to operate a vehicle on the road without payment of a premium. Uninsured vehicles were readily identified by police through the obvious absence of valid registration plates. That approach did in fact reduce a very real problem to negligible as the following table suggests<sup>17</sup>. We'll follow this as long as it's relevant statistically.

Convictions for driving while uninsured	1970	1971	1972	1973	1974	1975
	3,141	3,840	2,080	4,118	2,778	1,273



High risk drivers no longer had to go through the complicated process of the Exchange and the Facility<sup>18</sup> to obtain insurance. Pre-ICBC, instead of jumping through multiple hoops they often decided instead to simply drive without insurance. Now they could just go to the Motor Vehicle Branch or an independent agent and buy it, at an adjusted rate, in one short visit.

Finally, from a compensatory perspective the uninsured motorist protection previously included as optional coverage by a few private sector insurers was now part of the mandatory coverage purchased by all motorists. If you did happen to get hurt by an uninsured motorist, contractually based compensation was always available through ICBC.

## A QUESTION OF AGENCY

Continuing with paragraph (b)

... “(ii) the reduction of administrative costs and commissions” ...

One management team replaces 200. But what about other aspects?

Insurers pay agencies commissions to service client needs, primarily in decisions around the purchase of coverage. Let’s examine then the Government’s decision to use the existing independent insurance agency force for this purpose.

Why independent agents rather than government employees?

The natural tendency of bureaucratic thinking would be to leverage the existing infrastructure provided by the MVB. They were already experienced in the registration of vehicles. They had the data base. Their personnel, in terms of incumbent staffing, would certainly provide a good start on acquiring the extra bodies necessary to deal with the purchase hundreds of thousands of policies connected inextricably to physical license plates.

If you’re going to build a government entity from the ground up, it seems contradictory to stop at one of the two primary interfaces with the public, the place where people went to purchase vehicle registration plates. The MVB personnel would be naturals then to sell the insurance as well. And yet the Government primarily utilized the existing independent insurance agency force. This was a group with historical ties to the private sector and free enterprise political thinking! At first blush it would seem foolish to recruit into an integral part of the ICBC operation those that would be philosophically opposed to the very idea of ICBC.

However, rather than put this group out of business, ICBC built a mutually beneficial, business relationship with them. As time has proven, the agents have not just survived but have thrived. Their expertise was and still is invaluable in ensuring well advised decision making by ICBC insureds. It also integrated ICBC auto related interaction with the ongoing personal lines needs of the public, thereby boosting the General Insurance line

of business that existed within ICBC at that time.

From the political perspective it avoided alienating a powerful political force potentially opposed to NDP fortunes and ambitions. Indeed, in the future, the agency group would advocate strongly for the continuation of ICBC at times when right wing governments of the day were toying with the idea of fully restoring the private sector to the marketplace.

The Agents saw their interests served through providing excellent service and advice to ICBC clients at the purchase point. As such it was a major factor in fulfilment of ICBC's mandate to provide *the effective collection of funds to pay losses*.

## **NO FAULT SUPPORTED THEN SCORNED?**

Further with (iii) of the preceding paragraph (b):

... the reduction and eventual abolition of adversary approach towards compensation; ...

The Government acted on this by including the existing contractual provisions of Accident Benefits coverages written into law by the previous WAC Bennett government as Part 7 of Regulation No.1. Almost word for word! Unfortunately, they left it up to the staff adjusters to manage both the Third Party Liability coverage and Accident Benefits coverages from the same file. This put the

involved staff adjusters in an obvious conflict. Eventually a Rehabilitation Department, dealing strictly with Accident Benefits coverages was established within ICBC with some very effective people, but that took many years to become a reality.

Subparagraph (c)

... to permit the extension of "no-fault" principle; ...

