

PROVINCE OF BRITISH COLUMBIA



Report of  
**THE ROYAL COMMISSION**

*Appointed to inquire into Health and  
Accident Insurance Associations operating  
in the Province of British Columbia*



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1947.

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## **Report of the Royal Commission appointed to inquire into Health and Accident Insurance Associations operating in the Province of British Columbia.**

*To the Lieutenant-Governor of the Province of British Columbia:*

### **INTRODUCTION.**

Pursuant to the terms of the Commission directed to me under the "Public Inquiries Act" of the Province, I have inquired into the operation within the Province of the societies referred to, with the exceptions hereinafter noted, and appended to and forming part of this report are a transcript of the proceedings and all exhibits referred to therein and, in addition, briefs submitted on behalf of the interested parties.

For the purpose of this report it would be convenient to divide the societies within the scope of my Commission into two main classes, namely: Firstly, those societies whose membership is confined to a particular group or groups or districts; secondly, those offering and soliciting membership therein through salesmen and otherwise to the public generally throughout the Province.

Within the former category would fall all fraternal organizations, employees' associations, hospitals operating a contributory plan in respect to hospitalization, and the organizations known as the Blue Cross and M.S.A.

Apparently, under the terms of my Commission, it is unnecessary for me to report in detail on the societies included in the first-mentioned group. For this reason and as there are so many such societies throughout the Province, I did not feel that any useful purpose could be served by inquiring into each and every one. I investigated what I considered a representative number thereof.

In respect to the fraternal organizations it appeared that the benefits for accident or sickness offered to their respective members were incidental to the general operation of the affairs of the organization, and the cost was either included in the usual membership dues or provided on payment of a comparatively small additional amount on a purely voluntary basis.

The employees' associations into which I inquired were organized by the employees themselves for their own benefit and protection. While it is quite true that in some such associations membership is compulsory on an employee obtaining employment with an employer where the plan is operating, nevertheless in all instances I have found that there is no element of profit to any particular person or persons; their affairs are conducted in a democratic manner; the salaries, if any, are very moderate; and the plan is operated solely and purely for the benefit of the members. In some instances the employer, in the interests of the employee, as well as in his own interest, makes regular contributions to the funds of the employees' associations conducting benefit schemes which are often operated under an approved plan under the "Workmen's Compensation Act." An outstanding example of a very successful organization of this type is that of the employees' association of the Powell River Company at Powell River. Other than in respect to the Canadian National Railways employees' association and the association at Ocean Falls there were no complaints whatever concerning the operations of these societies, the benefits conferred for the dues collected or the management

thereof. In the Canadian National Railways association there was apparent discontent amongst the members as to the management and operation of their plan, and they recently, by a majority vote, decided to discontinue same. The complaints with regard to the Ocean Falls association indicated there was no suggestion of mismanagement of its affairs or of any person or faction exercising control thereof, so that, of course, if the majority of the members should feel that for any reason their plan was not operating satisfactorily, they could either make any changes deemed desirable or discontinue it.

Membership in other employees' associations is purely voluntary, and there was not a single complaint by any member of any such associations concerning their operation. In none of these employees' associations, whether membership therein was voluntary or compulsory, has there been any suggestion of control of their affairs by one person or faction, but, on the contrary, there was manifested an earnest desire on the part of those entrusted with administering the affairs of the society to conduct same in such a manner as to prove most beneficial to the members. Should the benefits conferred in time prove to be out of proportion to the dues collected, or if for any reason whatever their plans are not operating successfully or satisfactorily, the members have their own remedy.

Hospitals, mostly throughout the rural districts of the Province, have, incidental to the usual operation of the hospital, found it advisable to separately and ancillary thereto operate a contributory hospitalization scheme. Membership in these associations is confined to persons residing within a limited radius of the location of the hospital. The hospital contracts with the member to provide for himself and dependents, if any, hospitalization in a public ward for a limited period, use of operating-room, certain drugs, etc., in return for payment by the member of very reasonable monthly payments. The form of contracts used by each hospital into which I have inquired contain similar provisions pertaining to the hospitalization provided and the limitations thereof. Usual exemptions therein are Workmen's Compensation cases, hospitalization provided by the Provincial Government, venereal diseases, chronic cases, and maternity cases until a fixed period has elapsed after the member enters into the contract. The majority of the hospitals in the Interior of the Province have modelled their form of contract on that in use by the hospital at Kamloops, which for many years has most satisfactorily operated its contributory plan. The Columbia Coast Missions, owning and operating hospitals at Alert, Garden, and Rock Bays, includes in its contracts provision for medical care, and while there were complaints with respect to medical benefits or treatment, there were none whatever with regard to hospitalization. The complaints with respect to medical treatment pertained to matters over which those in charge of operation of the plan had no control, and the members in those districts are indeed fortunate in being provided with hospitalization and medical treatment at a very reasonable cost. These plans are operated by the hospitals by or under the direction of their boards of management, composed generally of public-spirited citizens acting without any remuneration, and the costs, if any, chargeable to the operation of the plan are negligible. I have no hesitation in stating that, in my opinion, and without exception, members participating in these plans receive benefits equal to, if not in excess of, the contributions made by them, and accordingly it was not surprising that there were no complaints by any one in the hearings conducted by me. Some of the hospitals have experienced deficits in operating their plans, but their boards have, nevertheless, considered it advisable to continue their operations, believing it in the interest of the hospital to do so, as payments are collected from many members who would otherwise be unable to pay hospital accounts incurred by them.

**SOCIETIES.****ASSOCIATED HOSPITAL SERVICES OF BRITISH COLUMBIA.**

Associated Hospital Services of British Columbia (popularly known as the Blue Cross) incorporated under the "Societies Act" of the Province on September 13th, 1943, was modelled on many similar organizations operating in other parts of Canada and the United States. The plan provides hospitalization for a member and his family in any hospital anywhere at a cost of 60 cents per month for a single member and \$1.50 for a member and his family. When a subscriber requires hospitalization, he presents his certificate in the association to the hospital, and his account is in due course forwarded to the association, which pays the hospital direct. The plan is confined to groups—that is, a group from five to ten, 100 per cent. of the members are required to subscribe; eleven to twenty-five, ten are required; and over twenty-five of any organized group, 40 per cent. of the members must subscribe. There are, otherwise, no restrictions as to membership. No medical examination is required, no enrolment fee payable, no waiting period, no exclusions as to type of illness or injury; there is no age-limit; pre-existing and chronic conditions are covered; and the only exceptions are Workmen's Compensation cases and those provided for by the Government, such as tuberculosis and mental cases. The limitation of benefits for a period of thirty days in any one year is not unreasonable, as statistics would seem to indicate the general average stay of a patient in a hospital is from ten to twelve days.

The registered office of the association is in Vancouver, and has been since the commencement of operations under the capable management of W. A. Welsford, who receives a very moderate salary for his services. In addition to the necessary office staff, two enrolment representatives are employed on a very reasonable salary to contact employers and groups to interest them in the plan. No salesmen are employed and no commissions paid. The directorate consists of representatives appointed by original so-called sponsor hospitals, in which are included the Vancouver General, St. Paul's, St. Vincent's, Grace, Crippled Children's, North Vancouver General, Royal Columbian, St. Mary's; also a representative of the College of Physicians and Surgeons; two representatives from organized labour; and one representative from each Regional Hospital Conference, as defined by the British Columbia Hospitals' Association, when all hospitals in such regional conference have entered into a contract with the society to provide hospitalization. There is also provision for the addition to the directorate of one representative from any group, federation, society, organization, or combination of same. Each of these directors acts in a strictly honorary capacity and does not receive any director's fees. In fact, the cost of operation of the society's affairs amounts to only approximately 13 per cent. of the receipts, and Mr. Welsford expects this to be reduced as the organization expands. In a comparatively short time of operating, a very substantial reserve has been created, and it would appear that the affairs of the society are in a sound financial condition. It is quite clear that the plan, in my opinion, is operated on a non-profit basis as an essential community service. It would seem to be unfortunate that the plan is confined to groups, and not available to the public generally.

**MEDICAL SERVICES ASSOCIATION.**

Medical Services Association was incorporated under the "Societies Act" on the 16th day of April, 1940, having its office in the Medical-Dental Building, in the City of Vancouver, and was sponsored by the doctors of the Province. The membership of the association is divided into three classes, consisting of employee members, employer members, and doctors. Its affairs are administered by a board of four directors, two of whom are elected by employee members and one by each of the other classes of

members. Under the by-laws each director retires from office annually, and the members elect directors to fill the vacated offices, the policy being to rotate the office of director as much as possible. The directors meet once a month, and a general meeting of members is held annually. No proxies whatever are used. The secretary-treasurer, A. L. McLellan, who has acted as such from the inception of the society, and Dr. S. Cameron MacEwen, director of medical services, conduct the actual operation of the society and its affairs under the direction of the board of directors, the former dealing with the employers and employees, and the latter with the doctors.

The plan is somewhat similar to the Blue Cross in that it is limited to group or groups; the requirement for membership is a minimum of 10 employees or 75 per cent. of the group, whichever is greater in number, and in the event of family care being required, 75 per cent. of the married men members would have to apply to cover their dependents. A contract known as a Master Service Contract is entered into by the association with the employer and an identification card is issued to the employee. The member is entitled to choose any physician and surgeon of the Province in the event of illness or accident, and approximately 90 per cent. of the doctors of the Province have signed contracts with the association, agreeing to render medical service to its members and look to the association for payment. The doctors receive from the association fees in accordance with the official schedule of fees of the College of Physicians and Surgeons subject to a discount of 25 per cent., the fee for the first visit, however, being paid in full. Subject to the requirements of the association limiting its members to a group or groups, there are no restrictions as to age, no pre-medical examination is required, no waiting period; benefits commence at once except in maternity cases; chronic and pre-existing cases are covered; and the only exclusions are the usual Workmen's Compensation cases, tuberculosis and mental cases, and generally those provided for by the Provincial Government, and a member who is at the time of application actually under the care of a medical practitioner. The plan provides for payment by the association to the member's doctor of his bills for sickness, non-occupational accidents, including home, office, and hospital visits, consultation, X-ray and diagnostic aids, specialists' services, surgery, and maternity after the member's wife has been covered for a period of at least nine months. The rates payable by members of the association consist of an initial registration fee of \$1.50 for each employee (and according to Mr. McLellan the association endeavours to have the employer pay this fee and also 50 per cent. of the monthly dues amounting to \$1.15 per single member per month and in addition \$2.35 for dependents, consisting of wife and all children over 3 months and under 18 years of age) with the added provision that in the event of there being over 30 per cent. female employees in any one group, the rate is increased 11 cents for each 10 per cent. increase. The only employees of the association other than the secretary-treasurer and the director of medical services consist of the usual office staff, all of whom receive very moderate remuneration for their services. Under the by-laws of the association the directors are entitled to \$100 each per annum director's fees, but Mr. McLellan stated that these were never paid, and the directors acted in an honorary capacity. The expenses of administering the affairs of the society are limited by its by-laws to not more than 10 per cent. of the contributions made by the members, and as a matter of fact its affairs have been so well administered that in the year 1945 the administration expenses amounted to only 7 per cent. of the income. Consequently it is perfectly obvious that the members are receiving the utmost in benefits in proportion to their contributions. This low ratio of expense of operating to income is accounted for by the very reasonable salaries paid by the association, that no commissions whatever are paid for acquisition of members, and that the association is receiving the fullest co-operation of the doctors, the plan being approved by the College of Physicians and Surgeons of the Province and operated

in co-operation with organized medicine, whose Committee on Economics supervises it. The association has created quite a substantial reserve and, in my opinion, is in a sound financial condition. There was not one single complaint by or on behalf of any member as to the conduct of the affairs of the organization and it was quite apparent that there was no exercise of control of the affairs by any one person or faction.

Similarly to the Blue Cross, it seemed to me unfortunate that membership should have to be restricted to employee groups and that it is not available to the public generally, the perfectly obvious reason for this being, as stated to me by W. G. Welsford, of the Blue Cross, that if this prevailed the risk would be too great, as those who were ill or disabled would seek membership out of all proportion to the rest of the public: consequently that is why an average must be insisted upon.

In the hearings conducted by me throughout the Province it would seem apparent that the public generally are desirous of having some form of health insurance inaugurated either by the Provincial or Dominion Government on a contributory basis, and I personally cannot see any reason why this should not be accomplished, and particularly in respect to hospitalization, under a similar plan to that recently embarked upon by the Province of Saskatchewan. If such a plan were contemplated by this Province the evidence set out in the transcript would, I trust, prove useful in promulgating such a plan. Should, however, this not be done, the societies operating under the "Societies Act" and falling into the first class with which I have dealt should be permitted to carry on without the necessity of any control or supervision by the Government of the Province, as they constitute societies operating, in my opinion, within the true intent of the provisions of the "Societies Act," conducting their affairs on a non-profit basis and not in any sense carrying on the business of insurance.

The societies hereinafter referred to would be included in the second classification, namely, those offering and soliciting membership through salesmen and otherwise to the public generally throughout the Province.

#### EMPLOYEES' MUTUAL BENEFIT ASSOCIATION.

One of the first of such societies to be incorporated was Employees' Mutual Benefit Association. A number of the members of Lodge No. 756 of the Aeronautical Union, employees of Boeing Aircraft, desirous of obtaining protection for themselves and fellow workmen in respect to medical and hospital services, caused this association to be incorporated under the "Societies Act" on the 18th day of December, 1941, having its office at the City of Vancouver. The original subscribers to the declaration under the Act were Jens Christian Nielson, Cecil Rhodes Duffield, Kenneth Appleton, David Wilson Doig, and George Edgar Knechtel, all of whom were employees of Boeing Aircraft. The main objects of the society as set out in the declaration were: "The provision of medical, surgical, hospital, nursing and kindred services required in the relief of and treatment of sickness and accident for its members and their dependents and limited monetary assistance to members in cases of loss of time through accident or sickness, all on a non-profit, prepayment and voluntary basis." The original subscribers to the declaration constituted the first board of directors, C. R. Duffield being appointed managing-director and G. E. Knechtel secretary-treasurer.

Shortly thereafter, namely, on December 22nd, 1941, the association entered into an agreement with Duffield, filed as Exhibit No. 211, which recited that as Duffield had been instrumental in organizing the association, performing certain services, and had agreed to act as general manager, he was thereupon appointed general manager to fulfil such duties and exercise such powers as should from time to time be assigned to or vested in him by the directors, for a period of five years from the date thereof. He agreed during the said term to devote the whole of his time, attention, and abilities to the business of the association, his remuneration therefore being fixed

at \$175 per month when the association should have enrolled 200 members and an additional sum of \$10 per month for each 100 additional members thereafter enrolled during his term of office, such remuneration or salary to commence immediately after the enrolment of 200 members. The agreement provided in addition that Duffield should receive a bonus of \$1 per member per annum for each member over 200 that might be enrolled during the existence of the association, such bonus to be payable to him on the first day of each fiscal year. Authority was conferred upon him by the agreement to appoint a Provincial manager, agents, salesmen, and other employees of the association and fix their respective commission, salaries, or remuneration. Over and above the salary and bonus payable, Duffield was entitled to receive an automobile mileage allowance and any expenses legitimately incurred by him in the discharge of his duties. Provision was made that he might resign on giving to the association three calendar months' notice, but there was no provision whatsoever that the society could dispense with his services.

