

**RURAL ROOTS:  
A HISTORY OF THE WAWANESA MUTUAL INSURANCE COMPANY TO 1943  
BY  
HEATHER E. NELSON**

**A Thesis  
Submitted to the Faculty of Graduate Studies  
in Partial Fulfillment of the Requirements  
for the Degree of**

**MASTER OF ARTS**

**Department of History  
University of Manitoba  
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**A Thesis/Practicum submitted to the Faculty of Graduate Studies of The University of  
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**of**

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## **Abstract**

The Wawanesa Mutual Insurance Company, established in 1896 by A.F. Kempton and supported by a group of local farmers, became the nation's largest mutual within years of its creation. Originally founded as a township mutual, the company quickly discovered that in order to control risk, growth outside of the region was necessary. By 1943, the company had become a national company and had pondered a move into the United States. This thesis explores the idea of risk management and the structure that it spawned as it pertains to this mutual insurance company to 1943. The thesis also contends that the leadership of two men, A.F. Kempton and C.M. Vanstone, was responsible for the successful development of the company over the nearly fifty year period. Although based in part on Alfred D. Chandler Jr.'s business theories, the thesis is in contrast to Chandler's theories regarding the importance of middle management in developing efficient businesses. It instead argues that this small business relied on strong centralized leadership and transitions in that leadership to build an effective, well managed national company. It also explores the role of expansion and policyholder selection as methods for controlling risk.

Based on the records of the Wawanesa Mutual Insurance Company Archives located at 191 Broadway Ave. in Winnipeg Manitoba, the thesis is broken down into two sections each with two chapters. The first section discusses the structure of the company and the roles of leadership and the evolving nature of business management within the company while the second half examines the development of the risk management strategy.

## Acknowledgements

Writing a thesis is quite the feat in so many ways. This thesis, like the company it portrays, needed a great deal of support. The list is long and still cannot possibly cover everyone and for this, I apologize.

The first thanks goes to the Wawanesa Mutual Insurance Company who graciously let me into their archives. In particular, I am forever indebted to John Bjornson, Vice President, Marketing and Property Underwriting, and to Gregg Hanson, President and C.E.O. Both gave this project a green light and have shown a keen interest in this thesis. Wawanesa not only allowed my research but funded the creation of the oral history summaries which were used extensively here. This contribution made parts of this thesis possible where it may otherwise not have been practical to pursue that line of research. I must also send thanks to the staff of the Direct Bill department, past and present, for putting up with me for six and a half years and for supporting me in all of my adventures when others would have been less understanding. My time there gave me a greater appreciation, rather inadvertently, of the workings of corporate structure in the modern world.

Naturally, no project of any size can be finished without academic support and advice. I would like to thank Dr. Nolan Reilly of the University of Winnipeg for encouraging me to pursue the little paper on a larger scale. Finally, I am forever indebted to Dr. David Burley for his never-ending support of my academic endeavors and for overseeing this thesis and all of the things that came with it. His direction, advice and patience really made the thesis possible.

Also, to my friends who provided perspective and the odd night out when it was needed. I would love to name you all but I think I have a page limit. And to my grandparents and relatives, both Kast's and Nelson's, who never really questioned my desire to become a historian. Perhaps one day with enough wine and time it will all make sense. ("I would like to thank you know who, for making it all possible ... cheers") All of the support has been wonderful. (Particularly Aunt Irene [Duffy] who flew across the country to join me on the T.O. adventure.)

Finally, this thesis is dedicated to my parents, William and Bertha, and my sister Jennifer, who have supported me for longer than I can remember and for knowing that it was possible. For this, there are not enough words in the world to say thank-you. Mom, Dad, and Jen: for being there, I thank-you and keep up the good work.

Heather E. Nelson

June 2001

## Introduction

### *"The Good Old Wawanesa"<sup>1</sup>*

If you're honest and trustworthy, a worker and good pay,  
And are looking for protection, should a fire come your way,  
There's a Company who wants you and will guard you day by day.  
"It's the good old WAWANESA."

When your building catches fire and by a wicked wind is fanned,  
And spreads to all the others till you've nothing left but land,  
There's a Company to save you with a cheque in your hand.  
"It's the good old WAWANESA."

When a fire is on a rampage, and rates would keep apace,  
When high protection threatens and stares you in the face,  
There's a Company with assets to keep others in their place.  
"It's the good old WAWANESA."

What Company supplies you with extinguishers so fine,  
With reductions of your premium on either cash or time,  
And replaces them when used by you without a single dime?  
"It's the good old WAWANESA."

Then, if needing good protection, just see their agent quick,  
Sign up his application, and with your contract stick.  
It's a Company who will pay you without a single kick.  
"It's the good old WAWANESA."

By H. Leslie Pearen  
Wawanesa Agent  
At  
Borden, Saskatchewan

In 1896, as the number of settlers on the Prairies grew and the value of farm assets increased, a young salesman, Alonzo Kempton, his friend bookkeeper C.D. Kerr, and local farmer Alexander Naismith, met in the middle of Naismith's rural Manitoba field to

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<sup>1</sup> Found in Holden – Correspondence 1935.



ponder the difficulties in dealing with Eastern insurance companies. The problem, they concluded, was that these companies from the east did not understand the needs of the western farmer. The solution was a simple one: start an insurance company, insure the farmers' most valuable commodities at reasonable rates, and schedule payment plans to meet the farmers' financial year. Starting the company was relatively easy; sustaining it was another story. In its first fifty years, the company weathered two world wars, numerous recessions, and the longest depression of the twentieth century. Nevertheless, throughout the entire period, the company expanded geographically and financially in both rural and urban areas. By 1943 the company that had started as a dream in a field had become in reality one of Canada's largest insurance companies.

Finding an apt description of fifty years of one company's history was a difficult task. At Joan Berry's twentieth anniversary gathering, however, the answer became clear.<sup>2</sup> Berry, a manager with the company, stated that she had come back to the company after a brief departure because of Wawanesa's rural roots. Berry was not the only person in the company's 105-year history to come back to Wawanesa because of its small town approach to a big industry. Employee after employee tell the same tale; they came to Wawanesa because it was the company with the big roots in the little town. Regardless of the location of the representative, despite the growing share of business that was coming out of an increasingly urban Canada, all decisions up to 1943 were based on the idea that the people in rural Canada had made the company a success.

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<sup>2</sup> The 20<sup>th</sup> Anniversary gathering for Ms. Berry took place on September 15, 2000 at Wawanesa's Executive Office in Winnipeg Manitoba. She stated, "I came back to Wawanesa, I believe, because of its rural roots." She originally worked at the Wawanesa Head Office in Wawanesa, Manitoba, during the mid-1970s. After leaving the company for a short time, Berry returned to Wawanesa as a clerk in the collections office in Winnipeg and worked her way up to Manager in the Collections (or Direct Bill) Department.

The early twentieth century was a period of change and transition for Canadians. This thesis will cover the period between 1896 and 1943 as experienced by a Canadian business. It will commence with the creation of the company in 1896 and then explore the years under Alonzo Kempton's management until 1922 when he was forced to resign. Next the discussion will turn to the years from 1922 to 1943, and the management of Dr. C.M. Vanstone, A.F. Kempton's very aggressive successor. Vanstone's era came to an end when the Board of Directors forced his retirement at the age of 73. The fifty years covered coincide with Wawanesa's transition from a small rural business to a national enterprise. This period also parallels a trend of growth and expansion in Canadian business.

The successful expansion of the company was rooted in sound business practices and aggressive leadership. The key to establishing a strong insurance business during the beginning of the twentieth century was good underwriting and careful expansion into different areas of business and different regions of Canada. The history of the Wawanesa Mutual Insurance Company is a study in contrast to many of its contemporaries because of both its expansion and its size by 1943, sitting as the leader in mutual fire insurance across Canada. Thus, the principal problem lay in how a farmer's mutual made the successful transition to a major national insurance company.

There are two key elements in the success of the Wawanesa Mutual Insurance Company. The first was its ability to carefully select business. The policyholder selection, or risk management policy, was initiated during the World War One era because the company had grown to a point where decisions could no longer be made by a select group of people. As the company grew, implementing a clear risk management

policy, which controlled both growth and risks, resulted in a successful insurance business. As time progressed, however, risk management became an integral part of expansion across Canada. The second was in its successful diversification, both regional and social. In venturing into eastern Canada and into urban dwellings, and automobiles, Wawanesa came to resemble those types of companies it had originally intended to displace. The aggressive, and sometimes discriminatory, policies adopted by the company created a company by 1943 that represented the primarily Anglo-Saxon, middle class individual, whether in an urban or rural setting.

Although regionalism and the study of business are both important components in any discussion of Wawanesa, the very basic problem is the significance of its origin as a mutual insurance company. This separates it from many of the “big name” insurance companies like Lloyd’s of London or the Hartford Insurance company because the mutual principle states that the company is owned by its policyholders and not by financially motivated stockholders. A mutual, by definition, has traits similar to a cooperative, but in most circles was not considered to be an integral part of the cooperative movement.<sup>3</sup> Even though the Wawanesa Mutual Insurance Company participated in the cooperative movement sporadically and financially supported the budding cooperative organizations, the company viewed this involvement as aiding farmers, their primary clientele. The mutual form of insurance not only separated Wawanesa from the cooperative movement; it also alienated it from the insurance industry. Often labeled by the “board” or shareholder companies as unstable and insecure, Wawanesa was generally shut out of insurance organizations during the early

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<sup>3</sup> Ian MacPherson. Each for All: A History of the Co-operative Movement in English Canada 1900 – 1945. (Toronto: Macmillan Company, 1979).

part of the history. The final problem when studying Wawanesa is that it was in many respects distinct from other mutual insurance companies. A large number of mutual insurance companies were started, like Wawanesa, to serve specific population in a defined area in Canada, usually a township. These township mutuals, as they will be referred to in this thesis, rarely grew beyond the boundaries they set for themselves.<sup>4</sup> The result was that Wawanesa became the largest mutual in Canada in the mid-teens and has remained in that position ever since. Separation from the insurance industry, the cooperative movement, and from other township mutuals during its first thirty years helped to define the values that the company founders viewed as important, but makes the links to larger movements difficult.

In the history of business there have been two approaches to examining the success of a company. The first evaluated whether the leaders of the companies were “robber barons” or “industrial statesmen.”<sup>5</sup> This movement was initiated in the post-World War Two period and had its epicenter at Harvard University. Business historians between the mid-1940s and early 1960s asserted that businessmen were at the center of the successful development of business. The company, they argued, reflected the personality and leadership of the person at its head. The entrepreneurial school of thought, although valid in its approach, crumbled under the more practical and applicable theories of A.D. Chandler.

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<sup>4</sup> The phrase “township” is not meant as a literal description but instead is meant to suggest that the mutual served the region it was located in.

<sup>5</sup> Richard R. John, “Elaborations, Revisions, Dissents: Alfred D. Chandler, Jr.’s, The Visible Hand after Twenty Years,” Business History Review 71 (Summer 1997) p.162

A.D. Chandler advanced a new theory in 1959 with his article, "The Beginnings of 'Big Business' in American Industry," which explored the structure of business.<sup>6</sup> This systematic examination of business led to Strategy and Structure.<sup>7</sup> Chandler believed the business historian could measure the success of a company by exploring the creation of middle management and policies, which reflected attention to structure and resulted in efficiency, the holy grail of business. Strategy and Structure was followed by The Visible Hand, which took the principles advanced in the first book one step further arguing that market capital and changes in business were not guided by invisible forces, but were instead managed through technological and communications advancements. The Visible Hand has become the primer for business history. Although the strategy and structure model is interesting, it examined the history of large industrial corporations that had already experienced some measure of success. Chandler often skips the early history of companies and begins his exploration where the company begins to show some sign of corporate structure in the development of middle management. In the modern study of business, Chandler's efficiency model is generally the theory that is applied. This thesis, however, will argue that part of the reason for Wawanasa's success was the effectiveness of its leadership. The decision to proceed in this manner is predicated on the belief that Chandler's theory, although useful in assessing the development of large businesses, has limited application in the examination of small business and overlooks the importance of early business leaders.

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<sup>6</sup> Alfred D. Chandler Jr., "The Beginnings of 'Big Business' in American Industry," Business History Review, 33 (Spring 1959).

<sup>7</sup> Alfred D. Chandler Jr. Strategy and Structure: Chapters in the History of the Industrial Enterprise. Cambridge: M.I.T. Press, 1962.

One of the other problems with applying Chandler's theories to the insurance industry is apparent in his discussion of the development of the industry. He states that insurance companies remained "large bureaucratic enterprises carrying out a single major activity through a centralized functionally departmentalized organizational structure."<sup>8</sup> However, Wawanesa did not move to the large bureaucratic enterprises that Chandler discusses. Additionally, his theories are difficult to apply because insurance companies tend to sell assurances not products, making the relation between issues like transportation and distribution systems more troublesome. One of the other central difficulties in applying Chandler is that his work is focused on the United States. Although many business trends did cross the border, situations related to issues such as American isolationism in the early twentieth century skews some of the analysis he offers. For example, Chandler explains the decision of American insurance companies to expand within the continental United States as a direct result of European states blocking American insurance companies. He implies that development of full lines of insurance was related to the U.S. isolationist policies. This thesis will argue, in contrast, that the decision for Wawanesa was related to risk management and that the implications of other social factors were not as important to the relatively small mutual.

The entrepreneurial school of business contends that the only figures that truly counted in the development of a company were those who led the company.<sup>9</sup> Although this was an interesting theory and is relevant in some respects, it overlooks those who

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<sup>8</sup> Alfred D. Chandler Jr. The Visible Hand: The Managerial Revolution in American Business. Cambridge: Harvard University Press, 1977. p.472

<sup>9</sup> Arthur H. Cole Business Enterprise in its Social Setting. Cambridge: Harvard University Press, 1959; Arthur H. Cole ed. Change and the Entrepreneur: Postulates and Patterns for Entrepreneurial History. Cambridge: Harvard University Press, 1949; Fritz Redlich. Steeped in Two Cultures: A Selection of Essays. New York: A Torchbook Library Edition., 1971; Fritz Redlich. The Modling of American Banking: Men and Ideas. New York: Hafner Publishing Company, Inc., 1951.

were responsible for the running of the office. This is an aspect of business that Alfred Chandler also overlooks. Businesses, in his opinion, are to a large degree run by those in middle management. Although labour scholars would undoubtedly argue that the labourer is the most important part of the corporate structure, their focus tends to lean towards the unionized labourer who works in an industrialized setting. Although all of these theories are useful in their own contexts, they tend to ignore the agent, secretary, clerk, or "inspector" in an insurance history.

A final group of historians discusses the implications of changing gender roles as a result of the early twentieth century administrative revolution. Although the examination of gender in the workforce is important, for those working at Wawanesa, the implications of gendered definitions of working roles were less significant because these women did not intend to pursue these clerical roles as permanent positions. Those who did, generally achieved some degree of success and authority. The result is that, although interesting, studies like those by Graham Lowe<sup>10</sup> are difficult to apply to the history of the Wawanesa Mutual Insurance Company.

Examining a relatively small business would normally pose a number of problems, not the least of which would be documentation. The Wawanesa Mutual Insurance Company, however, was extraordinary because it preserved numerous documents from the inception of the company.<sup>11</sup> The result is a substantial private archive to which full access was granted. The documents range from correspondence to the legal documents that allowed the company to operate. Also crucial are the Board of

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<sup>10</sup> Graham S. Lowe, "Class, Job and Gender in the Canadian Office," *Labour/Le Travailleur*, 10 (Autumn 1982), 11-37.

<sup>11</sup> The Wawanesa Mutual Insurance Company Archives are located at the Executive Offices in Winnipeg Manitoba at 191 Broadway Ave.

Directors' Minute Books from 1896 to the present. The Directors, most of whom were "local" businessmen or farmers, held the meetings semi-monthly. The relevant books, with the exception of the period between 1906 and 1916, are all present. In order to compensate for this void, other publications will be the focus of study during this period. The directors' minutes shed light on the day to day operations of the company with their content varying from claims to employee management. Also contained in these minutes is the month to month expense reports and a record of the new business, advertising records, agents commission listings, as well as the occasional travel report. In these books, a researcher is given a broad overview of the company's operations and where the company was going. The other group of documents which are of interest is the collection of advertising material that covers the period explored. These advertisements vary and include everything from magazine advertisements to gimmicks including calendars that were given to people.

The most important of the documents held in the Wawanesa Archives is the correspondence between M.C. Holden and Dr. C.M. Vanstone between 1932 and 1943. Holden served as both the Winnipeg Branch Manager and the Vancouver Branch Manager during this period. Holden became the Managing Director in 1948, after the retirement of H.E. Hemmons. Holden appears to have developed a close relationship with Dr. Vanstone over this period of time. It is likely that Vanstone had been grooming Holden to take over the role of Managing Director. In this almost daily correspondence, Dr. Vanstone discusses everything from the running of the day to day operation of the company to his opinions on different classes of people and different ethnic groups. Also



contained in these letters are discussions of the depression and the Second World War and their impact on both the company.

The one other noteworthy collection of "documents" is the oral history collection. The first half of the collection, entitled the Milton Holden Oral History Project, contains tapes that were recorded between 1968 and 1972 primarily by Milton Holden. The interviews were conducted with retired and long-term employees of the company. These people range in age and experience from the 1896 secretary to the branch managers of the time. The vast majority of the people interviewed held a minimum rank of department manager, although there were a couple of secretaries. These interviews contain stories about the former (and now deceased) Managing Directors and branch managers who were responsible for the expansion and development of Wawanesa between 1896 and 1943. These tapes have recently been summarized and are now in indexed summaries.

Finally, the town of Wawanesa wrote its history in 1988, entitled Sipiweske: Light through the trees, 100 years of the Wawanesa district. This book provides not only a history of the businesses and community organizations that developed within the town of Wawanesa, but also the history of the townspeople as written by family. By using this history of the community, one is allowed to profile those individuals who started and worked for the company. It is also possible to identify what individuals did before, during, and after being active participants in the starting and running of the company. As well, because the company had become such an important part of the community, the personal histories generally note whether the individuals were ever involved with the company.

Although the primary documents are extensive, the secondary sources are not as plentiful. The result is that a number of works were consulted which were relevant in some regard but no one book served as a comprehensive model for this study. There were two central problems. The first is that the study of insurance in Canada is not one that has been taken up by academic historians. The books published tend to be commissioned by individual companies as advertising. The second problem is that small business history is also a field in which little work has been done. The end result is an eclectic collection of materials from a number of different areas of history.

Small business in Canada, despite its prevalence, has not been the focus of any comprehensive study. Although some historians such as Barry Boothman have looked briefly at small business as part of an exploration towards larger companies, the field remains relatively underdeveloped.<sup>12</sup> In the United States, Mansel Blackford in A History of Small Business in America took up the study of small business in an attempt to offer some logic for why small businesses survive or fail.<sup>13</sup> Blackford argues that the relationship between small business and big business changed significantly over one hundred years. This also entailed a change in public attitude during the period between 1880 and 1990. Internally, small business also evolved, particularly in the way the office was managed. Blackford argues that the managerial style in small business was usually simple and revolved around a single person who knew and understood his staff. This, Blackford believes, is what separates large industry from many small businesses. His definition and description of management roles were particularly important and, while he

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<sup>12</sup> Barry Boothman, "High Finance/Low Strategy: Corporate Collapse in the Canadian Pulp and Paper Industry, 1919 – 1932," Business History Review 74 (Winter 2000): 611-56.

<sup>13</sup> Mansel G. Blackford. A History of Small Business in America. (New York: Twayne Publishers, 1991).

does not reject Chandler's notions of business organization, Blackford does believe that there is a significant difference between the two types of businesses, lending support to the ideas put forth here.

The absence of a comparable study of Canadian small business is regrettable since studies of large enterprises and general business interpretations implicitly argue a history of decline and failure for small regional firms. The late nineteenth century and early twentieth century were periods of great change for business in Canada. New ideas were introduced and adopted and the growing national economy demanded more of its institutions. Graham Taylor and Peter Baskerville's A Concise History of Business in Canada explores the development of Canadian business from 1663. They argue that during the late nineteenth century "communities of interest" developed in Montreal and Toronto which controlled the financial industry in Canada. This development, although perhaps acceptable in these two urban centers, eclipsed "other aspirants in the Maritimes and Western Canada."<sup>14</sup> This spheres of interest argument supports the notion that Wawanesa was created as a revolt against Eastern insurance companies who were members of these communities of interest. This control by a limited group of individuals resulted in the alienation of Western farmers. Ironically, Taylor and Baskerville's study focuses on the larger industries in Eastern Canada, overlooking small business in Western Canada.

The study of economic regional underdevelopment is one that has been well documented by historians over the past twenty years. Many of the examinations use Tom Naylor's 1975 two-volume examination, The History of Canadian Business 1867 – 1914,

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<sup>14</sup> Graham Taylor and Peter Baskerville. A Concise History of Business in Canada. (Toronto: Oxford University Press, 1994) p. 252.

as the basis for their arguments. Naylor argues that commercial and financial capital exploited the resource base thus leading to a weakness in industrial development.<sup>15</sup> He also argues that “Maritime underdevelopment and the loss of its financial independence went hand in hand.”<sup>16</sup> Although his arguments have been labeled as extreme by some historians, his contention that the transfer of funds from the Maritimes to central Canada hurt hinterland development highlights an important trend in Canadian economic history. The idea that the peripheral regions funded economic development in Central Canada, although difficult to prove, suggests what lay at the root of discontent between “the east” and “the west” in the early twentieth century.

In a theme similar to that of Tom Naylor, T.W. Acheson argues that Macdonald’s National Policy caused financial ruin in the Maritimes. He explains that the transfer of funds to Central Canada resulted in the creation of a resource based economy with little means to support itself. He believes that “defensive nationalism, a desire to protect the economy from outside economic forces,” resulted in the development of the railroad and “too rapid expansion of the west.”<sup>17</sup> The capital center moved from the Maritimes to Montreal and Toronto in turn re-creating the Maritimes as a periphery economy. This dependant economy was left to its own devices without the industrial base to support itself and reliant on the Central Canadian industry for goods as a result of high tariffs. This reliance on Central Canada, although historians like Acheson admit it is difficult to

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<sup>15</sup> Tom Naylor. The History of Canadian Business 1867 – 1914 Volume One. (Toronto: James Lorimer & Company, 1975.) p. xix.

<sup>16</sup> Ibid. p. 150.

<sup>17</sup> T.W. Acheson, “The Maritimes and ‘Empire Canada’,” Canada and the Burden of Unity ed. David Jay Bercuson (Toronto: The Macmillan Company of Canada Ltd., 1977) 92.

quantify, was also a source of strain between the peripheral economies of Western and Maritime Canada and the economic and industrial centre.

Although numerous articles have been written in support of the economic regional underdevelopment theory, some like Neil Quigley, Ian Drummond, and Lewis Evans have opposed this argument. In their article, "Regional Transfers of Funds through the Canadian Banking System and Maritime Economic Development, 1895 - 1935," they refute the notion the banks were responsible for transferring capital out of the Maritime region to other parts of the country and the world, and as a result deprived the area of much needed capital for economic growth.<sup>18</sup> Quigley et al. argues that there is no evidence to support these claims. They add that the expansion outside of the Maritime region was necessary to maintain competitive rates of interest for the Royal Bank of Canada (RBC) and the Bank of Nova Scotia (BNS), both of which were heavily criticized for their roles in transferring capital. They also argue that expansion beyond regional boundaries was essential to the growth and competitiveness of RBC and BNS. These two financial institutions, like Wawanesa, discovered that it was necessary to spread risk over a large area in order to remain financially feasible.

Finally, Gerald Friesen has explored the dichotomy of Prairie Canada. His regional study argues that the Prairies developed as a resource based economy balancing the Prairie wheat with the timber and "hydro electric resources" of the Northern regions of the provinces. Friesen describes the early twentieth century as being a period on the Prairies when "an agricultural economy was set in place and the political arrangements of

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<sup>18</sup> Neil Quigley, Ian Drummond and Lewis Evans, "Regional Transfers of Funds through the Canadian Banking System and Maritime Economic Development, 1895 - 1935," Farm Factory and Fortune: New Studies in the Economic History of the Maritime Provinces, ed. Kris Inwood (Fredericton: Acadiensis Press, 1993) 219 - 250.

a democratic capitalist state were challenged and confirmed.”<sup>19</sup> Beyond his discussion of regional definition within Canada, his examination of the dynamics of Western society is also of interest. Friesen argues that the early twentieth century brought about a growing awareness of the socio-economic class and ethnic identities of settlers.<sup>20</sup> This suggests that Wawanesa’s classification of risk, discussed in chapter four, were defined not only by growing amounts of data that the company had collected but were organized by new social identities within society.

Economic development in Western Canada was significantly different from that of the East because of its separation from the rest of Canada. In 1896, when Kempton and Kerr proposed the new insurance company, they decided on a mutual company instead of a company that was run strictly for profit like “board companies” that were common in the era. Wawanesa’s promoters viewed their company as a “strictly co-operative, strictly farmers’ mutual” that set it apart from other companies.<sup>21</sup> The secondary sources for insurance co-operatives are negligible and as a result, the secondary sources examine other aspects of the co-operative movement in order to understand Wawanesa as a part of such a movement.

Ian MacPherson’s Each for All: A History of the Co-Operative Movement in English Canada, 1900-1945 examines the development of the co-operative movement in Canada by arguing that the movement had four key characteristics: “one man, one vote,” insistence on neutrality in social matters, fixed return on investment, and finally dividends based on participation rather than on investment. MacPherson does

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<sup>19</sup> Gerald Friesen. The Canadian Prairies: A History. (Toronto: University of Toronto Press, 1987.)p. 4.

<sup>20</sup> Ibid., p.300.

<sup>21</sup> A.F. Kempton “New and Small Companies: A few words about New and Small Farmer’s Mutual Fire Insurance Companies,” Strictly Co-operative (pamphlet) 1916(?) Company Philosophy 1920-1972.

acknowledge the presence of mutual insurance in Canada and specifically mentions the Wawanesa Mutual Insurance Company. However, MacPherson writes off the mutual form early in his book, suggesting that mutual insurance did not subscribe to the same cooperative characteristics as outlined above and played only a minute role in Canada's cooperative movement.

The mutual form of insurance is overlooked in numerous other places because it does not meet the criteria for a cooperative, nor is it like other forms of insurance companies. Only Jack Lufkin's article, "Property Insurance for Iowa Farmers: The Rise of the Mutuals," addresses issues similar to those in this thesis. Lufkin's study argues that "the development of mutual insurance companies in Iowa demonstrates how their leaders adapted to increasingly complex economic forces affecting farmers, while at the same time accommodating the farmers' valued sense of localism and community cooperation during the mutuals' formative years."<sup>22</sup> Lufkin believes that the farmers of Iowa, much like the western Canadian farmer, did not trust the eastern insurance companies. The result was the establishment of a number of small, local, mutual insurance companies that started in the same fashion as Wawanesa.

Although Lufkin's study explores one aspect of insurance history, it is a rare examination. There is only one other academic exploration of insurance history. This study was Clive Trebilock's Phoenix Assurance and the Development of British Insurance which covers the period between 1782 and 1870. Trebilock argues that the Phoenix had three key components to its successful growth: a need to win trust, control

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<sup>22</sup> Jack Lufkin, "Property Insurance for Iowa Farmers: The Rise of the Mutuals," The Annals of Iowa 54 (Winter, 1995) p. 26

risk and maintain an agency system.<sup>23</sup> This resulted in a nation-wide and eventually international company with influence in the economy at the national level. In ways consistent with Chandler's strategy and structure model the company evolved into a diversified multinational which necessitated the development of a significant middle management. For Wawanesa, the desire to control risk and maintain agents was the same but on a smaller scale. The Phoenix existed during a time when expansion within both Britain and the Americas was possible due to changes in technology and the advances in industry. Trebilock also argues that by growing to a national size, the Phoenix also had a significant role in molding economic and policy changes in Britain. The Phoenix also experienced competition but from competitors of similar size and experience. By the time the Wawanesa Mutual Insurance Company entered the market it faced daunting forces like the foreign, century old Phoenix. As a result, the history of Wawanesa is marked by different social and economic climates and different challenges than those faced by the Phoenix.