As previously noted, one of the lawyers working on the case was a very young A.D.P. (Douglas) MacAdams. He was a 15 May 1974 call when the initial suit was filed. I've worked with Doug over the years on many files. I interviewed him recently. One of his tasks back then was to research the legislation on the issue. He could not shed any light on why the Government did not bring in *no-fault* back then. It was particularly baffling to him as '*no fault*' was a primary recommendation of the *Wootton Royal Commission*. Additionally, it was the theory enunciated and accepted at trial in the initial decision and later upheld by the Supreme Court of Canada! The Government of the day had campaigned on the idea--- I don't know how many times I had to tell people that their deductible applied to first party vehicle damage claims. He thought the Government really missed the boat on that one.

I put the question to Bob Williams, one of the most powerful Ministers in the Barrett Cabinet at the time, in my recent interview with him. He could not provide any clarity on this issue. He did concede that two members

of the Cabinet at the time, Alex MacDonald and Gary Lauk, were both lawyers. He did not state that they exerted any influence with respect to this issue one way or the other.

In the absence of further information, I can only surmise that given the amount of change being set into motion at the time, involving not just ICBC but many other entities, it may have been a course of action best regarded as something for the future. As we know, the Barrett Government was unexpectedly defeated in the next election of December 1975 and so that can would be kicked down the road to the Bill Bennett regime. In the next issue we'll see how one Government's fault became another Government's .... well ... fault?

Enter ICBC and the Drive-in Claims Centre

... (d) to provide a more efficient means of loss settlement through the adoption of new techniques ...

Strictly speaking in terms of dollars and cents, both material damage and bodily injury are equally important components of compensation. Sometimes they are separate issues but more often than not they are intertwined. In the early stages of ICBC's history a bold step was the *Drive-In Claims Centre Concept*. It was extremely effective in the timely and efficacious delivery of compensation. It was a proven idea imported from Saskatchewan and Manitoba. The only question to be answered was whether or not it would work in BC.

There are many advantages to this system. Take for example, fixing cars damaged in motor vehicle accidents. Prior to ICBC the standard protocol was for the owner of the vehicle to identify and attend on three different body shops so that each shop could write its own estimate, which in essence were bids for the job. The vehicle owner would then take these estimates to a representative of the insurer, usually an adjuster or the insured's agent, for approval.

That person would then review the estimates and usually approve a cost of repairs equal to the cheapest estimate. But there could be many reasons why the vehicle owner might not want to deal with the winning bidder. The vehicle owner may have a positive history with a different body shop, or the shop of his first choice may have provided a courtesy car, or the location of the repairer might be more convenient, or just be someone that the owner felt he could work with better than the lowest bidder. In this case the owner would have to negotiate with the shop of choice. More time spent. More hassle incurred. More opportunity for a less than honest arrangement was able to be fashioned.

The shop of course also had its own issues, primarily all the time it took to write all those estimates which statistically had a one in three chance of resulting in paid work; not to mention how long it would have to wait for payment from multiple insurers writing cheques from outside the Province.

In the *Drive In Claims Centre* approach, the owner of the damaged vehicle drove to one

place only, the Claims Centre. While he was making his claim to a staff adjuster sitting literally within meters of his car, a staff estimator (rather than three different body shop employees) wrote a single repair estimate (called a CL14). The estimator and the adjuster then went over the estimate with the owner. Any disagreements on what was to be repaired, or how it was to be repaired, or sometimes whether items like depreciation were applied, or even on occasion, if the car was to be written off, were all ironed out there in the one appointment. Often that negotiation determined the likelihood of an injury claim being pursued or not.

ICBC used industry standard *Mitchell Manuals* to set parts replacement flat rate times. They had their own research facilities where they repaired vehicles on an ongoing basis. This meant that sheet metal repair times were backed by firsthand experience. ICBC also made a point of paying vendors in full every two weeks. Aside from relatively few glitches, shops could rely on a regular vendor cheque to meet payroll, loan, and lease obligations. They didn't need to write estimates on work they wouldn't get. If they had a problem with payment, the local claims centre was right there in their neighbourhood as opposed to Toronto or New York or Omaha.

So fair estimates, done by someone other than the body shop employee, accompanied by prompt and reliable payment of accounts made sure that the body shops also thrived. Vehicle owners weren't always happy with

the material damage decisions made by ICBC, but at least they knew where they came from right at the start. ICBC built in an appeal process through first level management review for both the shop and the owner which usually resolved most disputes.

