

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

MINUTES. OF EVIDENCE

TAKEN BEFORE THE

ROYAL COMMISSION ON NATIONAL HEALTH
INSURANCE.

VOLUME I.

FIRST TO TWELFTH DAYS.

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WARRANT OF APPOINTMENT.

GEORGE R.I.

GEORGE THE FIFTH, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, to

Our Right Trusty and Well-beloved CHARLES NAPIER, Baron Lawrence of Kingsgate ;

Our Right Trusty and Well-beloved Counsellor Sir JOHN ANDERSON, Knight Grand Cross of Our Most Honourable Order of the Bath, one of the Under Secretaries of State to Our Principal Secretary of State for the Home Department ;

Our Trusty and Well-beloved :—

Sir HUMPHRY DAVY ROLLESTON, Baronet, Knight Commander of Our Most Honourable Order of the Bath, Doctor of Medicine, President of the Royal College of Physicians of England ;

Sir ALFRED WILLIAM WATSON, Knight Commander of Our Most Honourable Order of the Bath, Government Actuary.

Sir ARTHUR WORLEY, Knight, Commander of Our Most Excellent Order of the British Empire ;

Sir ANDREW RAE DUNCAN, Knight ;

ARTHUR DIGBY BESANT, Esquire, President of the Institute of Actuaries ;

FRED BRAMLEY, Esquire ;

JAMES COOK, Esquire ;

JOHN EVANS, Esquire ;

ALEXANDER GRAY, Esquire, Professor of Political Economy in Our University of Aberdeen ;

WILLIAM JONES, Esquire ;

FLORENCE NIGHTINGALE HARRISON BELL, Widow of the late JOSEPH NICHOLAS BELL, and

GERTRUDE MARY TUCKWELL, Spinster :

Greeting !

Whereas We have deemed it expedient that a Commission should forthwith issue to enquire into the scheme of National Health Insurance established by the National Health Insurance Acts, 1911-22, and to report what, if any, alterations, extensions or developments should be made in regard to the scope of that scheme and the administrative, financial and medical arrangements set up under it :

Now know ye, that We, reposing great trust and confidence in your knowledge and ability, have authorized and appointed, and do by these Presents authorize and appoint you, the said CHARLES NAPIER, Baron Lawrence of Kingsgate (Chairman), Sir JOHN ANDERSON, Sir HUMPHRY DAVY ROLLESTON, Sir ALFRED WILLIAM WATSON, Sir ARTHUR WORLEY, Sir ANDREW RAE DUNCAN, ARTHUR DIGBY BESANT, FRED BRAMLEY, JAMES COOK, JOHN EVANS, ALEXANDER GRAY, WILLIAM JONES, FLORENCE NIGHTINGALE HARRISON BELL, and GERTRUDE MARY TUCKWELL to be Our Commissioners for the purposes of the said inquiry :

And for the better effecting the purposes of this Our Commission We do by these Presents give and grant unto you, or any three or more of you, full power to call before you such persons as you shall judge likely to afford you any information upon the subject of this Our Commission ; to call for information in writing and also to call for, have access to and examine all such books, documents, registers and records as may afford you the fullest information on the subject, and to inquire of and concerning the premises by all other lawful ways and means whatsoever :

And We do by these Presents authorise and empower you, or any of you, to visit such places as you may deem expedient for the more effectual carrying out of the purposes aforesaid :

And We do by these Presents will and ordain that this Our Commission shall continue in full force and virtue, and that you, Our said Commissioners, or any three or more of you, may from time to time proceed in the execution thereof, and of every matter and thing therein contained, although the same be not continued from time to time by adjournment :

And we do further ordain that you, or any three or more of you, have liberty to report your proceedings under this Our Commission from time to time if you shall judge it expedient so to do :

And Our further will and pleasure is that you do, with as little delay as possible, report to Us, under your hands and seals, or under the hands and seals of any three or more of you, your opinion upon the matter herein submitted for your consideration :

Given at Our Court at *St. James's* the *eleventh* day of *July*, one thousand nine hundred and twenty-four, in the fifteenth year of Our Reign.

By His Majesty's Command,

Arthur Henderson.

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

LIST OF WITNESSES.

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ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

MINUTES OF EVIDENCE

TAKEN BEFORE THE

ROYAL COMMISSION ON NATIONAL HEALTH INSURANCE.