The other books focus on running individual companies. Unfortunately the quality of other books pales in comparison with that of Clive Trebilock's book. One of the central problems is that insurance history appears to be relegated to the realm of sponsored histories. Although not without merit, these studies lack an analytical approach to the corporate history and view the past with an eye for success instead of change, which can sometimes involve failure and setbacks. For historians, the study of insurance plays only a minor role in the exploration of business and economic history.

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<sup>23</sup> Ibid., p. xvii.



In Canada, the majority of the material is again on individual companies and on the organizations that developed to provide assistance to the industry. Two books address development of general insurance within Canada. The first, on Zurich Canada, is A Personal History that covers 1923 to 1993, while The Underwriters: A Century of Service 1883-1983 examines the development of one insurance organization in Canada.

One of the few studies of a Canadian Mutual insurance company focuses on the Gore Mutual. Published in 1989 by the Gore Mutual, Roderick Cunningham's The Legacy of The Gore: Gore Mutual Insurance Company Est. 1839 "By Canadians for Canadians" reveals some striking similarities to the Wawanesa Mutual.<sup>24</sup> These similarities included the importance of entrepreneurial spirit and the desire to build a Canadian insurance company to compete with larger British and American firms. The significant difference is that the Gore Mutual was closer to industrialization and urbanized areas than Wawanesa and served urban dwellers. The Gore was also slow to move beyond its region and showed growth that was limited in comparison with Wawanesa after thirty years. By the early 1920s, the Gore was smaller than Wawanesa in the mutual market, despite being over fifty years older.

In western Canada, despite the presence of a number of small, primarily mutual, insurance companies, there have been no comprehensive histories written. In life insurance, the Great West Life Assurance Company which started in Winnipeg issued a corporate history by Richard E. Bennett entitled "A House of Quality It Has Ever Been," based on its extensive collection of paper and oral sources. Bennett argues that strong leadership was central to the development and growth of the company and that early

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<sup>24</sup> Roderick Cunningham, The Legacy of The Gore: Gore Mutual Insurance Company Est. 1889 "By Canadians for Canadians." (Toronto: Cunningham Enterprises, 1989.)

rapid expansion and a willingness to take over other companies also proved important, particularly in the early stages of Great West Life's growth. Unlike Wawanesa, the Great West Life was a company that developed in an urban setting. Although well over half of the consumers of the product they offered were from rural areas, the company centered itself in an urban setting and placed on its board successful members of the Winnipeg business community. The Wawanesa Mutual Insurance Company board, on the other hand, represented its membership and throughout the period discussed in this thesis, consisted primarily of farmers. There was also a sense of professionalism at Great West Life, which the early Board of Directors for Wawanesa appears initially to have lacked but developed over time as the company grew and its needs changed. Bennet's book offers both an understanding of how companies, and specifically insurance companies, developed on the Prairies.

Finally, the Wawanesa Mutual Insurance Company has worked to preserve its history in writing over the past one hundred and five years in the same manner as other companies. The earliest history is found not on the bookshelf, but instead in the pages of different magazines. The earliest, in Canadian Insurance, briefly examines how the company began and where the author felt the company was headed.<sup>25</sup> H.M. Jackson, the article's author, clearly describes Wawanesa's steady growth since its inception in 1896. Robert Collins for Maclean's Magazine in 1954, again briefly examines the roots of the company and focuses on the new branch offices and the anticipated growth of the company.<sup>26</sup> In 1963, the company made its first attempt to complete a comprehensive

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<sup>25</sup> H.M. Jackson, "\$1,500,000 Industry in a Village of 500," Canadian Insurance August 8, 1939. Holden History 1889-1949.

<sup>26</sup> Robert Collins, "The One Horse Town that Spawned a Giant," Maclean's Magazine May 1, 1954, pp. 20-21, 60-65.

examination of its history.<sup>27</sup> Unfortunately, this first attempt ended up being merely fifteen pages, without citations to any sources. In addition, some of the information has been proven unreliable. Finally, in 1996, the company published a history to honour of its centennial. Old Pathways, New Horizons: A History of the Wawanesa Mutual Insurance Company 1896-1996, although providing some useful factual information, contains little on the early running of the company. Intended to be accessible to the general public, the end result is a well-illustrated brief documentation of the company's first one hundred years.

This thesis will attempt to fill the gap that exists in the secondary literature in Canadian business history. In doing so, the paper will follow, to some extent, A.D. Chandler's model that each business has two key components which help it operate: a structure and a strategy. As a result, the paper is broken down into two parts and each part has two chapters. The first half examines corporate structure and establishes the importance of the leaders of the company, the agents, the employees of the company, and the role played by advertising. The second half of the thesis explores strategies that the company undertook to develop a strong company through aggressive expansion and risk management.

The first chapter, "All the Town's Men," examines the different personalities that were responsible for the development of the Wawanesa Mutual Insurance Company. In this chapter the lives of Alonzo Kempton, Charles D. Kerr, Dr. C.M. Vanstone, Major Smith, A.T. Hawley, and several members of the Board of Directors are explored. In so doing, their contribution to the company and their motivation for changing aspects of the

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<sup>27</sup> Author Unknown. *The Early Years. Company History 1896 – 1988.*

company becomes clearer. Each of these men had a strong commitment to both Wawanesa as a company and Canada's prairie west as a region. Wawanesa, like many companies, evolved as it grew. Although many of the changes the company underwent were a direct result of decisions made by those who managed the company, the requirements needed in a manager or president also changed. The result was an evolution in the type of person who ran the company. The changes in leadership on both the Board of Directors and in the office influenced the type of decisions that were made. Ideas such as risk management and expansion were direct results of changes in those at the helm.

The second chapter, "Calling All *Good Men*," explores how Wawanesa advertised and sold its business through agents and advertising and discusses briefly its competitors. The development of a strong network of agents for Wawanesa had been important since the day the company went into operation. As the company expanded across the country, the agent's role in successfully writing good business became increasingly important. The agents were considered to be the front line of defense against "moral hazards" because the company could not determine this when writing the business at the Head Office. The agents were complemented by a second smaller group of people who were responsible for the day to day operation of the company. The employees of the Wawanesa Mutual Insurance Company were as important to the company as the agents because the office staff and inspectors allowed the company to grow through their careful selection and assessment of risk as well as their apparent ability to adapt to changes allowing the company to see increased efficiency over a long period of time. Finally, the chapter explores the role of advertising as an important component of Wawanesa. Advertising acted like agents and the office staff in that it selected and attracted a specific

clientele and reached those who might otherwise have not known about the company. This chapter balances the entrepreneurial argument advanced in chapter one with the important components of the actual business operation.

The third chapter of the thesis, "The Great City on the Prairies," examines the expansion of the Wawanesa Mutual Insurance Company. Expansion became a crucial strategy to protect the company from risk. The expansion started initially as a move into other lines of insurance, while the company remained a township mutual. This, however, was not practical. Expanding geographically allowed the company to avoid the threat of disaster by spreading risk across the West at first and eventually across Canada. This risk management strategy was supported by the administrative staff discussed in chapter two and was initiated by the entrepreneurs who viewed expansion as necessary and achievable. The company also participated in corporate takeovers as a method of successfully moving into each region because it allowed Wawanesa to select risks with a good record and eliminate those that had resulted in the downfall of the small township mutuals that it took over. The strategy was an excellent one, but steadily increasing growth had drawbacks. The heavily centralized company ran into increased difficulties in controlling the policies being sold and had to clearly define both who they were and who they represented.

The final chapter, "Moral Hazards and Other Such Perils" explores the company's risk management policy guidelines. The company was initially created as a farmers' mutual, but as time passed the type of people the company insured began to change. As the company expanded across Canada, it had less direct control over decisions that were made about the type of person that it could insure because company inspectors could not

inspect each risk and increasingly relied on assessments made by agents. Although the policy may have been discretely applied in the early days of the company, the policy does not become clear until the company had grown well beyond the grasp of head office. In order to limit the risk incurred, the company applied a policy that eliminated policyholders based on moral character, class, and ethnicity. This selection of risk was the underlying strategy for the company. In order for the risk management policy to be successfully executed, it was necessary to create policies which reflected the values held by the entrepreneurs and by the office staff, particularly those at Head Office in Wawanesa.

## **Chapter 1: “Mr. Wawanesa’s”: The Few Founders**

When the Wawanesa Mutual Insurance Company was created in 1896, those who ran it struggled from day to day to keep it afloat. The corporate ideology of fairness to the insured demanded a serious commitment from those who ran the company. The mutual company ideal had its roots in small towns and Wawanesa was at first able to run a small town business with great success and little structure. As time progressed, however, Wawanesa’s operations grew to cover a huge territory and the lack of organization eventually took its toll on the company. Although dedicated, the early head of the company, A.F. Kempton, could not control the emerging giant with his ad hoc managerial style. In 1922 the disorganized Kempton departed, giving way to the taskmaster C.M. Vanstone. The change in leadership marks a significant turning point in the structure and organization of the company. Changes in office management achieved greater efficiency which in turn resulted in the massive expansion in the early 1930s as the company was able to deal more readily in greater volumes of business.

The task of establishing a company with a significant volume in premiums and evolving to meet demands, however, would have been impossible without the dedication of the men behind the policies. Often referred to as the “Mr. Wawanesa’s” these men established Wawanesa in the marketplace and then ensured that it remained competitive. This chapter will examine the careers of these men and argue that without their drive and dedication, Wawanesa would have been like so many of its competitors, limited to townships or destined to failure. In examining those who led the Wawanesa Mutual Insurance Company, the chapter will contend that as the company grew, the qualities of

company leaders changed and an evolution to professional managers and employees occurred. This transition is best viewed in examining Kempton and Vanstone and their careers with the company. For contrast, this chapter briefly examines men from other companies, as well as those who served Wawanesa in different capacities.

Small business in Canada was crucial to the development of the economy. However, small business had problems which were unique. Unlike the massive industrial corporations or highly structured sectors like the railroads, small business relied heavily on a limited number of individuals to run the companies. Mansel Blackford in "Small Business in America" points out that small business "management arrangements are usually simple." He adds that, unlike larger businesses which had elaborate hierarchies, smaller companies were able to function with a few managers who knew each other and their employees personally.<sup>1</sup> Blackford also states that managerial change is crucial to the success of any small business and suggests that stagnation ultimately led to disaster for small business.<sup>2</sup> In order to study small business, then, an examination of those entrepreneurs leading companies and the managerial changes that occurred becomes important to any understanding of companies like Wawanesa.

The Wawanesa Mutual Insurance Company started in 1896 selling insurance on threshing machines. For Wawanesa, the cost of insurance was based on knowledge of the farms and did not need to account for the higher costs of urban insurance in its premium. At the end of the first year of business, the company showed a profit of only \$5.96. The problem was inherent in the sale of thresher insurance. Threshing machines

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<sup>1</sup> Mansel Blackford, "Small Business in America: A Historiographic Survey," Business History Review 65 (Spring 1991): 1 – 26.

<sup>2</sup> *Ibid.*, p. 12.



were prone to fire and it was difficult for the small insurance company to survive both within the small region surrounding Wawanesa and on the sale of thresher insurance alone. By the turn of the twentieth century, Wawanesa decided to move into farm property insurance and out of threshing machine insurance. This move was followed by an expansion into the Northwest Territories. The move into Alberta and Saskatchewan proved profitable. The company also decided to sell its insurance through a series of agents based across the prairies instead of attempting to sell directly to the consumer. This eliminated the need to establish offices in every small town.

After being licensed in Alberta and Saskatchewan in 1905, the company worked on expanding within its existing region until 1920 when it moved into British Columbia. Expansion slowed briefly during the early 1920s as a result of managerial changes and social economic conditions on the Prairies. By the late 1920s, however, the company decided to sell both automobile insurance and insurance on properties within urban areas. This move into urban insurance reflects not only a trend in Canadian society which saw increasing numbers of Canadians moving into urban areas, but also the changing attitude of the company toward the profitability of selling within these areas. It was also the final expansion that was possible in Western Canada. In the early 1930s, the company again opted for geographical expansion. The company moved into Ontario, Quebec, and the Maritimes allowing the company to become the largest mutual insurance company in Canada with coverage across nation. This geographical spread not only permitted better risk management through increased coverage of area, thereby reducing the risk posed by a single natural disaster, it also allowed continued profitability. Milton Holden would later reflect that the company doubled in size every five years. In Table 1.1, the growth

Year	Policies	Business in force
1899	-	\$3 105774.00
1900	-	\$4 357 232.00
1905	12 969	\$14 542 525.00
1910	20 391	\$27 869 677.00
1915	29 826	\$48 075 289.00
1920	40 749	\$93 139 456.00
1921	42 312	\$98 677 999.00
1922	-	\$105 190 172.00
1925	-	\$125 653 706.00
1930	-	\$193 434 800.00
1935	-	\$246 411 751.00
1938	-	\$308 548 913.00

Table 1.1 Business in Force 1899-1938<sup>3</sup>

of the company is demonstrated through the increases in “business in force.” By 1938, the company’s surplus stood at one million dollars with admitted assets of over two million dollars.<sup>4</sup>

Wawanesa’s corporate structure supported this growth and development. When the company was created in 1896, it relied on the Board of Directors who met once a month to make major decisions and on A.F. Kempton to run the office and sell insurance on a day-to-day basis. In the early years, C.D. Kerr, who was a qualified bookkeeper, and one secretary, supported Kempton. By the early twentieth century, the growth had necessitated an increase in administrative staff as well as the development of a network of agents. The administrative staff included stenographers working in the office and inspectors in the field. As the company expanded into other provinces, it was required by law to maintain offices in each of the provinces. The result was a series of branch offices across the country. These offices were generally staffed by a secretary and an inspector but were accountable to head office in Wawanesa.

<sup>3</sup> The term “business in force” refers to the total value of all premiums.

<sup>4</sup> Annual Report 1938. Annual Reports 1934-1950.

Centralizing the operations of the company to 1943 proved an efficient manner in which to run the company. Expansion was possible because the corporate structure was able to cope with the growth. Strong management and a sound corporate structure were also important for any strategy of expansion to be feasible. The corporate strategy outlined above will be explored at greater length later in the thesis and the information provided here is meant as background information to better understand the content of this chapter.

The company began modestly in 1896. A farmer, Alex Naismith, a bookkeeper, Charles Kerr; and a salesman, Alonzo Kempton; gathered seventy-six individuals who were willing to invest twenty dollars in a new insurance company to serve the district of Wawanesa. When the three leaders pondered the idea of starting a new company, they were faced with two choices: they could either create a stock company or move towards the different insurance entity, the mutual company.

For the profit motivated entrepreneur, a stock company would have been the most logical choice. A stock, or board company as they are more commonly known in the insurance industry, refers to a company whose purpose was to generate a profit for the shareholders. Many farmers found the board companies to be expensive and generally lacking an understanding of the situation in the West. Board companies were usually based in Toronto or Montreal and were frequently affiliated with British or American firms such as the Phoenix Insurance Company or the Hartford Insurance Company.<sup>5</sup> In a piece of advertising produced in the early twentieth century, Wawanesa described stock

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<sup>5</sup> The Hartford Insurance Company started selling insurance in Canada in 1836. Until the 1920s, however, the western division consisting of the Canadian Prairies reported to the office in Chicago and not the Canadian office in Toronto. Hawthorne Daniel. The Hartford of Hartford: An Insurance Company's Part in a Century and a Half of American History. New York: Random House, pp. 247-249. The Phoenix

companies as those “whose sole and only purpose for being in the insurance business is to make a profit by charging [the consumer] a sufficiently high premium to be fairly sure of doing so.”<sup>6</sup> As these companies moved into western Canada, their rates were considered exorbitant and difficult for farmers to pay because of both the expense and because of the timing of the payments.<sup>7</sup>

The problems with the board companies were the impetus for the development of a new company. The mutual company was a feasible alternative to the board company. Mutual companies were generally based in small towns across Canada and offered the residents the opportunity to be the owners of the companies. Wawanesa described a mutual as being “an association of policyholders whose sole purpose is to provide for themselves and others protection at a minimum cost.”<sup>8</sup> By doing this, it claimed, the costs would remain low because all parties were interested in keeping losses at a minimum. Unlike the board companies, a mutual company returned profits to the policyholder in either lower policy premiums or in the form of a financial rebate.<sup>9</sup>

Kempton, Kerr and Naismith chose to pursue the incorporation of a mutual insurance company with the support of the seventy-six individual investors. The decision to become a mutual was likely based on the idea that a small company would not need to seek, nor would it attract, large urban investors. In the longer term, it also prevented larger companies taking it over or the Board of Directors selling the company for a profit.

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Insurance Company started selling insurance in Canada in 1804. Clive Trebilcock, Phoenix Assurance and the Development of British Insurance vol 1. London: Cambridge University Press, 1985. p. 198.

<sup>6</sup> “Mutual vs. Stock and Board Companies,” Company Philosophy, 1920-1972. Wawanesa Archives.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> In the late 1930s, Vanstone thought that giving the policyholders a rebate would be an excellent incentive to keep losses down. In the end the company abandoned the policy of financial rebate cheques, opting for percentage rebates to low-risk policyholders because the administrative cost of the other system was prohibitive.

Becoming a mutual essentially offered long-term stability. As well, a locally controlled mutual would keep profits in the region instead of transferring them to the East or to larger urban centers.

The mutual form offered stability, but also presented challenges. Ultimately, the corporate structure had four elements: the members (policyholders), the Board of Directors, the Managing Director, and the general staff and agents.<sup>10</sup> Despite having the members at the top of the structure, for all intents and purposes, the company was guided and regulated by the Board of Directors. Initially, the Secretary-Manager, Kempton's position, did not have a vote on the Board. In the mid-1920s when Vanstone's title changed to Managing Director, he was permitted a vote.

The Secretary-Manager's inability to vote on major policy does not indicate that the Board refused his advice especially since membership on the Board was also highly transient. The majority of the Board changed frequently, although several members remained throughout the early period of the company. One of the criteria for sitting on the Board of Directors was that members needed to hold insurance with the company.<sup>11</sup> The Board member was elected for a three-year renewable term during elections held at the annual meetings in Wawanesa.<sup>12</sup> These men controlled the whims of the ambitious Kempton and likely ensured some stability for the company.

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<sup>10</sup> See Figure 1.1

<sup>11</sup> This would become very important during the crisis surrounding Kempton's departure from the company. Mack McKellar, a member of the board, was ousted from the Board as a result of his involvement in the chaos and the Board subsequently cancelled his policy so that he was no longer eligible to sit on the Board of Directors for the company. "Board of Directors," April 11, 1922, p. 280. Minutes 1916 – 1926.

<sup>12</sup> By the late-teens the Annual Meetings were very poorly attended with the numbers rarely exceeding twenty or thirty people. Board of Directors Minutes.

In 1896, Alexander Naismith Sr. did not hesitate to join Kempton and Kerr in their new venture. Naismith's name appears in a number of different places. He is on the list of subscribers to the new company and more importantly, he was one of the original members of the Board of Directors.<sup>13</sup> In 1900, his confidence and commitment to the company was highlighted when he became the second President of the Board of Directors. Like every other member of the board, Naismith was active in making decisions and appears to have been in attendance at all of the meetings.<sup>14</sup> Naismith's father, James, immigrated to Canada from Glasgow, Scotland, with his wife sometime prior to 1860. In 1880 Alex Naismith traveled to Manitoba to claim his homestead and establish a residence. In 1881 his family joined him. Naismith worked as a farmer and as a member of the Board of Directors for Wawanesa until his death in 1913.<sup>15</sup>

In 1913 Naismith was succeeded by S.H. Henderson who had also been a strong supporter of the company and a director from its very early days. Henderson remained President until his death in 1937, one of the longest serving of the Company's officers.<sup>16</sup> Henderson was described as being "a lovely old gentleman [and] a real down to earth fellow."<sup>17</sup> One long-term employee called Henderson "the unsung hero of the company."<sup>18</sup> Henderson was a farmer who lived about seven miles outside of Wawanesa. He is described as "a Wawanesa man," and also "a wealthy man" because of his good farm and his good farming techniques. Henderson seemed to serve the company out of

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<sup>13</sup> "List of Subscribers," September 25, 1896. Annual Reports 1897 and 1900.

<sup>14</sup> Between 1896 and 1905. After 1905, the Board of Director's Minutes are missing so it is impossible to determine if he was actually in attendance or not.

<sup>15</sup> Wawanesa & District History Book Committee, "Naismith, James and Descendants," p. 413.

<sup>16</sup> C.M. Vanstone to M.C. Holden, September 21, 1937. Holden - Correspondence 1937.

<sup>17</sup> Ron Spence interviewed by Milton Holden on June 27, 1972 in Toronto. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 121.

<sup>18</sup> Bo Ferris interviewed by E.N. Davis on an unknown date in an unknown place. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 31.

his commitment to its mutual ideals and importance in its neighborhood rather than for personal financial benefit.<sup>19</sup>

After the company was created, the day to day management was left, for the most part, in the hands of Kempton and Kerr. They were, however, an unlikely pair to head a successful company. Kempton and Kerr, in all likelihood, met in a bar over a bottle of whiskey. Over the years, stories have suggested that they thought up the company in a variety of different place including on a drinking binge, on a camping trip, in a schoolhouse, or in a field. The most commonly accepted location has the company started in Alexander Naismith Sr.'s field. However, it has become unlikely that the true site of the company's origins will ever be known. Once the two men had found support for their company, the investors insisted that both take the Keeley Cure in Winnipeg for their alcoholic tendencies. Initially Kempton and Kerr were responsible for all aspects of running the company including selling insurance, writing the policies and tending to all office matters. Within years, however, the staff at the Head Office grew and the duties were dispersed. The agents, discussed in chapter two, became important for the sale of the policies and an increasing number of men and women dealt with the paperwork generated by the company.

Charles D. Kerr, was the more passive of the two partners. Kerr, although always present for Kempton's many ventures, was not as eccentric. Kerr immigrated by himself to the Souris Valley area in the late nineteenth century from Ontario, leaving behind his parents and his position as a Captain in the Kingston Militia.<sup>20</sup> Upon his arrival, he

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<sup>19</sup> Ibid.

<sup>20</sup> "The Late C.D. Kerr," Wawanesa Independent, Friday November 26, 1920.

became a bookkeeper in the town of Souris.<sup>21</sup> After starting the company in 1896, Kerr worked for Wawanesa doing the company's books. In 1909 he became the first mayor of Wawanesa and remained in the position for one year. Kerr was described by Alex Naismith, Jr. as being "a very fine fellow, quiet fellow. Never went out, never did anything to hurt anybody. He was a quiet citizen. He was quite different from Kempton."<sup>22</sup> Aside from being mayor, he was the District Deputy Grand Master for the Wawanesa Masonic Lodge in 1914 and was also active with the Odd Fellows.<sup>23</sup> Kerr died in 1920 leaving behind his wife Annie and one daughter.

Throughout Wawanesa's early years, Kerr managed the books while Kempton's role evolved. Originally a salesman, Kempton eventually became responsible for office management and day to day decision making. Something of a visionary, he founded numerous other companies throughout the early years. Kempton was born in Nova Scotia in 1863 where he reportedly finished high school and may have briefly attended college. His love was the study of both English and the humanities. In 1881 Kempton and his parents moved to Manitoba and claimed their 160 acre homestead. Although Kempton's father would have liked his son to farm, it was not Alonzo's dream. Instead, he preferred being a salesman and an innovator and was described by Alex Naismith, Jr. as being "full of business."<sup>24</sup> During the course of his life, he created at least ten successful companies, although the number could be higher. When Milton Holden

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<sup>21</sup> Wawanesa & District History Book Committee. Sipiweske: Light through the Trees. (Altona: Friesen Printers, 1998.) p. 133.

<sup>22</sup> Alex Naismith interviewed by Milton Holden on April 22, 1972 in Victoria. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 25.

<sup>23</sup> Wawanesa & District History Book Committee. Sipiweske: Light through the Trees. (Altona: Friesen Printers, 1998.) p. 133.

<sup>24</sup> Alex Naismith interviewed by Milton Holden on April 22, 1972 in Victoria. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 28.



inquired about the paradox that were Kempton's many companies, the response was "it made money."<sup>25</sup> Despite his relative success in business, his personal life was in disarray. He was an alcoholic and though romantic enough to have eloped with his wife, Samantha Preston, he nonetheless had at least one affair.<sup>26</sup> Kempton was an eccentric, who lived in the most elaborate home in Wawanesa at the time and employed, during his tenure at Wawanesa, a cook and a chauffeur.<sup>27</sup> By all accounts a successful entrepreneur on a small scale, Kempton's ad hoc managerial style failed the company by 1922.

After the death of C.D. Kerr in 1920, Kempton seems to have slipped back into his heavy drinking habits and was frequently escorted home from the office to detoxify. One report has him absent from the office for days at a time.<sup>28</sup> With no clear successor, the office appears to have been left in the hands of the office manager, Miss McKellar, for extended periods of time.<sup>29</sup> Although she was undoubtedly a competent manager, she was not in a position to lead a company. Without a clear leader and suffering from an inability to cope with the volumes of business that were being sold, the head office was in desperate need of a change.

In 1922 the Board of Directors concluded that the problems that had plagued Kempton after Kerr's 1920 death could no longer continue. At a stormy meeting in February, with allegations of adultery and poor management on the table, Kempton

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<sup>25</sup> Alex Naismith interviewed by an unknown person in an unknown place on an unknown date. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p.79

<sup>26</sup> It has been speculated that it was this affair, and Kempton's openness about it that resulted in his termination with the company in 1922. Rene Hampton interviewed by Milton Holden in Winnipeg Manitoba on April 25, 1973. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 125.

<sup>27</sup> [Author Unknown]. "Chapter One." Company History, 1896 – 1988.

<sup>28</sup> Rene Hampton interviewed by Milton Holden in Winnipeg Manitoba on April 25, 1973. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 124.

<sup>29</sup> Miss. McKellar was reportedly Kempton's mistress and was dismissed from the company after Kempton resigned. Rene Hampton interviewed by Milton Holden in Winnipeg Manitoba on April 25, 1973. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 126.

resigned. The Board of Directors called Kempton's bluff, accepted the resignation and had him removed from the company. When he left the company in 1922, it is not clear how long he stayed in the town of Wawanesa. Within a matter of years, Kempton and his family moved to British Columbia. In order to make money, he did what he had done for years; he sold insurance. Kempton, with his strained connection to Wawanesa, ended up selling insurance for the Portage Mutual Insurance Company. However, in a twist of fate in 1935, Wawanesa took over all of the Portage Mutual business in British Columbia. Kempton, after a thirteen-year separation from Wawanesa, again earned his living by quietly selling insurance for the company. In 1936, M.C. Holden, the British Columbia branch manager, discovered him selling insurance for the company and informed C.M. Vanstone, the Managing Director of the company at the time. Vanstone advised caution and described Kempton in this manner: "So far he has never let us down very badly but I knew him long before he got in touch with the Mutual and he never was a good pay. He was clever running up big accounts but it was always a row to make him settle."<sup>30</sup> In 1939 Kempton re-established formal contact with the company and requested a small monthly allowance to help him "carry on." At the same time, he expressed "his wishes for the continued prosperity of the Company."<sup>31</sup> Kempton died in poverty in July 1939 but the company he started paid for the funeral and burial of its once grand visionary.<sup>32</sup>

The transition from Kempton to Vanstone by all accounts was a difficult time for the company. Not the least of the problems was the turmoil that had plagued the company for at least a year before Kempton left the company. One account describes the

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<sup>30</sup> C.M. Vanstone to M.C. Holden, November 23, 1936. Holden – Correspondence 1936.