For ICBC this gave it the initiative and the knowledge when negotiating province wide rates as well as individual cost of repairs. Combined with the ICBC research facilities, the *Drive-In Claims Centre* approach gave the Corporation the capacity to make a macro adjustment to material damage cost control levers through the simple issuance of a policy memo.

On the injury side, an added convenience for the potential injury claimant was that if they (owners, passengers, family members) had been injured in the accident, they could accompany the vehicle owner to the Claims Centre and make their claim for accident benefits, give notice of any tort based claim and get reimbursed for any immediate expenses incurred, right then and there.

In those days, in the first three years, the *Drive-In Claims Centre concept* provided the opportunity for timely settlement of both property damage and injury claims. The embrace by Claims executives and politicians, and thus the front line claims staff, of the values of quality customer service and prompt processing of objectively assessed losses made the approach extremely successful. ICBC benefitted from current, firsthand knowledge of the loss and an

opportunity to form positive relationships with claimants.

Legal representation in the early years was the exception rather than the rule and usually only occurred in more serious or more complicated losses. The perceived or real need for a third party intervenor between a claimant and ICBC is a measure of the efficiency of the delivery of compensation, both then and now. It will be reported on here as we move through time. I have an FOI request in to ICBC on rates of legal representation in the first three years which I will publish in subsequent issues.

## UNDERWRITING BLASPHEMY

Counsel for the Government went on about its true intentions:

... (e) to permit the burden of insurance to be borne by certain classes of drivers in a more socially just manner ...

The horns of the next bull upon which the political masters of ICBC would lay hands then was underwriting.

Actuarial: relating to actuaries or their work of compiling and analyzing statistics to calculate insurance risks and premiums.

In the conventional world of underwriting, the actuarial determination of rating territories is used to set premium levels for people in different geographic areas. In the world immediately preceding ICBC there is an example that illustrates this idea. The person in the staid, climatically kind, and short trip

environment of Victoria paid less for exactly the same coverage than did someone driving long distances to work, often on gravel roads, in the harsh winter climate of Peace River country.

From a strictly business perspective this makes sense. However, the NDP saw this as a social justice issue. To the underwriting staff, newly recruited from the world of the *'strictly business'*, and now riding their own version of the Shai-Hulud, the instruction to flatten the rating tables, must have come as a shock. Not only would the Peace River resident be paying less but, for political reasons, the Victoria resident was not going to be asked to pay more.

As they had no doubt imagined, there was a significant shortfall in the amount of funds collected to pay claims. Consistent with the NDP thinking of ICBC as an instrument of social policy, on 20 June 1974 the *Statutes Law Amendment Act* was passed to allow the Government to use gas tax revenue to make up the shortfall, up to ten cents per gallon [roughly 15 cents per litre in today's money]<sup>19</sup>. After all, motorists were the ones that used the roads and caused the accidents, what better way for them to pay than at the pump.

According to sources close to Bob Williams, a more extreme version of this idea was eyed at one point. The Government actually considered funding auto accident related compensation solely through a gas tax. No need for anyone to buy insurance individually. All accidents would be covered.

All losses would be compensated. An administrative expansion of gas tax revenue accounting staff and process would replace agents, underwriters and a significant number of lawyers and adjusters, etc.<sup>20</sup>

Occam's razor thinking on a macro scale!<sup>21</sup> However the Trucking Association got wind of it, did a quick calculation showing that it would shoot the cost of their insurance through the roof and lobbied hard against it. Additionally considered was the fact that a great percentage of the population lived within a short drive of gas stations in the US. Surely that's where they would go to avoid the inevitably significant price difference that would result (as they still do to this day for a significantly smaller difference on the price of a pound of cheese).