FIRST DAY.

Thursday, 16th October, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.

SIR HUMPHRY ROLLESTON, BART., K.C.B.,
M.D., P.R.C.P.

SIR ALFRED WATSON, K.C.B.

SIR ARTHUR WORLEY, C.B.E.

MR. A. D. BESANT, F.I.A.

MR. JAMES COOK, J.P.

MR. JOHN EVANS.

PROFESSOR ALEXANDER GRAY.

MR. WILLIAM JONES.

MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).

MR. J. W. PECK, C.B. (*Assistant Secretary*).

SIR WALTER KINNEAR, K.B.E., called and examined. (*See Appendix I, Section A.*)

1. (*Chairman*): Sir Walter, I will ask Sir Arthur Worley to ask you the questions I have put down.

2. (*Sir Arthur Worley*): I understand, Sir Walter, that you have been Controller of the Insurance Department of the Ministry of Health since 1919?—Yes.

3. In that position you are responsible, are you not, to the Minister and the Permanent Secretary of the Ministry for the general supervision of the administration of the scheme of National Health Insurance in England and Wales?—That is so.

4. The central authority for the administration in England is the Ministry of Health. Will you tell us to what extent, if any, England and Wales and Scotland are separate in their administration and ministerial control?—The administration of the Act is supervised in Scotland by the Scottish Board of Health, which is a wholly independent body from the Ministry of Health. The jurisdiction of the Ministry of Health extends to Wales, and the local supervision is exercised mainly through the Welsh Board of Health. One of the members of the Welsh Board of Health acts in Wales as Deputy Controller for the Insurance Department in Wales, and in that capacity, of course, he acts more or less under my general supervision. I might also mention perhaps—for financial reasons and also with a view to securing greater co-ordination and uniformity on more or less fundamental points—there is a committee called the National Health Insurance Joint

Committee. This committee is composed of representatives from England, Scotland and Wales and Northern Ireland, and it meets from time to time; so that a considerable measure of uniformity is secured by this means.

5. With regard to Wales, is there a good deal of local control done in Wales?—Yes.

6. You have submitted for our consideration a very lengthy statement, which we have before us, giving a detailed account of the law and administration of National Health Insurance in England. Does that also apply to Wales?—For Wales we have simply put in supplementary figures, but the facts otherwise are much the same.

7. At this stage we do not propose to invite from yourself or other representatives of the Ministry any criticisms of the scheme or proposals for its amendment. These we shall hope to have later; but at the moment we merely wish to get a clear view of the system as it is and to hear anything that you or your officers have to say in amplification of the statement which you have put in. At a later stage we propose to hear you again on points of criticism and suggestions for amendment. I hope you agree that this is the most suitable course to adopt?—I quite agree.

8. On that understanding do you, at this stage, wish to give the whole of your evidence yourself, or would you prefer that some responsible officers of the

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Sir WALTER KINNEAR, K.B.E.

[Continued.]

Ministry dealing with particular sections of the work should be associated with you, and, if so, how?—The statement has been put in in four sections. I should propose to give the evidence myself on Sections A and B. As regards Section C, which deals with the medical arrangements, I suggest that you call Mr. Brock, the Assistant Secretary of the Ministry who deals with this particular part of the work, and also Dr. Smith Whitaker, Senior Medical Officer, who has a great deal to do with medical arrangements. As regards Section D, which deals with the accounting arrangements, I suggest that you also call Mr. Strohenger. He is the Principal Assistant Secretary of the Ministry in respect to finance, and he is the Accountant-General. I would propose to be with them, but Sections C and D deal with specialist questions.

9. The Commission agree to your suggestions in that connection. Before we go on to the questions, I may say that we propose to go straight through the statement which you have submitted, devoting possibly half a day, if necessary, to each of the four sections. On each chapter the Chairman will ask you a few general questions first, and then other members of the Commission will ask you further questions on that chapter, then we will proceed to the next chapter, and so on. It may be when you get to the second and third chapters that there may be some cross references back to chapter 1; that we cannot help. Do you generally agree that this is the most convenient course?—Yes.