An agency agreement was entered into by the association with one Raymond G. Simmons, on January 20th, 1942 (Exhibit No. 212), whereby Simmons was appointed assistant general manager of the association with power to appoint agents, group managers, district managers, sales supervisors, and was given complete control over the sales organization of the association, provided that appointments made by him should be assented to by the general manager. This agreement was to be in force for a period of five years with the provision that either party could terminate same on thirty days' notice. In the event of 100 or more applications being secured on a monthly average the assistant manager was to receive, on applications written by him personally, a commission of \$10.50 on each single membership application and \$11.50 on each family membership application, provided that if such monthly average were less than 100 applications, he was to receive \$9 for single membership application and \$9.75 for family membership application; an overriding commission not to exceed \$1 on each application produced by salesmen operating under his supervision, and in the case of the Boeing Aircraft group, an overriding commission of 50 cents per application in lieu of \$1. In addition to the foregoing he was entitled to a bonus of 25 cents on each application, and an annual renewal commission of \$1 for each membership written by him. The agency agreement further guaranteed to the assistant general manager a salary of \$50 per week after the membership had reached 3,000 members and \$75 per week when 5,000 members had been obtained. The commissions payable to salesmen amounted to the initial membership fee of \$8 per application and in the case of certain groups \$5, or \$2 in the case of Boeing employees, plus the first month's dues, and in certain cases an overriding commission of 50 cents for each member introduced and a renewal fee of \$1 for each member renewing his membership after the first year. Subsequently thereto, on February 5th, 1943, Duffield caused to be incorporated a company known as Seaboard Investments, Limited, and at all material times held the controlling interest in this company. The other shareholder was Jens Christian Nielson, a director of the association, who held one share. On May 8th, 1943, the association entered into an agreement with the company (Exhibit No. 208) whereby the association appointed the company as its sole agent for the Province, or for any other area in which the association might carry on business, for the obtaining of new members for the association for the term of five years as from April 1st, 1943. Under the agreement the company was to receive 30 per cent. on the first annual dues of members, together with full membership fees, and payable as therein set out. The association covenanted with the company that it would not increase its membership fees or monthly assessments then in force or change any forms or certificates then used by the association without the approval of the sales company. The sales company was to hire and be responsible for its agents, employees, and salesmen in respect to carrying on business as agent for the association. On the

same date that this agreement was entered into, Duffield personally entered into a further agreement with the association (Exhibit No. 209) which provided that he act as general manager of the association for a period of five years as from April 1st, 1943, and receive as his remuneration a fixed salary of \$300 per month, and a bonus of 2 per cent. on all monthly dues after deducting commissions payable to the Seaboard company, such bonus to be payable whether or not he was able to fulfil his duties as general manager and in the event of his death to be payable to his heirs, executors, or administrators. As in his previous agreement with the association, he was granted an allowance of \$30 per month for car expenses and any further expenses incurred by him in connection with the business of the association. There was no provision for cancellation of the contract on the part of the association during the currency thereof, but the general manager was entitled to resign on three months' notice.

In or about the month of October, 1943, Duffield caused to be incorporated a further company, known as Preferred Investments, Limited, in which he at all times had a controlling interest, the only other shareholder being one Annett who merely held a qualifying share, and this company and Seaboard Investments, Limited, entered into an agreement with the association in October, 1943 (filed as Exhibit No. 210), and by this agreement the association appointed Preferred Investments, Limited, sole agent for Vancouver Island for obtaining new members for the association on the island on the same basis of remuneration and including similar terms as provided in the agreement between the association and the Seaboard company. The Seaboard company agreed that its agreement with the association should be modified to the extent only necessary by the entering into the agreement (Exhibit No. 210). According to C. J. Ferber, the association's auditor, Duffield received from the association under his contract for the year ended October 31st, 1943, \$5,528.14, and for the year ended October 31st, 1944, \$7,001.43, in addition to allowances for his car and other expenses. During the period that the agreements between the Seaboard company, Preferred Investments, and the association were in force—namely, from the dates of the respective agreements until June 1st, 1944—the profits of these companies in respect to their contracts with the association were approximately \$8,000 less taxes, leaving a net profit of about \$5,600. At the annual meeting of the association held on December 27th, 1944, when the directors were asking for confirmation of the contracts between the association, the Seaboard company, and Preferred Investments, after those agreements had, in fact, been cancelled, some of the members present, particularly some of the members of the advisory board hereinafter referred to, were quite properly, in my opinion, objecting thereto, and in questioning Duffield thereon were desirous of ascertaining what he intended to do with these profits and received an evasive answer. From the whole of the evidence in this regard I am satisfied that it was Duffield's intention to retain these profits for himself, although in his evidence he stated he might turn them back to the association. As a matter of fact it appeared from Mr. Ferber's evidence that Duffield previously had utilized part thereof for the purchase of an automobile and certain real estate in the city in the name of the Seaboard company and had drawn approximately \$600 which was charged to his personal account. The contracts referred to were cancelled by the directors in the month of June, 1944, as a result of the attendance of Mr. Ferber at a meeting of the directors of the association on May 30th, 1944, he having previously written to the directors advising them that the operations of the association for the six months ended April 30th, 1944, showed an excess of expenditures over revenue of \$1,685.13, and that unless serious consideration were given to the then operations, the association would suffer a substantial loss for the financial year ending October 31st, 1944, and a depletion of the rather limited reserve of the association would result.

Subsequent to the cancellation of the agency contracts one H. F. McTaggart was appointed sales manager at a salary of \$300 per month in addition to a bonus of 25 cents per application. Approximately ten or twelve salesmen were employed full time and a similar number part time, the full-time salesmen receiving the membership fee of \$8 or \$2, as the case might be, plus the first month's dues and \$1 renewal fee for each year thereafter per membership previously written by him, provided that in certain instances salesmen who were district managers received an overriding commission of 50 cents on each application obtained in his district. G. E. Knechtel, one of the directors, received \$200 per month as group manager or group organizer. The remuneration of the adjuster, A. C. Idyll, was \$200 per month, and in addition to these salaries there were approximately fourteen stenographers and clerks receiving salaries ranging from \$75 to \$120 per month. The directors, who met monthly, other than salaried employees, received directors' fees of \$20 per month.

I am perfectly satisfied that on the whole of the evidence there is no question but that Duffield was in actual control of the association from the time of its inception until his resignation, which occurred August 1st, 1945. It appeared that the directors had requested his resignation and on his resigning he was paid only his accumulated salary and commissions to the time of resignation, amounting to approximately \$935. The association and Duffield gave each other mutual releases and the association also released the Preferred Investments, Limited, and Seaboard company. There was no evidence as to why Duffield's resignation was requested, but no doubt the directors had perfectly good reasons for doing so, for if they had not, Duffield would no doubt have refused to resign and would have relied on his contract with the association and not merely have accepted what had accrued due to him thereunder. In February, 1945, Robert Sanderson, George H. Lake, and William N. Laing, who had been members of the advisory committee, hereinafter mentioned, testified that they were very dissatisfied with the management of the association by Duffield, particularly because of the Seaboard and Preferred contracts, and felt that he should resign or be discharged by the directors.

After Duffield's resignation the association entered into an agreement with a Mr. Clark, appointing him as general manager, at a salary of \$400 per month, which was terminable on three months' notice by either party to the agreement, and according to counsel for the association his services were dispensed with and he had commenced an action against the association claiming some \$1,200 for wrongful dismissal. As of March, 1946, the position of managing-director of the association was vacant. However, A. C. Idyll continued as head of the claims department, Jens C. Nielson, an original director and president of the association, was made agency director, and G. Horner, who had replaced Appleton as a director in December, 1944, was office manager.

As I have previously mentioned, the association was primarily incorporated to provide for the protection of Boeing employees, and these were the first so-called group members. On an employee of Boeing's applying for membership in the association a form was signed by the employee authorizing the employer to deduct the monthly dues payable to the association from his wages and to remit the amount thereof to the association direct. Later, another group was formed, consisting of the employees of Canadian Pacific Airlines and also of the Boilermakers' Union, and similar arrangements were made with members thereof with respect to deduction of dues. An advisory committee was set up by the association which consisted of one representative from Plants 1 and 2 of the Boeing Aircraft Company, four representatives from Plant 3, and three representatives from Canadian Pacific Airlines. The members of this board acted without remuneration except they were recompensed for any loss of time from their employment. The functions of the board were to consider doubtful claims of

members of Boeing Aircraft and Canadian Pacific Airline employees against the association which had been rejected by the claims adjuster of the association. The members of the board had before them for this purpose the complete file of the claims adjuster, including claimant's statement, correspondence, doctor's reports, etc., and after full and careful consideration the board, on a majority vote, would either decide to have the claim paid in full or affirm the rejection by the adjuster. I cannot conceive of any fairer or more equitable manner of dealing with members' claims than in the procedure followed by referring such doubtful claims to this board for its decision. This, in my view, in so far as this association is concerned, is the only difference between the conduct of the affairs of the association as compared with that of a so-called regular line insurance company. All other claims of members (the Boilermakers' group having withdrawn as a group from the association in the spring or early summer of 1943, owing, according to William White, business representative of the Boilermakers' Union, to numerous complaints by members of the treatment received by them from the association) are dealt with on a purely business basis and are adjusted in similar manner to adjustment of claims in a regular insurance company. On a member becoming ill or meeting with an accident he is supplied with claim forms by the association, including one to be completed by himself and one by his attending physician or doctor. These forms, when completed, are returned to the association with the accounts of expenses incurred by the member. If the adjuster of the association concludes there is a possibility of there being a pre-existing or congenital condition of the member, private investigators (in the case of this association, Hooper and Holmes) are instructed to investigate all the surrounding circumstances with respect to the member and his claim. The complete file, including the investigator's report, is referred to the doctor of the association and the claim either allowed or rejected on his advice. There were a considerable number of complaints by members that their claims for benefits were wrongly or unjustly rejected. In my view, however, these claims in each instance were adjusted by the association's adjuster according to the usual practice and procedure in a purely business-like manner and the claim rejected in accordance with the provisions of the by-laws and certificate of membership. In the greater number of instances rejections were as a result of the clause excluding a member from claiming benefits in respect of pre-existing or congenital conditions at the time of applying for membership, whether or not the member had knowledge of the existence of such condition. As is generally the case, the member did not read his certificate of membership, and in any event, if he had done so, he would probably not have fully understood the contents thereof until such time as he had made a claim and it was rejected. Members also complained that salesmen of the association had misrepresented benefits, etc., included in the certificates of membership, but when this became known to the officers of the society such salesmen were thereupon discharged. Therefore, on the whole, I am satisfied that claims have been dealt with by the officers of the association charged with dealing with same in accordance with the provisions of the by-laws and membership certificates and that there has been no irregularity in respect thereto.

A person desirous of joining the society is required to complete an application form, a copy of which is to be found on the back of the form of certificate of membership filed as Exhibit No. 70; the questions in this form being somewhat similar to those utilized by insurance companies carrying on sickness and accident insurance business. Attached to this application is a form of proxy irrevocably appointing the general manager or his successor in office as proxy to represent him and vote on his behalf at all meetings of the association, and this proxy is endorsed with a warning to the member not to detach same from the application. The form of the proxy in use is attached to Exhibit No. 219.

In the event of the answers in the application for membership being answered to the satisfaction of the association, a certificate of membership similar to Exhibit No. 70, as from April 17th, 1944, was issued to the applicant. By this certificate the association undertakes, *inter alia*, to pay the following benefits, namely:—

- (a.) For surgical operations resulting from sickness or accident of the member, and his dependents if they are covered, the cost thereof according to the schedule of fees set forth in the certificate to an amount not to exceed the sum of \$300; provided, however, that in cases of illness the cause must have originated more than ninety days after becoming a member.
- (b.) In the event of accidental injury, medical care if commenced within ninety days after the injury, the fees charged by an approved physician amounting to not more than \$2.50 for each call after the first by the patient at the physician's office or by the physician on the member in hospital, and for each call by the physician at the patient's home the sum of \$3, limited, however, to ten calls within a period of five successive weeks in respect to any one accidental injury. In the event of illness, provided the cause originated more than ninety days after the member's application and treatment was commenced within ninety days from the time of the disability, similar amounts to those payable in respect to accident and with similar limitations.
- (c.) Anæsthetist's fees to an amount not exceeding \$30.
- (d.) Surgical and operating-room charges to an amount not exceeding \$30.
- (e.) X-ray charges not exceeding \$30.
- (f.) Hospital charges not exceeding \$25 a week for a period not exceeding twelve weeks, and an additional sum not exceeding \$15 for special foods, drugs, or special services while the member is in hospital.
- (g.) Nursing fees not exceeding \$25 a week for a period up to twelve weeks. The amounts mentioned in clauses (c), (d), (e), (f), and (g) are payable only if the member is entitled to benefits under (a).
- (h.) A maternity benefit not exceeding the sum of \$50 provided the member had been a member in good standing for eighteen consecutive months (and in the case of Boeing Aircraft members, nine months).

Benefits are not payable when the member is entitled to compensation under the "Workmen's Compensation Act" or for illness or injury arising out of the usual employment of the member, with the exception of business or professional occupations; treatment for mental diseases; treatment for injuries or illness arising as a result of the use of alcohol or narcotics; treatment for venereal diseases, tuberculosis, and generally for care or treatment provided free or at a nominal cost through Government or public institutions. There is also a provision that the member is not entitled to any benefits in respect to tonsillectomy, adenoïdectomy, or appendectomy unless the condition making the operation necessary originated at least six months after the member's application and for not more than one tonsillectomy or adenoïdectomy in any one calendar year until after the member had been in good standing continuously for two years, when two such operations were allowable.

No benefits whatsoever are payable for surgical or medical care or treatment in respect to pre-existing, chronic, or congenital conditions. Pre-existing conditions are described as "diseases or conditions whether known or unknown which existed at or had their origin prior to the date of the member's application for membership or during the first ninety days after such application is accepted by the association."

The total benefits to a member and his dependents in any one year is limited to the sum of \$750. Provision is contained in the by-laws (Exhibit No. 69) that in the

event of a member failing to pay dues or assessments within fifteen days after same become payable he shall automatically cease to be a member of the association and not entitled to any benefits except those the right to which had then accrued, with provision, however, for reinstatement on certain conditions. The directors might, at their discretion, terminate any membership (other than that of a director) by ten days' written notice to the member; provided, however, that the member should nevertheless be entitled to receive benefits the right to which had accrued prior to the termination of his membership.

In addition to the membership fee of \$8 (and in the case of Boeing employees, \$2), the monthly rates payable by the member at the time the certificate (Exhibit No. 70) was used were as follows, namely:—

	Hospital and Medical.	With \$42.50 Monthly.	With \$65 Monthly.
Member only.....	\$1.75	\$2.50	\$2.90
Member, 1 dependent.....	3.00	3.75	4.15
Member, 2 dependents.....	3.50	4.25	4.65
Member, 3 dependents.....	4.00	4.75	5.15
Member, 4 dependents.....	4.50	5.25	5.65

Membership fee, \$8.

Add 50 cents for each additional child.

Adult dependents (over 21 years), same rate as first dependent.

Special rates payable by Boeing employee members as follows, namely:—

	Hospital and Medical.	With \$10 Weekly.	With \$15 Weekly.
Member only.....	\$1.50	\$2.10	\$2.40
Member, 1 dependent.....	2.40	3.00	3.30
Member, 2 dependents.....	2.65	3.25	3.55
Member, 3 dependents.....	2.90	3.50	3.80
Member, 4 dependents.....	3.20	3.80	4.10

Membership fee, \$2.

Add 50 cents for each additional child.

Adult dependents (over 21 years), same rate as first dependent.

If the member required protection for hospital only the rates are:—

	Medical only.	With \$42.50 Monthly.	With \$65 Monthly.
Member only.....	\$0.50	\$1.25	\$1.65
Member, 1 dependent.....	1.00	1.75	2.15
Member, 2 dependents.....	1.15	1.90	2.30
Member, 3 dependents.....	1.30	2.05	2.45
Member, 4 dependents.....	1.45	2.20	2.60

Membership fee, \$8.

Add 15 cents for each additional child.

Adult dependents (over 21 years), 50 cents per month.

And if for medical aid only the rates are:—

	Medical only.	With \$42.50 Monthly.	With \$65 Monthly.
Member only.....	\$1.25	\$2.00	\$2.40
Member, 1 dependent.....	2.00	2.75	3.15
Member, 2 dependents.....	2.35	3.10	3.50
Member, 3 dependents.....	2.70	3.45	3.85
Member, 4 dependents.....	3.05	3.80	4.10

Membership fee, \$8.