<sup>31</sup> "Board of Directors," April 21, 1939, p. 167. Minutes 1935 – 1943.

<sup>32</sup> "Board of Directors," July 4, 1939, p. 169. Minutes 1935 – 1943.

office as being “unsettled and the work had got behind and when the doctor came...” changes were made to forms and workflow that made the office more efficient.<sup>33</sup> The office staff were between 800 and 900 policies behind when Vanstone took over.<sup>34</sup> For a comparison, all of the secretaries working full time probably produced approximately 800 policies per week.<sup>35</sup> Vanstone brought some stability for the first time in approximately two years to a workplace that was by all accounts in a state of chaos between 1920 when C.D. Kerr passed away and 1922 when Kempton resigned.

The energetic and experienced C.M. Vanstone had run his own horse-trading business for fifteen years before a recession and technological advances forced him out. Vanstone is a study in contrast to Kempton. Throughout his life, he worked in numerous capacities. Born in Kincardine, Ontario, on August 18, 1870, he was the son of Josiah Vanstone, a furniture manufacturer who had emigrated from England. The Vanstones lived in Ontario for eight years before moving to Manitoba where Josiah worked for the Manitoba government for forty years.<sup>36</sup> C.M. Vanstone worked his way through school by being a schoolteacher,<sup>37</sup> and after completing his medical training at the University of Manitoba, moved to Wawanesa and opened a medical practice and drugstore in 1894.<sup>38</sup> This drugstore became the first home to the Wawanesa Mutual Insurance Company in 1896. Despite owning the first home of the company, his faith in the new company was

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<sup>33</sup> Rene Hampton interviewed by Milton Holden on April 25, 1973 in Winnipeg. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 125.

<sup>34</sup> Ibid.

<sup>35</sup> Based on a comparison of the numbers found in the Annual Reports. Annual Reports – Pamphlet 1920 – 1934.

<sup>36</sup> Robert Harvey. *Pioneers of Manitoba*. Winnipeg: The Prairie Publishing Co., 1970. p. 48

<sup>37</sup> “Doctor C.M. Vanstone” Letter for Employees of the Company, undated. Holden – Vanstone, C.M. 1934 – 1943.

<sup>38</sup> Harvey, p. 48

limited as he would later talk of being insured by the Portage Mutual when he was younger.<sup>39</sup>

In 1899, three years after the Wawanesa Mutual Insurance Company started, Vanstone participated in the creation of an insurance company with Kempton and other members of the community.<sup>40</sup> The Western Canadian Hail Insurance Company also ran out of Wawanesa Head Office by Kempton. Vanstone later recalled that the company, “alternately lost and gained each year until we decided at the end of one year, when we had a reasonable surplus to wind it up.”<sup>41</sup> He explained that the “method of operation was very primitive.” Although the connection between the Wawanesa Mutual Insurance Company and the Western Canadian Hail Insurance Company is not made in any remaining records, the two companies did advertise together in the Nor-West Farmer in 1903.<sup>42</sup> The act of incorporation issued in 1899 also suggests that Kempton was the manager of this company which implies a link between Kempton and Vanstone at this early date.<sup>43</sup>

Vanstone maintained a stable life while in Wawanesa, marrying Lily J. Clark, who would become the mother of his six children. In 1912 Vanstone decided to sell his medical practice and pharmacy, opting for a life in the horse trade. By all accounts, Vanstone thoroughly enjoyed this business and it allowed him to explore much of western Canada. Although he enjoyed judging and breeding horses, the need for horses

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<sup>39</sup> C.M. Vanstone to M.C. Holden, May 14, 1940. Holden – Correspondence 1940. There is a great deal of irony in the fact that he was insured by the Portage Mutual because he would later have no end of troubles with that company while running the Wawanesa Mutual as will be seen in Chapter Two.

<sup>40</sup> Vanstone does not appear on the Act of incorporation but does suggest in a letter to Holden in 1942 that he did play a role in the creation of this company.

<sup>41</sup> C.M. Vanstone to M.C. Holden, December 18, 1942. Holden – Correspondence 1942.

<sup>42</sup> Advertisement, Nor-West Farmer October 5, 1903. Holden – History 1899 – 1949.

<sup>43</sup> Manitoba. Sessional Papers. “An Act to Incorporate “The Western Canadian Hail Insurance Company.” Assented to July 21, 1899. (p. 55)

declined steadily with the advent of the automobile and the tractor. Vanstone's decision to leave the horse trade, however, was poorly timed as many of the farmers on the Prairies were suffering through the post-World War One recession. His son Joe would later recall that Vanstone decided not to collect the approximately \$500,000 which was owed to him in notes.<sup>44</sup> When Vanstone headed for the town of Minto, Manitoba, in 1922, he did so as a man in serious debt. Shortly after his arrival in Minto, Vanstone received a notice from the Board of Directors of the Wawanesa Mutual Insurance Company.<sup>45</sup>

In 1922 Vanstone was recruited by Clark Rodgers, a member of the Wawanesa Board of Directors, to succeed Kempton as Managing Director. When Vanstone accepted the position on February 22, 1922, some doubted his ability to move into the position because he had no prior experience in the insurance industry. Employee, Mrs. Gorrie stated, "People couldn't understand why a doctor would take it [Wawanesa] over."<sup>46</sup> Another criticism was that Vanstone was thought to be bankrupt. After his appointment at Wawanesa, he worked hard to develop a comprehensive understanding of insurance in Canada. Although Vanstone had a slow start, within a few years he had gained enough confidence in his knowledge to suggest moves into different types of business and into different provinces.

Over time Vanstone gained the respect of Wawanesa's townspeople, the policyholders, the Board of Directors and also received national recognition for his

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<sup>44</sup> Joe Vanstone interviewed by Milton Holden in Ingonish, Nova Scotia, on June 20, 1972. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 63.

<sup>45</sup> Alex Naismith interviewed by Milton Holden and Ted Davis in an unknown place on an unknown date. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 71.

<sup>46</sup> Mrs. Gorrie interviewed by "Herb" at an unknown location on an unknown date. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 131.

understanding of insurance. His respectability in the industry is highlighted by the Dominion Government's invitation to sit on the Dominion War Risk and Demolition Commission during the Second World War. On this committee there were fifteen representatives from insurance companies across Canada. When the committee of fifteen elected an executive, Vanstone was one of three selected. He was also the only representative of a Mutual Insurance company.<sup>47</sup>

Throughout his twenty-one year period at the head of the Wawanesa Mutual Insurance Company, Vanstone encountered thousands of people. He has been described as being "very aggressive and a real gentleman."<sup>48</sup> The perception of the doctor, however, varied depending on the situation. Vanstone, in contrast to Kempton, focused on efficient organization of the company with an eye for future growth.<sup>49</sup> Although an enduring trait for a businessman, those who worked under him found this desire for efficiency and growth to be a source of some frustration. In the branches other than the Head Office where his efficient ways did not interfere with day to day lives, Vanstone was highly regarded. Numerous people described him as being a good gentleman and a kind person. However, within Head Office, he often frustrated the employees because he was considered to be "a taskmaster [and] ran the whole office."<sup>50</sup> One of his practices was to stand by the entrance to the office with his watch, telling those who were late to try to do better in the future.<sup>51</sup> Although his sensitivity when it came to matters of

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<sup>47</sup> C.M. Vanstone to M.C. Holden, April 20, 1942. Holden – Correspondence, 1942.

<sup>48</sup> Bo Ferris interviewed by E.N. Davis on an unknown date in an unknown place. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 34.

<sup>49</sup> As a note: Vanstone was a salaried employee whose earnings were set and not based on the annual success of the company.

<sup>50</sup> Eric Carruthers interviewed by Milton Holden on April 27, 1972 in Vancouver. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 106.

<sup>51</sup> Ibid., p. 105.

employee management did not always satisfy his employees, his dedication to the company impressed them. Rene Hampton, an employee of the company for forty-eight years described Vanstone as “want[ing] things done.”<sup>52</sup> Hampton states that when Vanstone introduced new types of insurance or clauses, he always rifled through the mail to find comments or complaints from policyholders. She believed that his dedication to getting things done meant that as soon as the mail came in, Vanstone was convinced that the office was behind and needed to work harder.<sup>53</sup> Needless to say, at no point in his career with the company was he a passive manager. Vanstone’s aggressive management, however, also necessitated an efficient staff. These staff members, as seen in Chapter Two, needed to be dedicated to the company and were what made Vanstone the manager that he was.

One of Vanstone’s more notable traits was his ability to identify problems within the office and offer solutions. When the company started in 1896, the majority of the policies had been written during the summer. As time progressed, however, this started to cause serious problems for office staff. Vanstone recalled, “nearly half the year’s business was done in April, May, and June. The staff was always behind with policies. June 1922 I counted over 700 applications in one girl’s desk to be written. They were working over time [during the summer] and in December, January, February, and March idling through the day.”<sup>54</sup> Vanstone attempted to resolve this problem by trying to spread the business over the year. Vanstone also altered the manner in which the company calculated its business done throughout the year by counting the number of policies

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<sup>52</sup> Rene Hampton interviewed by Milton Holden on April 25, 1973 in Winnipeg. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 126.

<sup>53</sup> Ibid., p. 127.

<sup>54</sup> C.M. Vanstone to M.C. Holden, December 18, 1942. Holden – Correspondence 1942.

instead of adding up premium amounts. Vanstone stated that “our method, started when practically all our business was on farm. [This] was good enough for a while but shows in no way anything but volume coming for fire protection.”<sup>55</sup> Both of these policy initiatives allowed for the evolution of a more dynamic company by increasing the efficiency of the staff and by providing a better sense of the strength of the business.

In 1941, after the death of Major Smith, the Toronto manager, Vanstone decided to take over that office because he could find no satisfactory successor to run the branch. Vanstone, despite disliking Toronto, saw Ontario as the promised land for expansion of the company in Canada. Although the Ontario office was established in 1931, the Board of Directors did not share his vision. In 1932 Vanstone, so convinced by the promise of the Ontario branch, suggested that the company “move our head office to Grimsby where an exceptional opportunity exists to secure a very suitable location at a very low rate.”<sup>56</sup> The Board of Directors refused to pass his motion to move and still saw the company as based in the West. One month later, Vanstone convinced a number of members of the Board of Directors to visit Ontario in order “to have a grasp of the insurance situation there compared with the West.”<sup>57</sup> Vanstone’s vision of Ontario as the home of future growth proved to be accurate.

Despite Vanstone’s passion and commitment to the company, on June 18, 1942, the Board of Directors decided that he had become too old and requested his resignation.<sup>58</sup> Some suggest that Vanstone, in reality, was forced to leave the company after a dispute with the new President of the Board of Directors, A.T. Hawley. Vanstone

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<sup>55</sup> C.M. Vanstone to M.C. Holden, December 24, 1942. Holden – Correspondence 1942.

<sup>56</sup> “Board of Directors,” April 12, 1932, p. 107. Minutes 1931 – 1935.

<sup>57</sup> “Board of Directors,” June 24, 1932, p. 119. Minutes 1931 – 1935.

<sup>58</sup> “Board of Directors,” June 18, 1943, p. 243. Minutes 1935 – 1943.



described the decision by the Board as being “an uppercut and undercut on the chin from A.T. H.”<sup>59</sup> The fight with Hawley is well-documented and only six months after the death of Robert Wallace, the former President of the Board of Directors Vanstone left the company. Vanstone was disappointed and stated that it was “going to worry me when I sever my connection with the old company but it will live on and grow till we are able to take in one state after another and eventually cover the United States.”<sup>60</sup> His goals for the company were lofty and without his direction, the company slowed its aggressive expansion.

Vanstone’s controlling nature had an impact on the company even after he left. H.E. Hemmons, Vanstone’s successor, did not work out well at the company’s helm. Hemmons was acquired when Wawanesa took over the Miniota Mutual of Beuhla, Manitoba, a fairly small company. When the Miniota Mutual was taken over, Wawanesa, instead of laying off the staff in the Miniota Mutual office, absorbed them into the company. H.E. Hemmons, an underwriter in the Miniota Mutual office, was responsible for the transfer of business from Miniota to Wawanesa and once the files were moved or closed, Hemmons was appointed to the position of Assistant Secretary Manager for Wawanesa and the assistant to C.M. Vanstone. Hemmons was Managing Director for only a very short period of time because, by all accounts, he did not want the position and had had only very limited responsibility while Vanstone had been in charge. The result was that he was ill prepared when Vanstone retired.<sup>61</sup> Many believed that Hemmons was more interested in underwriting than he was in managing the company.

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<sup>59</sup> C.M. Vanstone to M.C. Holden, July 19, 1943. Holden – Vanstone, C.M. 1934 – 1943.

<sup>60</sup> C.M. Vanstone to M.C. Holden, June 22, 1943. Holden – Vanstone, C.M. 1934 – 1943.

<sup>61</sup> Bo Ferris interviewed by E.N. Davis on an unknown date in an unknown place. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, pp. 31-32.

Vanstone's failure to train an adequate successor and appoint him to an appropriate position appears to have been his only downfall as an excellent entrepreneur. According to George Albert Smith, author of "The Approach to Business Policy in the Harvard Graduate School of Business Administration," there were six criteria for a successful business leader. Not surprisingly, the ability of a leader to train a successor is among one of the important attributes. The others included the ability to organize, control the office, exercise judgement, diagnose and solve problems and plan for the future.<sup>62</sup> On all other accounts, Vanstone demonstrated the traits of a successful leader and entrepreneur and it should come as little surprise that Wawanesa saw a period of expansion and growth under Vanstone which has never been paralleled.

During the Vanstone era, the management of the office was not the only thing that underwent significant change. During the Kempton period, many of the members of the Board of Directors were from the area in or around Wawanesa, Manitoba. Originally this had been because membership in the company was a requirement for becoming a member of the Board. This bylaw eliminated the possibility of those living in urban areas from becoming members of the Board of Directors. As the company branched out into different types of insurance, however, the Board of Directors slowly started to diversify. The members of the Board still generally came from areas located near Wawanesa; however, this was because the members were required to attend the bi-weekly meetings of the Board, which could have been prohibitive for a person living in, for example, Toronto. In this way, the local directors were able to maintain control despite the democratic principle of mutual organization.

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<sup>62</sup> George Albert Smith, "The Approach to Business Policy in the Harvard Graduate School of Business Administration," Change and the Entrepreneur: Postulates and Patterns for Entrepreneurial History ed.

One of the first urban dwellers to sit on the Board of Directors was A.T. Hawley. Hawley was born in Ontario and, after graduating from Queen's University with an Arts degree, moved to Manitoba. After settling in Winnipeg, he read law with C.P. Wilson and was called to the bar in 1913. Hawley was also a professor of Greek at Wesley College from 1900 to 1912. He became the Wawanesa Mutual Insurance Company's lawyer in the early 1930s and was appointed a member of the Board of Directors in the mid-1930s.<sup>63</sup> He became increasingly involved with the company and his second wife believed that by the early 1940s he had dedicated all of his time to working for the company.<sup>64</sup> Hawley took over the position as President of the Board of Directors in 1942 and remained in that position, despite illness later in his life, until 1960 when he died.

Alex Naismith Jr. was another long-standing member of the Board of Directors. He joined the Board in 1923 or 1924 and remained an active member until approximately 1970. The fifth son of the second President of the company, Alexander Naismith, Naismith, Jr., claimed to have been in his father's field on the day that Kempton and Kerr came up with the idea for the Wawanesa Mutual Insurance Company. Naismith, Jr. took over his father's farm in 1909. He worked as a farmer until 1932 when he sold to the farm and moved into the town of Wawanesa to become an inspector for the company.<sup>65</sup> He served with the company in his capacity both as an inspector and as a member of the Board of Directors for numerous years. Naismith, Jr. was the oldest member of the Board at the age of 96 when he retired. Naismith's commitment to the company matches

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Arthur H. Cole. Cambridge: Harvard University Press, 1949. pp. 11 – 16.

<sup>63</sup> "A.T. Hawley, Insurance Fire President Dies," Winnipeg Free Press, September 1960, found in Company – Media 1960 – 1990.

<sup>64</sup> Mrs. Hawley interviewed by Lloyd Fridfinnson on February 21, 1994 in Winnipeg, Manitoba. Summary found in Heather Nelson, Centennial Oral History Tape Summaries, p. 224.

<sup>65</sup> Wawanesa & District History Book Committee, "Naismith, James and Descendants," p. 414

that of many other employees. Naismith worked with only three Managing Directors and saw the company through the most complicated and successful periods in the company's history.

As the company expanded, the creation of service offices necessitated training men to work across the country in branch offices. One such individual was M.C. Holden who, like Alex Naismith Jr., started working for the company during the Vanstone era. Holden started out in 1927 as an insurance salesman in order to supplement his teaching salary. In 1930 he gave up his position with the Norwood School Division in Winnipeg to work for the company agent in Winnipeg, Mr. Radcliffe. When the agency converted to a branch in 1932, Holden decided to stay with the branch. His decision made him popular with Vanstone and started a ten year long professional relationship with the Managing Director. In 1934, after the manager in Winnipeg left, the branch was handed over to Holden. In 1936 Vanstone offered Holden the opportunity to move to British Columbia to become the Branch Manager for what had been a failing office in Vancouver. Holden took pride in his position with the company and constantly offered Vanstone suggestions and innovations in the nearly daily correspondence with Vanstone. Holden became a confidant and Vanstone frequently consulted him before going to the Board of Directors with suggestions. Holden's leadership qualities in the branch were clear and a dying Kempton told him in 1939 that he was one day going to be the Managing Director.<sup>66</sup> Holden became the managing director in 1948 and was responsible for numerous innovations during his twenty-year tenure in that position. Although his accomplishments as leader of the company fall outside of the scope of the thesis, his role

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<sup>66</sup> M.C. Holden interviewed himself on December 17, 1972 at an unknown location. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 18.

as sounding board for Vanstone and innovator in British Columbia should not be overlooked.

In stark contrast to the leaders at the Wawanesa Mutual Insurance Company sit the men who ran the companies that failed and were absorbed by Wawanesa. One was Murray Doyle, who was responsible for managing the Miniota Mutual for a number of years. He was the son of the company's founder, W.A. Doyle. Murray Doyle's reign at the Miniota Mutual appears to have been driven by greed. Around 1920, he convinced the Board of Directors to give him 50 cents extra on every policy that he wrote.<sup>67</sup> The Miniota Board, in a moment of weakness, agreed and Murray went on to write every possible policy in the district surrounding Beulah, the headquarters of the Miniota Mutual.

The two years that followed Murray's convincing sales pitch to the Miniota Board of Directors were disastrous. The Canadian prairies saw a devastating recession and the poor writing had resulted in a company that was based on poor risks and uncollectible premiums. In the period between 1920 and Wawanesa's takeover of the Miniota Mutual in 1923, Doyle disappeared only to reappear when Wawanesa offered to take over the Miniota. Doyle offered to run the Miniota Mutual from Winnipeg. The policyholders were not impressed by the offer nor were they impressed with Doyle.<sup>68</sup> Doyle would again disappear after his failed lawsuit against the Wawanesa Mutual Insurance Company. Doyle was again spotted in 1938 when he was selling "very doubtful stocks." Clarence Orr, then a fieldman for Wawanesa, believed that Doyle had been banned from

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<sup>67</sup> Clarence W. Orr interviewed by Milton Holden on May 3, 1972 in Calgary, Alberta. Summary found in Heather Nelson, Milton Holden Oral History Tape Summaries, p. 85.

<sup>68</sup> Ibid., p. 86.

Saskatchewan and was thought to be guilty of fraud on at least three occasions.<sup>69</sup> There was a fine line between the men who ran the Wawanesa Mutual Insurance Company and those who ran other mutuals that failed, but those at the head of Wawanesa maintained some integrity in their work and managed to come through difficult times.

There is, without a doubt, a great debate in business history about the best way to treat those who ran companies. Some would rather the debate moved away from a discussion of men and personalities because complications inevitably arise out of any discussion of personality and any attempt to separate the strong entrepreneur from the weak one. Despite its inherent difficulty, strictly examining the operation of business based on day-to-day files does not provide a complete picture, particularly in the case of Wawanesa. The men who led Wawanesa to success were strong leaders and visionaries. Of those discussed, the two most important are Kempton and Vanstone. Their vision and methods, however, were very different. Kempton was the lax manager with an eye to a fine western Canadian company, while Vanstone was a businessman who saw the importance of office efficiency and looked towards a national and international company. In contrast, the Miniota Mutual leader Murray Doyle is an example of what happened as a result of suspect leadership. Kempton started out as a sufficient leader for Wawanesa but as time progressed, his management techniques could not accommodate the needs of the growing company. His successor, Vanstone, had a clearer sense of advanced management theories and applied them well. Nonetheless, his style was one of broad personal engagement. Both were good leaders but the transition was necessary to accommodate the growth of the company. The difficult transition between the two

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<sup>69</sup> Abid., p. 86.

leaders also highlights the significance of their leadership roles. In a corporate structure less dependant on the individual, such a transition would have been smooth. The importance of a sound organizational structure with strong leaders allowed for the expansion that will be seen in the second half of this thesis. The top of the organizational structure, however, would have suffered without strong support from those who worked in the positions which provided services to the policyholders. It is these individuals who will be the focus of the next chapter, the conclusion of the discussion on organizational structure and its importance.

## **Chapter 2: Calling All *Good Men***

Kempton, Kerr, and Vanstone were the central figures in the building of Wawanesa. These figures, discussed in chapter one, were extremely important to Wawanesa's development but within years of its initial creation, the company ventured into new areas that eventually required administrative support. From the first day of the company's operation, there was a secretary and the operation grew from there. Before long, the company had a slew of agents and a dozen administrative support staff. By 1943, the staff numbered in the hundreds, the agents in the thousands, but everyone throughout the country understood the centre was in Wawanesa. Head office and, in particular, C.M. Vanstone, believed that a centralized operation was the key to success. Although minor decisions were made by the various regional "branch" or service offices, the Head Office decided when and where money would be spent and only a few individuals would ever be allowed to make independent decisions. Even advertising, the key to local growth and the builder of corporate identity, was controlled primarily by Head Office. Those on the front lines, however, made some decisions that counted: the agent decided who would be a suitable consumer and the inspectors insured that standards were being met.

Although the managing directors and the members of the board of directors made important policy decisions, those in positions of less power were often left responsible for the implementation of the policies. This chapter will explore the role of the agents, the office staff and advertising (the silent staff member) in Wawanesa's growth and development through the implementation of the risk management policy and by aiding in



the promotion and definition of the Wawanesa name.<sup>1</sup> In addition, the chapter will examine how these roles changed as the company evolved and discuss how the growth of the company resulted in greater commitment from both office staff and the agents. It will argue that these factors contributed to both the definition and the execution of the corporate policy and were integral parts of the corporate structure.

The structure of the Wawanesa Mutual Insurance Company was not a complicated one. By all accounts, the only confusion lay with the role of the policyholder, who was both the consumer and, at least in theory, the decision maker. This aside, the company was able to develop a functional administrative structure. This organization, however, evolved over time to meet with the different demands the increasing amounts of business placed with the company. The first office was initially staffed by three people: Kempton, Kerr and their secretary. Within three years, the company realized the need for agents dispersed across the region who could sell the insurance based on their knowledge of the potential policyholder and his possessions.

In spite of the ubiquity of the modern day agent, the creation of an agents' network was a conscious decision made by the company and not a presupposed notion. In the insurance industry, there are two ways to "write" insurance: direct and through agents. Direct writers, as these companies are referred to, are fundamentally different from an agent-reliant company because the direct writer established offices across their target area and dealt directly with the public. The merit of this method is that a company

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<sup>1</sup> Advertising is often treated as a part of corporate strategy. Although this is in part true, advertising for Wawanesa was essentially about defining corporate identity and communicating with a larger audience than was physically possible for other staff members. In essence, advertising became the invisible and silent staff member because it played the same role as the inspector or the agent in spreading the Wawanesa name.

can control every aspect of the way that business is selected and handled. Direct writing has three significant differences in its structure. First, a direct writer will generally have a larger staff because a company employs everyone within the corporate structure and will not need to rely on agents to sell their product. The second is that these companies devote more money to advertising because they do not have the benefit of an agent who would normally sell its product in the agency. The other consequence of direct writing is that these types of companies are required to invest more money in "bricks and mortar" because direct writers need service offices in lieu of independent agents.

The other way insurance is written is through an agent - based system. This system relies on a network of agents across the country that offer insurance from a number of different companies. For the most part, a company like Wawanesa usually tried to be the first or second company on the agency's sales roster.<sup>2</sup> This meant that they wanted the first opportunity to insure good business. By the early 1920s, the larger insurance agents offered a wide range of insurance coverage from a number of different insurance companies, and were not restricted to one company.

When Wawanesa was established, the company was small enough to sell insurance through a small number of agents. However, it also relied on members of the company to sell to their neighbors and friends. As long as the company covered a very small region, this was an efficient business practice. As the company grew, however, Wawanesa appointed a number of agents, usually local farmers who sold insurance to their neighbors across the Prairies and who worked part time and turned over frequently, particularly during the early years. In fact, hand-written lists in the Minutes Books reveal

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<sup>2</sup> In order to assure its position, the company frequently sponsored new agencies, inspiring loyalty in its agents. It also offered a competitive rate of commission.

that only one third of those listed sold insurance more than once in a two and a half year period. Of the remaining one third, or 50 agents agents, only two appeared more than twenty-five times in the thirty-month study and no agent between January 10, 1899 and June 14, 1901 appeared in every listing. This suggests that in the early twentieth century, there were no professional agents in Manitoba or Western Canada selling insurance for the company. The other implication is that being an agent in the early years was not a very attractive, or feasible, occupation.

In 1900 the company introduced the "Agent's Competition" as a way to secure more effective representatives. This competition promised \$50 to the person with the "largest amount of good new business in the Farm Branch of this company taken from February 1<sup>st</sup> and December 31, 1900" and \$25 and \$15 to the runners up. In order to protect themselves from a rush of poor business, Wawanesa added, "over insurance on buildings and poor collection are points that will count strong against agents in this competition."<sup>3</sup> This competition continued for three years, but then lapsed until 1916 when it was re-introduced. It disappears from the records again after 1922.

The drive for new agents was constant. In a 1903 advertisement in the Nor-west Farmer, Wawanesa stated "Agents wanted in Unrepresented [sic] Districts."<sup>4</sup> At first, the company approached agents working for other companies, but met resistance. In a bold move, it went to adjacent towns and sought out a "municipal clerk or a grain grower" to sell insurance for the company. The result was "some mighty fine people."<sup>5</sup> Wawanesa discovered that training individuals new to the field had advantages. The company was

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<sup>3</sup> "Board of Directors," February 13, 1900, p. 87. Minutes 1899 – 1905.

<sup>4</sup> Nor-west Farmer, October 5, 1903 Holden – History 1899 – 1949.

<sup>5</sup> Chad C. Stevenson interviewed by Milton Holden on June 20, 1972 in Nova Scotia. Heather Nelson, Milton Holden Oral History Project Tape Summaries, p. 59.

able to instill its ideals in these new individuals and in turn created a group of agents who were dedicated and more inclined to follow Wawanesa's guidelines than an agent who sold insurance for another company. Despite being established with the help of Wawanesa, the agents were often encouraged to sell insurance for other companies. The company understood that insuring all the risks in one region could be devastating if disaster struck.