10. There are a few general matters not dealt with in the statement on which we should like some information. In the first place, can you tell us what are the main divisions of the Insurance Department and the numbers of the staff? How do these figures compare with those for previous years? I do not know whether you have that information?—Yes, I have that with me. In 1924—at the present moment—the total staff engaged in insurance administration is 1,646. My own particular department is divided into five sections. We have what is called the Approved Society Branch; then we have what is called the Exemptions Branch, which deals with exemptions and exceptions and the big question of the collection of contributions; then we have the Deposit Contributors' Fund; then we have the Navy and Army Insurance Fund; and then we have what we call the Alterations Branch. I can give you the staffs in each section later on if you require them. That is what I might call my own indoor staff. It totals at the present moment 787 persons.

11. One thousand six hundred and forty-six altogether, of which 787 are under your supervision?—Indoor. In addition, we have an outdoor inspection staff of 472 persons. Then there is the Accountant-General's staff, which deals generally with all accounting questions in connection with the working of the scheme, and the staff there at the present moment is 302.

12. Is that 302 in addition to the 1,646?—No, the 1,646 is the entire staff engaged, indoor and out. Then there is Mr. Brock's Division, which deals largely with medical arrangements and the working of insurance committees. He has a staff of 20 in his particular section dealing with that work. The balance is made up of a staff of 63 for the regional medical staff including medical officers, clerks and nurses, who are primarily engaged in insurance work. The total at the present moment is 1,646. You asked me if the staff was rising or falling. I can give you the figures of total staff for each of the three previous years. At the present moment it is 1,646. In 1923 it was 1,663; in 1922 it was 1,854; in 1921 it was 2,393. But I ought to mention that that figure of 2,393 included 302 persons who were engaged on what we call index clearance work. It was a separate section. As a result of the recommendations of the committee presided over by Sir Eric Geddes that section, as far as this department is concerned, was shut down and it was taken over and is now operated by a committee representative of Approved Societies and Insurance Committees, and its expenditure is defrayed out of

the funds of the Approved Societies. That 302 accounts for a part of the reduction. Roughly speaking, there is a total reduction of 750 in the four years on the staff, but 302 of that is represented by the removal of the Index Clearance Section outside. Of course, that section is still running, although the staff there has been considerably reduced also. I might also mention that the appointment of the regional medical staff has been an addition of the last two or three years; also that within the last two or three years we have had appreciably to augment the inspection staff by reason of the fact that we are now doing inspection work as regards non-compliance under the Unemployment Insurance Act throughout the country. It was not thought desirable that there should be going about throughout the country, examining cards in connection with unemployment and health insurance, two separate staffs, and the Ministry of Health inspection staff does that work.

13. Briefly it amounts to this—apart from that 302 the staff has been reduced actually from 2,091 to 1,646, a saving of 445?—Yes.

14. And you also have these regional officers?—We had to take on about 70 extra officers on the outside staff for unemployment insurance.

15. You have really reduced the staff by about 500?—Yes, roughly speaking.

16. What is the annual expenditure on central administration in England? What proportion does it bear to the income of the Insurance Fund, and what is the cost per insured person for central administration? May we gather from your reply to the previous question that the cost is falling, that is, your establishment charges?—Yes, the cost is falling. The latest figures I have are for 1923. In 1923 the gross expenditure for central administration in England was £870,000, and that represented an expense ratio on the total income of the Scheme of 2·7 per cent., and the cost per insured person was 1s. 4½d. I ought to explain that about one-half of that cost is not on the Vote of the Ministry of Health; it is expenditure over which we have no control. I refer to such matters as this. We have taken every possible item we can think of in that expenditure in connection with central administration of the Act; for instance, the cost of the National Insurance Audit Department is over £100,000 a year, and that is in that figure; then we pay to the Post Office over £200,000 a year for their expenses in connection with the sale of stamps over the counter, and that is included in that figure; then we have debited certain costs by the Office of Works in connection with accommodation, heating, lighting, and matters of that kind, also the Government Actuary's Department, which does all valuation work in connection with National Health Insurance; and the Stationery Office cost for printing cards, and minor expenses of that kind. All these, roughly speaking, amount to one-half of the aggregate expenditure.

17. £870,000?—Yes. I might also mention that within the last few years we have been debiting the persons in the Deposit Contributors' Fund, the Navy and Army Fund, and the Exempt Persons Fund, with the cost of their own administration. We think they ought to pay for the cost of their own administration. That cost runs to about £80,000 a year, and that amount is recovered from these various funds and repaid to the Exchequer; so the £870,000 is reduced by about £80,000 a year.