Add 35 cents for each additional child.

Adult dependents (over 21 years), same rate as first dependent.

These rates were revised and as of February 20th, 1946, the following were the monthly rates, namely:—

	Medical.	\$65 Monthly.
Member only.....	\$1.50	\$3.25
Member, 1 dependent.....	2.25	4.00
Member, 2 dependents.....	2.60	4.35
Member, 3 dependents.....	2.95	4.70
Member, 4 dependents.....	3.30	5.05

For each additional child, 35 cents.

Discount for dues paid semi-annually, 25 cents.

Discount for dues paid annually, 75 cents.

#### FUNERAL BENEFITS, \$250.

	Per Month.
5 years to 30 years.....	25c.
30 years to 40 years.....	35c.
40 years to 50 years.....	50c.
50 years to 60 years.....	75c.

Maximum age-limit, 60 years.

Membership fee for above rates, \$8.

#### INDIVIDUAL RATES.

	Hospital and Medical.	\$65 Monthly.
Member only.....	\$2.00	\$3.75
Member, 1 dependent.....	3.25	5.00
Member, 2 dependents.....	3.75	5.50
Member, 3 dependents.....	4.25	6.00
Member, 4 dependents.....	4.75	6.50

For each additional child, 50 cents.

Discount for dues paid semi-annually, 50 cents.

Discount for dues paid annually, \$1.50.

#### GROUP RATES.

	Hospital and Medical.	\$65 Monthly.
Member only.....	\$1.75	\$3.25
Member, 1 dependent.....	3.00	4.50
Member, 2 dependents.....	3.50	5.00
Member, 3 dependents.....	4.00	5.50
Member, 4 dependents.....	4.50	6.00

For each additional child, 50 cents.

The growth of membership in the association was very rapid, particularly between the period from October 31st, 1943, and the same date in 1944, when there were between 8,000 and 9,000 members, not including dependents. At that time also the association built up a very substantial reserve and according to C. J. Ferber, chartered accountant, of the firm of H. Norman Lunn & Company, of Vancouver, the financial position of the society was sound. (*Vide* transcript at page 1615.) Robert Frederick Wray, of Frederick Field & Company, chartered accountants, of Vancouver, gave evidence that he had consulted with Mr. Ferber, the society's auditor, that he had examined the balance-sheet of the association of October 31st, 1944, and in his opinion also its financial position was sound at that time; that the methods of accounting and preparation of statements would appear to be sound, in that adequate provision was made for claims in process of adjustment and that the surplus profits of the association were set aside to the reserve, including reserve for contingencies approximating \$21,000 odd. Mr. Wray also gave percentages of the operations of the association for the period from its inception to October 31st, 1944, of the gross dues received, not including membership fees that were paid out in commissions, as follows:—

For the period ended October 31st, 1942, there were gross dues of \$23,200. The excess of revenue over expenditures, or surplus for that year amounted to the following percentages of that gross income:—

	Per Cent.
Claims, etc. ....	12
Commissions .....	32
Expenses .....	28
Excess of revenue over expenses .....	26

For the year ended October 31st, 1943, gross revenue from dues \$113,089.39:—

	Per Cent.
Claims .....	37.54
Sales management, commissions, etc. ....	26.53
Sales expenses, stationery, advertising, and travelling .....	6.59
Salaries .....	15.10
Office administration .....	7.70
Excess of revenue over expenditures .....	6.63

For the year ended October 31st, 1944, gross revenue from dues \$218,843.49:—

	Per Cent.
Claims .....	59.59
Commissions, etc. ....	20.50
Sales expenses, stationery, etc. ....	2.35
Salaries .....	8.70
Expenses .....	5.36
Excess of revenue over expenditures .....	3.50

From these percentages it appears that the claims increased from each year, and according to Mr. Wray, if the percentages of claims continued to increase, either sales and operating expenses would have to be reduced or membership fees or dues increased in order for the society to continue its operations.

As at October 31st, 1945, according to the balance-sheet of the association for the fiscal year ending on that date, filed as Exhibit No. 232, there was an excess of expenditure over revenue amounting to \$51,004.70, leaving a deficit of almost \$30,000. The revenue that year consisted of \$14,427.15 membership fees retained by agents as commission; membership dues, \$217,256.44; interest on Dominion of Canada bonds, \$826.35; profit on bonds sold of \$185.17; or a total of \$218,267.96. And the expenditures, claims paid and in process of adjustment were \$194,284.51; salaries of adjuster

and staff, \$5,844.94; sales department expenses of \$22,970.25; salaries of \$22,813.07; directors' fees, \$594.70; and the remainder for office rent, supplies, legal expenses, etc.

For the period from November 1st, 1945, to January 31st, 1946, statement of revenue receipts and payments filed as Exhibit No. 234 discloses that during that period revenue, consisting of membership fees and dues, amounted to \$60,606.85; claims, \$33,904.81; and expenses, \$21,208.27; leaving a surplus of receipts over expenditures of \$5,493.77.

The reason for the very substantial deficit for the year ended October 31st, 1945, was attributed to adverse publicity as a result of the inquiry into the affairs of the association: That policyholders without claims cancelled their policies and those with claims continued their membership, resulting in a considerable increase in the claims ratio. According to John Edward Black, of H. Norman Lunn & Company, who replaced Mr. Ferber as auditor in the latter part of October, 1945, at March of this year the association was not in a sound financial position, but that by exercising care in reducing expenses it would be possible for the association to continue to operate successfully.

#### NORTH PACIFIC HEALTH AND ACCIDENT ASSOCIATION.

On June 1st, 1940, North Pacific Health and Accident Association was incorporated under the "Societies Act," the sole object of the society as set out in the declaration being: "The provision of medical, surgical and hospital services for its members and their dependents in case of sickness and accident." The operations of the society were to be chiefly carried out in the City of Vancouver, where it had its registered office. The original subscribers to the declaration were: Frank Harrowes Hughes, Norman Gillespie Willing, Leslie James Cummings, James Reginald Robb Moffatt, and Ellen Rhoda Hart, all of the City of Vancouver. The original directors of the association were the subscribers with the exception of Ellen Rhoda Hart. In 1941 C. B. Quigley, of the City of Vancouver, was added as a director. In 1942 W. M. Black, of the City of Vancouver, replaced N. G. Willing as a director. In 1943 A. P. Gardner and B. E. Patrick were added as directors, and in 1944 G. B. Ladner and G. W. Ramsay, of the City of Vancouver, replaced A. P. Gardner and B. E. Patrick. J. R. Moffatt was appointed managing-director and continued in that capacity until the month of June, 1943, when F. H. Hughes, who prior thereto had been the society's accountant and manager of the office, was appointed as managing-director in his stead. Mr. Moffatt while managing-director, according to the evidence of Mr. Hughes (page 1842 of the transcript), had pretty well complete control of the affairs of the association, the conduct of its business, and the administration of the office. On August 27th, 1943, the association entered into an agreement with Moffatt (Exhibit No. 256), and this agreement provided that it should be effective as from and retroactive to July 1st, 1943. Moffatt was thereby appointed sales manager for a period of four years at a salary of \$200 per month and overriding commission of \$1 on each new application obtained through the sales agents and accepted by the association, and an annual renewal commission of \$1 on each member obtained personally by him, provided that his remuneration should not in any one fiscal year exceed the sum of \$7,500. On the same date the association entered into a further agreement with F. H. Hughes whereby he was confirmed in his position as managing-director of the association, and similar to Exhibit No. 256 this agreement was to be effective as from and retroactive to July 1st, 1943, and was for a period of five years. His remuneration was fixed for the first fiscal year at the sum of \$4,000, and at the end of each ensuing fiscal year thereafter the sum of \$4,000 per year or 3 per cent. of the cash premium income of the association, whichever should be the greater, but not exceeding \$7,500 per year.

I am of the opinion that Hughes, both in his capacity as accountant, manager of the office of the Association, and as managing-director, has carried out his duties hon-

estly and faithfully and in a capable manner, although I am also of the opinion that at all times Moffatt has, in actuality, been in control of the association's affairs. His (Moffatt's) resignation as managing-director in 1943 was as a result of the suggestion of the board of directors at that time by reason of his being involved in a claim known as the "Code" claim, a claim which was improperly paid by the association, according to R. J. Agnew who had been the association's adjuster since the month of March, 1942, and continued as such until October 9th, 1944, when he was discharged as he said by Moffatt. He stated that Moffatt, in the month of March, 1943, showed him a receipt signed by one Tex Blackburn, one of the association's salesmen, to one A. Code and wife, for one year's dues in the association, amounting to approximately \$37; that Moffatt told him that Code had presented this receipt to him but that there was no record of his membership in the association, and asked Agnew if, in the circumstances, in his opinion the association was liable, as Code had a claim against the association. Agnew advised Moffatt that the claim should be paid and eventually a cheque was issued by the association dated April 7th, 1943, payable to A. Code, for the sum of \$463 (filed as Exhibit No. 247-F), which was replaced by a new cheque of the same date for the sum of \$433, and this cheque purported to be duly endorsed by A. Code and deposited to his account at the Royal Bank of Canada, Robson Street Branch, Vancouver. The payment of this amount by the association was in respect to an account of the Mayo General Hospital and Dr. C. M. Dunn at Mayo, said to be incurred by Code's wife. A claim form purporting to be signed by Marion Code, his wife, and dated March 27th, 1943, was filed as Exhibit No. 247-C. This statement was accompanied by a certificate of the attending surgeon, Dr. L. Dunn, of Mayo, dated March 26th, 1943, and filed as Exhibit No. 247-D. According to Agnew it was most unusual that this claim should have gone to Moffatt in the first instance, as it was the practice of the association in adjusting claims to have same first referred to him, Agnew. According to Agnew, shortly after the association paid this claim he saw Tex Blackburn, and as a result of his conversation with him his suspicions were aroused concerning the Code claim. He then consulted R. Rowe Holland, the association's solicitor, and thereafter left the whole claim file with A. P. Gardner, the association's auditor. On or about May 31st, 1943, Moffatt called at Agnew's apartment early in the morning, and, according to Agnew, he was very excited and told him that he was in trouble with money, that it concerned the Code claim, and asked Agnew if he could help him out in the matter, who suggested telephoning Hughes, Quigley, and Gardner, which was done. There was a direct conflict in the evidence as to what actually was said by Moffatt and the others present at the meeting in Agnew's apartment. Agnew maintained that Moffatt had, in effect, confessed that he was personally implicated in the Code claim. Agnew further testified that in the discussion that ensued between all present that there was a possible prosecution of Moffatt suggested, but that in order to avoid publicity Moffatt should be requested to resign and personally repay to the association the amount of the claim. Quigley, Hughes, and Gardner each deny this, but in any event Moffatt accepted responsibility for passing the claim and agreed to repay the amount thereof to the association, which he did. It was also decided that the association's solicitor be consulted, and this was later done by Gardner, who related to the solicitor what had occurred at the meeting. Subsequently, namely on June 7th, 1943, a meeting of the directors was held at the solicitor's office, when Moffatt resigned as managing-director of the association and was appointed sales manager and Hughes was appointed managing-director. The reason set out in the minutes of the association pertaining to this meeting (Exhibit No. 259) gave as the main reason for Moffatt's resignation the fact that he was engaged in certain military duties and he was consequently unable to give the time necessary to the association to fulfil his duties, but I am quite satisfied that on the whole of the evidence he resigned as a director as a direct result of the meeting in Agnew's apartment and by reason of

his being involved in the Code claim. He was re-elected as a director some six weeks after resigning. Gardner, as auditor, who was very suspicious concerning the Code claim after he had been handed the file by Agnew, had written to the hospital at Mayo and had received a reply on May 31st from the Territorial Agent of the Yukon Territorial Government (Exhibit No. 272) to the effect that the Mayo General Hospital had been closed since July, 1942. On receipt of this letter he telephoned Hughes and told him that the whole matter should be thoroughly investigated. Approximately two weeks later Gardner received a letter from the postmistress at Mayo Landing (Exhibit No. 273) to the effect that neither Dr. C. M. Dunn, A. Code, or Marion Code had ever been residents of Mayo Landing, Yukon Territory. After the receipt of this letter endeavours were unsuccessfully made to locate Code, and as a matter of fact the evidence in respect to the existence of such a person was that he had been seen only by the manager of the bank where the cheque in respect to the claim was deposited to Code's credit; by one Perley Martin, a salesman of the association, and Moffatt. It might be here mentioned that, rather singularly, a cheque dated April 15th, 1943, was issued against the account, payable to cash and purporting to be endorsed by Code and Moffatt; also a further cheque certified and dated June 14th, 1943, purporting to be signed by Code, in favour of Moffatt, for the sum of \$75. Moffatt's explanation in regard to this cheque was that he had received it from Code's wife who was then in Victoria and who had obtained it from her husband for Moffatt to reimburse him in part for the amount he had paid to the association. At no time, however, did he mention to either Gardner or his codirectors this transaction. Gardner, not being satisfied with respect to the claim, pressed Moffatt from time to time to produce either of the Codes in order that the matter might be finally disposed of, but this was never done. Gardner was also insistent that Moffatt should obtain from Code a certified cheque payable to the association for the amount paid in respect of the claim, and later, in May, 1944, there was a money-order, purporting to have been sent by Marion Code to Moffatt, for the full amount of the claim, but this did not amount to compliance with Gardner's request as he had no means of checking whether or not either of the Codes had actually purchased the bank money-order in question. Hughes, who had been suspicious in respect to the signatures of the documents pertaining to the Code claim, consulted H. B. MacLean, a handwriting expert of the City of Vancouver, who, on November 13th, 1944, wrote to Hughes advising him that in his opinion a receipt dated February 28th, 1943, to Mrs. Code, purporting to be signed "C. Dunn," cheque for \$433 of the association to A. Code, and purporting to be endorsed by A. Code, the signatures "C. Dunn" and "A. Code" were written by Moffatt. Mr. MacLean and also A. U. Robinson, of Vancouver, another handwriting expert, gave considerable evidence concerning the authenticity of the questioned documents in the Code claim, Mr. MacLean maintaining, in effect, that Moffatt was implicated, and this being denied by Mr. Robinson.

I do not find it necessary to decide whether or not Moffatt was actually personally implicated in the Code claim or profited thereby, as it is abundantly clear on the whole of the evidence, he, to say the least, was most negligent in dealing with this particular claim, and in my opinion permitted the matter to be left in an unsatisfactory state in so far as the directors of the association were concerned, and there can be no doubt there were many suspicious circumstances which were never cleared up. The directors, who had been very much concerned over the affair, had held various meetings and were most anxious to clarify the situation. I also feel satisfied that if it were not for the fact that Moffatt had actually been in control since the inception of the association and that mainly through his efforts the association had grown rapidly he would have been discharged by the directors.

Mr. Lundell, who appeared on this inquiry for the association, testified that on the afternoon of the annual meeting of the association, held on November 14th, 1945, Moffatt had contacted him and had told him that he, Moffatt, had ascertained on counting of the proxies from members he controlled more proxies than Mr. Black, the president of the association, and Mr. Hughes, the managing-director, together; that it was his intention to exercise those proxies at the annual meeting by voting out three members of the board, namely, Mr. Black, chairman of the board, and Messrs. Ladner and Ramsay, two other directors. Mr. Lundell further testified, and I read from the transcript at page 3970:—

Having the Code case and my associations with the Code case perhaps too prominently before me, I asked him if he had consulted his solicitor before coming to that decision. He replied that he hadn't. I then told him that I thought it was a very unwise thing for him to do and apart altogether from the welfare of this Association, considering at the time his conduct was under review by the Royal Commission and that his action in eliminating the three directors who had been most independent and active in attempting to get to the bottom of the Code case, might reflect very seriously on his good faith. He answered me that he had made up his mind and that anything I could say wouldn't make him change his mind. He also said that it was not because of the action of these directors with the Code case, that he was interested in removing them and appointing three persons of his own choice, in whom he had confidence, but it was because of their failure to co-operate with him and the Board of Directors in the past year, and he cited for example, as he described it, this constant bickering and that sort of thing at Board meetings and he also mentioned the failure of those Directors, or I should say that he mentioned the fact that a contract with the salesmen of the Association which had been before the Board since last May hadn't yet been approved, and I again replied that I thought it was a very unwise thing for him to do, and I asked him if he would change his mind, and he replied he would not change his mind.