To some extent the elimination of territorial rating factors did simplify rating tables but ultimately it was a contributing factor to the Corporation falling short by about \$178 million over two years on the goal of collecting enough money to pay expected losses. The NDP hadn't acted on the gas tax revenue sharing idea by the time the Socreds returned to power. On the assumption that one man's gas tax subsidy is another man's poor business practice, we'll see how the Socreds came up with their own way to deal with the shortfall in the next Issue of the *ICBC History Project*.

The logic behind the creation of a driver's certificate with the attendant cost based on the accumulation of points on an individual's

record is self-evident in helping fulfill the wording of paragraph (e).

## GETTING HOME SAFELY

... (f) to provide for one authority to integrate and promote insurance protection, with power to engage in research into matters relating to highway safety, the causes of accidents and their possible correction, to deal with the health and rehabilitation of the injured and to reduce the cost of automobile repairs; ...

Given that anywhere from 70% to 85% of every premium dollar goes to pay losses it's an indisputable fact that premium levels are mostly determined by the frequency and severity of motor vehicle accidents. However, prior to ICBC, there were up to 200 private sector companies operating in a so-called competitive environment. All had unique cultures and differing financial priorities. None on their own had the financial power to make a significant difference to the frequency and severity of motor vehicle accidents, even if they wanted to do it. And even if they wanted it done, they all rightly saw traffic safety as a Government responsibility.

ICBC with the combined might of all the previous private sector financial power and influence rolled up under one roof had a real and substantial capacity to reduce the frequency and severity of motor vehicle accidents. Given that it was now required to compensate all associated losses (think

beyond vehicle repairs and personal injury loss to health care costs and road and business infrastructure) there was a valid financial reason to do so. If that wasn't enough, as a publicly owned corporation, using that considerable influence to help people get home safely was then and still is just the right thing to do as an *instrument of social policy*. In short, ICBC had license to attack the problem of traffic safety that was limited only by its own imagination and inclination.

We have already discussed the lack of a separate Rehabilitation Department in the early days and the creation of a material damage research facility which leaves us with the "*power to engage in research into matters relating to highway safety, the causes of accidents and their possible correction.*"

Some traffic safety initiatives were started up in the first years of operation. These were years of laying groundwork for future initiatives. In ICBC's own words from the Annual report for the period ending 28 February 1975, at page 13:

"A research division within the Corporation is studying the root cause of accidents, and the efficacy of various forms of Traffic Safety Education ...

The Corporation has also assisted in the development of community sponsored courses designed to reduce repeat offences by motorists convicted of impaired driving.

During the past year, a total of \$515,000 was paid to 10,300 drivers under the Driver Education Incentive Program. This program was launched by the Corporation early in 1974 as a means of promoting the development of safe driving habits by encouraging new drivers to enroll in approved professional driver training courses."

### THE FIRST MISSED OPPORTUNITY

To the seventh and last paragraph of the Government's own lawyers' expression of the mandate of ICBC:

... (g) to develop new approaches to compensation of victims of automobile accidents in a manner similar to the approaches for compensation for workmen's accidents developed by the Workmen's Compensation Board [as it was known then] ...

As we've already stated, a golden opportunity to go no-fault right at the beginning was not acted upon. For many years, including these first few under current discussion, as already stated, staff adjusters were put in an obvious conflict position right off the bat by requiring them to administer both the Third Party Liability and the Accident Benefits coverages out of the same file at the same time. The limited Accident Benefits provisions enacted by the previous Socred government in the thrall of the private sector was simply transferred into the Regulation without any

significant expansion of benefits. The ultimate change in the first years then was no change in staffing and no change in coverage and no change in approach.

## THE SECOND MISSED OPPORTUNITY?

Eventually, in years coming after the time frame under discussion in this issue, a dedicated Rehabilitation Department staffed by Rehabilitation Coordinators and supporting positions, would prove extremely effective in underwriting the restoration of as much function as possible to seriously injured motor vehicle accident victims. However, the importance of Rehabilitation has waxed and waned in the minds of those that hold the fate of ICBC and attendant accident victims in their hands. A new system of expanded Accident Benefits coverage labelled “*Enhanced Care*” was initiated on 1 May 2021. It includes a vastly expanded ambit of coverage and a corresponding increase in staffing. Hopefully, the underlying values that enabled ICBC’s early successes, prompt and professional service to the public, will also be its hallmark. Time will tell.