18. How much per head does that £80,000 mean, do you know?—It varies in these various funds. In the Deposit Contributors' Fund it is 5s. 2d., in the Navy and Army Fund 4s. 2d., and in the Exempt Persons Fund 5s. 4d. You wanted to know the cost of central administration in previous years. I have only got the gross cost for previous years, that is, the cost compared with £870,000 in 1923. In 1922 the cost of running the Scheme was £925,000. It worked out at 3 per cent. of the income of the Scheme, and at 1s. 5½d. per insured person. In 1921 the cost was higher. The gross cost was £1,240,000. It worked

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[Continued.]

out at a percentage on the total income of the Scheme of 36, and the cost per insured person was 1s. 11½d.

19. So that between 1921, when it was 1s. 11½d., and 1923 when it was 1s. 4½d., there has been a very substantial reduction?—Yes. As a matter of fact if you take off the £80,000 which we recover from the other funds the actual cost now per insured person in Approved Societies is 1s. 3d. per head.

20. In 1921 did you take off the £80,000?—No, I only quoted gross figures for 1921 and 1922.

21. So that we cannot compare them?—No. The figures for 1921 and 1922 only compare with the gross figure for 1923. I ought to mention, of course, the saving since 1921 has been partly due to reduction in staff, but there have also been material savings owing to reduction of the Civil Service War Bonus.

22. Applicable to all staffs?—Yes, to all grades of the Civil Service.

23. The Minister is advised, I think, in matters relating to National Health Insurance by a Consultative Council. Will you tell us something as to its constitution and activities?—You will recollect that the major portion of the administration of this Scheme is through Approved Societies, and the Ministry of Health Act of 1919 authorised the appointment of a Consultative Council with a view to giving him advice and assistance on the working of Approved Societies. That Council has been established. It is composed of about 40 persons. It meets from time to time. It has been, of course, of the utmost assistance to the Minister in keeping him in touch with the views generally of those who are responsible for the administration of the Act from outside.

24. I see that Chapter I of Section A is headed "Scope of the National Health Insurance Scheme" and relates to the persons who fall within the provisions of the Acts. Can you tell us whether there is any evidence of hostility to the Health Insurance Scheme on the part of employers or employees or any particular section of either?—There was a good deal of hostility to the Act in the early days, partly owing to political considerations, I think, but it has died down. Of course we get complaints from time to time from individuals. That is inseparable from the working of a scheme which affects 15,000,000 bread winners and practically every employer throughout the country. But I can confidently say that there is no evidence of general hostility to the Act now.

25. There is no organisation or important body that is hostile to it?—No, and with the additional benefits I think insured persons are appreciating the scheme more every day.

26. At the beginning of National Health Insurance were there any great protests against the inclusion or exclusion of any particular class of people, and was there any great difficulty in bringing in any particular class, apart from domestic servants and agricultural workers, about whom I shall ask you later?—No, I do not think so as regards particular classes. We had a good deal of difficulty in operating the scheme as regards outworkers.

27. But at any rate that is not in evidence now to any great extent?—No.

28. Since the Act came into force has there been any substantial demand to come within the scheme from persons now remaining outside?—No. I might mention, however, that in 1919 when wages rose as a consequence of changed economic conditions a considerable number of non-manual insured persons were passing out of the Act because their incomes rose above the then limit of £160 a year, and there was very considerable feeling amongst them, and very real pressure on the Department, that they should not be allowed to lose their benefits under the Act. In consequence a Bill was passed which increased the income limit from £160 to £250, mainly with a view to keeping these persons in insurance.

29. I note from paragraph 14 that domestic servants and agricultural workers are within the Health Scheme but outside the Unemployment Scheme. Does this cause difficulty with the public

or to your inspection staff who, I understand, secure compliance both for Health and Unemployment Insurance?—Not as regards Health Insurance, but of course our inspectors have a good deal of trouble as regards Unemployment Insurance in fixing the line of demarcation between insurability and non-insurability as regards persons more or less in these categories.

30. At the outset of National Insurance was there much objection on the part of either of these two classes to compulsory health insurance. If so, has the agitation or objection died down?—Yes, there was considerable objection at the outset. It was alleged that they were better lives. The difficulty to a large extent has been surmounted by the formation of separate societies. We have rather encouraged the formation of separate societies for rural workers and for domestic servants, so that persons joining these societies will participate in any extra additional benefits which these societies may be able to distribute by reason of the higher standard of health which they alleged existed amongst their members.