Gordon W. Ramsay, of the Dominion Income Tax, Succession Duties Department of the Dominion, a director of the association, who attended the annual meeting on November 14th, 1945, and who held approximately fifty proxies of members of the association employed in his Department, stated that prior to the meeting he went to the office of the association and ascertained through the managing-director that, as he put it, "The control of the meeting was to be apart from the management of the association"; that it looked like Mr. Moffatt or his nominees (consisting of the sales staff) were going to control the meeting, according to information he had obtained from Hughes; that he made a motion at the meeting that proxies be not used, which was opposed, according to him, by a group of salesmen of the association but was carried. He then later, as he expressed it, being in doubt as to whether or not a board elected without the use of proxies properly filed would be a valid board. He then moved that his prior motion be rescinded and that proxies be used for the meeting, this motion being seconded by Moffatt and was carried. The question then arose as to whether the proxies had been authenticated as to signature, and as they apparently had not, a committee was appointed to check same and the meeting was then adjourned for this purpose until February 14th. A report on proxies presented at the meeting of November 14th (Exhibit No. 344) disclosed that of a total of 2,306, of which 209 were either spoiled or too late, employees other than sales staff held 301; directors, 174; members, 108; sales staff employees 1,514, and of these Moffatt personally held 742.

The by-laws of the association provide that any person being a male not over 60 years of age and female not over 55 may apply for membership in the association, and provided that the questions contained in the application for membership (form of same being filed as Exhibit No. 250) having been answered to the satisfaction of the association, a certificate of membership similar to the form filed (Exhibit No. 237) is issued to the member. Attached to the application is a form of proxy to be signed by the member, irrevocably appointing the managing-director or his successor in office his proxy to vote on his behalf at all meetings of the association at which he is not

present. The questions contained in the application are similar to those included in applications for insurance in regular line insurance companies. The rates payable for the benefits included in the certificate of membership are as follows:—

MEMBERSHIP FEE.	
Individual memberships .....	\$7.00
Group memberships—	
Groups 5 to 100 .....	5.00
Groups 100 to 1,000 .....	3.00
Groups 1,00 and up .....	2.00

## DUES.

	Monthly.	Quarterly.	Semi-annual.	Annual.	Group Pay-roll Deduction.
Member .....	\$1.75	\$5.00	\$10.00	\$20.00	\$1.50
Member and 1 dependent .....	2.60	7.50	15.00	30.00	2.40
Member and 2 dependents .....	3.10	9.00	18.00	36.00	2.90
Member and 3 dependents .....	3.60	10.50	21.00	42.00	3.40
Member and 4 dependents .....	4.10	12.00	24.00	48.00	3.40
Member and 5 dependents .....	5.10	15.00	30.00	60.00	3.40

Rate increases \$1 per person per month after the fourth dependent.

Groups under twenty-five must pay rates according to the number in their family.

Groups over twenty-five, maximum dues payable, \$3.40.

The certificate provides in case of accident or sickness of the member the following benefits:—

- (a.) Surgical benefits in case of accident or sickness of the member, surgeon's fees based on the scale of fees in use by the College of Physicians and Surgeons of British Columbia.
- (b.) Anæsthetist's fees up to the sum of \$25.
- (c.) Surgical operating-room charges not exceeding \$25.
- (d.) X-ray charges not exceeding \$25.
- (e.) Hospital indemnity for a period not exceeding seventy days at \$3.57 per day.
- (f.) Nursing fees for necessary special nursing services for a period not exceeding seventy days at \$3.57 per day.
- (g.) For maternity cases, provided the member has been in good standing for a period of not less than two consecutive years and whose wife has been a dependent for not less than such time, the sum of \$50.

No benefits are payable in respect of sickness until after ninety days from the date of acceptance of the member's application for membership, and all benefits in any one certificate year are limited to the sum of \$800. In addition to exempting benefits in respect to treatment for pre-existing, chronic, or congenital conditions (pre-existing conditions interpreted to mean diseases, states, or conditions, whether known or unknown to the subscriber, which existed at or had their origin prior to the date of application) there were the following exclusions from benefits, namely:—

- (a.) Treatment for injury or illness provided for under the "Workmen's Compensation Act."
- (b.) Treatment for mental diseases.
- (c.) Treatment for conditions and accidents arising out of the use of alcohol or narcotics or treatment in connection with the curing of such habits.
- (d.) Treatment for cosmetic effect.

- (e.) Treatment for abortion.
- (f.) Treatment in connection with optical glasses.
- (g.) Treatment for venereal diseases or conditions related thereto or arising therefrom.
- (h.) Pulmonary or other tubercular diseases.
- (i.) Services for diagnosis and treatment when such treatment or services are otherwise available free or at nominal cost through Government or public institutions.
- (j.) Tonsillectomies and adenoidectomies, unless such operations are performed twelve calendar months or more after the acceptance of the said member's application; and in respect of appendectomies six calendar months or more must elapse from the time of acceptance of the said member's application before indemnity for such operation will be paid for by the association; and no indemnity shall be paid to members and their dependents in respect of hernia or tumours, whether malignant or otherwise, or menopausal female conditions or prostatic male conditions the symptoms of which manifest themselves within two years after the date of acceptance of their application for membership. Not more than one tonsillectomy shall be paid for by the association in respect of any one membership certificate in any one calendar year from the date of the certificate of membership.
- (k.) Dental conditions or dental X-ray.
- (l.) All surgical anæsthetist, hospitalization, and nursing fees due to pregnancy except as provided in section (g) of the certificate.
- (m.) Treatment for either sickness or accident suffered while in military, naval or air-force service.
- (n.) Cost of special appliances.

The certificate further provides that should any statements contained in the application for benefits be found untrue or inexact or if full disclosure had not been made or if the member failed to pay dues or assessments within thirty days from the due date thereof, the membership should stand cancelled and neither the member nor any dependent should have any rights to indemnity thereunder.

In the event of a member or dependent having a claim under the certificate there must be completed forms provided by the association, consisting of an affidavit of claim and a certificate of the attending physician or surgeon, these to be returned to the association together with hospital, doctors', and other bills. On receipt by the association of the completed claim forms and bills, same are referred to the association's adjuster, a salaried official, who, after dealing with the claim, refers same to Moffatt, who checks over the file, which is thereafter referred to Hughes, the managing-director, who also checks the file and, if in order, arranges for payment. In case of doubtful claims, investigators (Hooper and Holmes) are used. The directors of the association hold monthly meetings and are paid directors' fees amounting to \$25 to the president, \$15 to directors who are employees, and \$10 to other directors for each meeting. At these meetings the directors deal with claims of members which have been rejected, under the by-laws, which empower them to make *ex gratia* settlements.

Gardner, the association's auditor, who in his annual reports to the association made appropriate and timely recommendations in respect to the conduct of the affairs of the association, which are to be found in the annual reports filed as Exhibits Nos. 242-A, 243, 244, 245, and 309, was not satisfied with the records of the claims department, particularly during the time Agnew was the adjuster, but eventually these were kept to his satisfaction.

With the exception of the Code claim I am satisfied that all claims were adjusted in accordance with the provisions of the by-laws of the association and in the usual practice and procedure utilized by the association. It would appear from the aforesaid annual financial reports that from the inception the financial affairs of the society steadily improved, and as at June 30th, 1945, there is a substantial reserve of over \$24,000.

## MEMBERS' DUES COLLECTED.

1941.....	\$12,308.93	1944.....	\$143,773.93
1942.....	43,654.67	1945.....	210,578.27
1943.....	87,749.17		

In 1942 administration and sales expenses amounted to \$24,842.48, or 57 per cent. of revenue; medical and hospital claims payments, \$18,713.79, or 42.8 per cent. of revenue, leaving a surplus of \$98.40. In 1943 dues were \$87,749.17; administration and sales expenses, \$27,617.98, or 31.5 per cent.; medical and hospital claims payments, \$53,104.02, or 60.6 per cent., leaving a surplus of \$7,027.17. In 1944 dues were \$143,773.93; administration and sales expenses, \$39,035.05, or 27.1 per cent.; medical and hospital claims payments, \$93,292.99, or 64.9 per cent., leaving a surplus of \$11,445.89. In 1945 dues were \$210,578.27; administration and sales expenses, \$50,907.31, or 24.1 per cent.; medical and hospital claims payments, \$154,216.41, or 73.3 per cent., leaving a surplus of \$5,454.55.

The sales expenses are net figures only after deducting application fees received by the association from members, salesmen being entitled to the application fee of \$7 or, in the case of groups of \$5 in addition to \$1 on a single application or \$1.75 on a family application and a renewal fee of \$1 per year for each member in good standing after the first of the year.

It would accordingly appear that the affairs of the association were in a sound financial condition as at June 30th, 1945.

## UNION HEALTH AND ACCIDENT ASSOCIATION.

George Edward Chapman, who was at one time an employee of the Employees' Mutual Benefit Association, on September 11th, 1944, caused to be incorporated under the "Societies Act" Union Health and Accident Association, having its office at the City of Vancouver, and its principal objects as set out in the declaration under the Act were: "To make provision for the benefit of its members medical, surgical, hospital, nursing and kindred services required in the relief of and treatment of sickness and accident for its members and their dependents and limited monetary assistance to members in case of loss of time through accident or sickness, all on a non-profit prepayment and voluntary basis."

The original subscribers, in addition to Chapman, were George Francis Havers, accountant; William Swanson, electrician; George William Collins, carpenter and joiner; and Swanton Haggerty, retired, all of the City of Vancouver.

Some time prior to the date of incorporation of the society a committee had been appointed from the Amalgamated Electrical Workers' Union in Vancouver, of whom William Swanson was a member, to investigate sickness and accident protection schemes. Through Swanson the committee became interested in the plan of this association and Chapman was invited to attend a meeting of the local union, when he explained the plan to the members present. The plan apparently was not endorsed by the meeting; nevertheless, the committee decided to sponsor the association, and from that time on the officers of the association endeavoured particularly to interest other unions in order to have their members become members in the association.

On September 20th, 1944, the society entered into an agreement with Chapman (copy of which is filed as Exhibit No. 15) appointing him general-manager for a period of five years from the date thereof, at a salary of \$300 per month and 10 cents for each application for membership accepted by the association and in addition 1 per cent. of the net premium income. Provision was made for the resignation of the general-manager on one month's notice, but there was no similar provision for termination thereof by the association. On the same date the society entered into an agreement (filed as Exhibit No. 16) appointing Havers as secretary-treasurer for a period of five years, at a salary of \$300 per month and 10 cents for each application accepted for membership, and in addition 1 per cent. of the net premium income, the agreement to be terminated by the secretary-treasurer at any time on one month's notice, but, similar to Chapman's contract, there was no provision for termination thereof by the association.

On the same date a similar agreement was prepared (Exhibit No. 17) appointing Swanson as Provincial manager of the association for a period of five years, on the same salary and remuneration as provided by Havers' contract. This agreement, it seems, was never consummated and not executed by the society. In any event, an agreement was entered into by the association on October 17th, 1944 (Exhibit No. 23), with Reginald Feen Sewell, appointing him city manager of the association for a period of five years, at a salary of \$300 per month, 10 cents on each accepted application for membership and 1 per cent. of the net premium income, with provision that he might resign on one month's notice to the association, but without any provision for termination thereof by the association. In order to obtain this contract from the association and to become a director thereof, Sewell had previously paid to Chapman and Havers the sum of \$500, of which \$250 was credited to the funds of the association and the balance divided equally between Chapman and Havers, two of the original directors.

A further agreement (Exhibit No. 24) dated November 15th, 1944, containing exactly similar provisions as those set out in Sewell's contract, was entered into by the association, appointing Clive Leonard Arrowsmith, an insurance agent of the City of Vancouver, Provincial manager of the association. In order to obtain this contract from the society and to become a director thereof, Arrowsmith, as in the case of Sewell, paid to Chapman and Havers the sum of \$500, of which \$250 was credited to the funds of the association and the balance divided equally between them. Chapman, from the inception until his contract was terminated by the association on September 27th, 1945, had absolute and sole control of the affairs of the association.

However, on or about February 1st, 1945, the association entered into an agreement with Swanson (Exhibit No. 18) appointing him district manager, confined to the area of the District of North Vancouver and to the personnel of the West Coast and Burrard South Shipyards, and he was to receive, in addition to the usual commissions on applications obtained by himself, an additional amount of 50 cents per application on all applications written by any representative of the association in his designated district. Provision was made by the contract for termination thereof by either party at any time. Further agreements (Exhibits Nos. 19, 20, and 21), undated, were executed by the association, probably at the same time Swanson's agreement was entered into, appointing one Gordon Abbey district manager for the City of Vancouver, excluding the personnel of Burrard Drydock, north and south, and West Coast Shipyards, and one Grant Squelch, appointing him district manager for the City of New Westminster and Fraser Valley District, and Cyril T. Fowles for the City of Kamloops, Merritt, Revelstoke, and Okanagan Valley, on the same terms and conditions as set out in Swanson's contract.

Some time prior to the incorporation of a company known as Arrowsmith Insurance, Limited, hereinafter referred to, Chapman had proposed to Arrowsmith the incor-

poration of a company to act as sales agent for the association, he, Chapman, to have the controlling interest, or 5,001 shares, and Arrowsmith, Sewell, and Squelch to have 1,500 shares each. On this understanding, Arrowsmith Insurance, Limited, was incorporated under the "Companies Act" of the Province. After the incorporation, Arrowsmith prevailed upon Chapman to agree that between them, in lieu of Chapman having control, Arrowsmith was to have 6,501 shares, instead of 1,500, and that after the agency contract had been entered into between the association and the company, he would divide these shares equally with Chapman. Relying on this arrangement, Chapman arranged to have the association enter into a contract with Arrowsmith, Limited, which is dated May 18th, 1945 (Exhibit No. 22), whereby the company was appointed as the sole agent of the society for the province, for the purpose of obtaining new members for the association and selling to or contracting with the then members of the association for additional benefits other than those applied for by such member when first joining, for a term of five years as from March 1st, 1945. The company was to receive remuneration as set out in paragraph 2 of the agreement, namely:—

- (a.) Twenty-five per cent. of the net premium income as received by the association on memberships during the first year such memberships are in force commencing March 1st, 1945, and on all subsequent memberships obtained by the said sales agency during the existence of this contract and which remain on the records of the association in good standing.
- (b.) A further 15 per cent. of the net premium income for the second and each succeeding year of the life of the said membership, together with membership fee and first month's dues on all new business after the date of March 1st, 1945.
- (c.) The net premium income received by the association as at close of business at the end of each calendar month shall be on the basis of payment to the said sales agency, these amounts shall be payable on or before the third day of each succeeding month.
- (d.) For the purpose of this contract "premium income" shall mean that part of the dues received from members remaining on the association's books after all dishonoured cheques have been deducted.

The company agreed to maintain its own branch offices and to remunerate its agents and salesmen and pay for all advertising expenses incurred by it in connection with obtaining new membership and to obtain an average of 300 new members per month, and in the event of its failure to do so, the agreement was to become void.

After the execution of this agreement, Arrowsmith fulfilled his arrangement with Chapman in respect of the shares. Subsequently, however, on the insistence of the directors of the company, who refused to permit a transfer, Chapman returned his shares to Arrowsmith, who from then on held the controlling interest in the company, the remaining shareholders being Sewell, Squelch, and Arrowsmith's wife. The company, in commencing business, took over the whole of the then sales staff of the association.