By aiding in the creation of a number of agencies, the company developed a loyal following. This was apparent when the board companies threatened to implement a non-intercourse rule in 1939, which would have prevented agents from selling both mutual and board insurance. The reaction to this idea from the Wawanesa agents was severe. Vanstone stated that he had heard from "twenty of our agents [who] have told me ... they would at once tell the Board where to go ..." if the non-intercourse rule were implemented.<sup>6</sup> The agents that Wawanesa recruited generally were loyal and remained with the company over long periods of time. One example was Julius Rotto who served Wawanesa as its "big agent" in Edtin, Saskatchewan, for forty years from 1902 until his death in 1942.<sup>7</sup>

Although the company successfully retained agents, sometimes recruiting new ones was a challenge, particularly as the company expanded eastward. Initially, the company tried to lure good board company agents. This method, however, failed more frequently than it succeeded. J.L. Williamson, the Branch Manager in Winnipeg, when attempting to find agents to serve the area around Dryden, Ontario, decided to approach

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<sup>6</sup> C.M. Vanstone to M.C. Holden, November 6, 1939. Holden – Correspondence 1939.

<sup>7</sup> C.M. Vanstone to M.C. Holden, November 28, 1942 and December 1, 1942. Holden – Correspondence 1942.

the best and most progressive board agent in the town. He laughed at the offer.

Williamson then decided to employ a different technique: find reputable men and train them. This technique, although considered “a laborious task,” promised to “pay in the long run” because the agents were then trained in the ways of Wawanesa.<sup>8</sup>

Loyalty to the company was built over a long period of time and was often based on its willingness to train small agents. The company consciously avoided those agents with large portfolios of business since “*as a class, they [the small agents] are more careful in selecting their risks and have a better loss ratio* than the Agents who write a large volume.”<sup>9</sup> Smaller agents, the company thought, generally had a better understanding of their clientele, which was important for selecting a good class of policyholder. Although it is difficult to determine the ratio of small to large agents based on the documentation that has been left behind, it was conservatively estimated by one employee of the era that by the 1930s Wawanesa had 200 agents in the province of Alberta alone.<sup>10</sup>

As it grew, the company became increasingly concerned with its ability to retain a high class of agent. With larger operations, the company’s reliance on the agent’s good judgement became increasingly important in making decisions about the quality of people it was insuring. By 1928 the company stated in its guide for agents that “no rules we can lay down are as much value on this subject [moral hazards] as the personal knowledge of a live agent. He should know the character and reputation of all the risks

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<sup>8</sup> M.C. Holden to C.M. Vanstone, June 13, 1935. Holden – Correspondence 1935.

<sup>9</sup> Italics in original. C.M. Vanstone to R.C. Shield (an agent), March 20, 1942. Holden – Correspondence 1942.

<sup>10</sup> Ray Hobkirk interviewed by Milton Holden on May 16, 1972 in Vancouver. Heather Nelson, Milton Holden Oral History Project Tape Summaries, p. 101.

he writes. The nationality of the applicant is very important.”<sup>11</sup> In 1934, Vanstone explained that he had “been wondering just what we could do to increase the number of agents who are writing for us in Winnipeg. I would like to get more men of the type of Rigby if possible. Men of his type are in touch with a good class of people and can secure business that other men could not touch.”<sup>12</sup> Comments made about the strength of the agents were not highlighted in the internal correspondence alone. The company also made a point of reinforcing the point every time the company sent out a bulletin to the agents. The bottom of the letterhead for agents read, “A conscientious agent is our best underwriter.”<sup>13</sup>

Concern about the quality of agents in the East was highlighted in 1937 when Mr. Henderson returned from a trip to the East and explained that he was satisfied “with the class of agents that represent the Wawanesa Mutual in the East.” He went on to state that he “was surprised to find that they were, in loyalty and intelligence, fully equal to the best of our Western men.”<sup>14</sup> Although Henderson’s experience had been positive, in 1941 Vanstone expressed his frustration with these eastern agents on a day to day basis. Despite handling a large majority of Wawanesa’s business, Vanstone believed that they required constant attention. He felt that some of agents “make insurance a profession and ... are responsible for the bulk of our premiums.”<sup>15</sup> These professional agents troubled Vanstone because they did not direct just the good business to Wawanesa. They believed that the company should take the poor business as well as the good business. Vanstone,

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<sup>11</sup> “Agents’ Rate Guide 1928,” p. 19(b) Rate Manuals, Guides for Agents. Further discussion of nationality is located in Chapter Four.

<sup>12</sup> C.M. Vanstone to M.C. Holden, March 13, 1934. Holden – Vanstone, C.M. 1934.

<sup>13</sup> “Agent’s Bulletin No. 37 – 12,” July 16, 1937. Holden – Correspondence 1937.

<sup>14</sup> “Board of Directors,” February 5, 1937, p. 104. Minutes 1935 – 1943.

<sup>15</sup> C.M. Vanstone to M.C. Holden, September 23, 1941. Holden – Correspondence 1941.

to the contrary, believed that “there are a number of risks in every man’s territory that should never be written, that it is not in the public interest to permit men with criminal dispositions to take advantage of the chance to enrich themselves from the savings of other people.”<sup>16</sup>

The company’s relationship with the agents, although externally amicable, was sometimes strained. Dr. Vanstone did not generally think highly of the agents, although he recognized their importance. In a moment of frustration, he wrote,

I was ... afraid to add any other conditions [to the policy] for fear of making the work too difficult for the average Agent. I think I understand the psychology of the ordinary Agent pretty well. It is based on two primary axioms: first, to do as little work as possible; second, to get as much commission as can be squeezed out of the Companies.<sup>17</sup>

Despite his frustration with the representation in the field, Vanstone never considered replacing the agent as the primary purveyor of Wawanesa’s line of products. Others, however, did favour change.

In 1936 M.C. Holden recommended to C.M. Vanstone that the company replace the agent with the direct writing system and set up a number of offices across Canada. Holden believed that it would be a cost cutting method for the company and would have provided the company with better control over its risks. In response, Vanstone stated, “Now as to changing from Agents - Forget it ... If you could guarantee 50% intelligence as a minimum requirement for all property owners you might put over a direct deal but people are always clay in the hands of a clever agent and a word of doubt – not too clearly spoken about any Co. puts it out of the running.”<sup>18</sup> There were two problems for

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<sup>16</sup> C.M. Vanstone to M.C. Holden, September 24, 1941. Holden – Correspondence 1941.

<sup>17</sup> C.M. Vanstone to M.C. Holden, April 20, 1942. Holden – Correspondence 1942.

<sup>18</sup> C.M. Vanstone to M.C. Holden, September 10, 1936. Holden – Correspondence 1936.

the company. First, it felt indebted to the agents because they had aided in the early success of the company. Second, unlike some of the well established British or American companies, the Wawanesa name was not as widely recognized, particularly in the East, which left the company very vulnerable to negative attacks by their competition. Direct writing, although appealing in some respects may have, left the company susceptible to slander campaigns that would have forced the company out of many small towns. The company, in essence, feared alienating the agent. The company did, however, use direct writing in Quebec when it moved into the region in 1931 because it started out only writing fleets of rental cars, or U-Drives, and taxis. The agents were never involved in the sale of insurance in Quebec, and as a result, the company could attempt the direct writing method without causing irreparable harm to the company – agent relationship. The direct writing methods were never used outside of Quebec in Canada.<sup>19</sup>

As their numbers grew, contact with these agents became increasingly important.<sup>20</sup> Two methods were employed to contact and convey the same message to large numbers of agents without having to send bulletins or field representatives - conventions and the creation of agents' associations. Little is known about the earliest conventions held during Kempton's term. In the mid-1930s Vanstone revived the convention as a way to meet all of the agents without having to travel for weeks to visit every one individually. In 1937 M.C. Holden wrote to Vanstone wanting to know if the company would be holding agents' conventions in British Columbia. Apparently the

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<sup>19</sup> For clarification: When Wawanesa moved into California in the mid – 1970s, they decided to be a direct writer and market by mail instead of utilizing brokers. It is not likely a coincidence that it was Holden, who had suggested direct writing to Vanstone during the 1930s, was responsible for developing numerous aspects of the California operation.

<sup>20</sup> For clarification: It is not known precisely how many agents Wawanesa had at any given time. It has been suggested that they had as many as two hundred agents in Alberta in the early 1940s. A conservative estimate would be over a thousand agents nationwide.



agents in B.C. had heard about the conventions “in other parts of Canada” and were offended that the company had not held any in their province.<sup>21</sup> In 1939 the company hosted approximately a dozen of these conventions across the Prairies. The conventions were expensive, but the company felt they were well worth the time, effort and money.<sup>22</sup> Vanstone explained that in 1939, for the first time, the wives had been invited out for dinner at these conventions and Vanstone believed that this “improved the appearance of the assembly” and “made meal time much more enjoyable.”<sup>23</sup> Improving contact with the agents was not limited to the once a year meeting. The company also employed field representatives who visited the agents on a regular basis and inspected properties while traveling throughout their territories.

To improve regular contact, the company utilized a second method, the agents’ association. Milton Holden formed the first association in British Columbia in 1941 for agents who dealt with the Vancouver office. Vanstone was thrilled. He believed that “a good deal of diplomacy will be necessary,” but that those who were “fair-minded” would find the organization satisfactory<sup>24</sup> and a “mutual benefit to all who take part.”<sup>25</sup> The company used caution and diplomacy when creating the association because the agents, as businessmen, were wary of any group which may undermine their business. The hesitation the company feared, however, never came to light and the organization appears to have had a strong start because in December the treasurer reported an account balance of \$356.00.<sup>26</sup>

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<sup>21</sup> M.C. Holden to C.M. Vanstone, August 6, 1937. Holden – Correspondence 1937.

<sup>22</sup> C.M. Vanstone to M.C. Holden, July 20, 1939. Holden – Correspondence 1939.

<sup>23</sup> C.M. Vanstone to M.C. Holden, August 30, 1939. Holden – Correspondence 1939.

<sup>24</sup> C.M. Vanstone to M.C. Holden, April 25, 1941. Holden – Correspondence 1941.

<sup>25</sup> C.M. Vanstone to Mr. Patrick (an agent), April 25, 1941. Holden – Correspondence 1941.

<sup>26</sup> C.M. Vanstone to M.C. Holden, December 17, 1941. Holden – Correspondence 1941.

Building a strong network of agents had far reaching implications. The company was able to sell larger quantities of insurance across the country. Although branch offices would be established across the country, as discussed in chapter three, the core of the Wawanesa operation still lay at the Head Office in Wawanesa. As the number of agents grew from one to one hundred, however, it became necessary to employ greater numbers of staff members. In 1904, the office employed six individuals in various position. By 1906, the number of staff had doubled to hold approximately 12 people, five female stenographers, four clerks (presumably male), one inspector, Kempton and Kerr. In 1907, the annual report lists all of the same individuals plus an additional four female stenographers and two male clerks.<sup>27</sup> The nine stenographers by 1907 were responsible for typing all of the policies that were issued to the policyholders. These included all of the renewals and new business written. The clerks were responsible for selecting and classifying the business. The inspector visited a selected number of properties written, but was also generally responsible for recruiting new agents and assuring that the other agents continued to be satisfied.<sup>28</sup>

The office staff continued to grow at a rate similar to the 1904 – 1907 period. There are, however, no indications of the number of people actually employed by the company at any other time in the period between 1907 and 1943. What remains are hints about the rate of turnover amongst the staff, which was higher for women than men. Vanstone explained in 1941, “It has been our custom, as you are aware, that as soon as a girl gets married she leaves the office, and I think that this is a good practice. We have

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<sup>27</sup> Annuals Reports ending 1906 and 1907. Annual Reports 1905 – 1919.

<sup>28</sup> These job descriptions were derived from the experiences listed by those interviewed in both of the oral history summaries. Nowhere did the company explicitly outline what each person was responsible for.

not varied in a single instance unless the woman's husband has left her without making any provision for her support."<sup>29</sup>

In order to accommodate this growing administrative structure, the company invested in new buildings in Wawanesa and rented office space at the various locations across Canada. These office spaces were typical of the period. They were large, open spaces with many desks and many bodies. The Toronto office, photographed in 1939, is a good example (Figure 2.1). Staff members, mainly women, number approximately 40. Indicative of the gendered nature of work was that the women, who tended to be transient, did not have large desks or name plates whereas the men who dominated the role of clerk and inspector were longer term employees and were granted this privilege.

Building an agents' network and a strong administrative staff was crucial to the company's success at all stages in its development. This good rapport with agents and solid group of employed staff members, however, could only take the company so far. There were still the problems of recognition and reputability. From 1899 onward, the company embarked on a low profile advertising campaign to both attract business and increase its profile in Canadian society. The advertising campaign started in 1899 in small newspapers, such as The Vidette and The Glenboro Gazette.<sup>30</sup> Within a year advertising was also placed in the Regina Standard and in literature distributed by the "Regina Agricultural Association." The company regularly advertised in the Nor'West Farmer and the Farmers' Advocate.<sup>31</sup> Wawanesa attempted, through the use of small rural newspapers, as well as larger farmer-oriented papers, to attract farmers to the

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<sup>29</sup> C.M. Vanstone to M.C. Holden, August 2, 1941. Holden – Correspondence 1941.

<sup>30</sup> One of the most interesting places that they advertised was in the Brandon Catholic Journal. There is no evidence to suggest why this was one of the places they chose to advertise.

<sup>31</sup> "Board of Directors – Expense Listings" Minutes 1899-1905.

company. The advertisements usually consisted of a listing of the business in force and the names of the Secretary Manager, President, and Treasurer.<sup>32</sup>

Over time, the advertising in some, but not all, of the newspapers included detailed explanations of the reasons for farmers to join Wawanesa. In the Nor'West Farmer in 1903, Wawanesa listed the six reasons that a farmer should insure with a "strictly cooperative" insurance company.<sup>33</sup> The first and most important of the claims was "because [Wawanesa] is owned and operated by the farmers for their mutual benefit, and not to enrich stockholders of a company formed to accumulate wealth at the expense of the insurers." Here the assault on the stock companies becomes apparent. Unlike a farmers' mutual, they were distant and sent profits out of the region. Other reasons included reliability, low cost of the insurance, the cost of adjustment paid by the company, lightning insurance on livestock throughout the Northwest territories, and the fact that it was the "largest Agricultural Fire Insurance Company West of Lake Superior."<sup>34</sup> The success of this advertising message is attested to by the fact that it ran in various newspapers for almost twenty years.<sup>35</sup>

The company continued newspaper advertising well past 1943, despite Vanstone's belief that advertising was not an effective method of attracting new business or getting name recognition. In 1942 he stated:

Since I have been Manager of the Wawanesa Mutual I have had to fight advertising agents continuously, and I think I can say that Wawanesa has spent less money in direct advertising than any similar company with similar growth. Advertising in the newspapers has always seemed to me to be too expensive.

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<sup>32</sup> See Figure 2.2: Typical advertisement from the early twentieth century.

<sup>33</sup> A similar advertisement from 1913 is attached in Figure 2.3.

<sup>34</sup> Nor'West Farmer October 5, 1903. Holden History 1899-1949.

<sup>35</sup> "Why Should Farmers Insure in the Wawanesa Mutual Insurance Company?" (circa 1919) Annual Reports – Pamphlets 1905-1919.

Personal letters sent out to prospects seemed to give a much better result. I am aware that other companies seem to get remarkable results from ordinary newspaper advertising. The impression that I have acquired regarding this form of expense is that, if you have a very definite article to sell at a very good price, then you can get extraordinary results but to pay a higher price for an ordinary advertisement which merely mentions the company with a statement about its reliability and so on seems somewhat futile.<sup>36</sup>

Nonetheless, the company continued to gain name recognition from newspaper advertisements as well as other forms of publicity.

Newspaper advertisements were not the only types of advertising. In 1935 the company took advantage of the opportunity to advertise to the “new” consumer, the motorist. One example was in Motor in Canada under the heading “A Novel and Effective Safety Message.” The editors referred to a billboard that the company had posted on Broadway Ave. in Winnipeg. The sign (Figure 2.4) depicts a car accident with several people tending to what appears to be a victim lying on the ground. The sign reads “This May Happen to You! Winnipeg’s Toll: 1934 Killed 10, Injured 820, 1935 Killed 4, Injured 114.” Underneath the tolls is the Wawanesa name and address. The authors of the caption under the picture explain that this campaign was run with the cooperation of the Winnipeg Police Department and that it had attracted numerous commendations for its educational value.<sup>37</sup>

The challenge in selling insurance on automobiles was two fold, convincing the consumer that it was necessary and outmaneuvering the competition. In many respects, the company relied heavily on the agents and different advertising to counter competition. In 1936, Wawanesa embarked on a letter writing campaign that targeted the

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<sup>36</sup> C.M. Vanstone to M.C. Holden, December 7, 1942. Holden – Correspondence 1942.

<sup>37</sup> Clipping from Motor in Canada, Advertising, 1932 – 1939.

friends and family of those who insured vehicles with Wawanesa. The purpose of the letter was to convince the policyholder to get all of his acquaintances to insure with the company and thereby reduce the overall cost of insurance for the policyholder. The company reinforced the importance of the automobile insurance by including a photo of a severely damaged car next to the slogan “absolute protection at absolute cost.” The company wrote, “Today you have a car – but – horse sense still pays. Insure.”<sup>38</sup> The success of this advertising strategy was never stated, but it revealed a number of different things about the company. The first was that the company was not afraid to use the mutual principal, even if only very subtly, in targeting new consumers. The second revealed the roots of the corporate strategy that led to numerous car safety drives and campaigns that highlighted the importance of car insurance.

As time progressed, the company diversified in the manner in which it advertised. As radio became more popular on the Prairies, the company decided to exploit that medium. In the early 1930s, advertising agencies in the United States were selling the idea of radio advertising to major American firms. Business historian Elizabeth Fones-Wolf argues that radio advertising was designed to “improve corporate image and to promote business values.”<sup>39</sup> Although Fones-Wolf explores radio as an important medium for big business in the United States, it also suggests that Wawanesa was on the cutting edge of advertising by the 1930s. In 1934, it bought airtime from CJGX in Yorkton. For the privilege to advertise for five minutes “every day except Sunday” the company paid \$75.00 per month and initially purchased four months of radio time.<sup>40</sup>

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<sup>38</sup> A. Klymkiw to Mr. T. Bugerestra, April 23, 1936. Advertising 1932 – 1939.

<sup>39</sup> Elizabeth Fones-Wolf, “Creating a Favorable Business Climate: Corporations and Radio Broadcasting, 1934 to 1954,” *Business History Review* 73 (Summer 1999), 222.

<sup>40</sup> C.M. Vanstone to M.C. Holden, October 19, 1934. Holden – Vanstone, C.M. 1934.

Within three months, the agents started to indicate in notes to the company that the radio advertising was “coming over good and are sure to benefit the company.”<sup>41</sup> Holden, then manager in Winnipeg, appears also to have invested in radio advertising. His advertising campaign resulted in “several replies from our listeners,” although Vanstone complained that the Head Office had received very little response.<sup>42</sup> Within six months, Vanstone started to express some concern about the expense of the programming and told Holden that he presumed “that you are only counting on this for Winnipeg listeners” because the reception was poor in the area around Wawanesa.<sup>43</sup> Less than a year after starting Vanstone cut radio advertising because of a high expense ratio.<sup>44</sup> Wawanesa again considered radio advertising in 1940, but the company apparently never went ahead with the idea.<sup>45</sup>

One of the other advertising mechanisms that the company undertook was the introduction of calendars for agents to distribute to policyholders. From the 1920s to 1939 the agents paid for the calendars but received no credit for them. The calendars had always stated that they had come from the “Wawanesa Mutual Insurance Company.” After 1939, however, the policy was changed and the bottom of the calendars read “With the compliments of your agent of the Wawanesa Mutual Insurance Company.” Vanstone described this change in policy as a way to “make them feel better.”<sup>46</sup> In 1943, because of the Second World War the company decided not to issue a calendar. Ferris, the Head Office manager, stated that “a lot of time and material that go into the making up

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<sup>41</sup> C.M. Vanstone to M.C. Holden, January 4, 1935. Holden – Correspondence 1935.

<sup>42</sup> C.M. Vanstone to M.C. Holden, January 17, 1935. Holden – Correspondence 1935.

<sup>43</sup> C.M. Vanstone to M.C. Holden, March 18, 1935. Holden – Correspondence 1935.

<sup>44</sup> C.M. Vanstone to M.C. Holden, August 16, 1935. Holden – Correspondence 1935.

<sup>45</sup> C.M. Vanstone to M.C. Holden, May 6, 1940. Holden – Correspondence 1940.

<sup>46</sup> C.M. Vanstone to M.C. Holden, December 30, 1939. Holden – Correspondence 1939.

calendars is quite essential in our war work and we have felt that for the time being at least we could very well dispense with calendars.”<sup>47</sup> The calendars, however, remained an important piece of advertising and the restriction was short lived.<sup>48</sup>

The company decided that the school classroom was an excellent place for display calendars. As well, school children could be taught about fire prevention. Vanstone decided that a circular issued by the Fire Prevention Bureau would provide the perfect opportunity for advertising to students.<sup>49</sup> Vanstone authorized the Wawanesa Print Shop to print approximately 13,000 pamphlets to “be handed over to the School Committee for distribution to the different schools in the three Prairie Provinces.”<sup>50</sup> Retired employees of the company recalled seeing the calendars in their classrooms when they were in school as far away as the Maritimes.<sup>51</sup>

Although Wawanesa placed advertising in newspapers, magazines, and on billboards, the company was not afraid to pursue unusual forms of advertising. In the mid-1930s, as the adjusters and fieldman began to drive cars instead of taking the train from town to town, the company saw possibilities for advertising. In 1938, Charles Gorrie, an adjuster, first advertised the company on the side of his car. The company judged this a very effective method of advertising and Vanstone stated that Gorrie “seldom drives into a town that someone does not come up and discuss his policy with

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<sup>47</sup> H.S. Ferris to M.C. Holden, March 9, 1942. Holden – Correspondence 1942.

<sup>48</sup> The calendars are arguably the most consistent piece of advertising work that Wawanesa has done. Although they have gone through a number of different forms, these calendars have continued as an important part of both agent and company advertising.

<sup>49</sup> The Fire Prevention Bureau was an organization that aimed to distribute information about fire safety to people of all ages. Vanstone strongly believed in prevention as the key to keeping insurance costs down and was responsible for numerous different fire prevention techniques that included everything from the pamphlets distributed in schools to inspectors fixing stove chimneys in houses to prevent chimney fires.

<sup>50</sup> C.M. Vanstone to M.C. Holden, August 31, 1937. Holden – Correspondence 1937.

<sup>51</sup> Beatrice Price and Sandra Dooe interviewed by Lloyd Fridfinnson on February 2, 1994 in Moncton, New Brunswick. Heather Nelson, Centennial Oral History Project Tape Summaries, p. 55.



him.”<sup>52</sup> Vanstone added that it was a safe practice since policyholders had very few grievances with the company.

One of the reasons that Wawanesa appears to have been so popular in small towns was its status as a mutual insurance company. Unlike board companies, which sought to make a profit through the sale of insurance, mutual insurance companies sold insurance with the intent of selling it “at cost.” Mutual insurance also allowed each of the members a vote at the Annual Meeting and a say, at least in theory, on how the company was run. The early records do not, however, associate Wawanesa with the larger cooperative movement.<sup>53</sup> Nevertheless, Vanstone appeared to be acutely aware of the promotional appeal of Wawanesa’s cooperative heritage.

Starting in 1927, the passive association between Wawanesa and cooperative movements in Canada changed. The cooperative organization in Winnipeg asked Wawanesa to select and send a delegate to a meeting.<sup>54</sup> Wawanesa complied. Six months later, the president of the Board, S.H. Henderson, explained that the “Wawanesa Mutual Insurance Company was looked upon as *The Mutual* and that we should benefit from the advertising which was being spread by the different cooperatives.”<sup>55</sup> This new found relationship blossomed over the next ten years. Wawanesa was invited to different cooperative meetings across the country and insured many different cooperative organization holdings, particularly in the west.<sup>56</sup> Historian Ian MacPherson credits Wawanesa as being a part of the 1934 Manitoba Cooperative Conference, which he stated

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<sup>52</sup> C.M. Vanstone to M.C. Holden, July 9, 1938. Holden – Correspondence 1938.

<sup>53</sup> Ian MacPherson, Each for All: A History of the Cooperation in Western Canada 1900 - 1945. Toronto: Macmillan Company of Canada Limited, 1979 p.2

<sup>54</sup> “Board of Directors,” December 16, 1927, p. 97. Minutes 1926 – 1930.

<sup>55</sup> “Board of Directors,” June 12, 1928, p. 123. Minutes 1926 – 1930.

<sup>56</sup> “Board of Directors,” February 21, 1929, p. 170. Minutes 1926 – 1930. “Board of Directors,” April 16, 1939, p. 166, Minutes 1935 – 1943.

was the precursor to larger organizations in Canada and was the beginning of “meaningful dialogue between various kinds of co-operators on the Prairies.”<sup>57</sup> The company also became involved in the political activity that surrounded the cooperative movement and participated in sending resolutions to the Dominion Government.<sup>58</sup> During the 1930s Wawanesa also employed one individual who dealt strictly with matters related to cooperatives. By 1941 the bond between Wawanesa and the cooperative movement had become so strong the Vanstone suggested that a cooperative member from each of the Western provinces be selected to sit on Wawanesa’s Board of Directors.<sup>59</sup> Wawanesa’s long-standing and strong relationship with the cooperatives linked it to many small communities across the Prairies.

Unlike other mutuals in the early twentieth century, which established associations to facilitate reinsurance for risk management, Wawanesa tended to avoid this type of contact. However, when in 1918 the Western Canada Mutual Fire Insurance Association started, Wawanesa was notably distressed. Jack Lufkin explains in his article that in the American experience, the formation of mutual associations separated the successful mutual from those that did not survive. The concept was new at the end of the nineteenth century and was based on the premise that if one company could re-insure its high-risk business with another company, no company in the association would suffer a ruinous loss.<sup>60</sup> Although the mutual association appealed to the very small “township mutuals” Wawanesa’s growth had insured successful risk management through

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<sup>57</sup> Ian MacPherson, Each For All: A History of the Co-Operative Movement in English Canada, 1900 – 1945. Toronto: Macmillan of Canada, 1979 p.128

<sup>58</sup> “Board of Directors,” December 9, 1929, p. 223. Minutes 1926 – 1930.

<sup>59</sup> “Board of Directors,” September 17, 1941, p. 202. Minutes 1935 – 1943.

<sup>60</sup> Jack Lufkin, “Property Insurance for Farmers: The Rise of the Mutuals,” The Annals of Iowa, 54 (1) 1995 pp. 25 – 45.

expansion and it did not require this type of support. The breakthrough for the four small mutual insurance companies that joined to form the Western Canada Mutual Fire Insurance Association would be a setback for Wawanesa. The amalgamation permitted these companies to advertise strength in numbers and to counter Wawanesa's charge that small mutuals were unstable and lacked sufficient support in the industry. The association invited Wawanesa to join the organization in hopes that the larger company would help absorb excess losses. Wawanesa responded by stating that it did "not think it advisable to form a Mutual Fire Insurance association."<sup>61</sup> The other insurance companies were not deterred and within months, Wawanesa had serious competition.