31. It has been obviated by the formation of separate societies?—Yes.

32. I see from paragraph 27 of your Statement that there are now roughly 13½ million insured persons in England and Wales. For practically all these, one of the tests is the existence of a contract of service. Can you indicate to us why this test was adopted instead of, for example, simply an income test?—I think the Act in that respect copied the precedent set out in the Workmen's Compensation Act. It follows much the same lines. One of the biggest problems we have to face is the proper collection of contributions, and to ensure success in the collection of contributions it is necessary to fasten the responsibility for stamping the card when wages are paid on somebody. I think the test of contract of service is the best means for achieving that end.

33. Among the employments which are excepted from health insurance, as set out in paragraph 4 of your Statement, obviously the most important is that which excludes a person not employed by way of manual labour whose rate of remuneration is above £250 a year. Can you tell us why these higher paid non-manual workers were left out of the scheme? If, as you say, it follows the Workmen's Compensation Act, has not that Act lately increased the limit to £350?—Yes. As you say, I think in this respect the National Health Insurance Act followed the precedent to a certain extent of the Workmen's Compensation Act.

34. And, therefore, is a little behind the times now?—It has always been behind the times in that sense. When the National Insurance Act was passed the limit fixed for non-manual workers was £160, and at that time the limit in the Workmen's Compensation Act was £250. I do not profess to explain why there is that particular difference.

35. I assume that the rate of remuneration test can be fairly readily applied, but can you tell us whether you have had any great difficulty in applying the manual labour test?—We had quite considerable difficulty in the early days, but as a result of experience and legal decisions certain broad determining principles have been laid down and we find our decisions as a rule are accepted without question and we have very little difficulty now in this connection. We have always a certain number of disgruntled individuals. At the present moment we have certain printers' readers who do not want to lose the benefit of insurance and contend that they are manual labourers, and we have also the problem of the professional footballer, who resents our placing him in the manual category.

36. The change in the rate of remuneration test from £160 to £250 referred to in paragraph 12 was, I gather, made in order to meet the decline in the purchasing power of money after the war and did not greatly affect the number of insured persons. But apart from this, there must be numerous people

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[Continued.]

at all times passing across the £250 mark and just going backward and forward. Does that cause administrative difficulty?—No. It only applies to the non-manual worker. If they pass over the £250 limit they get their free year's insurance and then pass out of insurance or, if they so desire, they can nearly always elect to remain in the scheme as voluntary contributors at the same rate of contribution.

37. Can you explain to us why the limiting ages 16 and 70 were chosen for compulsory insurance? I understand that unemployment insurance does not stop at 70, and that there was recently before Parliament a proposal to begin unemployment insurance at a lower age than 16. Has there been any demand for persons under 16 or over 70 to be brought within the Health Insurance Scheme?—Occasionally we get letters from employed persons over 70 years of age that they would like to be insured for sickness benefit. There is no demand for the insurance of persons under 16. I should say that insurance against sickness of employed persons over 70 would present great administrative difficulty, mainly from the point of view of the difficulty of Approved Societies in applying to them the test of incapacity for work. They are not really an insurable proposition from the point of view of sickness benefit, and I rather think if they were included it might be necessary to increase the contributions in respect of all employed persons. In view of the provisions of the Old Age Pensions Act we have never seriously considered that extension.

38. (Chairman): The demand has been really negligible in those cases?—Really negligible.

39. (Sir Arthur Worley): One small point on the test of insurability. We do not quite understand why an officer appointed by a local authority has to be specially provided for. Is he not under contract of service?—No. It is a doubtful point. Officers of local authorities as a rule are excepted because they have rights in superannuation funds which give benefits practically equivalent to, or not less favourable than, those in the Act; but in the case of certain officers of local authorities it is doubtful if they are under contract of service. They have to be specially provided for. On the other hand there are certain officers of local authorities who are not really in the insurable class, and it was never intended that they should be insured. I refer to such persons as medical officers, coroners, chaplains, registrars of births, deaths and marriages. We have power to exclude persons of this type by Special Order.

