

Supply—Finance

been completely violated. What about our own legislation regarding insurance companies? I think it makes it plain that at least it is illegal for the director of an insurance company to sell property to the company. Let me quote section 66 of the Canadian and British Insurance Companies Act, chapter 31, Revised Statutes of 1952. This is what it says:

All investments and deposits of the funds of any company shall be made in its corporate name, and no director or other officer thereof, and no member of a committee having any authority in the investment or disposition of its funds shall accept or be the beneficiary of, either directly or indirectly, any fee, brokerage, commission, gift or other considerations for or on account of any loan, deposit, purchase, sale, payment or exchange made by or in behalf of the company, or be pecuniarily interested in any such purchase, sale or loan, either as borrower, principal, co-principal, agent or beneficiary, except that if he is a policyholder he is entitled to all the benefits accruing under the terms of his contract.

It seems to me that is a wise provision in the law regarding insurance companies, but the question I am asking the minister is this. Is there any difference in principle between a director selling property to his company and leasing property to his company? If, as the superintendent of insurance maintains, the action of Mr. Putnam violates the spirit if not the letter of the act, then I suggest to the minister it is time we amended the letter of the act by inserting the word "lease" after the word "sale" in the section.

I wanted to bring this forward on behalf of one of my colleagues who intended to discuss it had he been here. The hon. member for Winnipeg North Centre would have brought it to the attention of the minister. I do not know whether there are other cases of this description. I do not think there are; otherwise the superintendent of insurance would have noted them. I want to compliment the superintendent of insurance. We have been very fortunate in our superintendents over the years. His predecessor was a man for whom this house had very high regard, and his successor is one who is also earning our esteem. But it seems to me that if the law is weak in itself in these particulars it should be rectified.

I am bringing the matter to the attention of the minister because it is undoubtedly one that will have to be taken into account when considering the renewal of the certificates of registry on March 31 next. It seems to me that here is the remedy. Refuse to register that company unless the president dispossesses himself of what is, from the point of view of the policyholders and shareholders of the company, this very iniquitous lease. The minister has that power. He has the power to set an example in this case which, I believe,

would have a salutary effect if any others wanted to attempt to make the same sort of deal.

I have never seen a deal of this description which was so advantageous to a president. I cannot understand the directors. I think they were lax in their duty, or they were stupid, or they acted in collusion with the president. I think the whole board of directors should be dismissed by the shareholders and replaced by people who have some intelligence and could be trusted to protect the interests of both the shareholders and the policyholders. I ask the minister what he is going to do about it when the superintendent of insurance puts it up to him as squarely as he does in this report.

Mr. White (Middlesex East): I should like to ask the hon. member for Rosetown-Biggarr a question. Are you aware of the fact that many hospitals will not accept a deal with a policyholder of this company? They make the patients pay direct to the hospital and then collect from that company.

Mr. Coldwell: I am not aware of the operations of the company. This company has grown, and it is now the eleventh in Canada. If that is the situation, it is an added reason why the recommendation of the superintendent of insurance should be carried out. I was unaware of that, but it is a very interesting point. I think it should be publicized and our people warned against taking policies in such companies.

Mr. Harris: The report of the correspondence and the comments the hon. member for Rosetown-Biggarr has made would indicate that this is somewhat complicated. It is complicated by two rather obvious things. First of all this decision was made, of course, by the board of directors and was referred back to them by the superintendent of insurance. They did reconsider it and did not take any other action. In the meantime there was an annual meeting of the company, at which it is not possible for me to say whether in any positive sense they endorsed this particular arrangement.

Mr. Coldwell: The president holds the majority stock.

Mr. Harris: Yes, but permit me to continue. We were informed that no minority shareholder raised the question, even in the light of the correspondence which had been carried on by the superintendent of insurance with the president of the company. That is not an excuse for any action I might take. On the other hand, this correspondence has been going on since the fall and carried on through the winter. The superintendent of