By 1920, the Western Mutual Fire Insurance Association, the Saskatoon Farmers' Mutual Fire Insurance Co., the Miniota Farmers' Mutual Fire Insurance Company and the Portage La Prairie Farmers Mutual Fire Insurance Co. started advertising together. They explained their purpose in this association as being to "re-insure all large risks down to \$2000.00 with the Associated Companies, and they in return re-insure all their large risks with us."<sup>62</sup> They added that it was impossible to have one company suffer a heavy loss because each company would take a portion of the risk.<sup>63</sup> In a number of Wawanesa's advertising campaigns, the company argued that the Western Canada Mutual Fire Insurance Association was detrimental to those who insured with those companies. In its advertising Wawanesa stated, "This company has no connection with the Western Mutual

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<sup>61</sup> "Board of Directors," p. 86. Minutes 1916-1926.

<sup>62</sup> Advertisement from the Monetary Times January 9, 1920 for the Western Canada Mutual Fire Insurance Association. Company - Alberta - 1917-1920.

<sup>63</sup> Reinsurance is generally explained as insurance for the insurance company. Reinsurance is generally written when a policy is too large for one company to take by itself. By selling a portion of the policy to another company, should a loss occur the risk will be spread over two companies instead of one. This allows companies to take on risks which would otherwise not be feasible.

Fire Insurance Association or any combination of Mutual Insurance Companies.”<sup>64</sup> It argued that membership in the Western Canada Mutual Fire Insurance Association resulted in a loss of control by the members of the mutual companies.<sup>65</sup> The company continued to advertise its strength as a farmers’ mutual and emphasized the importance of being an older mutual with strong membership.

In 1922, for reasons that remain unclear, Wawanesa entered the Western Canada Mutual Fire Insurance Association.<sup>66</sup> The insecurity left in the wake of Kempton’s departure may have provoked attempts to stabilize the company’s image. Joining the Association may have seemed like a reasonable way to secure good advertising and achieve balance. However, after being involved with the Association for four years, Wawanesa suddenly took offense to the way the Association ran and the business practices it encouraged. When the Association approached Wawanesa to renew its contract in 1926, the company declared that it would no longer be party to such an organization.

[We] unanimously decided to acknowledge receipt of their letter and in reply to state that the board was very well satisfied to remain outside the association, that an error had been made in joining it – that in the opinion of the Board, this was an attempt to undermine their confidence in their manager and was resented – that the matters mentioned had previously been discussed, that it was not their intention to have their method of conducting the business dictated to them by outside parties...<sup>67</sup>

Clearly, the Board of Directors viewed their decision to join the Association as an error and wasted no time in dissolving the relationship. One of the underlying notions that

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<sup>64</sup> Advertisement from The Farmer’s Advocate 1921. Company – Saskatchewan.

<sup>65</sup> “Why Should Farmers Insure with the Wawanesa Mutual Insurance Company?” Annual Reports – Pamphlets 1905 – 1919.

<sup>66</sup> “Board of Directors,” June 20, 1922, p. 288. Minutes 1916 – 1926.

likely provoked the separation was the high reinsurance risk that Wawanesa was required to take on as part of their obligation to the association. This inability to control the risk distributed by the association became a problem as the company grew more aggressive in their risk management.

By the late 1920's and 1930's, Wawanesa had two major competitors on the Prairies, the Saskatchewan Mutual Insurance Company and the Portage Mutual Insurance Company. The Portage Mutual is discussed at length in Chapter Three but the Saskatchewan Mutual offers a different perspective because it survived the depression without the major catastrophes to which so many other mutual companies succumbed.

Unlike the battle with the Portage Mutual, the relationship between the Wawanesa Mutual Insurance Company and the Saskatchewan Mutual Insurance Company was more amicable and was strictly competitive. Vanstone frequently complained about how the Saskatchewan Mutual undercut rates in British Columbia and Alberta "independent of any regular rate when they desire a risk."<sup>68</sup> Vanstone always kept track of what the Saskatchewan Mutual was doing. He often wrote to Holden and expressed dissatisfaction with its success. He stated that they were "much interested in the report of the Saskatchewan Mutual which was much better than we hoped for."<sup>69</sup> In an undated letter, Vanstone stated, "Your unchristian wish to see Whitaker and Sask. Mutual get it in the neck is to be deplored. I do not wish them any particular harm but merely hope to see them in such a position that I can really feel very sorry for them."<sup>70</sup> Despite the animosity between the two companies, in many respects they mirrored each other. They

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<sup>67</sup> "Board of Directors," January 12, 1926, p. 491. Minutes 1916-1926.

<sup>68</sup> C.M. Vanstone to M.C. Holden, July 28, 1939. Holden – Correspondence 1939.

<sup>69</sup> C.M. Vanstone to M.C. Holden, April 15, 1939. Holden – Correspondence 1939.

<sup>70</sup> C.M. Vanstone to unknown, Date Unknown. Holden – Vanstone, C.M. 1934 – 1943.

were both mutual insurance companies and competed for similar business, particularly in western Canada.<sup>71</sup> In fact Wawanesa compared its progress with the Saskatchewan Mutual to determine if it was moving along a similar course.<sup>72</sup> Monitoring other companies' progress helped Wawanesa gauge the market. This allowed more effective advertising and pushed the company towards different innovations.

The Wawanesa Mutual Insurance Company without a doubt had very strong leadership, however, the growth that will be described in chapter three would have been impossible to support without a proper administrative structure. The corporate organization, however, was in many respects as complicated as the corporate philosophies. The company successfully trained a committed group of agents who in turn became extremely loyal. These agents were in turn supported by the staff at Head Office and at the branch offices. Finally, advertising reached groups of people who would otherwise have been unreachable for Head Office. Building a strong network of full time agents, creating a strong administrative support structure and relying on both advertising and those employed by the company, it was able to develop a corporate identity and expand well beyond the borders of the township of Wawanesa. The strategies of expansion and risk management that will be seen in chapter three and four relied heavily on the corporate structure at both the senior management and clerical levels. This fully

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<sup>71</sup> M.C. Holden to C.M. Vanstone, August 27, 1936. Holden – Correspondence 1936.

<sup>72</sup> C.M. Vanstone to M.C. Holden, October 12, 1942. Holden – Correspondence 1942. In this letter, Vanstone expresses extreme dissatisfaction at being behind the Saskatchewan Mutual in writing automobile insurance.

functioning corporate structure supported the expansion that will be seen in the next chapter.

### **Chapter 3: The Great City on the Prairies**

**“During my childhood, I read the name Wawanesa on a calendar in my grandfather’s house and imagined the home of the national insurance company would be a great city on the Prairies. In fact, the village, 35 kilometers southeast of Brandon Manitoba has never been the metropolis I envisioned, and now has fewer than 500 people.”<sup>1</sup>**

By the time the author of this statement sat down to write it, the Wawanesa Mutual Insurance Company had already become a national.<sup>2</sup> The trials and tribulations behind the name on the calendar were never visible to people like the author’s grandfather, but were always on the minds of the leaders at Wawanesa. What started in a farmer’s field would eventually end up in some of Canada’s biggest cities. The company’s success is always taken for granted in the commissioned literature on the company but what remains unclear time and again was why? Little seems to separate Wawanesa from its rural contemporaries, most of whom either met their demise in the depression or could not attract enough business to grow beyond their very limited boundaries. What distinguished Wawanesa from these other companies was a determination to venture from the Prairies into new regions in both Eastern and Western Canada.

The decision to become a national company was not one which was calculated in a single meeting. The expansion of the company from a township mutual to a national company took approximately thirty years and was plagued by difficulties. Parts of the company would face the constant threat of termination, while other parts would continue to thrive in familiar territory, subsidized by other branches of the company. This chapter

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<sup>1</sup> Unknown Author, Unknown Magazine, Unknown Date, Company – History 1896 – 1988. For clarification: Wawanesa is located in southwestern Manitoba and never had a population in excess of 500 people.

<sup>2</sup> The Dominion of Canada charter was obtained in 1929 and allowed the company to sell nationally.



will examine Wawanesa's transition from a small township mutual insurance company to a national insurance company over the forty year period being discussed. It will argue that the most effective way to manage risk was through expansion into other areas of insurance and other regions of a country. To this end, the Wawanesa Mutual Insurance Company adopted a policy of expansion through different outlets. Initially, the company expanded geographically; then it altered the type of insurance sold. The company also pursued the development of other companies to attract a different type of policyholder and accommodate the ones that they had. In the final phase of expansion in the 1930s, the company took over other failing mutuals in order to both complete nation-wide expansion and insure the stability of the mutual form in regions like Ontario.

In many respects, all of the components which made Wawanesa a success were linked to other key aspects of the company. The structure that was discussed in chapters one and two was central to the company's ability to expand beyond its original township. The strategy that the company undertook was one of risk management. In order to successfully manage Wawanesa's risk, it was important to move beyond the boundaries of the town of Wawanesa and surrounding area. This allowed the company to spread risk over a greater geographic area, limiting the amount of loss that could be incurred from a single storm or bad crop. The corporate structure also enabled the company to engage in a strategy of risk management through additional types of insurance. This allowed the company to sell greater quantities of insurance in its existing districts without increasing the risks in a single line. As a result, expansion into other types of business and into different regions of Canada becomes crucial to understanding Wawanesa's corporate strategy and their success.

Expansion into other types of business started early in the company's history. The company, originally established to insure threshing machines against fire, quickly moved into farms and farmers' property. The company decided to insure schools, churches and isolated dwellings in 1900. Although the schools and churches are straightforward, some clarification is required regarding the isolated dwellings. The company would not insure these dwellings if they were closer than 66 feet to the next building. The Board of Directors also refused to insure urban dwellings restricting the insurance to "village dwellings."<sup>3</sup> This decision allowed the company to move out of thresher insurance in 1902.<sup>4</sup> Insuring farm properties and buildings would be monumental for the company and would carry the company for the next twenty years.

In 1899 Wawanesa expanded outside of Manitoba, a significant move. Some mutual insurance companies stayed within their original territory.<sup>5</sup> Wawanesa's reasons for making this leap are unclear and highly unusual, but they are also central to Wawanesa's success in the mutual insurance field. In 1899, the Minute Book states, "The Secretary Manager [is] authorized to extend the business of the company to all parts of the North-west Territories and that he go west to organize as soon as practicable."<sup>6</sup> Within a month, the company appointed a local manager for the region "with headquarters at Edmonton."<sup>7</sup> Provincial law required incorporation and the establishment of an office in Alberta, which became a permanent fixture of the Wawanesa operation.<sup>8</sup>

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<sup>3</sup> "Board of Directors," April 10, 1900, p. 100. Minutes 1899 – 1905.

<sup>4</sup> Legally, the company could not completely remove itself from their original commitment to thresher insurance. They were required to continue insuring those threshers already covered but were allowed to stop selling new policies.

<sup>5</sup> Jack Lufkin, "Property Insurance for Iowa Farmers: The Rise of the Mutuals," *The Annals of Iowa* vol. 54(Winter 1995), 34.

<sup>6</sup> "Board of Directors," February 7, 1899, p. 15. Minutes 1899-1905.

<sup>7</sup> "Board of Directors," March 14, 1899, p. 20. Minutes 1899-1905.

<sup>8</sup> Alberta. An Act Respecting the Wawanesa Mutual Insurance Company, S.A. 1906, Chapter 60.

At the time of licensing, the records cite the Manitoba license of 1896 as the company's proof of stability for the two Provincial Governments.<sup>9</sup>

By 1939, the operation in Alberta was clearly a success, but the company wanted more. Vanstone believed that the lack of a strong base of business in Edmonton was a direct result of poor staffing in the office. The onset of a government-run insurance business also threatened to hamper business in what Vanstone referred to as "the best city in Western Canada by long odds."<sup>10</sup> In 1941, with business looking better across the country, Vanstone reported that the business in Alberta was booming. He believed that the company had "75% of all farm business around Edmonton and it is one of the best and most progressive cities in Canada."<sup>11</sup>

The success of the company in Alberta and Saskatchewan allowed the company to undertake increased amounts of risk and in 1920 the company decided to move into British Columbia. Entering British Columbia supported the company's continued growth by increasing the geographical space that the company occupied. This in turn reduced the risk of a localized disaster destroying the company. The second reason for expansion was highlighted by A.F. Kempton in 1920. Kempton justified the expansion as follows:

We started business in British Columbia at the request of many hundreds of our old members who used to live in the Prairie provinces and who had insured with us for many years, and who really own a large part of [the company's] assets, and we felt it was up to us to meet their wishes in this regard, because if we did not go into your Province

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<sup>9</sup> In an interesting note, the only proof that the Wawanesa Mutual Insurance Company was ever licensed in the province of Manitoba is a copy of a document issued by J.D. Cameron, the provincial secretary, in the Wawanesa Archives (Company 1896 – 1930). Despite an exhaustive search of the Provincial Legislative Library and Reading Room, there has yet to be any evidence in Government records that the company was issued the Provincial license in 1896.

<sup>10</sup> C.M. Vanstone to M.C. Holden, September 14, 1939. Holden – Correspondence 1939.

<sup>11</sup> C.M. Vanstone to M.C. Holden, November 22, 1941. Holden – Correspondence 1941.

they would really lose what they had contributed to the assets of this Company.<sup>12</sup>

Kempton implied that the company was committed to serving its membership. It is also possible the Kempton viewed the policyholders as a type of stockholder who once they had "invested" in the company, had the right to continue to hold their "shares" no matter how mobile they were.

Within four years of the expansion, the success of Wawanesa in British Columbia started to come under serious scrutiny by the Board of Directors and the new Managing Director, C.M. Vanstone. In July 1924 the board discussed withdrawing from British Columbia completely and Vanstone had informed all of the agents in the province that Wawanesa would no longer be writing business in that province after August 1924.<sup>13</sup> The board also explained that no general cancellation order had been given, but implied that they would retain the business they had without writing any new business. This reduced the cost of maintaining the operation in British Columbia because only renewals needed to be sent out to the policyholders. The business that they had in the province also carried a low risk because the policyholders already had a proven record with the company. This was important to the company which, during the early 1920s, had suffered through the financial strain of the postwar recession. British Columbia as the most recent expansion was the most logical and feasible place to move away from. The idea that the Board of Directors wished to retain the already written business also suggests that they understood the importance of risk management. By keeping British Columbia policies, the company sustained its geographical spread while at the same time

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<sup>12</sup> A.F. Kempton to H.A. McBurney. (Note: McBurney was the first agent in British Columbia according to a recording in the Centennial Oral History Project.) Company – B.C. 1921 – 1972.

<sup>13</sup> "Board of Directors," July 29, 1924, p. 410. Minutes 1916 – 1926.

limiting the unknown risks. By September 1924, however, the discussion of leaving the province disappears from the records. Although it had been seriously considered over the summer of that year by the fall it was no longer necessary.

In 1935, ten years after seriously considering a move out of British Columbia, the company decided to aggressively seek new business. The depression had hit a number of other small mutual insurance companies extremely hard, as will be seen in the section on Ontario. In 1935 the Portage Mutual, Wawanesa's primary competitor, was forced to give up its business in Alberta, Ontario and British Columbia.<sup>14</sup> What separates this transaction was the rivalry that marked the interactions between Wawanesa and the Portage Mutual.

Based on many of the records, the Wawanesa Mutual Insurance Company consistently measured its progress against the Portage Mutual which was also based in Manitoba.<sup>15</sup> The result of this competition by the early 1930s was a hostile dispute between the two companies. The two Boards of Directors met in January 1933 and hoped "an end would come to the civil war carried on by the two mutuals."<sup>16</sup> The resolution of the problems that the Board hoped to eke out did not happen. In March, Vanstone called what the two companies had become engaged in a "mud-slinging campaign."<sup>17</sup> Later in 1933 Thomas Purvis, the Winnipeg Branch Manager, suggested that the Portage Mutual was cutting rates, while at the same time attempting to tarnish Wawanesa. Purvis assured Vanstone that "we are making it as difficult for the

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<sup>14</sup> "Board of Directors," September 18, 1935, p. 45. Minutes 1935 – 1943.

<sup>15</sup> Although it is stated earlier that the Saskatchewan Mutual served the same purpose, it is important to note that each of these companies served different regions and offered different lines of insurance. It was Wawanesa's method of monitoring the industry.

<sup>16</sup> "Board of Directors," January 30, 1933, p. 158. Minutes 1931 – 1935.

<sup>17</sup> C.M. Vanstone to M.C. Holden, March 1, 1933. Holden – Vanstone, C.M. 1932 – 1933. An example of hostile feeling that arose out of the troubles with the Portage Mutual can be found in Figure 3.1.

individuals concerned, as possible, using our own peculiar tactics.”<sup>18</sup> The battle continued, but within a year the Portage started to show signs of difficulty. Wawanesa first celebrated and then came to terms with the reality of the Portage Mutual’s situation. Vanstone wrote in the fall of 1934, “rumours regarding the Portage are very thick in Regina. I spent yesterday there and already they have lost business on account of the tales which are being spread. I might say that we have also had business turned down because the companies have been associated in the minds of a good many people.”<sup>19</sup> The depression era setting likely also contributed to fears about the financial stability of institutions like insurance companies. As a direct result of this imaginary affiliation, Wawanesa had to forget the hostile competition of recent years.

Wawanesa’s attitude towards the Portage Mutual changed dramatically. Instead of trying to find ways to get revenge on the Portage, Vanstone and others started to express concerns about the Portage’s books and its overall stability.<sup>20</sup> In early 1935 Wawanesa started to make overtures to the Portage Mutual for an amicable take over, but was refused. Significant differences in personalities, according to Vanstone, prevented any agreement on issues.<sup>21</sup> In September 1935, however, Wawanesa received word from the West Coast that the Portage Mutual would have no choice but to pull out of the British Columbia market. At this point, Wawanesa took over the Portage Mutual business in that market by acquiring its policy portfolio for the region.<sup>22</sup> At the same time it secured the Portage Mutual business in Alberta and in 1936 received the business

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<sup>18</sup> Thomas Purvis to C.M. Vanstone, October 14, 1933. Holden – Vanstone, C.M. 1932 – 1933.

<sup>19</sup> C.M. Vanstone to M.C. Holden, October 24, 1934. Holden – Vanstone, C.M. 1934.

<sup>20</sup> C.M. Vanstone to M.C. Holden, November 28, 1934. Holden – Vanstone, C.M. 1934.

<sup>21</sup> C.M. Vanstone to M.C. Holden, February 25, 1935. Holden – Correspondence 1935.

<sup>22</sup> C.M. Vanstone to M.C. Holden, September 12, 1935. Holden – Correspondence 1935.

from Ontario.<sup>23</sup> In Ontario alone, the takeover of the Portage Mutual business contributed half of the 1936 increase in that province for Wawanesa.<sup>24</sup> By capturing the Portage Mutual business in British Columbia, Alberta, and Ontario, Wawanesa was able to secure the financial situation of the Portage Mutual. This new found stability prevented further loss of business through poor publicity and preserved the mutual form thereby protecting the status of Wawanesa.

In the end, the Wawanesa Mutual Insurance Company, took over business in these three provinces.<sup>25</sup> Business in British Columbia remained difficult because of the Depression. The Board of Directors described the operations of the Portage La Prairie Mutual as “not satisfactory in British Columbia as not only were losses above normal but they were experiencing great difficulty in collecting the balances due from their agents.”<sup>26</sup> As a result, British Columbia was “our most difficult province next to Quebec and the experience of the Portage is not widely different from our own.”<sup>27</sup> In 1936 Milton C. Holden was appointed the branch manager in Vancouver. Holden had seen success in the Winnipeg branch where he had served as branch manager for two years prior to his transfer. Within a year of Holden’s arrival, the province came out of the red and joined Wawanesa’s successful Prairie Provinces on the black side of the ledger. Vanstone later expressed satisfaction with Holden’s performance in “that outlaw province.”<sup>28</sup>

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<sup>23</sup> “Board of Directors,” September 18, 1935, p. 45; April 17, 1936, p. 72. Minutes 1935 – 1943.

<sup>24</sup> C.M. Vanstone to M.C. Holden, April 15, 1937. Holden – Correspondence 1937.

<sup>25</sup> The cartoon attached in Figure 3.1 best illustrates the company’s dislike of the Portage La Prairie Mutual.

<sup>26</sup> “Board of Directors,” September 18, 1935, p. 45. Minutes 1936 – 1943.

<sup>27</sup> Ibid.

<sup>28</sup> C.M. Vanstone to M.C. Holden, April 15, 1937. Holden – Correspondence 1937.

The attitude towards British Columbia was not the only significant change during Vanstone's first decade as managing director. Around 1926 the company decided to offer insurance on urban dwellings. Ferris, the "office manager" in Wawanesa stated in 1940, "These are lines [mercantile, town dwellings and churches] which have contributed mostly to the company's success in the last several years, particularly town dwellings."<sup>29</sup> Of the three, only the church policies had been initiated at the turn of the century. Not surprising, then, was the Company's increased pursuit of mercantile and urban policies by 1940.

In contrast with Alfred Chandler Jr.'s theories regarding the development of new lines of business for insurance company, which suggest that diversification was related to social factors, Wawanesa was compensating for the loss of business sold originally through alternate companies. A.F. Kempton founded the first of these companies, the Occidental Fire Insurance Company, in 1902 in Manitoba.<sup>30</sup> This company then gained permits in Saskatchewan and Alberta in 1906, and by 1909 was licensed through the Dominion Government to sell insurance across Canada.<sup>31</sup> In March 1902 Wawanesa's Board of Directors sanctioned Kempton's involvement with the Occidental Fire Insurance Company by allowing him to manage this other company.<sup>32</sup> The Occidental was established to reinsure business that Wawanesa was writing.<sup>33</sup> The Occidental

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<sup>29</sup> H.S. Ferris to M.C. Holden, November 29, 1940. Holden – Correspondence 1940.

<sup>30</sup> Unfortunately, the Occidental Fire Insurance Company left behind few documents. What is left is references that usual have something to do with Wawanesa. Other public documents have also been utilized to piece together the history of this company but it has been difficult. The result is a description of the company which is not as complete as it should be.

<sup>31</sup> Manitoba, An Act to Incorporate "The Occidental Fire Insurance Company." R.S.M. 1902 c. C-65. Alberta, An Act to Incorporate "The Occidental Fire Insurance Company." R.S.A. 1906 c. C-60. Canada, Statements of Insurance Companies Transacting Fire Insurance, c. C-139 Sessional Papers vol. 4 1911.

<sup>32</sup> "Board of Directors Minutes," Minutes 1899-1905 p. 319

<sup>33</sup> Re-insurance is defined as "where one company, for a fee, agrees to indemnify another insurance company against all or part of a loss which may arise under a policy or policies it has issued." C-16 The Business of Insurance. Canada: The Insurance Institute of Canada, 1994. Chapter 7, p. 5



shared the same office space as Wawanesa and paid rent to Wawanesa for this privilege. There is some suggestion that the company also shared the expense of the stenographers.<sup>34</sup> When Wawanesa built a new head office, Occidental moved as well.<sup>35</sup>

The Occidental Fire Insurance Company shared many important elements including Wawanesa's Secretary Manager, A.F. Kempton; its president, S.H. Henderson; and the Treasurer, C.D. Kerr.<sup>36</sup> Alex Naismith Jr. stated that when policies came into the head office of the two companies in Wawanesa, they were sorted. "The Occidental took only the best risks and gave the mutual the poor ones."<sup>37</sup> Those assigning the business to the two companies understood that the Occidental as a stock company with shareholders' was dependent on good business. Naismith also states that "Occidental made money." Although Wawanesa required an operating surplus to remain competitive, there was no pressure to produce significant dividends for shareholders. As a result, Kempton appears to have siphoned the better business for his stock company.

The connections between the two companies were close and they occasionally advertised together. In the Farmer's Advocate of 1913 Wawanesa claimed to be the largest "Farmers' Mutual Fire Insurance Company in Canada," while the Occidental advertised selling "practically all class of insurance written, including Automobile risks."<sup>38</sup> This suggests that the Occidental sold insurance that Wawanesa was not qualified to sell, thus providing their clients with a full range of insurance. This was one

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<sup>34</sup> "Board of Directors Minutes," Minutes 1899-1905 p. 342.

<sup>35</sup> The office was built in 1903 because the company had outgrown the space above the drugstore. Ibid. In Appendix B there is a photo of the first head office built in 1903. It should be noted that the names of both The Wawanesa Mutual Insurance Company as well as the Occidental Fire Insurance Company appear in the window.

<sup>36</sup> There is very little information left on the Occidental and it is difficult to know if the Wawanesa Board of Directors were shareholders in the Occidental although one would assume so.

<sup>37</sup> Alex Naismith interviewed by M. Holden on April 22 1972 in Victoria British Columbia.

<sup>38</sup> Advertisement from the Farmer's Advocate 1913. Advertising 1903-1929.

way to justify a mutual company running alongside a board company. Otherwise, having the two appear together raises questions about the sincerity of Wawanesa's claims of being a "strictly mutual company" because those running the two companies were the same. Kempton announced his decision to resign from the position of manager of the Occidental Fire Insurance Company in the company's handout "A Quiet Chat with the Agents of the Wawanesa Mutual Insurance Company" which was published in 1915. He intended to "devote his time to The Wawanesa Mutual, and to endeavor with all his energy and skill to make The Wawanesa Mutual Insurance Company the pride, not only in the West, but of all Canada."<sup>39</sup> Based on the location of this announcement, Kempton may have been criticized by the membership of Wawanesa for his involvement in both the companies.

With the establishment of the Occidental, Kempton wanted to provide a service to the consumers of Wawanesa. He wanted to provide the members of the Occidental Insurance Company and Wawanesa Mutual Insurance Company with a type of one-stop shopping. From one agent they could purchase all the types of insurance required by a member. The Occidental, for reasons that remain unclear, was sold in approximately 1914. After its sale, all traces of the Occidental disappear, but Kempton then established what was referred to as A.F.K. Co., a brokerage, to continue to accommodate the needs of Wawanesa's members.<sup>40</sup> Its purpose was to use the network of agents that Wawanesa and the Occidental had established over the previous twenty years to sell insurance for other companies that offered insurance that Wawanesa did not, for example auto

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<sup>39</sup> Agent's Guides, 1915.

<sup>40</sup> Although it is not stated explicitly anywhere, it is assumed that the acronym A.F.K. stands for Alonzo Fowler Kempton. It should also be noted that the A.F.K. Co. was run through the head office of the Wawanesa Mutual Insurance Company.

insurance and hail insurance.<sup>41</sup> One of the things Kempton did was forward the requests from Wawanesa to the A.F.K. Co. for processing. Kempton also used the Wawanesa Mutual Insurance Company as a reference, often stating that “we are closely connected with the Wawanesa Mutual Insurance Company and they [Wawanesa] very often have inquiries for [other types of insurance].”<sup>42</sup> This company did not appear to last long because the correspondence is dated from 1919 to 1920, although it was successful in building alliances with insurance companies and in handling inquiries from interested members of Wawanesa.<sup>43</sup>

After expanding into farm properties, city dwellings, schools, churches, and numerous other lines of insurance, one line of insurance was left to write in the property and casualty field, the automobile line.<sup>44</sup> Although Wawanesa had never written automobile insurance, the Occidental Insurance Company had. By 1930 Wawanesa had been swamped with requests for automobile insurance and had been forced to send the business to other companies.<sup>45</sup> In early 1930 Vanstone petitioned the Board of Directors for permission to accept automobile insurance. The Board of Directors agreed and within months the company started to write automobiles.<sup>46</sup>

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<sup>41</sup> Kempton sold insurance through the A.F.K. Co. for the British Canadian Underwriters of Norwich England, Canadian Security Assurance Company, The General Animals Insurance Co. of Canada., Queen Insurance Company of America, F.W. Pace Agency Limited Insurance, and The Yorkshire Insurance Company. Holden – Kempton, A.F. and Laura.