On or about September 6th, 1945, Havers resigned as secretary of the association and Arrowsmith acted as secretary at a salary of \$100 per month until one Aiken was appointed in that capacity. Thereafter Arrowsmith, who acted as application supervisor for the association, received a salary of \$150 per month until the month of November, 1945, when he devoted his efforts entirely to his own company.

There is no doubt that under the agreement with Arrowsmith Insurance, Limited, a very increased number of members were obtained for the association but considering all the representations that were made to me, I am of the opinion that notwithstanding the agreement with the Arrowsmith company, a similar number would have been acquired had the association itself continued with its then sales management.

In this regard it should be noted that many of those interested in the association, principally members of unions and the association, were definitely opposed to agency contracts of any kind. Chapman and Swanson, original subscribers and directors, expressed this view and felt that the association was in a position to handle sales equally as beneficially as the sales agency or Arrowsmith company. Subsequent to the first contract with Arrowsmith Insurance, Limited, according to Mr. Branca, solicitor for the association, a new agreement was proposed that should prove more beneficial to the association, but this would, however, not overcome the objection of those primarily interested in the future of the association who definitely objected to agency contracts, as apparently it was the object of those charged with the administration of the affairs of the association to provide at least 50 or 60 per cent. of the revenue from members as a reserve fund of the association which could hardly be achieved during the existence of an agency contract.

Robert James Scott, a salesman of the Arrowsmith company, and who prior thereto was a salesman for the association and a member thereof since its inception, also one of the trade union members deeply interested in the affairs of the association, gave the following evidence, to be found at page 4056 of the transcript, notwithstanding a threat that if he did so he would probably be discharged by the Arrowsmith company, namely:—

Well, I feel, if I may say something first, Mr. Branca mentioned this is a company, the Union Health and Accident Association is an association which brings members in. I wouldn't call that a company, and I feel that any member that I bring in, I owe responsibility to those members, and being in the trade union movement, and being active in the trade union movement, if I brought this up and mentioned it was under an agency, I doubt if the trade union movement would support it; I doubt that very much, but myself I believe that the Union Health and Accident Association could do the job for less money.

In view of the experience of the Employees' Mutual Benefit Association, I am strongly of the opinion that contracts of this kind, particularly where the contractee is a director of the association, and also of many objections of union members, should not be entered into by the association. On the inquiry, the association's solicitor, realizing this situation, concluded that before any new agreement should be entered into by the association or become effective, same should be passed upon by the members of the association duly convened. I would mention here, however, that notwithstanding the merits, insofar as the association is concerned, of such an agreement, there should be borne in mind the very strenuous objections of the original union members and sponsors in respect to any such agreement.

Several members attended the annual meeting of the association held at the office of the solicitor thereof on November 26th, 1945, at 10 o'clock in the morning, and in their own words said that it was disgraceful. Objection was first made that there was no notification made except by an advertisement in a city newspaper, and secondly that at the meeting improper use of proxies was exercised and in an improper manner, resulting in a number of the original members of the association who were at the meeting becoming very dissatisfied with the conduct of the affairs of their association.

Similarly to other associations of this type, it was necessary in order for a person to become a member to sign an application for membership (Exhibit No. 5), and providing the answers therein contained were satisfactory to the management he was issued a certificate, in the form of Exhibit No. 2 herein. This certificate provided for:—

- (a.) Surgical benefits in respect to accident or sickness in accordance with the schedule of fees for surgical operations set forth in the certificate.
- (b.) Medical benefits for each call by the member at a physician's office of \$2.50, and for each call by the physician at the member's home of \$3.

- (c.) Anæsthetist's fees, a total of \$30.
- (d.) Surgical operating-room charges not exceeding \$30.
- (e.) X-ray not exceeding \$30.
- (f.) Hospital indemnity up to but not exceeding \$25 per week.
- (g.) Nursing fees up to but not exceeding \$25 per week for a period not exceeding twelve weeks.
- (h.) Provision for special foods, drugs, or special services in the hospital.
- (i.) Maternity benefit after eleven consecutive months, the doctors' and hospital bills, and if an operation is necessary, the cost in respect thereto according to the schedule of fees provided in the certificate for operations; provided, however, that in the case of a Japanese member his dependent should have been named as a dependent in the certificate for a period of not less than twenty-four consecutive months, and then limited to the sum of \$50.
- (j.) Chiropractic, osteopathic treatments, the expense incurred by the member in accordance with such amount as the association may decide to arrange with such drugless healer (whatever that might be).
- (k.) Transportation benefit not exceeding \$100.

As was usual, the following were excluded from the benefits, namely:—

- (a.) Tonsillectomy and adenoidectomy, unless such operation is performed and the condition which makes the operation necessary originated at least five months after the acceptance by the association of the member's application for membership. Not more than one tonsillectomy and adenoidectomy shall be paid for in respect of any one membership in any one calendar year unless otherwise specified by the directors.
- (b.) Surgical or medical care or treatment or operations for hernia, appendectomy, tumours, whether malignant or otherwise, cholecystectomy or thyroid glands, unless such care or treatment is given or operations are performed and condition which makes the care, treatment, or operations necessary originates at least six months after the acceptance by the association of the member's application for membership.
- (c.) Surgical or medical care or treatment or operations for pre-existing or chronic or congenital conditions, whether known or unknown, which existed at or had their origin prior to the date of application for membership or during the first sixty days after such application is accepted by the association.
- (d.) Surgical or medical care or treatment or operations for injury, disease, or illness in respect of which the person suffering such injury, disease, or illness is entitled to compensation under any "Workmen's Compensation Act" or under any workmen's or employees' compensation scheme or arrangement.
- (e.) Surgical or medical care or treatment or operations for injury, disease, or illness suffered during the course of or arising out of the usual employment of the member or dependent, as the case may be, excepting business or professional occupations.
- (f.) Surgical care or treatment or operations for mental diseases or disorders, insanity, or disease of the brain.
- (g.) Surgical or medical care or treatment or operations for injuries, conditions, diseases, and illnesses arising either directly or indirectly from or out of the use of alcohol or narcotics, or treatments in connection with the curing of a disposition or habit to use alcohol or narcotics.
- (h.) Surgical or medical care or treatment or operations for cosmetic effect.

- (i.) Surgical or medical care or treatment or operations for abortion or attempted abortion.
- (j.) Surgical or medical care for treatment or operations for venereal disease or conditions related thereto or arising directly or indirectly therefrom.
- (k.) Surgical or medical care or treatment or operation for tuberculosis of the lungs and tubercular diseases of any form or character.

The benefits in respect to disease or illness of the member are payable only when the cause originated sixty days after becoming a member. The rates payable by the member for this coverage were as follows (Exhibit No. 31) :—

MONTHLY INDIVIDUAL RATES, MEDICAL AND HOSPITAL ONLY.

Member only .....	\$2.10
First dependent .....	.75
Other dependents (under 18) .....	each .50
Adult dependents (18 to 65) .....	each 1.50

Add 90 cents to all rates for each person over 65.  
Membership fee, \$8.

MONTHLY RATES FOR WEEKLY INDEMNITY ONLY.

	Non-occupational with Medical and Hospital.	Non-occupational without Medical and Hospital.	Occupational with or without Medical and Hospital.
\$15 per week.....	\$1.15	\$1.50	\$1.50
\$30 per week.....	2.65	3.00	3.00
\$45 per week.....	6.00	6.00	6.00
\$60 per week.....	8.00	8.00	8.00

Membership fee, \$5.

Under no circumstances may weekly indemnity exceed two-thirds of a man's average weekly wage, and applicants must not be over 65 years of age.

The membership fee of \$8 and the third month's dues were payable to the agent of the Arrowsmith company obtaining the member. In the event of a member having a claim, claim forms are completed similar to those in use by the North Pacific and Employees' Mutual Associations. Same are checked over by the claims manager, who has authority to either allow or reject a claim, but before a claim is finally ruled out it is considered by the directors, who make final disposition of same.

Of the original directors, Collins resigned on October 7th, 1944; Sewell was appointed in his stead on October 14th, 1944. Arrowsmith was appointed a director November 14th, 1944. Haggerty resigned December 1st, 1944; Swanson, January 15th, 1945; Havers, May 30th, 1945; and Aiken was appointed a director July 18th, 1945, so that the directors of the association as of that date were Sewell, managing-director, Arrowsmith, and Aiken, secretary-treasurer, who did not receive any remuneration for acting as directors. There was no criticism of any nature as to Aiken's fulfilling his duties as secretary-treasurer, but on the contrary, all concerned were of the opinion that he was a conscientious employee and had the interests of the association at heart and was honestly endeavouring to act in its best interests. Havers was discharged by the directors for the reason that, as he put it, he refused to sign a cheque in favour of Arrowsmith for car repairs which, in his opinion, was an improper payment. He sued the association, and his claim was settled for approximately \$1,000 cash and the balance of \$800 payable at the rate of \$60 per month.

Chapman resigned as a director on or about September 27th, 1945, when the association entered into an agreement with him cancelling his prior agreement dated September 20th, 1944, as general manager, and agreed to pay to Chapman the sum of \$2,250, payable \$1,000 cash and the balance at the rate of \$100 per month.

The contracts with the district managers referred to *supra* were either cancelled or waived at the time the Arrowsmith company entered into the agency contract with the association. The directors at the time of inquiry into this association were negotiating with the Arrowsmith company for a new form of contract to replace the prior agreement on proposed terms to be found at page 4035 of the transcript.

The only financial report of the association was prepared by S. E. Rickard, chartered accountant, of the City of Vancouver, which is filed as Exhibit No. 48, and shows an excess of expenditure over revenue of \$10,354.11 as at October 31st, 1945, the revenue for the period amounting to \$48,717.94; the expenditure being: sales department, \$14,189.02; claims department, \$28,874.23; administration expenses, \$16,008.80. Rickard suggested that since the date of the report the membership in the association, as a result of the Arrowsmith company's efforts, was rapidly increasing, and that the financial situation should improve. Chapman, however, the original instigator of the association's activities, and who had more insurance experience than any of the other officials of the association, was definitely of the opinion that the financial position was unsound, in that the benefits conferred were too great in proportion to the dues payable and that unless these benefits were restricted and the dues sharply increased the association would continue to operate on an unsound basis. This opinion was concurred in by others interested in the association who gave evidence.

Mr. Branca, counsel for the association, intimated that the directors contemplated the insertion of a clause in the certificate that when a member had been a member in good standing for a period of two years the contract should be incontestible in regard to pre-existing conditions. If this were done, I am of the opinion that unless the rates were sharply revised the association would not likely in the future be in any more sound financial condition than as at October 31st, 1945.

#### NATIONAL HEALTH ASSOCIATION.

On March 18th, 1942, the Fidelity Mutual Health and Accident Association was incorporated under the "Societies Act," and having as its objects provision for the benefit of its members, by means of subscriptions, against sickness, disability or death, for relieving their husbands, wives, children, or other dependents; and the operations of the society were to be chiefly carried on in the Province, having its office in the City of Vancouver. The original subscribers to the declaration were: Adam Stuart Matheson, timber owner; Peter Angell, master barber; Fred Whipple Bonness, manager; Spencer Wellington Mulholland, agent; and Sara Hewett, housewife, all of the City of Vancouver. Subsequently the name of the association was changed to National Health Services Association, and again later to its present name, National Health Association.

Bertrand Galloway, the present Provincial supervisor and president of the association, although not one of the original subscribers, organized the association and after incorporation acted as its manager, becoming a director in or about the month of January, 1945. Of the original subscribers, only Peter Angell continued as a director of the association, and in addition to Galloway the other directors of the association in January, 1945, were Ralph White, secretary-treasurer and full-time employee of the association, and one G. W. Hensen, machinist. The other employees of the society, in addition to Galloway and White, consisted of an accountant, an office manager, head adjuster and assistant adjuster, a sales manager, and the usual staff of clerks and stenographers, amounting in all to approximately thirty-two employees. The asso-

ciation operates its own sales staff under a sales manager, these salesmen not being on salary but receiving the membership fee amounting to \$8, the first month's dues, and if these are paid a year in advance an extra \$3, and a further sum of \$2 renewal fee after the first year. Galloway and White both have contracts with the association providing for salaries of \$78.61 net per week, that is, after deduction of taxes, and a car allowance of \$50 each per month. The by-laws provide for directors' fees of \$25 per meeting for each director, but apparently neither Galloway nor White accepted payment of these fees. The same, however, were paid to the other directors. The remuneration of the other main employees amounted to \$50 per week for the office manager, \$75 per week for the claims adjuster, \$75 per week for the assistant claims adjuster, and a guarantee of \$75 per week for the sales manager or \$1 for each new member obtained by the sales force, whichever was the greater.

The affairs of the association are conducted in a very business-like manner, and as a matter of fact, by Galloway's own admission, it is an insurance business, and his purpose in organizing the society was for purely business reasons and in order to profit thereby.

The association caused to be formed a further society known as National Health Co-Operative Association for the purpose of supplying to members of the parent association consumer goods such as washing-machines, radios, etc., at a considerable saving, but at the date of the inquiry the co-operative had been unable to obtain a supply of such goods.

According to Mr. Galloway, it was also the further intention of the directors to erect a medical-dental building and to secure the services of competent doctors on salary with the association and endeavour to obtain the benefit of fees lower than those set by the College of Physicians and Surgeons of the Province, and generally to embark on a large health insurance scheme.

The growth in membership in the association, similar to other associations of this type, was very rapid, and at the time of the inquiry this society had obtained some 9,000 members exclusive of dependents.

In order to obtain membership in the association a person under the age of 60 had to complete a form of application for membership, Exhibit No. 12, similar to that in use in other associations of this type, and provided the questions therein contained were answered to the satisfaction of the association a certificate of membership, similar to the form Exhibit No. 6, was issued to the member on payment of the membership fee amounting to \$1.75 monthly, \$5.25 quarterly, \$10.50 semi-annually, or \$21 annually, with an additional \$1 monthly for the first dependent up to 16 and for each additional dependent 50 cents monthly. The directors, however, had subsequently decided to increase this monthly rate by the sum of 25 cents. These rates were for medical, surgical, and hospitalization benefits, etc., and there was also provision for weekly wage indemnities and funeral or death benefits on payment of additional premiums. The benefits provided were similar to those provided by the Employees' Mutual, North Pacific, and Union Health Associations, with a limitation of \$1,000 in any one certificate year and with the usual exceptions and other limitations as in the other societies mentioned; provision, however, being made in this association for treatment by masseurs and other drugless healers approved by the directors of the association, provided written authority is first obtained by the member from the secretary-treasurer of the association before undergoing treatment. There was a rather unusual provision in the certificate of this association not included in those of the others mentioned, in that the decision of the association's medical adviser as to whether or not a condition was pre-existent was to be final and binding on the member. According to Galloway, this provision has never been taken advantage of by the association. In addition to the usual benefits, this society maintains an optical department in charge of an optometrist

on salary where examinations are provided free of charge and glasses, if necessary, are supplied at from one-third to one-half the regular rates.

In the event of failure on the part of the member to pay dues within ten days from the due dates thereof he thereupon ceased to be a member and was disentitled to any benefits under the certificate except those which had accrued prior thereto.

A member having a claim under the certificate is required, for the purpose of obtaining the necessary claim forms for completion, to call at the association's office where he is first interviewed by Mr. Costigan, the claims adjuster. If in the opinion of the adjuster the claim is within the certificate according to the information obtained from the member, claim forms are then provided for him, but if for some reason—as, for example, he had not been a member for a sufficient length of time to be entitled to benefits—he is informed he is not covered and is not provided with any forms. When, however, there is a possibility of his having a claim he is required to complete his own statement form, have the physician's statement completed, and return these to the association with accounts incurred. These forms are then reviewed by the adjuster, who in turn hands them to his assistant who adjusts the claim and, if satisfied, recommends payment. In the event of the adjuster deciding that it should be reviewed, the member is requested to interview either Galloway or White, who might, according to the circumstances, recommend payment or settlement or refer the claim to the directors for their final decision.