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## WHAT ABOUT THE MONEY?

In the writing of this section, I have consulted extensively with Public Finance Economist, Greg Flanagan.<sup>22</sup> On the view from 30,000 feet Greg confirms the obvious which he boils down to the following statement:

“The main economic benefit of ICBC [is] the economies of scale and scope achieved in having a single provider without a maximum-profit mandate [as well as having] a vested interest in reducing auto accidents.”

Without a ‘maximum-profit mandate’, all ICBC’s revenue is devoted to compensation, administration and ‘reducing auto accidents’. Let’s see what that means on a practical level during the first three years.

First Let’s Stop The Extra-Provincial Bleeding

Page 9 of the first annual report of ICBC, dated 28 February 1974 states investment policy for the Corporation:

“It is the policy of the Corporation to invest all income within the Province of British Columbia whenever feasible, and all funds from the Automobile Insurance Plan will be used for the benefit of British Columbia motorists.”

At the risk of stating the obvious, it is the nature of insurance that all premiums are collected in advance of claims payments. Annual revenues are regularly measured in the billions of dollars. Therefore, both public and private insurers have large pools of funds available for investment.



“Between January 1 and March 1 of 1974 the Corporation accumulated funds of approximately \$100,000,000 [just under a billion dollars in 2024 money] from premium income”<sup>23</sup>.

By adopting a policy of investing within the Province, the Government in essence put those millions to work driving the Provincial economy. This benefitted all British Columbians. All the best investment opportunities however would not be located just in BC. Given that the proceeds of investment were dedicated to subsidizing premium rates, the specific interests of the motorists also needed to be considered. Including the words “*whenever feasible*” provided ICBC the flexibility to balance these competing interests in a way that allowed for appropriate responses to global economies. *Greg’s review of the financial information provided in the early Annual Reports and Public Accounts of BC indicates that their investment portfolio seems appropriate.*

## DEFINING THE TRUE COST

Things didn’t work out so well for the bottom line. As we’ve seen in previous paragraphs, Barrett’s public promise that ICBC rates would be less than previous private sector rates played well politically but was neither congruent with the real intention of the Government, nor possible to achieve. It has also directed the conversation about ICBC’s financial efficiency into a false premise for the next 50 years. From a strictly business proposition, the resulting losses of \$34

million in the first year alone, culminating in an aggregate loss of over \$178 million dollars by the end of year two, can be seen as a catastrophe on a bottom line basis.

An initial starting point in terms of real human suffering then is the *1972 Annual Report of the Motor Vehicle Branch* numbers previously quoted at 716 deaths and 59,996 injuries. However, the world has become increasingly complicated and expensive over the years and so the statistic I would prefer to use is the number of injuries, fatal and otherwise, per million miles driven. For this I rely on the British Columbia Legislative Assembly, 1981, *Ministry of Transportation and Highways Report For the Fiscal Year 1980/81*, Victoria, BC: Government Printer, at page 499.

I am including an excerpt here. The method of reporting changes in 1977 from driver input to police input. This precludes meaningful comparisons between statistics pre and post 1977, however it does provide some insight into the extent of the problem pre-1977 and will provide a comparable source of information post-1977.

1980 MOTOR VEHICLE TRAFFIC INCIDENT FREQUENCIES\*\*

The following table gives a summary of the incident frequency during the period 1968 to 1980