<sup>42</sup> A.F. Kempton to The Yorkshire Insurance Co. February 11, 1920. Ibid.

<sup>43</sup> Holden - Kempton, A.F. and Laura.

<sup>44</sup> It should be made clear, there is a distinct difference between property and casualty insurance and life insurance. Those in property and casualty insurance explain that life insurance is sold and not bought. Life insurance is also frequently seen as being a luxury and not a necessity. The result is that the approach to and writing of property and casualty insurance tends to be very different from life insurance. It should also be noted that the Government in Canada did not allow property and casualty companies to offer life insurance as a line of insurance, a separate company needed to be established to sell life insurance.

<sup>45</sup> When Wawanesa had received requests for lines of insurance it did not carry while the Occidental had been in business, the requests had been forwarded to there. There is some suggestion that a similar arrangement was worked out with the Wapiti Insurance Company.

<sup>46</sup> “Board of Directors,” January 29, 1930, p. 233. Minutes 1926 – 1930.

The decision to write automobile insurance, however, raised questions about the way the company operated. When the company had been primarily “owned” by farmers, votes were levied not by the number of policies a person had, but instead was based on the premium amount (in dollars) the policyholder paid to the company. Automobile insurance tended to be more expensive than the traditional farm policy because the risks in automobile insurance were higher. In 1933 G.D. Finlayson, the Superintendent of Insurance for the Dominion Government, expressed concern about this policy. He stated, “It might be that if concerted action were taken by automobile policy holders in the Company in Winnipeg they could control enough proxies to endanger the control of the farmer policy holders in whose interests the company is carried on.”<sup>47</sup> By 1940 the Company had become acutely aware of the impact of those holding automobile insurance and changed the charter so that those holding automobile insurance were only entitled to one vote per vehicle.<sup>48</sup>

The interest in maintaining the company as a farmer’s fire insurance company was also based in the company’s operational structure. It appears that the company was required to hold at least fifty per cent of their business in fire insurance. When the company exceeded fifty per cent on any of the other lines, it was required to pay a ten per cent War Revenue tax.<sup>49</sup> By 1939, the company was so close to exceeding the fifty per cent mark that Vanstone requested that the British Columbia branch stop writing automobile insurance in an attempt to keep the “other lines” under the fifty percent

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<sup>47</sup> G.D. Finlayson, Esq. to the Board of Directors of the Wawanesa Mutual Insurance Company, April 3, 1933. Holden – Acts 1933.

<sup>48</sup> “Board of Directors,” November 8, 1940, p. 191. Minutes 1935 – 1943.

<sup>49</sup> C.M. Vanstone to M.C. Holden, date unknown [circa 1939]. Holden – Correspondence 1939.

mark.<sup>50</sup> Vanstone commented, "Our other lines are increasing faster than farm, we will have to reduce auto business."<sup>51</sup> Within months, however, this move would prove futile. The company reached and exceeded the fifty per cent and was forced to pay the ten per cent tax.<sup>52</sup> Despite Vanstone's hesitation in 1939 to write different types of policies for fear of changing the nature of the company, within two years, he embraced the changing nature of the company and developed an interest in acquiring different types of policies.<sup>53</sup> Vanstone's new position marks the end of the period of expansion for the company.

In an attempt to grow in areas that the company needed to develop its customer base, the company frequently took over small struggling mutuals. Although the reasons for doing this vary and were sometimes thought to be ideological, in reality, the move into small rural communities that were previously dominated by small mutuals allowed the company to expand within the Canadian market.<sup>54</sup> The Wawanesa Mutual Insurance Company was not aggressive in initiating the takeover of these mutuals and only did so when these other mutual companies were in serious financial trouble. As a result, the majority of the takeovers occurred during the early 1930s.

The first mutual company that Wawanesa took over was the Miniota Mutual, run out of the near-by town of Beuhla, Manitoba. At first Wawanesa took over only a small portion of the Miniota Mutual business. In March 1923 Wawanesa accepted the Miniota Board of Directors' offer that allowed Wawanesa to take over all of the business the

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<sup>50</sup> C.M. Vanstone to M.C. Holden, January 30, 1939. Holden – Correspondence 1939.

<sup>51</sup> C.M. Vanstone to M.C. Holden, January 30, 1939. Holden – Correspondence 1939.

<sup>52</sup> C.M. Vanstone to M.C. Holden, March 7, 1939. Holden – Correspondence 1939.

<sup>53</sup> C.M. Vanstone to M.C. Holden, January 13, 1942. Holden – Correspondence 1942.

<sup>54</sup> Vanstone occasionally noted that his reasons for taking over other mutuals were to protect the "mutual" name. He feared that if any mutual fell into ruin, this would reflect poorly on other mutuals like Wawanesa.

Miniota had in Saskatchewan starting April 1, 1923.<sup>55</sup> The Miniota Mutual's financial situation did not improve, however, and in December 1923, the Wawanesa Board of Director authorized the acquisition of the entire Miniota Mutual portfolio.<sup>56</sup>

Instead of dissolving the Miniota Mutual, Wawanesa chose to keep the Miniota as a separate company for the reinsurance of wind, fire, and property. Wawanesa decided that the Board of Directors of the Miniota should resign and members of its Board were assigned to sit on the Miniota board.<sup>57</sup> One account labels the pre-Wawanesa Board of Directors at the Miniota Mutual to be "weak and self-serving." The source also believed that had the Board for the Miniota Mutual been stronger, the Miniota would have lasted much longer and the takeover would not have been necessary.<sup>58</sup> In April 1926, the Board of Directors for the Wawanesa Mutual Insurance Company decided to convert the Miniota Mutual to a reinsurance medium for the Wawanesa Mutual Insurance Company.<sup>59</sup>

Also in 1926 the Lacombe Mutual Fire Insurance Company, located in Alberta, which had lost its manager, offered itself to Wawanesa.<sup>60</sup> By the middle of May 1926, Wawanesa had successfully taken over a second insurance company.<sup>61</sup> Again, the Lacombe Mutual appears to have been used for reinsurance purposes and much like the

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<sup>55</sup> "Board of Directors," March 13, 1923, p. 330. Minutes 1916 – 1926.

<sup>56</sup> "Board of Directors," December 1, 1923, p. 371. Minutes 1916 – 1926.

<sup>57</sup> "Board of Directors," July 29, 1924, February 2, 1926, p. 494. Minutes 1916 – 1926.

<sup>58</sup> Bo Ferris interviewed by E.N. Davis on an unknown date in an unknown place. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 32.

<sup>59</sup> "Board of Directors," April 13, 1926, p. 4. Minutes 1926 – 1930. As a note, all references to the Miniota Mutual disappear after this entry in the Minute Book. It is unclear what happened to the Miniota but it is likely that the Department of Insurance probably forced its demise as it did for other companies that Wawanesa established as reinsurers, for example, the Occidental and the Wapiti, discussed later in this chapter.

<sup>60</sup> "Board of Directors," April 13, 1926, p. 4. Minutes 1926 – 1930.

<sup>61</sup> "Board of Directors," May 11, 1926, p. 8. Minutes 1926 - 1930.

Miniota Mutual, the Lacombe Mutual disappears from the records after the final takeover occurs.<sup>62</sup>

In 1929 Wawanesa successfully acquired another company, the Milk River Mutual of Alberta. Unlike the Lacombe Mutual or the Miniota Mutual, however, Wawanesa did not maintain the Milk River Mutual for reinsurance purposes. In late 1929 Wawanesa applied to the Superintendent of Insurance for Alberta to amalgamate the Milk River Mutual with the Wawanesa Mutual Insurance Company.<sup>63</sup> In January 1930 permission was granted and Wawanesa gained its first experience in a true corporate takeover of another company.<sup>64</sup> For Wawanesa, the Milk River Mutual was a stepping stone. Wawanesa apparently did not desire another subsidiary company and absorbed all of the business leaving no remnants of this township mutual.

In 1930 the company decided to undertake a move east. Prior to this, the company stopped at the Manitoba – Ontario border. On June 9, 1930, Vanstone petitioned the Board of Directors for permission to move into Ontario. The Board of Directors minutes state that “the present was an opportune time to extend our operation by writing business in Ontario with a particular desire to secure town and city dwellings and it was decided to apply for a license in that province.”<sup>65</sup> The move into Ontario came at a very precarious time as Canada was becoming immersed in the depression. The

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<sup>62</sup> One of the difficulties with the study of the companies that were taken over is the lack of evidence remains. Beyond the discussion of the actual business transactions, there are no remaining records making it difficult to determine how long these other companies actually served as reinsurers.

<sup>63</sup> “Board of Directors,” December 9, 1929, p. 223. Minutes 1926 – 1930.

<sup>64</sup> “Board of Directors,” January 29, 1930, p. 233. Minutes 1926 – 1930.

<sup>65</sup> “Board of Directors,” June 9, 1930, p. 260. Minutes 1926 – 1930.

depression appears to have only mildly affected Wawanesa and, with pay cuts and careful control of expenditures, the company appears to have avoided the trauma that beset the rest of the country.

Within a year of moving into Ontario, Vanstone was hailing the success of the new branch and believed the experience in Ontario to be "very satisfactory."<sup>66</sup> Within months, the company decided to take over a number of small local mutuals, including the Nichol Mutual, the Osgood Mutual, and the Sydenham Mutual that had suffered losses and were having difficulty collecting outstanding premiums.

By late 1930 the Wawanesa Mutual Insurance Company had again been approached by a mutual company needing rescue. In December 1930 Vanstone approached the Wawanesa Board of Directors with a proposition to take over the Nichol Mutual in Fergus, Ontario. The Board agreed "if given the opportunity and if the statement of their affairs proves satisfactory to the Managing Director."<sup>67</sup> Three months later, the Nichol Mutual became the yet another subsidiary of Wawanesa.<sup>68</sup> (The Nichol Mutual appears to have retained its corporate identity although for how long remains unclear.) Wawanesa when taking over different mutuals carefully inspected the risks acquired through takeovers. One year after taking over the Nichol Mutual, it was reported that the collections had gone up and the total losses had dropped from \$25,579 to \$7,300 during one year period it had been under the direction of Wawanesa.<sup>69</sup>

By mid-summer 1931 the Wawanesa Mutual Insurance Company was again contemplating the possibility of taking over another mutual insurance company.

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<sup>66</sup> "Board of Directors," July 14, 1931, p.44. Minutes 1931 – 1935.

<sup>67</sup> "Board of Directors," December 19, 1930, p. 299. Minutes 1926 – 1930.

<sup>68</sup> "Board of Directors," March 10, 1931, p. 18. Minutes 1931 – 1935.

<sup>69</sup> "Board of Directors," December 29, 1931, p. 85. Minutes 1931 – 1935.



However, the Regina Farmer's Mutual showed some resistance. The Farmer's Mutual offered Wawanesa the opportunity to reinsure its policies, an offer Wawanesa turned down because "our company had no desire to increase its liability in the drought area and more particularly because of the apparent unwillingness of the directors of the Regina Company to commit themselves as to the winding up of their company."<sup>70</sup> Within weeks, however, the Farmer's Mutual came back to Wawanesa requesting that it reconsider.<sup>71</sup> Wawanesa concluded that "the elimination of this Company had some favorable features."<sup>72</sup> In particular, a take over prevented the "company's [Wawanesa] reputation" from being damaged, "particularly in the East from the failure of a Mutual Co."<sup>73</sup> In September, progress was reported in the takeover of the Farmer's Mutual and approval was given to complete any of the necessary transactions to complete the transfer of business.<sup>74</sup> This transaction highlights the two key factors in over taking other mutuals. The first was a basic desire to eliminate competition, while the second was a desire to preserve the good name of "mutual" to ensure Wawanesa's success in "the East."

Shortly after the takeover of the Regina Farmer's Mutual, Wawanesa approached the Osgood Mutual and offered to take it over. The offer appears to have come out of the Board of Directors' car trip east in 1931.<sup>75</sup> Upon returning to the town of Wawanesa, the Board approved the motion to take over this small Ontario Mutual. By December the company had amalgamated yet another small mutual insurance company.<sup>76</sup> The onset of the depression resulted in financial difficulties for numerous insurance companies. The

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<sup>70</sup> "Board of Directors," August 7, 1931, p. 46. Minutes 1931 – 1935.

<sup>71</sup> "Board of Directors," August 21, 1931, p. 53. Minutes 1931 – 1935.

<sup>72</sup> Ibid., 54.

<sup>73</sup> Ibid.

<sup>74</sup> "Board of Directors," September 18, 1931, p. 65. Minutes 1931 – 1935.

<sup>75</sup> "Board of Directors," October 17, 1931, p. 72. Minutes 1931 – 1935.

<sup>76</sup> "Board of Directors," December 29, 1931, p. 85. Minutes 1931 – 1935.

small companies were particularly affected because the depression caused difficulties in collecting premiums from policyholders.

The last Ontario takeover was the Sydenham Mutual in the fall of 1931. The Board of Directors of the Sydenham Mutual offered their company to Wawanesa, stating that their company had more than \$39 million in policy coverage and assets exceeding \$35,000. Vanstone reported that he had visited the Sydenham's area and had been "pleased with the appearance of the risks. Losses have been excessive mainly in certain well defined areas, which could very readily be eliminated by thorough inspection."<sup>77</sup> After some debate, the Board of Directors decided that Government regulations did not permit it to re-insure the Sydenham's business and a takeover made more sense. This entailed assuming "all their assets and liability and continue to use the present office as a branch office."<sup>78</sup> In December 1931 Wawanesa officially took over the Sydenham Mutual and again started the process of inspecting and eliminating poor risks. Like the case of the Miniota Mutual, members of the Sydenham staff became members of the Wawanesa staff, who stayed with Wawanesa until their retirements. Despite its relative success, Wawanesa decided against any further takeovers of small mutuals in Ontario.<sup>79</sup>

Wawanesa's expansion did not go unnoticed. In 1936 the General American Insurance Company, which appears to have been a board company, offered Wawanesa the opportunity to assume the General American's policies in Ontario and potentially Quebec. The General American had found the two markets to be difficult and had decided to withdraw. Wawanesa seriously considered the offer, but in the end turned it

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<sup>77</sup> "Board of Directors," October 24, 1931, p. 73. Minutes 1931 – 1935.

<sup>78</sup> "Board of Directors," November 10, 1931, p. 79. Minutes 1931 – 1935.

<sup>79</sup> "Board of Directors," February 25, 1932, p. 98. Minutes 1931 – 1935.

down because “they want an unreasonable commission.”<sup>80</sup> This appears to have been the last time in the period that the company would seriously consider taking over another company or its business.

The takeover of other mutuals would result in losses for the early years in Ontario but the end result was a solid base of business in the province. By carefully inspecting the business, Wawanesa increased business and a “very satisfactory reduction in the losses had occurred.” Vanstone, after returning from a trip east, reported to the Board that “general conditions in the East were very favorable.”<sup>81</sup>

By the late 1930s, the branch in Toronto became the center for all Eastern business, with the exception of North-western Ontario. Being a fairly substantial office, however, did have its drawback. In 1941, after the death of Major Smith, the branch manager in Ontario for ten years, Vanstone ran the Toronto office. Vanstone expressed frustration over the differences in dealing with easterners and also complained that he did not know “if I can ever get the office working as smoothly as in Wawanesa. Doubt it but am trying.”<sup>82</sup> Vanstone’s irritation with the branch was rooted in his general dislike of the east, and his difficulties also were likely logistical because he was trying to process the business for five provinces out of one office. Despite the threats of closing the eastern operation that would loom after Vanstone’s retirement, Ontario went on to become an important part of the Company’s operation.

In 1931, just one year after commencing operations in Ontario, the Board of Directors approved a move into Quebec.<sup>83</sup> The company viewed a Quebec operation as

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<sup>80</sup> C.M. Vanstone to M.C. Holden. November 23, 1936. Holden – Correspondence 1936.

<sup>81</sup> “Board of Directors,” April 19, 1934, p. 243. Minutes 1931 – 1935.

<sup>82</sup> C.M. Vanstone to M.C. Holden, November 5, 1941. Holden – Correspondence 1941.

<sup>83</sup> “Board of Directors,” February 17, 1931, p. 12, Minutes 1931 – 1935.

financially feasible because it could be run out of the Ontario office and in turn reduce the operating expense of that office.<sup>84</sup> By 1936 Dr. Vanstone began to doubt the profitability of the Quebec operation and argued that the company had to drastically cut the coverage and lines of insurance that they offered in the province. He suggested four problems with the province. The first was the Catholic Church.<sup>85</sup> The second was what he referred to as a lack of “financial responsibility law” because “they still operate under the old Napoleonic law, ... I doubt if any rate that we gave in Quebec would be anywhere near adequate for those provinces where the financial responsibility law is in force.”<sup>86</sup> A third problem was cultural. Referring to a possible policy decision, he concluded “the westerners could do this as sense of fair play is strongly developed. Much smaller minded down here.” Finally, Vanstone perceived difficulties arising from national differences. He would have “few worries but Quebec is French – the people – the agents the adjusters seem all to be out to do you and lawyers worst of all.” John Fisher, the company’s representative in Quebec, explained that “practically all my members are French and quite a number of them do not understand English at all well.”<sup>87</sup> In the spring of 1939 Vanstone declared “if I did not have a very obstinate streak in me I think I would have pulled out of Quebec.” A move out of Quebec, however, was not in the company’s future.

In late 1939 or early 1940, John Fisher suggested that a new type of policy was needed to make Quebec profitable. In Quebec the taxi drivers and the owners of “drive yourself” vehicles had experienced difficulty in buying affordable insurance for their

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<sup>84</sup> “Board of Directors,” March 10, 1931, p. 17, *Ibid.*

<sup>85</sup> C.M. Vanstone to M.C. Holden, February 10, 1939, Holden – Correspondence 1939.

<sup>86</sup> C.M. Vanstone to M.C. Holden, September 5, 1940. Holden – Correspondence 1940.

<sup>87</sup> John Fisher to M.C. Holden, December 4, 1941. Holden – Correspondence 1941.

vehicles. Fisher suggested that Wawanesa could offer affordable insurance to both groups and do it in a manner which would make it affordable for the company. Vanstone reflected in September 1940 that "I was considering the advisability of discontinuing writing in that province [Quebec] when these two propositions came up – the taxi business and the Drive yourself. It struck me that, if we could make some arrangements which would cover our operating expense, there might be enough business in these things to warrant our continuing an office in Montreal for I do hate to break the chain between the Atlantic and the Pacific."<sup>88</sup> Although the taxi business had a rough start with some major losses, this was what kept the Wawanesa Mutual Insurance Company in Quebec.<sup>89</sup>

The branch in Winnipeg was created in 1932 and was one of the last to open. Prior to its creation, Radcliffe Agencies had represented Wawanesa from the mid-teens. The Board of Directors' minutes recorded, "The manager explained the situation in regard to the Winnipeg office stating that the matters could not go on as they were and that it was necessary to have a manager there and to turn it into a branch office."<sup>90</sup> The new branch was managed by Thomas Purvis. Apparently the company had problems with Radcliffe, although their nature remains unclear. Both written correspondence and oral histories indicate that company's decision to appoint Purvis was a point of contention for Radcliffe. The disagreement between Radcliffe and Wawanesa continued for at least two years and was the source of at least one court battle. Radcliffe worked

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<sup>88</sup> C.M. Vanstone to M.C. Holden, September 21, 1940. Holden – Correspondence 1940.

<sup>89</sup> It would seem that the Quebec office eventually removed the Drive yourself business but retained all of the taxi business. By 1953, as an example, Wawanesa insured 74 out of 75 taxis in the town of Sherbrooke. (The 75<sup>th</sup>, according to Charles Poirier, did not believe in insurance.) It was at least 1951 before the company seriously considered insuring private automobiles and it was 1970 before the company introduced the sale of property insurance in the region. Charles Poirier interviewed by Milton Holden on June 21, 1972 in Keltic Lodge Nova Scotia. Heather E. Nelson. Milton Holden Oral History Project Tape Summaries, p. 146.

<sup>90</sup> "Board of Directors," March 8, 1932, p. 103. Minutes 1931 – 1935.

hard to retain Wawanesa policyholders and give them to other companies after his separation from the company.<sup>91</sup>

By 1935, with M.C. Holden as branch manager, the company shifted responsibility for Northwestern Ontario to Winnipeg, a move that made more sense than leaving control with the Toronto Branch. Vanstone felt “that we can look after this business better from Winnipeg than from Toronto.”<sup>92</sup> He added, “I do think that Winnipeg is the logical place to handle this for the reason that Toronto is too far removed.”<sup>93</sup> He also believed that the newly opened Trans-Canada highway had “tightened up” the relationship between Northwestern Ontario and Manitoba. Every other insurance company ran their Northwestern Ontario business out of Winnipeg, but Wawanesa’s agents there petitioned the company to move the business back to Toronto. In response Vanstone stated, “I can imagine that this dissatisfaction with the present arrangement has probably originated in the Kenora office, and this is not going to be a sufficient reason to warrant any change.”<sup>94</sup> Despite the objections from the agents, the transfer of business from Toronto to Winnipeg was permanent.

The move into the Maritimes in 1935 was different. Unlike the rest of Canada, no mutual insurance company had ever successfully moved into the Maritimes. Large board companies dominated the region and their desire to keep profits high resulted in rate fixing and monopolies.<sup>95</sup> The Board of Directors for Wawanesa, upon examining information from the Maritimes, expressed surprise at the cost of insurance. They stated,

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<sup>91</sup> Milton Holden interviewed by himself on December 17, 1972, place unknown. Heather Nelson. Milton Holden Oral History Project Tape Summaries, p. 18-19.

<sup>92</sup> C.M. Vanstone to M.C. Holden, March 23, 1935. Holden – Correspondence 1935.

<sup>93</sup> C.M. Vanstone to M.C. Holden, March 22, 1935. Holden – Correspondence 1935.

<sup>94</sup> Ibid.

<sup>95</sup> “Board of Directors,” May 22, 1935, p. 17. Minutes 1935 – 1943.

“Farm rates were almost three times what we charge in the West.” They decided, based on that information, that “we open up carefully and endeavor to do as much business as could be properly looked after.”<sup>96</sup> Within a year, Vanstone stated that his son “Jo [Vanstone] is exceedingly careful and has literally refused an awful lot of business.”<sup>97</sup> The enthusiasm, however, was short lived.

The board companies did not initially put up a fight but as Wawanesa started to take more business, they did react. By 1937 Vanstone complained:

There is a very aggressive organization of Board Companies here and every pamphlet that has been written against Mutuals in the last 15 years has been re-published and circulated broadcast here. Makes it a little discouraging to appoint an agent, give him supplies, to have him send them back saying he had changed his mind. A hurried visit to him will disclose the fact that he had been swamped with adverse propaganda. Sometimes they overcome all his objections and he sticks. Sometimes he doesn't but they are gaining and the end of the year will show an improvement.<sup>98</sup>

The board companies frequently argued that mutual companies were more prone to disaster because they did not have the same type of financial reserves that the board companies did. The C.E.L. Jarvis & Son Fire Insurance Company, for example charged that Wawanesa policyholders could be held accountable for any loss the company incurred, a fallacy, or that mutuals were more prone to failure than board companies.<sup>99</sup> The company attempted to counteract these problems with its own propaganda campaign. The company sent out a number of pamphlets discussing mutual companies and its benefits. Wawanesa also demanded an apology from the C.E.L. Jarvis & Son Fire

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<sup>96</sup> “Board of Directors,” May 22, 1935, p. 17. Minutes 1935- 1943.

<sup>97</sup> C.M. Vanstone to M.C. Holden, September 18, 1936. Holden – Correspondence 1936.

<sup>98</sup> C.M. Vanstone to M.C. Holden, June 29, 1937. Holden – Correspondence 1937.

<sup>99</sup> Advertisement, “Letter of Apology - to You” January 5, 1937. Advertising 1932 – 1939.

Insurance Company and upon receiving it, published it as part of the advertising campaign. The company also used the insurance question-and-answer column of Saturday Night, which answered anonymous questions about insurance companies, to bolster its reputation.<sup>100</sup> The problems in the Maritimes, however, prevailed. The company talked of slowing growth to limit expenses, but could not keep the expenses in the region down.<sup>101</sup> In 1939, when the rest of the company was reporting growth, the Maritimes were stuck with heavy losses.<sup>102</sup> In 1942 the branch was transferred to an agency, the Branch Manager was transferred to Head Office in Wawanesa, and the branch closed.<sup>103</sup>

After expanding both east and west, the company had run out of new territory in Canada. In December 1938, Vanstone responded to a letter from Holden, who appears to have recommended a move into the United States. Vanstone replied:

I have the desire to learn something about Washington and Oregon ... The only thing I know about these States is that Mutual Companies are strong in both places, and some Canadian Companies are operating there. The Canadian Fire, a pretty well managed outfit, started a branch in California, and I believe have done very well.<sup>104</sup>

Over the new few months, Vanstone repeatedly wrote to Holden requesting information and suggesting areas to examine. Vanstone was convinced that the United States could become a profitable venture if the company could find a way to break into the market. He also appreciated that growth was necessary to engage the most talented employees. "We have a lot of bright young men developing here [at the Wawanesa Head Office] and

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<sup>100</sup> Insurance Column, Saturday Night Magazine, September 6, 1936, p. 21.

<sup>101</sup> C.M. Vanstone to M.C. Holden, October 4, 1938. Holden – Correspondence 1938.

<sup>102</sup> C.M. Vanstone to M.C. Holden, February 27, 1939. Holden – Correspondence 1939.

<sup>103</sup> The Maritime operation ran as an agency until the mid-1970's when it again opened as a branch.

<sup>104</sup> C.M. Vanstone to M.C. Holden, December 29, 1938, Holden - Correspondence 1939.



it is going to be to [sic] bad if we cannot find places in which they may develop.”<sup>105</sup> At one time he even suggested “invading” Wisconsin and Minnesota, but stayed away because of the “valued policy laws” in those states.<sup>106</sup>

Wawanesa, although encouraged by the prospect of expanding south, was restrained by two major factors: the expense involved and the onset of the Second World War. After detailed costing, it discovered that it would cost as much as \$200,000 to move into the United States. Vanstone stated, “I would hesitate at present time to take this out of our surplus to register in any of the western points.”<sup>107</sup> The other reason Wawanesa did not expand into the United States was the onset of the Second World War.<sup>108</sup> A move into Washington or Oregon was last discussed in November 1939 and never mentioned in the correspondence between Holden and Vanstone again.

Besides expansion into new territories and into new product lines, Wawanesa also grew by promoting other companies in separate but related areas. Because these companies were less than at arm’s length from Wawanesa’s managers and directors, the company incurred censure for permitting potential conflict of interest. The first of these ventures, the Occidental Fire Insurance Company, has already been discussed. Vanstone was responsible for the creation of the Wapiti Insurance company, the Liberty Fire Extinguisher company, and Prairie Industries, as well as the development of the Wawanesa Print Shop which was created after the local printer closed his doors.

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<sup>105</sup> Ibid.

<sup>106</sup> C.M. Vanstone to M.C. Holden, March 10, 1939, *ibid.*

<sup>107</sup> C.M. Vanstone to M.C. Holden, May 9, 1939, *ibid.*

<sup>108</sup> As a note, Holden would eventually re-introduce an expansion into the United States but the suggestion would not come until he had retired and was sitting on the Board of Directors in the early 1970s. The company would open its first American branch office in 1975 in San Diego, California.