There were complaints heard from members of the association as to the adjustment of their claims, but I am satisfied that claims in this association are adjusted by the department in charge thereof in accordance with the by-laws of the society, and that there has been no irregularity in respect thereto. As a matter of fact, the organization carries on its affairs in a most business-like and efficient manner. There were also complaints that agents of the association had misrepresented the benefits, and so forth, included in the certificate of membership, but Galloway stated that in the event of anything of this nature having occurred any dishonest salesman was forthwith discharged.

It would appear that the affairs of the society as at the 31st day of January, 1945, were in a sound financial condition, as there was a surplus of \$2,434.71 as at March 31st, 1944, which was increased by an additional sum of \$24,491.13 as at January 31st, 1945, and which was again increased when on May 31st, 1945, it amounted to \$44,513.23. According to the balance-sheet of the association filed as Exhibit No. 8, as at December 31st, 1945, the assets of the society consisted of \$14,940.57 cash on hand and in the bank, Dominion of Canada bonds, \$506,000, and other investments amounting to \$1,783.04, a total of \$507,783.04; real estate valued at \$67,000; accounts payable, \$6,684.16; office equipment, \$13,647.10; and other items such as stationery, supplies, etc., amounting to \$3,901.48. With respect to the Dominion of Canada bonds there was a loan outstanding to the bank amounting to \$490,000. These bonds were purchased on the suggestion of Galloway, who anticipated an increase in value and who personally guaranteed the bank that in the event of any depreciation in value he would make up the difference, and at the time of the statement these bonds were valued at \$511,060 in addition to accrued interest. There was an unpaid balance amounting to \$26,600 on an agreement of sale covering the real estate which had been purchased by the association in the month of March, 1945, from one Virginia Galloway, a daughter of Bertrand Galloway, a director of the society. The other liabilities consisted of reserves for accounts payable, renewals, prepaid dues, claims, etc., amounting to \$43,500, and suspense account, Workmen's Compensation account, and outstanding cheques.

The expenditures for a period from June to December, 1945, consisted *inter alia* of: advertising, \$2,105.28; office expenditures, \$3,478.21; postage, \$2,112.03; printing

and stationery, \$4,269.74; rents, \$1,355; salaries, \$25,453.36; commissions, \$61,649.65; and claims aggregating \$92,012.86.

The income for the aforesaid period amounting to \$241,535.85 included members' dues for medical and hospital benefits of \$118,772.60.

The real estate mentioned had, according to Galloway, been purchased by him as agent for his daughter a week or two prior to the purchase of same by the society for the sum of \$42,500, payable \$12,000 cash and the balance on terms. It appeared that for some months prior thereto, owing to lack of office space for carrying on the association's business, White had been looking for other suitable and enlarged premises to rent, and Galloway had knowledge of this situation. He, however, said that at the time he purchased the property in question White had not indicated any intention of purchasing property for providing suitable premises for the association, and that if he had, he, Galloway, would have opposed it. Galloway further maintained that for the first time White just prior to a meeting of the directors held on March 29th, 1945, proposed purchasing a building for the association, and knowing that Galloway had purchased the property in question for his daughter suggested that this be acquired from her, and that it was he, White, who made a similar proposal to the directors at this meeting, although in the minutes thereof, as reported at page 4648 of the transcript, it was Galloway who raised the question of the desirability of the association owning its own building and suggested purchasing the Odd Fellows Hall (the property in question); that his daughter was purchasing this property but would be willing to sell it to the association for the sum of \$57,500, payable \$15,000 cash and the balance at \$600 a month with interest at 4½ per cent. According to Galloway, full disclosure was made to the directors of the amount his daughter had agreed to pay for the property, although White in his evidence stated that prior to the directors' meeting he did not know when Virginia Galloway had acquired the property, and in answer to the question at page 4709 of the transcript, "Did you know and were you ever told at what price Miss Virginia Galloway purchased the property?" he answered, "No, that would not come into the argument"; and to the further question, "Do you know now?" he answered, "No, I could not say what Virginia Galloway paid for that building. No, I definitely do not know." Galloway, in giving evidence, at page 4722 of the transcript, said that in discussing the matter with White before the meeting that if the property were purchased by the association for \$57,500 there would be a profit of \$15,000, that if he had known the directors wanted the building he would have bought it on behalf of the association as he did not desire to be subjected to criticism in that regard, but later he must have felt that he would be open to such criticism for he voluntarily, on May 10th, 1945, gave a letter to Mr. White, which he signed as attorney for Virginia Galloway, that if the association desired she would purchase back the property for the price paid within eighteen months from the date, this letter being filed as Exhibit No. 31. S. S. Tufts, counsel for the association, stated that at the next annual meeting thereof there would be full disclosure to the members pertaining to this transaction. According to the evidence, there is no question whatsoever that the price paid by the association for the property was not excessive, but it would not necessarily follow that this would justify Galloway's having made a profit for his daughter to the extent of \$15,000 if he had in mind at the time of purchase the acquisition of the property by the association, and it would not be inconsistent with his attitude from the inception that he started the association for the purpose of making a profit. He quite candidly in answer to a question I asked him at page 4417 of the transcript, "I would like to have this clear. When you started out your idea was a purely business proposition?" answered "Yes."

"There is no argument about that?"

"No, I went into it to make money."

## INDUSTRIAL HEALTH ASSOCIATION.

The Society for Family Protection was incorporated under the "Societies Act" on or about the 5th day of July, 1939, having at that time as its objects benefit provisions in respect to the death of its members with a limitation of \$300 in respect thereto. In July, 1943, this name was changed to Dependents Security Association, and later, namely, on the 8th day of June, 1944, was again changed to its present name, Industrial Health Association. The objects of the society were subsequently changed to add provision for sickness and accident following a resolution of the then directors passed on the 26th April, 1944, and it was not until the month of September in the same year that it commenced active operation. On the 6th of that month the society entered into an agreement with D. C. McDermid, E. B. McDermid, and Percy McDermid, brokers, of the city of Vancouver, copy being filed as Exhibit No. 31, appointing them its sole agents for the Dominion of Canada for the sale of memberships in the society for a period of twenty years, they to receive 10 cents per member per month on all members of the association in good standing at the end of each and every month. By the terms of the agreement the agents were to nominate one of themselves as a director at each annual meeting of the society, and the association agreed to cause such nominee to be duly elected to the directorate. They were also to have the exclusive right of appointing the sales manager, all salesmen and claims adjusters of the association and to dismiss them. The association was to be responsible for advertising, and all such advertising was to be approved by the agents. The society undertook to pay all its operating expenses including claims, salaries, rent, commissions, etc., the agents to be responsible for collection of all dues and fees. The agreement contained no provision whatsoever for cancellation.

On the 9th day of September, 1944, the association entered into an agreement, filed as Exhibit No. 28, with Jean Marie Gagnon, accountant; Robert E. Gagnon, manager; Marcel Alphonse Gagnon, accountant, all of the City of Vancouver, appointing them office managers of the association for a period of twenty years, their remuneration thereunder to be 10 cents per member per month on all members of the association in good standing at the end of each and every month. The office managers were to have the exclusive right of appointing the chief accountant and other employees for the society and in their sole discretion to dismiss them. Similar to the other agreement, no provision whatsoever was made for cancellation.

By assignment dated October 4th, 1944, the McDermids assigned their agreement with the association, Exhibit No. 31, to McDermids', Limited, of Vancouver, in consideration of the sum of \$3,000 paid by the company to the assignors. By another agreement dated March 12th, 1945, the Gagnons assigned their agreement with the association to McDermid, Miller & McDermid, Limited, in consideration of the sum of \$1,000 paid to them by the company, the association also being a party to the agreement and consenting thereto. On June 18th, 1945, McDermids', Limited, assigned their agreement to one William P. Tanshak in consideration of the sum of \$4,000. On the same date McDermid, Miller & McDermid, Limited, assigned its agreement with the association to Elena Tanshak, wife of William Tanshak, in consideration of the sum of \$1,000, and thereafter the Tanshaks had full and complete control of the affairs of the association until October 11th, 1945, when Tanshak, in consideration of \$4,000, assigned his agreement to D. C. McDermid and E. L. Egan. On August 28th, 1944, the directors of the association were Albert L. Gagnon, Jean M. Gagnon, Edward Percy McDermid, R. A. Gagnon, and H. V. Youngberg; and as from October 15th, 1945, the directors were William Tanshak, D. C. McDermid, E. L. Egan, A. B. Cliff, and T. E. Stinson. They received directors' fee of \$25 each per year.

In order to become a member of the association any person under the age of 65 years signs an application similar to those in use by the other associations with which I have dealt, being Exhibit No. 43. Above the space provided for the signature of the applicant there was a proxy irrevocably appointing the managing-director of the association proxy effective on the applicant's becoming a member. Providing the answers on the application form were satisfactorily answered by the member he was then issued a certificate of membership in the form of Exhibit No. 5. As the benefits conferred are similar to those contained in certificates of the other associations, I do not see that any useful purpose would be served by reciting them here, except to note that provision is made in this certificate for treatment by chiropractors, osteopaths, naturopaths, physiotherapists, and other drugless healers approved by the directors; provided, however, that the member should first obtain the consent in writing of the managing-director before undergoing treatment. The certificate also contains exceptions and limitations similar to those in other societies, and particularly a clause respecting pre-existing chronic or congenital conditions. There was the usual membership fee of \$8 payable by the applicant. The monthly dues were \$1.25 per month and 50 cents additional per month for each child under 18 years of age.

The agents of the association received the membership fee, the first month's dues after three consecutive monthly payments had been made, the sum of \$1 after the ninth consecutive monthly payment, and an additional \$1 after the twelfth payment, with a renewal fee of 50 cents per quarter; provided, however, that they fulfilled the quota fixed by the association, and in the event of their not doing so were entitled only to the membership fee.

On a member becoming entitled to claim benefits under the certificate, claim forms, after being completed, are referred to Elena Tanshak, secretary-treasurer of the association, who is a registered nurse and is remunerated at the rate of \$7 for each day while engaged in her duties. Thereafter same are referred to the managing-director, William Tanshak, and any claims which he decides to reject are then referred to the directors for final disposition.

Apart from the contracts hereinbefore referred to, I am satisfied that the Tanshaks have fulfilled their duties in an honest and capable manner, and under Tanshak's management, in 1945 there were some 4,200 members in addition to dependents.

J. S. Oswald, chartered accountant of Vancouver, was the society's auditor, and his report to the members dated December 11th, 1945, together with the balance-sheet as at August 31st, 1945, is filed as Exhibit No. 41, which exhibit also includes an accumulation of financial statements of the society since its inception, and in his report he refers to the agreements hereinbefore mentioned. According to this report there was an excess of expenditure over revenue amounting to \$7,372.32. The net revenue received from members amounted to \$37,167.26, and of this amount the sum of \$23,046.02 was expended for sales management and salesmen's commissions. Claims paid amounted to \$4,941.12, and claims in process of settlement to \$3,498. Office management commission was \$1,431 and salaries \$4,006.10. During the period from June 19th to December 31st, 1945, the Tanshaks received remuneration aggregating \$7,500 or \$8,000. According to Oswald, a further statement had been prepared by him to the end of November, 1945, which disclosed a satisfactory change in the finances of the association, and it was his opinion that if the association continued to obtain new members at the same rate it had been doing latterly that at the end of the fiscal year there would in all probability be a surplus rather than a deficit.

#### FIDELITY HEALTH ASSOCIATION.

The Fidelity Health Association was organized by one Morris Blank who had at one time been associated with National Health Association, and the society was incor-

porated under the "Societies Act" on October 21st, 1944, having as its objects the provision for the benefit of its members, by means of subscriptions, against sickness, disability, or death and for relieving the husbands, wives, children, or other dependents by providing limited monetary assistance, medical, surgical, hospital, nursing, and kindred services to its members all on a non-profit prepayment and voluntary basis, the death benefit being limited to the sum of \$300. The original subscribers to the declaration constituted the directors, two of them subsequently resigning and leaving as directors of the association Morton Smith, merchant, George Blank, student, a son of Morris Blank, and David A. Chertkow, solicitor, all of the City of Vancouver. The association entered into an agreement (Exhibit No. 2), dated December 9th, 1944, with Morris Blank appointing him office manager of the association for a period of five years as from November 1st, 1944, at a salary of \$300 per month and in addition thereto the sum of \$1 commission on each and every certificate of membership issued by the association during the term of his employment, and also reasonable travelling and other expenses in connection with the affairs of the association. No provision was made in the contract for cancellation by either of the parties thereto.

The association did not actively commence operations until the beginning of January, 1945, and at that time Morton Smith was president, D. A. Chertkow secretary-treasurer, and George Blank vice-president. Morton Smith was appointed managing-director of the association and received remuneration in the sum of \$1 for each certificate of membership issued by the association, and D. A. Chertkow as secretary-treasurer received a similar amount. George Blank as assistant office manager received a salary of \$35 per week.

Any person under the age of 60 years desiring weekly indemnity protection, and up to the age of 70 years if that is not required, completes and signs in triplicate application forms (Exhibit No. 3) similar to those in use by other associations. One of these forms is retained by the applicant, another by the agent, and the third is returned to the association, thereby affording the association an opportunity of checking and controlling the actions of its salesmen. On the application form above the space provided for the signature of the applicant is a form of proxy irrevocably appointing the secretary-treasurer of the association the proxy of the applicant. After receipt by the association of the application duly completed, Morris Blank checks the information therein set out, and if satisfied with the answers of the applicant causes a certificate of membership to be issued to him in the form of Exhibit No. 8. The benefits included in the certificate consist of:—

- (a.) Surgical fees not exceeding the sum of \$350.
- (b.) Medical fees amounting to \$2.50 for each call by the patient at the doctor's office and \$3 for each call by the doctor to the patient's home or hospital, limited to fifteen calls for each disability.
- (c.) Hospitalization at the rate of \$4 per day not exceeding ninety days.
- (d.) Nursing fees at the rate of \$4 per day not exceeding ninety days.
- (e.) X-ray charges up to \$50.
- (f.) Anæsthetist fees up to \$50.
- (g.) Operating-room charges up to \$50.
- (h.) Maternity benefits not exceeding \$75 payable only after the member has been a member in good standing for a period of at least twelve months.
- (i.) Treatment by chiropractor, osteopath, naturopath, approved by the directors, provided the member receives written authority from the association to undergo such treatment, and limited to fifteen treatments at \$1 per treatment.

- (j.) Dental benefits in respect to examination and X-ray not exceeding the sum of \$5, and provided the member has been in good standing for a period of not less than six months, payment for the extraction of teeth limited to \$25.
- (k.) Optical benefits not exceeding \$5.
- (l.) Ambulance charges not exceeding \$5.
- (m.) Identification and registration benefits not exceeding \$100.

Exceptions and limitations of the certificates are similar to those contained in certificates of membership of the other associations, also provision for cancellation on non-payment of dues.

The membership fee payable by the member amounts to \$10 (and in the case of special groups hereinafter referred to, \$1.50), the dues \$1.75 monthly, \$5.25 quarterly, \$10.50 semi-annually, and \$21 annually, with an additional \$1 monthly for the first dependent and 50 cents additional monthly for each dependent child under 18 years of age. Members having claims under the certificate are required to complete claim forms provided by the association which, after completion, are checked by Morris Blank and Morton Smith, who are authorized to make payment provided the amount does not exceed \$25, and claims exceeding that amount are dealt with by the directors. The association retains the services of one Dr. D. Drech as medical adviser who advises the directors in respect to doubtful claims. The directors also have power under the by-laws of the association to authorize payment of claims which do not strictly come within the provisions of the certificate.

Some ten or more salesmen are employed by the association, and they receive the membership fee and one month's dues in addition to a renewal fee of 25 cents per month for each month after the first year. Each of these salesmen is bonded for the sum of \$500.

The increase in membership in this association was also quite rapid, and at the end of 1945 it had approximately 2,100 members not including dependents.