Year	Motor Vehicles Licenced	Number of Incidents	Incidents Per 1,000 Vehicles Licenced	Injuries	Deaths	Deaths per 10,000 Vehicles Licenced	Deaths Per 100 Million Km	Fatal Incidents	Fatal Incidents Per 100 Million Km
1968	917,872	58,300	63.51	20,945	574	6.2	4.57	460	3.66
1969	989,196	70,624	71.39	22,535	542	5.4	3.97	467	3.42
1970	1,024,738	60,778	59.35	22,568	559	5.5	4.16	471	3.51
1971	1,087,992	59,745	54.91	22,340	636	5.8	4.04	538	3.83
1972	1,164,749	59,996	51.51	23,316	716	6.1	4.28	602	3.59
1973	1,248,422	69,564	56.00	27,709	825	6.7	4.46	698	3.77
1974	1,333,891	84,445	63.30	28,699	844	6.3	4.23	718	3.60
1975	1,349,382	85,601	63.44	25,003	717	5.3	3.53	593	2.92
1976	1,411,380	84,158	59.65	25,239	630	4.5	3.01	541	2.59
1977	1,556,262	115,046	73.92	31,942	718	4.6	3.20	617	2.76
1978	1,651,274	112,635	68.21	33,105	640	3.9	2.69	553	2.32
1979	1,800,486	123,863	68.79	37,809	738	4.1	2.92	628	2.49
1980	1,880,382	143,577	76.35	41,500	811	4.3	3.38	710	2.96

TRANSPORTATION DIVISION

The number of incidents in 1980 increased to 143,577 up from 123,863 in 1979. In 1980 there were 710 fatal incidents and 811 deaths, an increase from 1979 figures which shows 628 incidents and 738 deaths.

\*\* Reportable incidents are those where the aggregate property damage exceeds \$200 or a person is injured or killed. During 1977 a new Traffic Incident Reporting system was introduced and as a result, a higher number of incidents were reported. Prior to 1977 incident data was obtained from driver completed forms. The new system now obtains data from forms completed by the police. Due to the significant change in the way reports are submitted, a comparison between data previous to 1977 and data of 1977 should not be attempted.

## THE COST OF DOING BUSINESS

Now let's talk briefly about that other fifteen to thirty percent of the premium dollar used to service the cost of administration.

Wootton Royal Commission Excerpt:

“The Commissioners conceded that while the BC Workmen's compensation board [as it was known then], a provincial government monopoly insurance system operating in their own jurisdiction since 1917, had worked well, they were concerned that “under an exclusive governmental fund there would likely be rigidities and more limited innovation that would more than offset reductions in the percentage of premium dollar siphoned away in expenses.”

The actual ratio of administration to loss payments in the startup years is not possible for us to derive from the financial data provided publicly. The figures are complicated by the presence of the significant startup costs, the purchase of Fruit Growers Mutual, and the ex-Gratia payments that may or may not have been drawn from General Revenues of the Government to cover the period November 1973 to March of 1974 when the private sector pulled out prematurely. Hopefully a reasonably accurate calculation will emerge as financial reporting starts to work off the extraordinary costs noted here.

Certainly, in the beginning, ICBC was itself a major innovation. That meant that innovation was built into its DNA and applied to everything it did in the initial stages. But over time, the 50 years we have at our disposal to review, would the Commissioners continue to be wrong? Or would their statement, as captioned here, prove to be prophetic? As we get to the end of the ICBC History Project, I'm sure we shall all have an educated opinion on the answer to that question.

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## AUTHOR'S NOTE

When I started this project, I had no idea how many rabbit holes would open up along the way. I've left most of them for professionals in the fields of the social sciences under pressure to publish or perish, along with post-grads looking for topics for their theses, to go down should they wish to indulge. I hope *The ICBC History Project* provides a starting point. At least a lot of the documents are readily available in the *Research* tab, and potential researchers and writers have a firsthand take from the many that have already contributed to this work in the *Issues* tab.

Several have gone above and beyond. If this were an injury claim they'd all qualify for an In Trust award. I would like to take this opportunity to thank them all but in particular Linting Zhang and Silvia Garcia Gonzalez my primary researchers. They have gathered up the bulk of supporting documents. Linting in particular has shown his propensity for hard work and keen analysis in his feedback on legislation and case law. He's a third-year law student and would be a find for any firm currently looking for an articling student. Silvia, former journalist and researcher par excellence delves regularly into the *Fount of Past Newspaper Publications*.

Many typos, grammatical errors, excess words, logic traps and the like were purged prior to publication thanks to the keen editorial eyes of J.R. Silver.