For a number of years, the company held its reinsurance contracts with other smaller companies that they managed or owned and also maintained a contract with Lloyd's of London.<sup>109</sup> In 1928 Wawanesa decided to start another insurance company. Built on the same principle as the Occidental had been twenty-six years earlier, the Wapiti Insurance company was a stock company owned primarily by members of Wawanesa. Wawanesa's Board considered Wapiti necessary because of "the unsatisfactory manner in which it [reinsurance] had been carried on and how we had been forced to organize a separate company which could take care of the odd mercantile risks which were being sent in by our agents and which we could not take in the Wawanesa."<sup>110</sup> The minutes go on to explain that the money for the creation of the company was coming from "local capital" and the members of the Board of Directors were invited to participate in the new company.<sup>111</sup>

Despite consistently stating that the two companies were distinct, Wawanesa held a vested interest in the success of the Wapiti because of its reinsurance. In 1935 Vanstone confided to Milton Holden that the purpose of the Wapiti was to "retain it [business] all in the family."<sup>112</sup> When talking about the family, Vanstone was referring to all of the companies that were controlled by the Head Office in Wawanesa. Much like its predecessor, the Occidental, the Wapiti ran out of the same office as Wawanesa and some believed that "all the good stuff used to go in there" that the "Wapiti had a wonderful loss record."<sup>113</sup> Alex Naismith, a director for the Wawanesa Mutual Insurance Company from

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<sup>109</sup> These small companies were discussed earlier in this chapter and included ones Wawanesa took over.

<sup>110</sup> "Board of Directors," February 7, 1928, p. 108. Minutes 1926 – 1930.

<sup>111</sup> Ibid.

<sup>112</sup> C.M. Vanstone to M.C. Holden, November 14, 1935. Holden – Correspondence 1935.

<sup>113</sup> Clarence Orr interviewed by Milton Holden on May 3, 1972 in Calgary Alberta. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 90.

1927 to 1970, stated, "They [those running the Occidental] were creaming the business. The Wapiti did the same thing. Both companies had a near zero loss ratio."<sup>114</sup> In 1937 Vanstone reported to the Board of Directors that there was "a very nice volume of business from East as well as from the West coming in to the Wapiti Insurance Co. One loss of about \$3300 had occurred in January in the West."<sup>115</sup> The near zero loss ratio and the questionable assignment of business did not go unnoticed by the public. After ten years of what were likely very good profits, Vanstone and Wawanesa's directors had to face the reality that "you can't serve two masters."<sup>116</sup>

Over the ten-year period that the Wapiti existed, it was rarely mentioned in the Minute books or in correspondence until Vanstone and the Board of Directors determined that it was time to terminate the Wapiti. In 1939 Board of Directors was informed that "some criticism... had been leveled against the Wapiti Insurance Company by competing Agents and [it was] suggested that the best method of checking the spread of such propaganda was to have the Wawanesa Mutual Insurance Company purchase all the shares of the Company [Wapiti] outstanding."<sup>117</sup> Wawanesa's policyholders and the Dominion Government were concerned that Wawanesa's directors who held stock in Wapiti were in conflict of interest. Vanstone conservatively estimated that the Wapiti, when wound up, would generate "one hundred and thirty or forty thousand dollars to be added to the Wawanesa."<sup>118</sup> Running the Wapiti and the Wawanesa Mutual Insurance Company out of the same office with virtually the same Board of Directors created a

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<sup>114</sup> Alex Naismith interviewed by Milton Holden on November 28, 1972 in Nova Scotia. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 113.

<sup>115</sup> "Board of Directors," March 1, 1937, p. 105. Minutes 1935 – 1943.

<sup>116</sup> Alex Naismith interviewed by Milton Holden on November 28, 1972 in Nova Scotia. Heather Nelson, Milton Holden Oral History Tape Summaries, p. 113.

<sup>117</sup> "Board of Directors," May 26, 1939, p. 168. Minutes 1935 – 1943.

<sup>118</sup> C.M. Vanstone to M.C. Holden, November 16, 1939. Holden – Correspondence 1939.

conflict of interest for all of the parties involved and the Wapiti was dismantled on November 9, 1939.<sup>119</sup>

Equally controversial was Vanstone's promotion of a fire extinguisher company. In 1929, Vanstone saw a demonstration of the "Liberty Fire Extinguisher" in Michigan. He was so taken with the possibilities of fire extinguishers for fire prevention and loss reduction for the company that he recommended to the Board of Directors that Wawanesa seriously consider starting a Liberty Fire Extinguisher Company in Canada. The Board of Directors approved and raised money for the company. At first sales to the members of the company were "dull."<sup>120</sup> In response the company decided in 1935 to "loan" the extinguishers to the members based on the amount of insurance with the company. As a result, Wawanesa itself began buying the extinguishers from the Liberty Fire Extinguisher Company.<sup>121</sup> This would cause a number of problems later on for both the Liberty and Wawanesa.

Within months of distributing the extinguishers, "reports began to come in which showed that it had done its work of putting out the fire wherever it was used."<sup>122</sup> By the time the company reported on the extinguishers in 1937, it conservatively estimated the savings of around one million dollars "by fires being stopped by the use of this extinguisher."<sup>123</sup> As a result, the Board authorized the company to continue to invest in other fire prevention products. As time progressed, other companies also displayed interest in the product. Vanstone later explained that Wawanesa had sold the

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<sup>119</sup> "Board of Directors," November 9, 1939, p. 174. Minutes 1935 – 1943.

<sup>120</sup> "Board of Directors," January 8, 1937, p. 99. Minutes 1935 – 1943.

<sup>121</sup> C.M. Vanstone to M.C. Holden, August 4, 1941. Holden – Correspondence 1941.

<sup>122</sup> *Ibid.*

<sup>123</sup> *Ibid.*

extinguishers to "six or eight Mutual Companies in Ontario," as well as Lloyd's of London, the Saskatchewan Mutual and the Portage Mutual.

Despite the seemingly unequivocal success of the Liberty Fire Extinguisher, the Board of Directors had again run into a serious conflict of interest. The Board for Wawanesa authorized the company to buy a product from the Liberty Fire Extinguisher Company, a company in which all of the members of the board had a financial interest. The Dominion Insurance Inspector, Mr. Finlayson, originally approved of the plan to establish the Liberty Fire Extinguisher but by 1936,<sup>124</sup> he too was beginning to express some concern about the overlapping Boards of the two companies. In response to this accusation, Vanstone stated:

Speaking technically, there is an objection to the directors of the Wawanesa Mutual making money out of something which they sold to the Insurance Company, but our directors went out on a limb to provide the \$15,000.00 to experiment with, and have no remorse or any feeling of guilt at taking some of the profit out of the venture.<sup>125</sup>

Although the Board of Directors and Vanstone did not have a problem with continuing to make a profit from the Liberty Fire Extinguishers, the Department of Insurance did. Wawanesa was eventually pressured into buying the Liberty Fire Extinguisher Company, which was amalgamated into the rest of the company.

By 1939 the company had successfully made the transition from a strictly western farmer's mutual to a Canadian mutual insurance company carrying a variety of lines for a variety of different people, both rural and urban. The transition for the Wawanesa Mutual Insurance Company came over the period of approximately forty years, but

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<sup>124</sup> "Board of Directors," October 27, 1936. Minutes 1935 - 1943.

<sup>125</sup> Ibid.

intensified between 1920 and 1943 under the direction of Vanstone. Despite growing pains and the recurrent threat of closure of some branches, the company never saw a reduction in the business they wrote from year to year and were never forced out of markets like their smaller mutual competitors. The expansion into different lines of business such as city dwellings and automobiles contributed to the company's eventual success in the cities and across the country. So, too, did a cautious but hungry willingness to take advantage of competitors' difficulties.

The company's ability to successfully move into both different types of insurance and different regions of Canada demonstrates the success of not only the management of the company, but also the success of its risk management strategy. Spreading risk across the country allowed the company the opportunity to grow because it could insure that one large prairie fire or regional drought would not devastate it. The policy of expansion that Wawanesa engaged in was unique because it was based on the idea that growth could prevent policy concentration and as a result limit the impact of natural disasters. The success of the mutual company, nonetheless, caused other problems. In a company reliant on the imagination of its leaders and with seemingly limitless opportunities for expansion related to insurance but outside of the mutual form, it is not surprising that issues arose which placed both the company and its leadership in a conflict of interest. The limitations placed on the mutual form, despite the conflicts it created, were necessary for the effective implementation of the risk management strategy. Territorial expansion and the expansion into new types of business, however, could only be practical if the company was careful in those it insured. The second half of the strategy, as a result, was

careful selection of risk based on a series of criteria that frequently had little to do with the property it was insuring.

## **Chapter 4: Moral Hazards and Other Such Perils**

The sleepy little community of Wawanesa that sat quietly beside the Souris River rarely had to entice settlers. Attracted by land in the late nineteenth century, the majority of those who settled in the area were either from Southern Ontario, the Maritimes, or Great Britain. By the early twentieth century few new immigrant settlers moved into this area because there was little unbroken land, a relatively ethnically homogenized population and only limited work on farms. In essence, the town and district of Wawanesa had reached a stable state of existence. As the Wawanesa Mutual Insurance Company grew within the confines of this little township, it adopted the values of the community. As the company pushed to the outer reaches of Canada, many problems arose. The expansion had implications far beyond those of logistical organization and managerial complications. Maintaining the quality of the insurance sold was relatively simple when compared with the task of controlling the consumer, a necessity in the business of insurance. By the middle of the First World War, questions started to arise about how to control the risk the company was taking on. The answer was simple: avoid all policies which did not reflect the image of Wawanesa.

As the company grew, the number of agents and policyholders expanded exponentially, and it became increasingly difficult to determine who was “a good risk.” By the time the First World War struck, international insecurity in combination with larger insurance losses raised questions about who the company was insuring. Its officers and managers began to inquire about the “moral character” of those the company insured



and by the 1920s began to openly question the ethnic origins of new policyholders and agents. The onset of the depression brought with it new concerns about the moral stability of its clients and ethnicity became the first criteria for insuring with the company.<sup>1</sup> The challenge that confronted Wawanesa, as a rural mutual founded in an ethnically homogenous area, was how to evaluate policyholders at a distance, especially when they possessed a diverse background. Without access to a well-developed body of actuarial information, they relied on prejudices and attitudes. Specifically, the company sought and gave preferential rates to policyholders who conformed to standards of respectability that were consistent with its conception of responsible and wholesome rural life. Conversely, those who did not conform, because of their “morals,” their urban locations or especially their non-Anglo-Saxon ethnicity, were viewed with suspicion.

As discussed in previous chapters, the work of Alfred D. Chandler, Jr., is essential to explaining expansion. Chandler argues that one of the key factors in the development of a company is its ability to grow efficiently and develop mass distribution techniques that can support the desired growth. There are, in turn, two key elements to the growth of any company, marketing and distribution. Although Chandler discusses distribution in the context of moving products from one place to another efficiently in industry, the development of efficient and effective distribution for insurance is different. Chandler states, “The new mass markets reduced the number of transactions involved in the flow of goods, increased speed and regularity of that flow, and so lowered costs and improved productivity of the American distribution system.”<sup>2</sup> As Wawanesa expanded, it

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<sup>1</sup> “Examine that Risk,” Attached to Agent’s Bulletin No. 37 – 12 (July 16, 1937) Holden – Correspondence 1937.

<sup>2</sup> Alfred D. Chandler, Jr. The Visible Hand. p. 209.

essentially was selling to a “mass market.” This increased share of the market, although distributing risk, also forced the company to develop clear guidelines for the administration of this new business.

One of the ways that Wawanesa dealt with its market was a streamlined administrative “production line” with all business being managed by a central office. All of the policies from across Canada, although handled by the independent agent initially, all ended up at the Head Office in Wawanesa. By doing this, Wawanesa was able to control, at least to some extent, the business being sold. On a small scale, this worked because it was easy to control the risks being sold based on personal knowledge of the individual to whom it was being sold. As the product lines became more diversified and the company expanded geographically, the risk became more difficult to manage because it relied on everyone from the agent to the Head Office clerk making accurate judgments.

In order to manage the risk, Wawanesa established a system of careful selection of policyholders. By 1917 the company was forced to start clearly developing guidelines that enforced the ideals of the Head Office. Prior to extensive growth, these regulations were not required because they were implied. Everyone on the “production line” knew and understood the principles the Wawanesa Mutual Insurance Company was based on and there was no need to articulate them as guidelines.

Developing regulations and clear guidelines that differentiated the “good” from the “bad” risk was not a simple mathematical task. For many mutual insurance companies, establishing a rate for insurance sold and selecting policyholders was initially a simple task because most companies were located in small towns and limited their business to those who lived in the same small communities. As companies like

Wawanesa grew, however, problems arose because it was more difficult to select policyholders based on personal knowledge. The agents of the company became the front line of defense against poor risks, and the company utilized an agent's personal knowledge of the potential policyholder to separate the good risks from the bad. Unlike the life insurance industry, those in property and casualty insurance did not have the benefit of sound actuarial data. In fact, the first actuarial organization established to deal in casualty insurance was not established until 1914 and does not appear to have been used by any of the smaller insurance companies and was never used by Wawanesa during this time period.<sup>3</sup>

Some insurance companies turned to or developed insurance organizations, which shared information and helped build some statistical base for rates. The result, in some regions like the Maritimes, was organizations that served as rate fixers. Wawanesa, however, had been notorious for refusing to join any form of insurance organization. In 1918, when the Western Canadian Mutual Fire Insurance Association was created, the company flatly refused the offer to join. By 1934 the company joined organizations like the Mutual Insurance Underwriters Association of Ontario and became advocates of policies that promoted careful selection of risk. Major Smith, the branch manager for Ontario, presented a speech suggesting that careful selection of risk was crucial to the success of a mutual insurance company.<sup>4</sup> The hesitation to join other professional organizations like the Blue Goose, a social organization for insurance professionals,

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<sup>3</sup> Casualty Actuarial Society. Foundations of Casualty Actuarial Science. (New York: R&S Financial Printing, 1990.) p. 2.

<sup>4</sup> Major Smith, "Incendiary Fires, Their Causes and effects, and How to Eliminate Them," presented at the 52<sup>nd</sup> Annual Convention of the Mutual Fire Underwriters Association of Ontario 1934. Holden – Vanstone, C.M. 1932 – 1934.

suggested a lack of trust on the part of the company towards those in the industry. The result was that the company did not have access to data when it moved into new regions and relied on company underwriters to select good business based on their knowledge of Western Canada.

In the absence of strong actuarial data and without information from other companies, Wawanesa depended on the opinions of the underwriters to determine the cost of the policies and set rates. Many companies, when moving into new regions, relied on an underwriter's assessment of the new area to set the cost of insurance.

When a new form of insurance is initiated or a new classification or territory established, there may be a considerable variety in the opinion of individual underwriters as to what the rates should be; but the consensus of opinion invariably produces a rate. Later, when statistics as to the actual losses under the new coverage, classification or territory, finally are acquired, the problem is not "what should the rate have been?" but "how much should the existing rates be changed as a result of the factors observed?"<sup>5</sup>

Wawanesa, like many insurance companies, set rates and regularly adjusted the rate to meet the changes in different areas of the company. Statistical data and rate adjustments, however, could not prevent the company from taking on poor risks. Avoiding risks completely became extremely important as it averted the possibility of future problems by applying general criteria to a large body of potential policyholders.

The Wawanesa Mutual Insurance Company worked diligently to maintain a low profile policy toward policyholder selection. The introduction of concepts like the rebuilding clause, which minimized the risk of a person burning a building for profit by requiring the insurance money be used to rebuild the lost building within feet of the

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<sup>5</sup> Arthur Bailey cited in Casualty Actuarial Society. Foundation of Casualty Actuarial Science. (New York: R&S Financial Printing, 1990.) p.8

original, helped to reduce certain risks but could not eliminate them. Rapid expansion, however, forced the company to adopt a blanket policy that established certain cultural guidelines to determine what was a suitable risk, and what was not. As a result, the Wawanesa Mutual Insurance Company applied risk management policies based on its knowledge of its own community.

One of the most important elements for an insurance company to become a success is the quality of the business it writes. Poor business will result in heavy losses and will, in a very short time, drain the company coffers of all reserves. In insurance, profit is rarely made from what is defined as written premiums, but in a perfect world, a company would be able to write an amount of business which was equal to or more than the losses suffered in a year. This is what is referred to as an underwriting profit. Unfortunately, the vast majority of the time, this is not possible and companies rely on investment income to make up the differences between the underwriting money and the claims losses. In an attempt to close the gap between the losses and the written premiums, companies generally adopt a series of guidelines which attempt to define what makes a policyholder a good risk. In 1937, C.M. Vanstone stated that the key to carrying good risk was the "wide distribution of risks both as to character and location has always been the first rule of safety for fire insurance companies."<sup>6</sup>

Throughout the early part of the twentieth century, until the introduction of town dwelling insurance in 1927 and automobile insurance in 1929, the company insured farmers, and only farmers. Wawanesa, with its twenty years of experience in the insurance business managed to determine what made a good farmer. In early

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<sup>6</sup> "Agent's Bulletin No. 37 - 12," July 16, 1937. Holden - Correspondence 1937.

promotional material, it frequently stated that “our insurance is not intended for anything but the bona fide farmers.”<sup>7</sup> Tenant farmers also did not qualify because they could move at any time.<sup>8</sup> Only farmers on productive land should be insured and they should also have production on the farm that “supports the buildings and maintains the value of the same.”<sup>9</sup> Farmers on “non-productive property” were considered to be more likely to burn down their buildings in order to collect the insurance money.<sup>10</sup> To its agents, the company defined what a farmer was not. A farmer was not “a man who keeps grain in his dwelling.” It went on to state that “we won’t forget we are a good company for good farmers and not a poor company for poor farmers.”<sup>11</sup> As well, “Big Farming Companies ... are not good risks and not the class of risk this Company was formed to accept ... the owners are usually not farmers and the company was formed for the insurance of Farmers only.”<sup>12</sup>

Although the company slowly moved into insuring automobiles and town dwellings, it still concerned itself with the definition of the good farmer into the 1930s. While discussing one loss, M.C. Holden, branch manager for British Columbia, explained that “while they [the policyholders] were not good farmers they were well respected people.”<sup>13</sup> Holden expressed amazement at the fact that the couple had been able to pay for the insurance premium and added that it was likely the daughter, a teacher, who had

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<sup>7</sup> “A Quiet Chat with the Agents of the Wawanesa Mutual Insurance Company,” (circa 1915) Agent’s Guides 1915.

<sup>8</sup> In Wawanesa’s Annual Report of 1917, they tell the farmers that the unusually high losses of the year could be blamed with “no doubt in our minds ... that they were caused by the acts of alien enemies setting [barns and livestock] on fire and all Farmers should watch for such parties.” In previous years the setting of fires had been blamed on “dishonest men.” Annual Report ending December 31, 1917. Annual Reports – Pamphlets 1905-1919.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid. It should also be noted that this guide was distributed to all of the agents of the company.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> M.C. Holden to C.M. Vanstone, January 31, 1934. Holden – Vanstone, C.M. 1934.

been paying for the insurance.<sup>14</sup> Clearly, being a good farmer was still important, if only because it suggested financial security.

By the late 1930s, during the depression, the classification of the good farmer appears to have changed in the opinion of the company. In a 1938 letter, Vanstone explained that the “large farm risk is the good one. The man who has accumulated enough surplus to build a good house and a good barn and good outbuildings is a more careful man and has proven with us to be the best class of risk.”<sup>15</sup> As farming changed in Western Canada, so too had the criteria for the farmers. Vanstone does caution against the “hobby farms” though. He believed that these farms were run “by millionaires [who] feed horses with silver spoons.”<sup>16</sup> Although it is difficult to determine where the company placed the line between middle class and wealthy, it would be fair to say that the line was thin and dependent on circumstances and the agent.

Also to be avoided were potential customers who represented a “moral hazard.” A moral hazard described everyone from the brothel owner to those with insecure family lives. Selecting policyholders by evaluating the moral hazard posed by a person was not adopted only by the Wawanesa Mutual Insurance Company. In fact, the majority of insurance companies in Canada adopted this criterion.<sup>17</sup> The first straightforward reference to “moral hazard” as a risk appeared in the Annual Report for 1923. Here Vanstone warned of “men who are engaged in any immoral practices, bootleggers, gamblers or men who are suspected of undue familiarity with women other than their

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<sup>14</sup> Ibid.

<sup>15</sup> C.M. Vanstone to M.C. Holden, January 18, 1938. Holden – Correspondence 1938.

<sup>16</sup> Ibid.

<sup>17</sup> Christopher L. Hives. The Underwriters: The history of the Insurers' Advisory Organization and its predecessors, the Canadian Fire Underwriters' Association and the Canadian Underwriters' Association (1883 – 1983). (Toronto: Phelps Publishing Company, 1985.) p. 18.

wives.”<sup>18</sup> Vanstone felt, “circumstances frequently arise which makes it necessary for them to move out quickly.”<sup>19</sup> The other reason that the company believed that buildings owned by these high-risk individuals were susceptible to burning was that the “misguided neighbor” might burn down the house to rid the area of the suspect individual.<sup>20</sup> Five years later Vanstone again preached about the importance of selecting risks based on, among other criteria that will be discussed later, the marital status of the man. Vanstone maintained that a married man was a better risk than a single man because he had “a better sense of responsibility and a greater desire for respectability.”<sup>21</sup> In 1941 Vanstone explained how he often “sized up” men stating, “the main thing, after all, being to be able to read men’s character and avoid men with doubtful reputations. Even the ones with the most saintly appearance are very often the worst type.”<sup>22</sup> The selection of risk based on moral hazard was not limited to the perceived character of the man within his community. The company also carefully considered his standing in society and ethnicity before deciding if he was a suitable candidate for insurance with Wawanesa.

One of the ways that the Wawanesa Mutual Insurance Company attempted to limit those they were attracting was through selective advertising. In a 1932 letter, M.C. Holden stated that “there is always the danger, of course, that we may be securing a class of policyholder whom we don’t want but I think this is a negligible factor if we confine

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<sup>18</sup> Annual Report from 1923, p.12. Found in Annual Reports – Pamphlet 1920 – 1934.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> “Agents’ Rate Guide 1928,” p. 19 (b) found in Rate Manuals, Guides for Agents.

<sup>22</sup> C.M. Vanstone to W.O. Peterson, November 8, 1941. Peterson, Bill – Vanstone, C.M. 1941 – 1943.



our advertising to the radio.”<sup>23</sup> Holden seemed to believe that radio advertising reached an audience which could afford the cost of the radio and thereby eliminated those with lower incomes.

The company’s reputation for success also attracted those who were considered to be “the better class of people.” In 1932, Vanstone explained that “I have always thought the man who is in moderate circumstances to be a better risk than the person with abundant wealth,” since he was more likely to be careful with the belongings that he owned.<sup>24</sup> Vanstone commented in 1935 that, although the “city residences” had been considered to be an extremely “profitable class” in prior years, they had “now shown a loss over practically all of America exceeding 50%, making them no longer profitable.”<sup>25</sup> The problem was that the “better class of people, who have frequent celebration, and in the course of these spill liquor on to Chesterfields or burn holes in the arms of the chairs when under the influence of liquor.”<sup>26</sup> Vanstone also indicated that the company had attempted to avoid this “class of people” and he did “not believed that the people who insure with us, as a class, [are] liable to give us very much trouble over this particular form of claim [cigarette burns and scorches.]”<sup>27</sup> Vanstone appears to have strongly believed that Wawanesa would be able to avoid this risk by avoiding well-to-do city dwellers, but there is no indication that he felt threatened by the wealthy farmers.

In 1936 Vanstone expressed concerns about growing competition and the decreasing cost of insurance for the “good” risk. The cost had become so low for the

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<sup>23</sup> M.C. Holden to C.M. Vanstone, February 29, 1932. Holden – Vanstone, C.M. 1932 – 1933.

<sup>24</sup> C.M. Vanstone to M.C. Holden, March 2, 1932. Holden – Vanstone, C.M. 1932 – 1933.

<sup>25</sup> C.M. Vanstone to Ray Hughes, September 6, 1935. Holden – Correspondence 1935.

<sup>26</sup> C. M. Vanstone to Ray Hughes, September 6, 1935. Holden – Correspondence 1935.

<sup>27</sup> C.M. Vanstone to Ray Hughes, September 6, 1935. Holden – Correspondence 1935.

better risk that "I suggested we would be owing the assured something when he gave us an application – a diamond ring – or a paid up life policy."<sup>28</sup> This type of competition made it difficult to remain competitive in Ontario. Vanstone believed that the company would have to work on finding the better risk and insure it at a cost that left "something for the company."<sup>29</sup> Attracting the high quality risk, however, would not get easier as the company faced increased competition and mounting qualifications for "the good risk." In 1939 Vanstone explored the problems of risks and the rates charged in a letter to M.C. Holden. The conundrum was that "the good risks are carried at too high a rate and the poor risks at too low a rate."<sup>30</sup> The idea was to continue attracting what the company defined as good business by lowering the cost while at the same time maintaining the rate for the high risk for fear of losing business.

As well Vanstone and other members of the company frequently distinguished between those living in the city and those who resided in the country. This distinction arose not just from a rural prejudice against cities, but also from the growing record of claims data. Vanstone developed his own distaste for city life, once stating after returning to the town of Wawanesa that it was "good to get back to civilization again."<sup>31</sup> But the company's preference for those living in the rural areas also reflected the cost of claims. As a result, a discount was given to farmers on automobile insurance. Vanstone stated, "farm cars have shown us the best loss ratio ... The reduction is made because the

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<sup>28</sup> C.M. Vanstone to M.C. Holden, September 10, 1936. Holden – Correspondence 1936.

<sup>29</sup> Ibid.

<sup>30</sup> C.M. Vanstone to M.C. Holden, November 6, 1939. Holden – Correspondence 1939.

<sup>31</sup> C.M. Vanstone to M.C. Holden, December 1, 1941. Holden – Correspondence 1941.

time that an operating farmer can spend on the roads is limited and due also to the fact that the hazard is less on country roads than in the city.”<sup>32</sup>

Adapting to those living in the city was not the only adjustment the company needed to make. As waves of immigrants entered the country, the ethnic origin of policyholders became increasingly important for the company. The first vague reference to the importance of ethnicity appeared in the Annual Report for 1917. In it, Kempton warned that the “farmers’ own alien hired man” was a high risk for the company because these men were prone to burning down the buildings.<sup>33</sup> The first explicit reference to ethnic background appears in 1928 in an agents’ guide where Vanstone stated that “certain nationalities seem to be devoid of any moral responsibility and we do not desire any dealings with such.”<sup>34</sup> He went on to urge checking the background of the person by tracking his immigration history. He warned that, regardless of the actual birthplace, if a person had immigrated through the United States, “he gives his nationality as ‘American.’”<sup>35</sup> The desire of some policyholders to hide their true nationality, however, should not come as a surprise because the company, in the same year, stated that it would not insure any “property owned by Greeks and Syrians.”<sup>36</sup>

In 1935 there was a growing concern about the respectability and ethnicity of potential policyholders. In a letter to M.C. Holden, Vanstone emphasized the importance of recruiting a certain groups of policyholders. He referred to an individual who was seeking an agency with Wawanesa and “has a good class of English and Icelandic people

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<sup>32</sup> C.M. Vanstone to M.C. Holden, June 20, 1934, Holden – Vanstone, C.M. 1934. Vanstone also referred somewhat sarcastically to “well to do city folk.”

<sup>33</sup> Annual Report ending December 31, 1917. Annual Reports – Pamphlets 1905- 1919.

<sup>34</sup> “Agents’ Rate Guide 1928,” p. 19 (b) found in Rate Manuals, Guides for Agents.

<sup>35</sup> Ibid.

<sup>36</sup> “Agents’ Rate Guide 1928,” p. 13 found in Rate Manuals, Guides for Agents.

wishing to insure with us.” Vanstone advised Holden to investigate the person’s financial standing and if it was considered acceptable, to “give him particulars of our ‘Special Select’ clause and other matters that would help him secure some business.”<sup>37</sup> Two things are apparent from this letter. The first is that the reputation of those that the company was aiming to insure was very important. The second is that the company wished to guarantee that the agent was just as reputable as the people he was aiming to recruit.