The association entered into a special contract with Vivian Engine Works, Limited, Employees' Association in the month of June, 1945 (copy being filed as Exhibit No. 26), providing for the issuance by the association of an individual certificate of membership therein to each employee of Vivian Engine Works, Limited, Employees' Association, the registration fee payable in respect thereto being \$1.50 in lieu of the usual \$10. The contract provided that in the event of the member leaving the employment of Vivian Engine Works, Limited, he should nevertheless be entitled to continue his membership in the association. The contract further provides for special maternity benefits to a member in good standing for a period of not less than sixty consecutive days of ten days' hospitalization at a maximum of \$4 per day. The employees were entitled to appoint a committee of three to represent their group in the event of there being any disputed claims for benefits by its members, such committee to act in conjunction with the claims department of the association in the settlement of claims. The dues payable by the members under this particular contract were to be deducted by the Vivian Engine Works, Limited, from the employee's wages and remitted direct to the association. According to Morris Blank there had not been any disputes referred to in the contract and accordingly there had been no necessity of dealing with the committee also therein mentioned.

The chartered accountants for the association are the firm of Buttar & Chiene, of Vancouver, and William S. Coles of that firm prepared a financial statement of the society as at December 31st, 1945, which is filed as Exhibit No. 29, and he stated that the records of the association were well kept and their accounting system a very good one. The statement discloses that the dues received by the association for the period from October 31st, 1944, to December 31st, 1945, amounted to \$86,186.73. Of this

amount \$7,393.94 was paid out in claims, \$42,849 in commissions and salaries, and \$4,868.19 in wages; the remaining expenditures consisting of office expenses, advertising, and miscellaneous expenses amounting in all to the sum of \$62,209.10, leaving an excess of revenue over expenditure of \$23,977.63. Commissions and salaries consisted of commissions to salesmen amounting to \$30,765; commission to Morton Smith, \$2,318; commission to D. A. Chertkow, \$2,318; salary and commission to M. Blank, \$6,818, and miscellaneous, \$630. In addition to the aforesaid surplus there is available, should further financing be required, a guarantee from Smith and Chertkow to assist the association to the extent of \$3,500 and \$1,500 respectively. It would appear, therefore, that as at the end of last year the society was in a sound financial position.

#### PREMIER HEALTH AND ACCIDENT ASSOCIATION

The Premier Health and Accident Association was incorporated under the "Societies Act" on June 21st, 1944, and its original by-laws, which have not been amended, are to be found in the certificate which was filed as Exhibit No. 1. The original directors of the association were Fred H. Mee, H. J. Penny, S. W. Neil, William D. Richards, Harold J. Holer, and Richard Henry Humphrey Shaw, all of Vancouver. Holer subsequently resigned as a director when he was paid the sum of \$500 for his efforts in organizing the society, and the original directors and R. G. Simmons, who replaced Holer on the directorate, are the present directors of the association and are entitled to remuneration of \$5 per month directors' fees. Simmons previously had been associated with the Employees' Mutual, National Health, and North Pacific associations, and on December 15th, 1945, the association entered into a contract with him appointing him secretary-treasurer and general sales supervisor for a period of five years at a salary of \$200 per month plus a commission bonus of 2½ per cent. of the premium income paid to the association, such commission to be computed and paid monthly. Provision was made in the contract for the termination thereof by the employee after June, 1947, on thirty days' notice, but there was no similar provision for termination on the part of the society. In the event of the employee terminating the contract, the association agreed to continue to pay the commission for the same length of time as the agreement had been in force at the date of termination and in any event for a minimum period of two years from such date. The association entered into a further contract on December 15th, 1945, appointing Richards general manager of the association, also for a period of five years, and including identical clauses to those contained in Simmons' agreement with the association. The directors were further contemplating entering into an agreement with one Monroe as sales-manager, who in the meantime was remunerated for acting in that capacity by being paid an overriding commission of \$1 on each individual membership and 50 cents on each group membership.

The form of application for membership (Exhibit No. 9) required to be signed by the applicant includes a form of proxy similar to that in use by other associations irrevocably appointing the secretary-treasurer of the association the member's proxy.

No membership fee is payable by the member, and the monthly rates for sickness and accident are: \$2.50 for a single man; \$3.50 for a member and wife; \$4 for a member, his wife and one child; \$4.50 for a member, his wife and two children; \$5 for a member and family, these fees being 50 cents less per month for group members. The agent selling the membership receives the first month's membership fee and a renewal of 75 cents per month for the ensuing eleven months that the member continues in good standing in the association, and thereafter a renewal fee of 50 cents per quarter.

The certificate of membership of the association (Exhibit No. 6) contains benefits and exclusions somewhat similar to those of the other associations, with a provision, however, that after the member has been a member continuously in good standing for a period of eighteen months the certificate cannot be terminated by the association.

Claims are adjusted in similar manner to the procedure utilized by Fidelity Health Association.

The auditor of the association is Harold D. Campbell, chartered accountant, of the city of Vancouver, who prepared the balance-sheet of the association as at December 31st, 1945, and which is filed as Exhibit No. 15. At that time there were approximately 3,300 members of the association, and for the period for nine and one-half months prior to the date of the statement dues and fees collected amounted to \$42,967.36, from which had been paid claims amounting to \$20,194.61 and commissions of \$11,458.41, leaving gross revenue of \$11,314.34. General and administrative expenses aggregating \$12,609.70 left a deficit for the period covered by the report of \$1,295.36. Part of these expenses consisted of advertising, \$1,256.90; directors' fees, \$300; salaries, \$5,791.22; sales promotion, \$698.21; and travelling expenses, \$563.33. Mr. Campbell admitted that at the date of the report there was no provision for reserves and that the financial position of the society was not sound, but that nevertheless, in his opinion, this position was improving and that within a period of six months or so he expected the association would be able to wipe out the deficit and create a reserve. In addition, Simmons testified that the weekly wage benefit plan as operated by the association was not sound but that necessary steps had been taken to rectify this condition.

#### RELIANCE HEALTH ASSOCIATION.

The Reliance Health Association was organized by Maurice Lorne Craig, of Nelson, and incorporated under the "Societies Act" on November 24th, 1944, to make provision for the benefit of its members and dependents against sickness, disability, unavoidable misfortune, and death, and having at that time its registered office at Trail which was subsequently changed to Nelson. The directors, since April, 1945, in addition to Craig have been his wife, May E. Craig, claims auditor of the association, James S. Livingstone, Phyllis Livingstone, Gordon E. Trites, and Basil H. Bain, all of Nelson, none of whom receive any directors' fees. Craig, as general manager and president, has no written contract with the association, but is in receipt of a salary of \$250 a month plus a commission up to \$6 on each contract sold by him. Mrs. Craig, as adjuster, receives a salary of \$70 a month and in addition \$3 for each contract sold by her. Bain and Trites have contracts with the association in the form of Exhibit No. 14, appointing them district managers, each receiving a salary of \$150 per month, an additional \$150 per month for expenses provided they each obtain a quota of thirty-six members, and \$3 for each membership over the quota; the district managers, each of whom is bonded in favour of the association in the sum of \$1,000, being responsible for the remuneration of all salesmen. The contracts provide for cancellation by either party on thirty days' notice. In addition to the directors who are district managers, there are three others who receive the same remuneration.

The application for membership (Exhibit No. 6), on being signed by the applicant and accepted by the association, constitutes the certificate of membership, the benefits being set out on the reverse side of the application and are somewhat similar to those contained in the certificates of other like associations with similar exceptions and limitations. In addition to receiving a signed copy of the application from the association the member receives a membership card (Exhibit No. 5). No membership fee is payable, and the monthly rate for a single member is \$2.25, for a man and wife \$3.25, for each additional child 50 cents, but not exceeding \$5.25 a month.

A member having a claim presents his membership card to the doctor and hospital, who report in due course to the association on forms prescribed for the purpose, and if the adjuster is satisfied payment in respect to same is made by the association to the hospital and doctor direct. When a claim has been rejected, provision is made for referring same to a board of arbitration consisting of the adjuster of the association,

two members of either the C.I.O. Woodworkers or C.I.O. Mine, Mill & Smelter Unions, a qualified medical practitioner, and a private citizen selected by the other members of the board; and this provision, to my mind, could not be more fair or equitable.

As at the month of March, 1946, the association had some 2,600 members, and its affairs, in my opinion, were being capably and honestly managed by its officers.

The balance-sheet of the association, as at December 31st, 1945, prepared by its auditor, Charles F. Hunter, of Nelson, and filed as Exhibit No. 16, shows a revenue for the year ended on that date of \$33,112.61 and total expenditures of \$30,095.96, leaving an excess of revenue over expenditure of \$3,016.65. Of these expenditures medical and hospital fees paid amounted to \$5,616.89; claims, \$1,986.05; provision for unadjusted claims, \$1,251.51; salaries, \$4,544.30; and commissions, \$12,470.25; the remainder being travelling expenses, office expenses, etc. As of the date of this report it would appear that the finances of the association were in a sound financial condition.

#### CITIZENS' HEALTH AND ACCIDENT ASSOCIATION.

The Citizens' Health and Accident Association was incorporated under the "Societies Act" on December 29th, 1944. On March 26th, 1945, the association entered into a contract with one Clarence Hoalten, an insurance salesman of the City of Vancouver and one of the original directors, appointing him sales manager as from April 2nd, 1945, for a period of five years on commission of 35 per cent. of the gross dues payable to the association and in addition the initial membership fee payable by each member. The association agreed to provide all necessary office facilities and advertising and to reimburse the sales manager for his travelling expenses incurred in connection with his duties. Out of the remuneration payable under the contract the sales manager was obliged to pay and discharge all salesmen's commissions. There was provision for cancellation of the agreement by the association on thirty days' written notice only in the event of the sales manager becoming incapacitated or being adjudged to have been guilty of dishonest or dishonourable practice in respect of the business of the association. In the month of April, 1945, a further agreement was entered into between the association and Hoalten appointing him general manager as from April 2nd for a period of three years at a salary of \$50 per week and after the membership in the association exclusive of dependents had reached the number of 2,500 then \$100 per week. Provision was made for cancellation for cause, and there was a further clause that the contract should not be assignable. However, on February 9th, 1946, Hoalten entered into an agreement with one Leon Jampolsky, of the City of Vancouver, by which Hoalten agreed to surrender all his rights under the general-manager and sales-manager agreements referred to, and further to hold a meeting of the directors of the association on February 11th, 1946, for the purpose of appointing new directors, and that such new directors should be Jampolsky and two others designated by him; the old directors to thereupon resign their offices. Jampolsky agreed to pay Hoalten the sum of \$5,000, payable \$500 cash, \$3,196.30 by the assumption by Jampolsky of the liabilities of the association, the balance of \$1,303.70 to be held in trust by the association's solicitor for a period of sixty days. Jampolsky further agreed to provide the association with funds on or before said directors' meeting in order that some \$1,964.44 owing by the association to Hoalten could be paid to him. Thereafter Jampolsky was appointed a director and general manager. He was induced to enter into his contract with Hoalten as a result of an advertisement appearing in the "Vancouver Daily Province" newspaper under the heading of "Partnerships & Investments" for a sales manager for the association for \$5,000, and he candidly admitted that he was buying the contract and taking over the association as a business proposition for the purpose of making a living.

The application for membership and the certificate of membership (Exhibit No. 10) are similar to those in use in other associations, as is also the procedure for the adjustment of claims.

The balance-sheet (Exhibit No. 7), prepared by Charles Shallcross, of Vancouver, chartered accountant, as at February 11th, 1946, shows a deficit of \$4,104.87, and an excess of expenditure over revenue from January 2nd to February 11th of \$51.77. Shallcross, however, gave it as his opinion that notwithstanding this deficit the association was operating on a sound financial basis, but owing to the comparatively short time the society was in operation it would appear to be impossible to say whether this were so or not.

#### THE UNITED HOME SECURITY ASSOCIATION.

C. R. Duffield, formerly managing-director of Employees' Mutual Benefit Association, and who was secretary-treasurer of a society known as The Fifteen Hundred Club of Kaslo and District, incorporated under the "Societies Act" in the year 1922, the name subsequently being changed to "The United Home Security Association," caused an amendment to be obtained to the by-laws authorizing the society to make provision for sickness and accident benefits. Previously the society had power only to confer death benefits.

According to Duffield, the association commenced operations under its amended by-laws in the latter part of November, 1945. The directors at that time, in addition to Duffield, were his wife, K. Appleton, R. C. McKendry, and one Alliston, all of the City of Vancouver.

No directors' fees are paid, except that each director receives a certificate in the association without payment of dues. Duffield, as secretary-treasurer, receives \$30 a month and commission of three months' dues on each application for membership in the association, out of which he is required to pay salesmen. He has no contract with the association, but his remuneration was fixed at a meeting of the board of directors on November 2nd, 1945.

The plan, according to Duffield, is the same as the Employees' Mutual, and the application for membership and the certificate of membership (Exhibit No. 2) are also similar. The membership fee payable amounts to \$10, and dues are \$1.75 monthly for the member, an additional \$1 monthly for the first dependent, and for each child an additional 50 cents monthly. The certificate of membership contains a clause that after a member has been in good standing for a period of two years it is assumed by the association that the cause of any illness of the member originated more than ninety days after his application for membership.

The balance-sheet of the association (Exhibit No. 13) as at February 28th, 1946, shows an excess of expenditure over revenue for the period from January 1st, 1945, of \$2,356.20, and in this regard Duffield expected this deficit to be wiped out within a very short time, explaining that as the association had only been operating for a few months it did not receive the advantage of any dues until after the first three months.

#### THE WEST COAST HEALTH AND ACCIDENT ASSOCIATION.

The West Coast Health and Accident Association was incorporated under the "Societies Act" on April 27th, 1945, having as its sole objects the providing for the benefit of its members and dependents by means of subscription against sickness, disability, or death.

With the exception of the issuance by the society of a comparatively few certificates of membership later cancelled, it was not until January 21st, 1946, that it commenced active operations.

The directors at that time were Louis H. Swartz, who was previously the district supervisor of the Employees' Mutual Benefit, Alexander Smordin, and Joseph S. Rose,

all of the City of Vancouver; Swartz being the president and Smordin secretary-treasurer. It appeared that Swartz and Smordin had paid to the original directors of the association the sum of \$1,500, and in return acquired the office furniture and all assets of the association including the charter.

The application for membership and the certificate of membership (Exhibit No. 5) are also similar to those in use by other associations, and claims are adjusted in the same manner as in the Industrial Health Association. Membership fees are \$8 and dues \$1.75 per month for the applicant, an additional \$1 monthly for the first dependent and 50 cents monthly for each child.

At the time of the inquiry there were some twenty odd salesmen of the association, who received the membership fee of \$8 and the first month's premium. The association had only a membership of approximately 100, and the balance-sheet as at February 28th, 1946 (Exhibit No. 10), shows a deficit of \$300 odd. There were no reserves whatever for payment of claims, but Swartz testified that the directors were in a position financially to advance any amounts required for payment of claims.

#### WESTERN MUTUAL AID SOCIETY OF BRITISH COLUMBIA.

One J. A. Bryant, of Vancouver, organized and caused to be incorporated under the "Societies Act" the Western Mutual Aid Society of British Columbia on June 28th, 1937. He is the secretary-treasurer, and Harvey P. Wyness, barrister, the president, both of whom were original subscribers to the declaration under the Act. The purpose of the society was to provide benefits to its members in respect to disability and death.

An application fee of \$5 is payable by each member, and the annual dues amount to \$3; the salesman selling the membership receiving the application fee. In addition to these fees the association makes certain calls on its members at quarterly intervals, the amount being \$2.50 for members up to 47 years of age engaged in professional, clerical, or supervisory occupations, housewives, students, commercial travellers, etc.; for those of 47 to 55 years of age in the same occupations, \$3.50; for those to age 47 engaged in manual occupations, \$5; and for those over 47 to 55, \$6; the aforesaid annual dues of \$3 being included in these calls.