Greg Flanagan has provided a crash course on economics (I got a D in that subject in my attempt at a university degree back in the late sixties).

Terry Isaac and Doug Kinton have not only been the biggest fans of this project but also are contributing through companion articles that will be published as I write the next Issue.

Many ICBC employees and politicians, past and present, have been generous in their time for interviews and for relating anecdotes and providing clarification from their personal knowledge. It has deepened the writing although not all the information could be included here.

Finally, I must thank my daughter Zoey de Domenico and my son-in-law Marlon Hanssens for wading through my various drafts and always providing encouragement.

I welcome participation from others that may have an interest and/or firsthand knowledge of the subject matter of this writing. The next issue will turn to the first Bill Bennett regime extending from December 1975 to May of 1979.

<sup>1</sup> The Art of the Impossible – Dave Barrett and the NDP in Power, Meggs and Mickleburg, Harbour Publishing

<sup>2</sup> The Art Of The Impossible by Geoff Meggs and Rod Mickleberg

<sup>3</sup> Page 7, Automotive Retailer Magazine January 1973 edition, at page 7

<sup>4</sup> Page 9, Automotive Retailer Magazine January 1973 edition, at page 9

<sup>5</sup> Insurance Corporation of British Columbia Second Annual Report for the year ending 28 February 1975, page 5

<sup>6</sup> The Wootton Royal Commission Report, Volume 1, page 315

<sup>7</sup> 1973M00 Automobile Retailer Magazine, August 1973.pdf, page 17

<sup>8</sup> 1973M00 Automobile Retailer Magazine, September 1973.pdf, page 4

<sup>9</sup> 1973K14 car insurance Victoria Times SGG.pdf

<sup>10</sup> Well Nick, I can tell you about my hiring process at the Corporation, as I have said many times I got my job at ICBC “by accident “ lol, I had an appointment at the marine building for a final job interview to become a forest ranger, ( my mother worked for the B.C. Forest Service) but when I arrived for the interview there had been a change of plans and the interviewer was not available for a couple of hours so I wandered up the street to get some lunch, I went to the Royal Centre and was going to the food court, when I saw a sign that said ICBC training centre, ( it was the ‘70’s and being a young guy I saw an attractive woman at the reception desk I went over and chatted with her and after a few minutes I asked about getting together for a date, but she said, “ there’s no date but if you want a job go to the 21st floor and apply, we are hiring” I went upstairs filled out an application and was interviewed and

offered a job as a clerk in records retention I went home and my mother asked how the interview went and I told her I had decided to work in the vibrant downtown not the forest lands of BC.

<sup>11</sup> Insurance Corporation of British Columbia Second Annual Report for the year ending 28 February 1975, page 5

<sup>12</sup> Insurance Corporation of British Columbia Second Annual Report for the year ending 28 February 1975, page 5

<sup>13</sup> Insurance Corporation of British Columbia First Annual Report for the year ending 28 February 1974, page 18

<sup>14</sup> ICBC staff are now represented by *MoveUp*

<sup>15</sup> 1975H15 article Vancouver Sun ICBC strike claims and clunkers mount

<sup>16</sup> 1973M00 Automobile Retailer Magazine, September 1973.pdf, page 10

<sup>17</sup> Table: Convictions Under Motor-Vehicle Act and Criminal Code (Canada), Annual Report of the Motor Vehicle Branch For the Year 1972 & Annual Report of the Department of Transport and Communications For the Year 1976

<sup>18</sup> see *Issue 2 – Gathering Storm* for a more in-depth description of this process *The*

<sup>19</sup> See Section 21 of the Statute Law Amendment Act, SBC, 1974, c 87

<sup>20</sup> Telephone conversation with Charles Barber in follow up to my interview with Bob Williams of 8 January 2024

<sup>21</sup> 2024B07 existing entry on Wikipedia Occam's razor

<sup>22</sup> <https://www.parklandinstitute.ca/gregflanagan>

<sup>23</sup> Insurance Corporation of British Columbia, First Annual Report for the year ending 28 Feb 1974, page 8