40. They would be over the £250 limit?—Not necessarily.

41. Most of them, would they not?—Not necessarily.

42. I gather that voluntary insurance is a relatively small thing and almost entirely a continuation of those who have been compulsorily insured. Was it not originally expected to be something bigger than this, and have these expectations not been realised?—Yes, it was thought at the inception of the Act that we would have a much larger number of voluntary contributors. These expectations have not been realised. The original scheme of voluntary insurance was very complicated, and in view of the small number of voluntary contributors in insurance we took advantage in the amending Act of 1918 radically to simplify the scheme, and we have now, speaking roughly, only about 30,000 voluntary contributors. They are mainly composed of persons who have been insured as employed contributors for not less than two years and have elected to remain on as voluntary contributors.

43. Coming now to the exempt persons, I gather that the reason the employer's share of the contribution is required in this case is to prevent an employer giving preference in engagement to persons with independent incomes or dependent on some other person or some other occupation. Do you

think there is much in this argument and has it justified the maintenance of this special class? Presumably the retention of a special class means some increase in cost of administration?—I think so long as we have such a class as the exempt persons class there is sufficient force in the argument you have put to insist on the payment of the employer's portion of the contribution. Exempt persons are only entitled to medical benefit, and the administration of medical benefit for them is not very expensive. It costs, roughly speaking, about 2s. per head per annum. We have taken the view in the Department that the exempt person should really pay the cost of all the work in connection with the exempted class, not merely the administration of medical benefit but the work incidental, for instance, to examining claims for exemption, many of which are refused. Consequently we debit the exempt person with practically the cost of running that entire section. It costs, roughly speaking, about 6s. per head per annum, and there is ample money left over to give him the medical benefit to which he is entitled.

44. If it only costs 2s.—2s. to administer his medical benefit, but we debit him with 6s., the cost of running the whole exemptions branch.

45. There appear to be about 30,000 of these exempt persons. Do they as a class take advantage of and appreciate the benefit which they get but to which they do not at all contribute themselves?—We have no very reliable statistics on that point. The only information I have in the Department is that out of the 33,000 exempt persons at the present moment, roughly speaking about 30,000 have taken the trouble to get medical cards. The inference is that 30,000 have, therefore, shown a desire to take advantage of medical benefit, and I think they do take advantage of medical benefit.

46. Passing on to paragraph 26 of your statement, can you tell us whether it is now generally understood by insured persons that they continue to be entitled to benefits for a year after they have ceased to be employed and to pay contributions?—No, I do not think they do.

47. Is it desirable that some means should be found to convey that to them, or would you leave it alone?—We have done our best, but the difficulty is really that when a man gives up insurable employment and gets the last stamp put on his card and has taken up some other kind of work not within the scope of National Health Insurance, he thinks all his benefits have gone and it is very difficult to disabuse his mind of that impression.

48. (Sir John Anderson): You mentioned the National Health Insurance Joint Committee as being a body through which uniformity was secured in the administration of health insurance throughout the United Kingdom. Could you tell the Commission to what extent the Joint Committee is charged with the oversight of the administration of health insurance in the separate parts of the United Kingdom? In what way does the Joint Committee bring about the uniformity of which you spoke? What are the limits of its authority?—On mere administration its authority is very limited. We secure uniformity in the several countries largely by conference between the responsible officers and agreeing amongst one another on matters of administration. On financial matters the Joint Committee has, of course, a very distinct control, particularly in connection with the Valuation Schemes.

49. Is it the case that the Joint Committee has certain powers and functions definitely allotted to it by Statute; that in regard to certain matters it has sole and exclusive responsibility?—That is so.

50. In regard to certain other matters it shares responsibility with the appropriate national body, the Ministry of Health in England and Wales, and the Scottish Board of Health in Scotland. But in regard to the great mass of health insurance work it

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has no responsibility, no *locus standi* whatever?—That is so.

51. As far as that is concerned you are dependent on securing the necessary measure of uniformity not on the Joint Committee but on the efforts of those concerned to co-operate together by conference, formal and informal, and in other ways?—That is so.

52. You mentioned Northern Ireland as being entitled to a representative on the Joint Committee. Would you mind telling the Commission what the position of Northern Ireland is in relation to the Health Insurance Scheme with which we as a Commission are going to be concerned?—The Government of Northern Ireland has a Parliament of its own, and it can amend the Act in any way it likes, so that any work of this Commission need not necessarily be accepted or even need not necessarily be considered so far as the Northern Ireland Government is concerned.