The application for membership (Exhibit No. 2) is similar to the form of application in other societies, and the certificate of membership (Exhibit No. 1) provides death benefit of \$300, the sum of \$15 per week for a period limited to twenty weeks for total disability of a member resulting from bodily injuries or accidental cause, and in the event of permanent total disability the sum of \$50 per month, limited to a period of six months.

The affairs of the society are managed by its board of directors who, in addition to Bryant and Wyness, are Daniel J. McCarthy and Miss Nora F. Blair, of Vancouver. Miss Blair is employed in the office of the association, checks the claims which are dealt with by the directors, and in the event of doubtful claims the advice of the association's medical adviser, Dr. W. R. Sutherland Groves, is obtained.

W. Russell Watson, of Vancouver, is the society's auditor, and he stated that the association's records are properly kept, that its affairs were being properly conducted, and that its finances were on a sound basis. The financial report as at June 30th, 1945 (Exhibit No. 22), showed a reserve of some \$3,700 odd, and that there were claims paid aggregating \$8,335 out of contributions received for the year of \$9,476. The remuneration of those charged with conducting the society's affairs is exceedingly moderate.

#### WESTERN MUTUAL MEDICAL AID SOCIETY.

Bryant also organized and incorporated under the "Societies Act" the Western Mutual Maternity Aid Society on August 5th, 1937, of which he was also secretary-

treasurer and Wyness president. The name of this society was later changed to Western Mutual Medical Aid Society, and its affairs are conducted in the same office as Western Mutual Aid Society and in similar manner.

The fees payable on application by a member are \$5 and the annual dues \$2. Quarterly calls were made on the members as follows, namely: Women members between the ages of 16 and 40, \$5 each three months, and between the ages of 40 and 60, \$3 each three months; male members between the ages of 16 and 50, \$2.50 each three months, and between the ages of 50 and 60, \$3 each three months.

The certificate of membership, in the form of Exhibit No. 1, provides in addition to a death benefit of \$300 maternity benefit previously limited to \$75 and since changed to \$60 after the certificate had been in force for one year, and in addition a sum not exceeding \$25 at the discretion of the executors. The member after a period of one year is further entitled to surgical benefits on account of accident or sickness in accordance with the schedule attached to the certificate and limited to the sum of \$150.

The membership in the society is small, averaging between 275 and 300, and for this reason no auditor had been appointed by the directors. The directors, in addition to Bryant and Wyness, are Mrs. Ethel Mason and Mrs. Grace Peters, of the City of Vancouver, and they receive no remuneration for their services. There was no remuneration for Bryant definitely fixed by the directors, but there was an understanding that he should receive \$1 per member per annum.

The financial report of the association prepared by Bryant, as at November 30th, 1945 (Exhibit No. 13), showed a reserve of some \$2,000 odd.

#### WESTERN MUTUAL TRAVELLERS' AID SOCIETY.

The Western Mutual Travellers' Aid Society was also organized and incorporated by Bryant on October 26th, 1937, of which he was secretary-treasurer and Wyness president, the other directors being James H. Cooper, Roy Douglas, and Frederick Mutter, all of Vancouver, who receive no remuneration.

The main benefit to the member under the certificate (Exhibit No. 2) is a death benefit limited to the sum of \$300. The additional benefits [which I think are negligible] provide that if a member is accidentally injured while a paying passenger in a vehicle of a common carrier he is entitled to payment in the event of total disability of \$15 per week limited to ten weeks, hospital, nursing, and medical attention limited to \$100, surgical operations and X-ray limited to \$50, and identification expense limited to \$25.

The membership fee on application is \$5 and annual dues \$3, which are included in quarterly calls to the members amounting to \$2 for those between the ages of 16 and 47, \$2.25 for those between the ages of 47 and 55, and \$2.50 for those between the ages of 55 and 65.

The affairs of this association are conducted in the same office as those of the Western Mutual Aid and Western Mutual Maternity societies; Bryant being entitled to remuneration of \$1 per member each year. According to him, there were very few claims in respect to disability benefits and the society was instituted for the purpose of providing members up to 65 years of age with a funeral benefit of \$300.

The financial report of the association for the year ended November 30th, 1945 (Exhibit No. 3), prepared by Bryant, shows quite a substantial reserve.

#### FRASER VALLEY MEDICAL-DENTAL SOCIETY.

On December 22nd, 1944, the Fraser Valley Medical-Dental Society was incorporated under the "Societies Act," having its office at New Westminster, and the operations of this society were to be chiefly carried on in the City of New Westminster and the Lower Fraser Valley.

Its objects as set out in the declaration under the Act are:—

- (1.) To provide funds required in the prevention and treatment of illness, disease, or accident to members and their dependents.
- (2.) To enter into contracts with insurance companies for such companies to provide life insurance for members with any person, firm, group, or agency at low cost.
- (3.) To provide funds for and to enter into contracts with dentists for such dentists to provide dental benefits to members and their dependents.
- (4.) To help, aid, and assist those municipalities wherein members of the society reside to build and maintain hospitals and supply medical and nursing services.
- (5.) By the elimination of sales promotional ideas, contests, expensive office furniture and equipment, large director, management, organizational, claims adjustment and other fees to provide the maximum amount of protection and benefit to a selective membership at low cost.

The original subscribers to the declaration were John Edward Allen, deputy chief constable; John Alexander Courtenay, customs broker; Sidney F. Patlow, agent; Mary W. Barnes, manager; and Douglas Robert Martin, district manager, Employees' Mutual Benefit Association, all of the City of New Westminster with the exception of Patlow, who resides at Cloverdale, and all of whom constitute the board of directors with the exception of Barnes, who later resigned; Martin, who was previously with the Employees' Mutual for approximately three years, as the secretary-treasurer and manager; Courtenay, president; Allen and Patlow, vice-presidents.

The association has agents in Chilliwack, Abbotsford, Mission, Cloverdale, and Ladner.

Application for membership in the form of Exhibit No. 6 is similar to that in use by other associations, and contains a proxy irrevocably appointing the managing-director of the society proxy for the member. The certificate of membership (Exhibit No. 3) provides for surgical benefits, medical fees, hospital expenses, dental benefits, nursing, maternity benefit, X-ray, anæsthetists' fees, operating-room charges, special hospital expenses, weekly wage benefit, limitations and exceptions being similar to those contained in certificates of membership of like associations.

The rates chargeable are set out in Exhibit No. 4, and the membership fee payable by the applicant is \$8, with a discount in cases of group memberships, the salesmen receiving the membership fee and the first month's dues.

Claims are payable generally to the hospital or doctor direct after completion by the claimant of claim form (Exhibit No. 9) and of the attending physician (Exhibit No. 10), and these are handled by the secretary-treasurer who receives a salary of \$150 per month, commissions on any contracts personally written by him, and \$50 per month car expenses.

The directors are entitled to \$100 per year under the by-laws, but these fees have not been taken by them.

The balance-sheet of the society as at April 30th, 1945, prepared by Norman Chappell, a public accountant of the City of New Westminster, and filed as Exhibit No. 12, showed revenue for a four months' period of application fees amounting to \$1,574, membership dues received less claims paid, \$3,721.65, indemnity dues less claims paid, \$425.42. Salaries during that period amounted to \$1,440, commissions, \$3,177.20, advertising, office expenses, etc., totalling \$5,506.37, leaving a surplus of \$204.70.

I am satisfied that the affairs of this association are being properly conducted, and it would seem that its directors are mainly concerned with providing the utmost in benefits for the members and not in personally profiting themselves.

### RECOMMENDATIONS.

As to whether or not any of the societies with which I have dealt in the second classification are operating on a sound financial basis I am unable to definitely state. The preponderance of evidence disclosed that the benefits provided by the certificates of membership in the various organizations and the rates payable in respect to same were mainly obtained from comparisons of benefits and rates of regular line insurance companies providing health and accident benefits for some years past, the rates chargeable in proportion to the benefits being substantially reduced as these societies were to ostensibly operate under the "Societies Act" on a non-profit basis. I find, however, that reduced rates and increased benefits are for obtaining increased membership or business. I further find that as a result of the competitive efforts of these societies to obtain membership or business that membership is being sought from the public at continuing lower rates for greater and enlarged benefits. Apparently there is no person carrying on the actuarial profession in respect to casualty insurance. Craig, of Reliance Health Association, stated that he had obtained the advice of one John Trimble, of the city of Winnipeg, who held himself out as a consulting actuary in that regard, to the effect that if the expenses of operating this type of insurance including all commissions were limited to 25 per cent. of the receipts they were sound. It is also to be noted that there was no suggestion from any source and particularly by J. A. MacLennan, counsel for the All-Canada Insurance Federation and who presented a brief on their behalf, that the plans of these societies were unsound.

The membership in these associations would certainly indicate a considerable demand on the part of the public for protection in respect to accident and illness at reasonable rates, and I am of the opinion that it is advantageous to the public for societies of the type subject to this inquiry to be carried on provided they are on a non-profit basis and under good management. I am further, however, very strongly convinced that these organizations should be under strict supervision and Government control to ensure their operation in the interests of their members and not for the main advantage of their officers and directors, as I find that abundant opportunity is afforded controlling directors to obtain personal gain and advantage detrimental to the interests of the members. I would accordingly recommend that financial statements be filed by each society with the Superintendent of Insurance at least semi-annually, particularly setting out therein all receipts from and payments to members for benefits and details of all remuneration received by any director or officer of the society.

In the very comprehensive report of Sir William Beveridge on "Social Insurance and Allied Services" is to be found the following quotation at page 23, namely:—

One of the most important features of the scheme of national health insurance, as established in 1911, is the administration of its cash benefits by autonomous Approved Societies, each with separate finance. In the first draft of the Bill of 1911, it was proposed that recognition as an Approved Society should be confined to Friendly Societies of a particular type, those giving sickness and other benefits for actuarial risks without division of any part of their funds on other occasions. This limitation was removed, through introduction of a proviso to Section 23 (1) of the Act of 1911, which allowed any society registered for any purpose to form a separate section as an Approved Society. Under the proviso it became possible, not only for the various types of dividing and deposit societies which would otherwise have been excluded, but also for the Industrial Life Offices, that is to say, the companies and Collecting Societies engaged in industrial assurance, to enter the field of national health insurance. Only two main conditions were imposed by Statute on all Approved Societies, namely:—

- (i.) *that the Society should not be conducted for profit; and*
- (ii.) *that its constitution should provide for its affairs being subject to the absolute control of its members.*

And again at page 26:—

The essence of the approved society system is financial responsibility; each society can realize a surplus or a deficiency for its members out of the administration of the contributions collected compulsorily from them. After each quinquennial valuation, surpluses, after retention of suitable reserves, are distributed in additional benefits. A deficiency means that the society can give no additional benefits.

And further at page 28, the following:—

Today the question comes up once more at a time when, in the words of the Majority of the Commission of 1924-26, developments in the system of social insurance then outside the range of contemplation are in view. The case for reconsideration is clear. Reconsideration leads to the conclusion that the approved society system in its present form has served its purpose and had its day. Without belittling in any way the services rendered by all kinds of societies in the launching of health insurance, it is possible to decide that the time has come to make health insurance national. The reasons leading to this conclusion may be summed up under two heads: first, that the approved society system is inconsistent with the policy of a national minimum; second, that the approved society system has disadvantages for insured persons and involves unnecessary administrative costs, while the compensating advantages which it may provide for such persons can be obtained in other ways.

Each of these societies solicits memberships from the public generally throughout the Province through the medium of radio, newspaper advertising, and salesmen and on all the evidence I am quite satisfied is carrying on the business of insurance.

Insurance is defined by the "Insurance Act," R.S.B.C. 1936, chapter 133, section 2, as:—

The undertaking by one person to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed, or to pay a sum of money or other thing of value upon the happening of a certain event.

Subsection 1 of section 182 of the same Act, however, provides that the "Insurance Act" should not apply to a society undertaking any insurance within the scope of the "Societies Act."

These associations were incorporated under the provisions of section 3 of the latter Act which are:—

3. (1.) Five or more persons may form an incorporated society under this Act to promote objects of a national, patriotic, religious, philanthropic, charitable, scientific, artistic, social, professional, agricultural, or sporting character or any useful object.

(2.) A society may make provision for the benefit of its members by means of subscriptions against sickness, disability, unavoidable misfortune, or death, and for relieving their husbands, wives, children, or other dependents, but shall not otherwise carry on the business of insurance, and every society operating under this subsection shall notify the Superintendent of Insurance to that effect, and furnish him with such information as he requires in regard to such operations. A society required to be licensed under the "Insurance Act" shall not commence or carry on its operations unless it is licensed under and complies with that Act.

(3.) No society shall have power to grant or confer any degree or diploma of literary, technical, or scientific standing.

In my interpretation of these provisions I am of the opinion that the provisions in respect to benefits against sickness, disability, etc., are ancillary to the provisions of the first part of section 3.

Each of the aforesaid societies was incorporated for the sole purpose of insuring its members and of carrying on an insurance business and having no other objects or activities whatsoever.

I would accordingly recommend that such societies should forthwith be compelled to become licensed under the "Insurance Act" and be prohibited from continuing to operate until this has been accomplished.

I would likewise recommend that the Superintendent of Insurance under (d), subsection 2 of section 203 of the "Insurance Act," forthwith notify each society and its salesmen that such salesmen be also forthwith licensed under the "Insurance Act."

As subsection (1) of section 185 of the "Insurance Act" provides that,

No society shall be licensed unless it files with the Superintendent the certificate of an actuary that the society's plan of insurance is sound, and that the reserve maintained or to be maintained, together with the premiums to be received from the members, is or will be sufficient to provide for the payment at maturity of the contracts made or to be made by the society without deduction or abatement,

this section should be amended so that it would not apply to societies providing health and accident benefits as no such certificate could be obtained, and in lieu thereof I would recommend that the Superintendent of Insurance or some other qualified person be first satisfied that the plan is on a sound basis before the society is licensed.

The suggested control and supervision, in the event of these societies being licensed, could be exercised by the Superintendent under subsection (1) of section 187 whereby the Superintendent might object to any provision of the charter or regulations of the society applying for a licence to any amendment thereof on the ground that such provision or amendment is contrary to the "Insurance Act" or actuarially unsound or *unfair to any member or class of member or unjust or unreasonable*, and might require such provision or amendment to be altered to his satisfaction, and further might require such society to amend or include in its charter or regulations any provision deemed advisable for the actuarial soundness of the society, the proper treatment of its members or otherwise; and also under sections 237 and 238 of the Act authorizing the Superintendent to inquire into the transactions and affairs of the society, to examine all its records, and to ascertain its ability to meet its obligations.

I would also recommend that before any society is licensed it should be compelled to have cancelled all onerous contracts with managing directors and sales organizations; that there be provision in its by-laws that every member of the organization be notified in writing of all meetings; that each member be provided with a copy of the by-laws of the association at the time of becoming a member; that proxies be permissible but that same be revocable and utilized only at any specific meeting for which they are given; that in the event of the improper use of proxies of any kind or what the Superintendent may consider in the interest of the members to be an abuse of the use thereof the Superintendent be empowered to declare any transaction resulting from the improper use thereof void.

I also recommend that before any change or alteration which can change benefits, conditions, or terms of membership, or any other matter affecting the members' rights and privileges, may be made, they shall first be submitted to the Superintendent in such form as he may require and his certificate of approval obtained. Similarly, all contracts or agreements proposed to be entered into by the directors in the name of any society, where such contracts and agreements relate to the control or delegation of any part of the society's business or activities, be submitted to the Superintendent prior to their becoming operative.

I would finally recommend that should at any time the Superintendent of Insurance ascertain that any society operates contrary to the true intent and provisions of the "Societies Act" its licence be immediately cancelled.

All of which is respectfully submitted.

J. A. GRIMMETT,  
*Commissioner.*

Vancouver, B.C.,  
November 28th, 1946.

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