By 1937 the company’s concerns about the background of the potential policyholder reached a head. Vanstone communicated his decision to avoid certain risks by eliminating those with specific ethnic backgrounds:

We are sending out a circular to our agents telling them that we can no longer write Ukrainians, Ruthenians, Assyrians, Galicians, Doukhobors and other southern European races and while I expect we will have to make a good many exceptions with agents who have been writing these people successfully yet we will eliminate a lot of the unsatisfactory losses over the rest of our territory.<sup>38</sup>

Vanstone correctly anticipated the reaction as a number of the agents complained about these restrictions.<sup>39</sup> The company recognized that the termination of business for these ethnic groups “was not done in a very diplomatic manner” and believed that “for sometime we will undoubtedly feel the result of the manner in which it was carried out.”<sup>40</sup> The company, however, believed that this was critical to limiting the losses that they had been experiencing during the depression.

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<sup>37</sup> C.M. Vanstone to M.C. Holden, May 23, 1935. Holden – Correspondence 1935.

<sup>38</sup> C.M. Vanstone to M.C. Holden, April 22, 1937. Holden – Correspondence 1937.

<sup>39</sup> C.M. Vanstone to M.C. Holden, June 3, 1937. Holden – Correspondence 1937.

<sup>40</sup> Ibid.

In the same year, the company published a guide for the inspection of risk. In a pamphlet entitled "EXAMINE THAT RISK! Is it good?," the company asked the agent to "check these points on every Risk: 1) Racial origin, 2) Moral Hazard 3) Occupancy class of risk, 4) Exposures, 5) Physical condition: construction, chimneys, etc., 6) Housekeeping, 7) Heating, 8) Lighting, 9) Rate." The pamphlet then instructed to send it on to the Wawanesa Mutual Insurance Company only "if 'o.k.' on every point."<sup>41</sup> It is interesting that the actual state of the property the company was examining was half way down the list at number five. The type of person that the company was considering insuring was more important than the type of property they were insuring.

Although the guidelines established by the company appear to be ruthlessly discriminatory in certain places, in others Vanstone offers explanations for the selection of risk. In 1938, he stated that "in Western Canada our experience on Chinese business has been unfavourable due partly to the fact that they seem to pick out the worst physical hazard in the different towns and rent it for their laundry or restaurant..."<sup>42</sup> Here the suggestion is that the policy was established not because the Chinese were "different," but because they chose or could only afford poor quality business accommodation which bore a higher risk and claims history. Although their decision to avoid "special solicitation" still suggests that the company made wide generalizations, at least in this case, the logic was explained.

Ethnic stereotypes also influenced Wawanesa's dialogues with other mutuals, as was the case in its assistance to one small mutual located near Emerson Manitoba. The

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<sup>41</sup> "Examine that Risk! Is it good?" was attached to Agent's Bulletin no. 37 – 12 (July 16, 1937). Holden – Correspondence 1937.

<sup>42</sup> C.M. Vanstone to M.C. Holden, April 19, 1938, Holden – Correspondence 1938.

Board of Directors described the mutual in 1939 as consisting of “people of German extraction (a good many of them being Mennonites.)” The “German” mutual apparently required assistance because it had “recently taken in some other nationalities with rather disastrous results.”<sup>43</sup> Although the details are not clear, Wawanesa considered the risk involved on this small mutual to be low and had no difficulty helping it financially. In order to rectify the problem, Wawanesa recommended removing those policies held by the “other nationalities” in order to clean up the business that the “German Mutual” was carrying.

The Wawanesa Mutual Insurance Company was speaking from experience when they talked about “cleaning up” business. In 1941 Vanstone recalled the town of Rosthern which “has always been a difficult sport for us. I can remember when our loss ratio there was very bad.” The problem was that “there are various nationalities operating there, few of whom we can trust, so that any business we take should be pretty well scrutinized.”<sup>44</sup> Clearly Vanstone felt it necessary to send a warning to the inspector for the area to guarantee that the company did not take on any unacceptable risks. This is an example of Wawanesa’s “production line” attitude toward risk which had the agents selling the insurance but the company spot checking the risks to guarantee the quality of business sold was within the required perimeters.

Wawanesa was not exceptional in its evaluation of the ethnic backgrounds of its policyholders. It, like other insurers, shared information through various industry and underwriters’ associations. In 1940 Vanstone recalled visiting another large casualty company in the United States which also utilized a list to determine whether or not the

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<sup>43</sup> “Board of Directors Minutes,” July 25, 1939, Minutes 1935 – 1943, p. 170

<sup>44</sup> C.M. Vanstone to W.O. Peterson, November 27, 1941. Peterson, Bill – Vanstone, C.M. 1941 – 1943.

potential policyholder was eligible for insurance with that company.<sup>45</sup> One of the organizations Wawanesa associated with, Fire Underwriters' Investigation and Loss Information Bureau of Canada, used the ethnic background and opinions of neighbors in reports. Part of one such report reads:

The assured ... is a native of Jugo-Slovakia, married and a resident of Canada for nine years and now naturalized. He has two previous fire losses in Alberta, which appear to have been very opportune ones. He is regarded by most of the neighbours in his settlement, as a tricky individual.<sup>46</sup>

This short statement illustrates the issues that were viewed as important in underwriting good business, ethnicity and moral character. Wawanesa and the Fire Underwriters were not alone in their classification of risk.

Establishing any company in the financial sector was a challenge, but a national insurance company faced major logistical problems. In order to remain profitable, an insurance company needed an underwriting profit that supported the losses incurred during a year. In order to achieve a profit, careful underwriting was essential. The first line of defense was the creation of clear guidelines that ensured that the premiums were relative to the risk taken. If the company believed that there were too many unknown factors about a certain risk, it decided not to insure the risk. On this principle the Wawanesa Mutual Insurance Company developed its policies regarding the moral hazard and ethnicity of its policyholders to 1943. Poor experiences and uncertainty led to guidelines that eliminated risks according to societal factors. Establishing a strict policy with regard to the moral character and ethnicity of a potential policyholder allowed the

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<sup>45</sup> C.M. Vanstone to M.C. Holden, June 4, 1940. Holden – Correspondence 1940.

<sup>46</sup> Loss report on a policyholder by the Fire Underwriters' Investigation and Loss Information Bureau of Canada from 25<sup>th</sup> of November, 1936. The name of the policyholder has been omitted to insure privacy.

company to limit what they believed were poor risks. The relationship between this risk management policy and the reduction in losses is impossible to determine but it is clear that reducing the moral hazards and other such perils was an important consideration in the creation and development of the risk management policy.



## **Conclusion**

When the seventy-six farmers agreed to attach their names to the Wawanesa Mutual Insurance Company, it is unlikely they anticipated what would follow. Nearly fifty years later, the company had not only survived where most others had failed, but was at the top of its field. Achieving excellence in insurance, however, was not a simple task. Alonzo Kempton started a company which was no different than any other mutual on the prairies. Within two years he realized that success could not rest on a township mutual and comprehended that expansion was a key to building the business. As the company moved outside of the township, it grew and soon employed a staff that grew exponentially. Within twenty years, the company, growing in all respects, had become more than Kempton was capable of handling. At this moment, the company's growth stalled, if only briefly. Kempton made way for the taskmaster, Vanstone, who understood business and people, both crucial to the success of the mutual. Vanstone refined and rationalized a structure and a strategy for the company that had been developed under Kempton in practice, but without plan. This structure included a network of agents and provincial offices with a centralized support staff. The strategy was one of expansion for effective risk management. Vanstone's organizational capabilities and his vision made expansion possible again and within less than ten years the company had a national license. By 1935, the company was truly national and flourishing.

There are three key components to Wawanesa's success. The first was a clear organizational structure. The company was not only administered by strong executives but it was managed on a day to day basis by the same individuals. This intricate

knowledge of the day to day operations allowed both Kempton and Vanstone to gauge the company's capacity to grow and evolve. Both men were strong leaders but each offered something different to the company. Kempton was an excellent visionary and an extraordinary salesman. These qualities were both necessary and important to a budding company, but were of limited use to a mid-size company with a full complement of employees and a solid board of directors. Vanstone, however, was both interested in and able to run a functional and efficient office. Although he was occasionally resented for his domineering ways, he managed the company through some of Canada's most difficult social and economic periods. In their very different ways, both men demonstrated the importance and limitations of leadership. Their constructive ability to execute their leadership depended very much upon the company's stage of development. What worked and advanced the company in one set of circumstances did not benefit the company in other times.

The second crucial element to Wawanesa's corporate structure was its staff. Although employees and agents are key to any insurance companies success, they are rarely mentioned. Unlike other companies, Wawanesa did not experience unionization or labour difficulties. The company instead relied on a strong base of dedicated employees to "sell" the Wawanesa name and aid in the growth of the company. The agents, the office staff, and advertising all played a role in building the company. Although each was intrinsically linked with the other, the agents composed the largest and most important of the three. Crucial for selling insurance and selecting risk, these agents were spread across the country and served as Wawanesa's front line. Advertising complemented the agents and the company advertised in an attempt to reach those not in

contact with a regular agent. The office staff, on the other hand, served as administrative support and was responsible for the paperwork and inspections that kept the company operating in an efficient manner. Without good agents, and a strong support staff, the company would not have been able to expand and grow in the fashion that it did.

The third component to Wawanesa's success was the strategies it embarked on to encourage careful growth and execute a strong risk management policy. Initially growth was possible through geographic and product line expansion. This took Wawanesa into different regions of Canada and allowed the company to spread risk. Developing new areas for the company, however, was particularly troublesome. Successful expansion required knowledge of the market that Wawanesa did not possess. One strategy employed to circumvent this difficulty was the takeover of numerous other small mutuals. This allowed Wawanesa to penetrate the new regions and eliminate poor risks. Success in new regions, however, was advanced by changes in product line and adaptations that were made to meet a changing society. Wawanesa explored the urban market and settled into new areas complimenting a careful expansion across Canada.

Although expansion alone is usually credited for Wawanesa's success, growth alone did not guarantee financial stability. The key to a successful insurance company is not its ability to have large quantities of business, but is instead its ability to have a significant amount of good business. In order to achieve good business, however, the company needed to define what made a policyholder "good" or "bad." By applying criteria that eliminated certain classes and ethnic groups, the company felt it could limit the risks it was taking. The success or failure of specific policies remains unclear. However, the implication is that Wawanesa was able to successfully manage its risk and

as a result, saw both growth and a profit which sustained the company through any difficulties they encountered.

Starting any small business came with challenges, but insurance was different. Unlike Alfred D. Chandler Jr.'s Dupont, the Wawanesa Mutual Insurance Company is a study of a company that started out with small rural roots and limited ambitions. The determination of two strong individuals, Kempton and Vanstone, supported by a solid board of directors, forced the company to success. This entrepreneurial spirit and drive is difficult to account for in a standard study of managerial efficiency. Revisiting the idea that a single entrepreneur's drive can result in corporate success is one of the key contributions this thesis makes to the field of business history. The thesis also suggests that a succession of strong leadership punctuated by a crisis at the end of the leaders' terms was the key to corporate growth. Although Chandler and his followers acknowledge the presence of the individual as a part of the corporate structure, the companies that they explore have exceeded a size where a single person can know their business from the clerical positions to the board of directors meetings.

In the history of small business, historians like Mansel Blackford have made advances that point towards the entrepreneur as a driving force. However, small business history does overlook the importance of efficiency as a business grows. The central problem is that business histories are written either about the small business that remains small or the big business that had never been extremely small. Little is written about the transition that a company must undergo to become large and a relative success in its field. Wawanesa is rare only because little is known about other companies of a similar size and origin. In Wawanesa's transition, what separated this company from others of its

kind was the determination of its leaders to promote growth carefully and manage effectively.

The Wawanesa Mutual Insurance Company is a small town success story. Unlike many of the insurance companies that started in the late nineteenth century, Wawanesa survived. Explaining the success or failure of any company is difficult and this is no exception. The key components, however, are rooted in successful leadership, effective organization, and aggressive risk management. Wawanesa, however, separated itself from most other companies when it dedicated itself to its rural roots and its small town heritage. It applied a township mutual philosophy, “insure those you know,” to a nation. Its success in doing so is what made Wawanesa “the great city on the prairies” with good men, few moral hazards and a nation full of proud Mr. Wawanesa’s.

## Illustrations

Figure 1.1:

Map of Organizational Structure

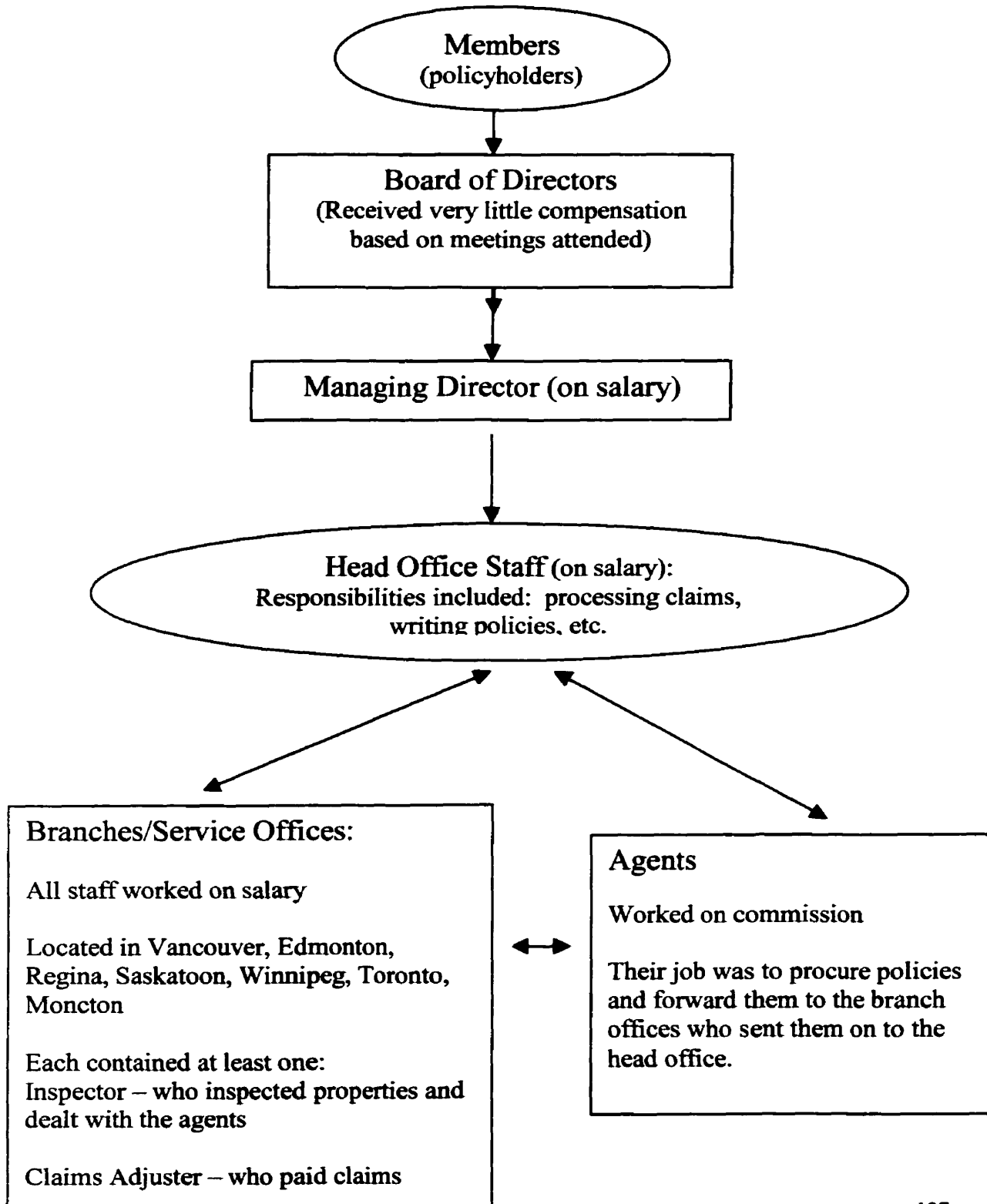


Figure 1.2:

Toronto Office Picnic June 24, 1937<sup>1</sup>

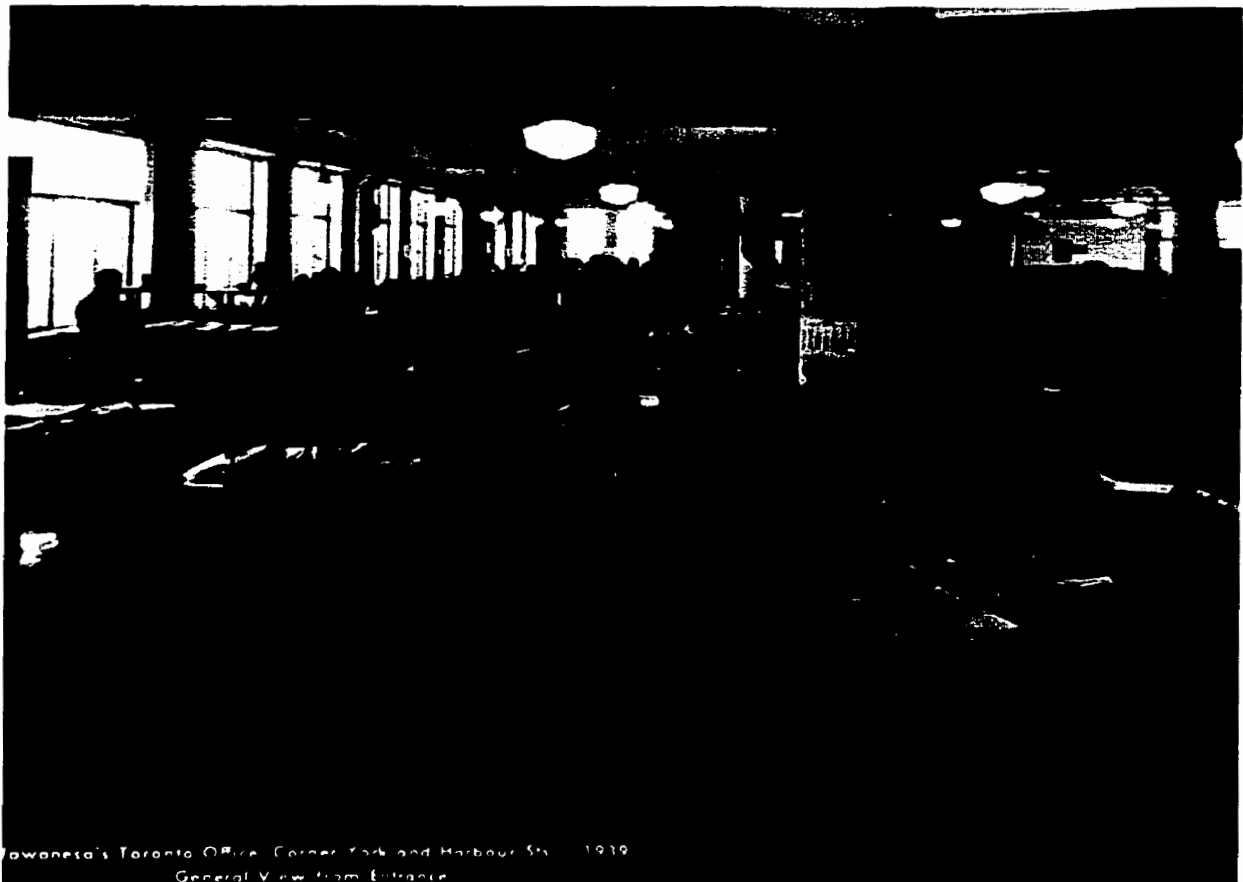


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<sup>1</sup> New addition to archives, box not assigned. C.M. Vanstone is in the middle of the back row and is wearing a black suit jacket and glasses.

Figure 2.1:

Photograph of Toronto Branch Office in 1939<sup>2</sup>



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<sup>2</sup> This photo is a new addition to the archives and does not currently have a file.



Figure 2.2:

Typical Advertisement from the Early Twentieth Century<sup>3</sup>

Farmer's Advocate, Winnipeg, Man. [with report card and notice to  
policyholders.]

# THE WAWANESA MUTUAL INSURANCE COMPANY

Head Office: WAWANESA, MANITOBA

## BALANCE SHEET

for the year ending December 31, 1920

Assets	Liabilities
Real Estate	Capital
Investments	Reserves
Accounts Receivable	Unpaid Claims
Prepaid Expenses	Other Liabilities
Other Assets	
<b>Total</b>	<b>Total</b>

This is to certify that I have examined the books and accounts of the above company for the year ending December 31, 1920, and that the balance sheet is correct and that the assets are properly valued.

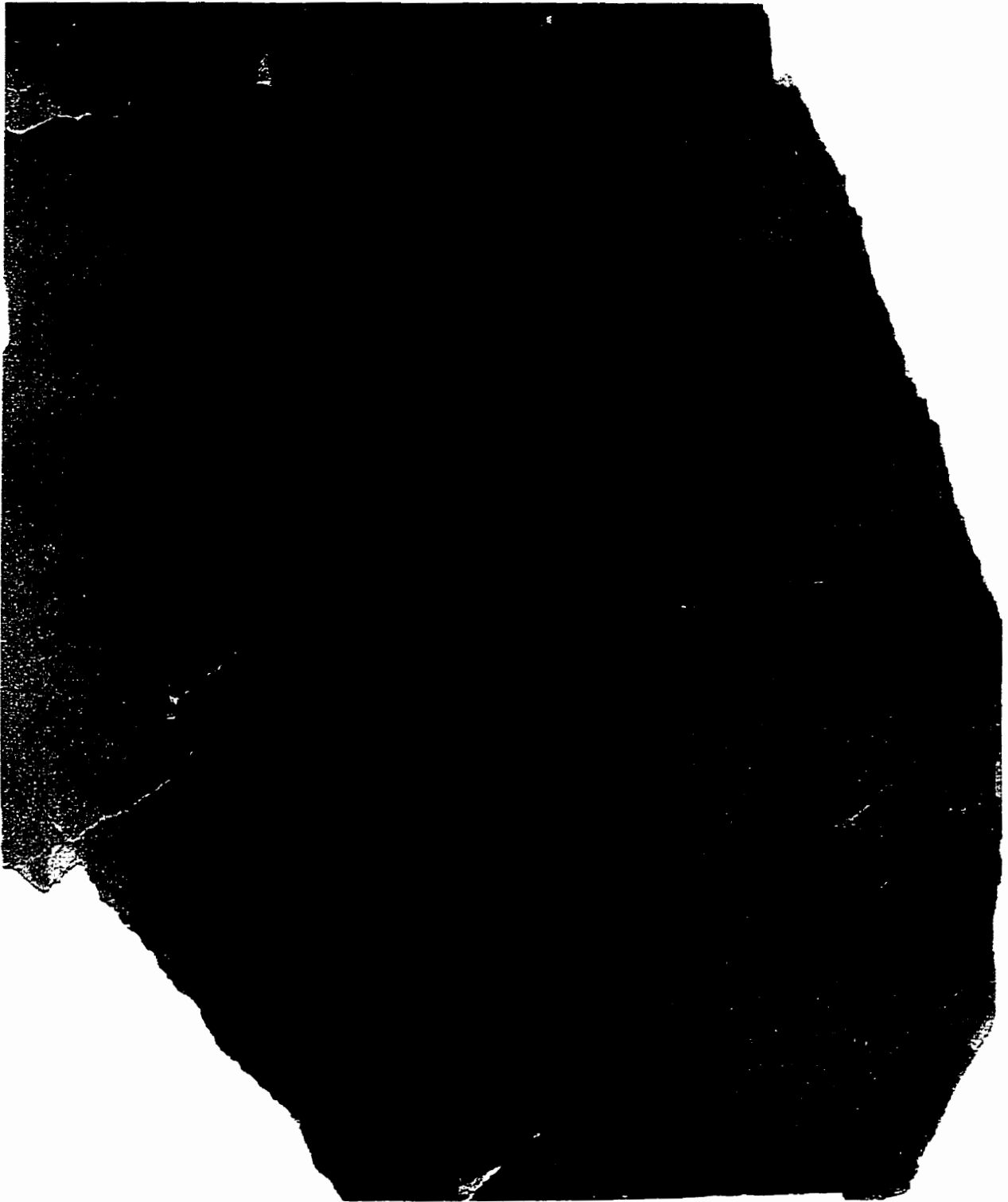
G. L. McPherson, Auditor.

The Company has an agreement with The Western Mutual Fire Insurance Association or any other Association of Mutual Companies.

<sup>3</sup> From the Farmer's Advocate, 1922. Company Saskatchewan.

Figure 2.3:

Advertisement from 1913 in the Nor-West Farmer<sup>4</sup>



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<sup>4</sup> Company History 1900-1988

Figure 2.4:

Advertisement from Motor in Canada<sup>5</sup>

**A NOVEL AND EFFECTIVE SAFETY MESSAGE**



This striking billboard on the Mall at Breakfast drew attention in a dramatic way to the constantly increasing toll of motor accidents in Winnipeg. The figures are provided through the courtesy and co-operation of the Winnipeg Police Department, and many messages of commendation have been sent to the Wawanesa Mutual Insurance Company for its active participation in the safety campaign, most notably way to encourage the intelligent use of our streets and highways.

<sup>5</sup> From Motor in Canada, April ?. Advertising 1932-1939.

Figure 3.1:<sup>6</sup>

Cartoon drawn in the Early 1930's during the "Civil War" between the Wawanesa Mutual Insurance Company and the Portage Mutual Insurance Company.



<sup>6</sup> Untitled, found in Holden – History 1899-1972

Figure 3.2:<sup>7</sup>  
Photograph of the Staff in front of the Wawanesa Mutual Insurance Company/Occidental  
Head Office in Wawanesa in 1909



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<sup>7</sup> Found in Pictures 1900-1960

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Holden – Correspondence 1936 (Box 4, File 16)

Holden – Correspondence 1937 (Box 4, File 17)

Holden – Correspondence 1938 (Box 4, File 18)

Holden – Correspondence 1939 (Box 4, File 19)

Holden – Correspondence 1940 (Box 4, File 20)

Holden – Correspondence 1941 (Box 4, File 21)

Holden – Correspondence 1942 (Box 4, File 22)

Holden – Correspondence 1943 (Box 4, File 23)

Holden – Vanstone, C.M. 1932 – 1933 (Box 6, File 34)

Holden – Vanstone, C.M. 1934 (Box 6, File 35)

Holden – Vanstone, C.M. 1934 – 1943 (Box 6, File 36)

Peterson, Bill – Vanstone, C.M. 1941-1943 (Box 6, File 37)

Holden – Vanstone, C.M. 1932 – 1934 (Box 7, File 4)

Holden – Acts 1933 (Box 7, File 27)

Company 1896-1930 (Box 13, File 11 Vault)

Company – Alberta – 1917-1920 (Box 9, File 18)

Company – B.C. 1921-1972 (Box 9, File 28)

Company – History 1896-1988 (Box 3, File 14)

Company – Media 1960 – 1990.

Company Philosophy, 1920-1972 (Box 3, File 16)

Company – Saskatchewan (Box 9, File 43)

Holden History 1889-1949 (Box 5, File 10)

Holden History 1949-1969 (Box 5, File 9)  
Holden History Documents 1888-1944 (Box 5, File 8)  
Holden – Kempton, A.F. and Laura (Box 5, File 29)  
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Minutes 1916-1926 (Box 10, File 3)  
Minutes 1926 – 1930 (Box 10, File 4)  
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