53. Has the British Government any responsibility for the administration of health insurance in Northern Ireland?—No.

54. Therefore we, as a Royal Commission appointed on the recommendation of the British Government, have equally no responsibility?—That is so.

55. That being the position as regards health insurance in Northern Ireland, what is the function of the Northern Ireland representative on the Joint Committee?—The function of the Northern Ireland representative on the Joint Committee is mainly in connection with finance; for instance, there are certain funds which are international funds, and Northern Ireland is interested in these international funds; also in connection with schemes of valuation.

56. Has the Northern Ireland representative the same voting powers as other Members of the Joint Committee?—Yes.

57. In the case of a recommendation made by the Joint Committee applying to Great Britain, is the Northern Ireland representative entitled to a say?—I do not think we have ever discussed it. As Northern Ireland has power to make its own regulations I do not think it would attempt to interfere with regulations made on this side.

58. Do I understand this to be the position, that since the passing of the Government of Ireland Act, 1920, Ireland has been taken out of the scheme of Health Insurance so far as that scheme was a single scheme for the United Kingdom?—Yes.

59. And the British Government has no responsibility any longer for administration in Northern Ireland?—That is so.

60. The Parliament of Northern Ireland can do what it likes as regards health insurance in Northern Ireland. Northern Ireland, however, has retained the position which Ireland previously had on the Joint Committee for the purpose of securing co-operation?—Yes.

61. Has the process of disentangling Northern Ireland from the United Kingdom as we knew it before the Government of Ireland Act was passed been completed? Is there still or is there not a Central Fund in which Northern Ireland has a concern?—Yes, there is still a Central Fund.

62. I suppose the existence of that Central Fund constitutes in itself a justification for the existing constitution of the Joint Committee?—Yes.

63. So far as the operation and scope of the Central Fund is concerned there is community of interest between Northern Ireland and other parts of the United Kingdom?—Yes, and also as regards schemes of valuation. There are certain societies approved by the Joint Committee which operate in Northern Ireland, and there is a common valuation.

64. There is a common fund for the members in Northern Ireland and Great Britain in the case of certain societies?—Yes.

65. And the Joint Committee as at present constituted have a jurisdiction in respect of such societies with common funds?—Yes.

66. Passing to another aspect, you spoke of responsibility for central administration, and you indicated

that the responsibility for the audit service in connection with National Health Insurance is a separate responsibility?—Entirely.

67. Would you tell us how many independent commands there are at headquarters in the sphere of health insurance, if you understand what I mean. You have told us that the audit is separate. Under what Department is it?—That is under the Treasury.

68. What about valuation?—The scheme provides that the societies are to be periodically valued by valuers appointed by the Treasury.

69. Have the Ministry of Health no responsibility?—No responsibility whatever.

70. For the appointment of valuers?—No.

71. Or for the process of valuation?—The valuers are appointed by the Treasury, and the valuation is carried on by certain valuers under the general supervision, of course, of the Government Actuary.

72. I want to get a picture of the central organisation concerned with health insurance. As far as England and Wales are concerned, you have the Ministry of Health, which has no direct responsibility for valuation or for audit, but is responsible for everything else?—Roughly speaking, that is the position.

73. But within the Ministry of Health, I understand from what you have said, the medical services are under one control, under, of course, the Minister?—Yes.

74. The general insurance services are under one control, namely, yourself?—Yes.

75. And the general accounting services are under the Accountant-General, Mr. Strohmenger?—Yes.

76. So that you have three Departments concerned: the Government Actuary's Department, responsible under the Treasury for valuation; the Audit Department, responsible under the Treasury for audit; and the Ministry of Health, within which the central responsibility is divided into three compartments?—That is so.

77. That is a proper picture of the headquarters organisation?—Yes.

78. As regards the age limits of 16 and 70, I suppose 16 was chosen as being the end of the normal school life when the Act was passed?—I daresay that was one of the considerations.

79. And 70 as the period at which people who were in need could claim old age pension?—Yes.

80. There has been not only no demand, but no suggestion, that the commencing age should be altered either upward or downward?—None whatever.

81. (*Sir Alfred Watson*): Sir Walter, a small point arose in your evidence-in-chief this morning as to the position in Wales. I understand the Welsh Board of Health is an independent body not subordinate to the Ministry of Health. Does a Minister preside over the Welsh Board of Health?—No, the Chairman of the Welsh Board of Health is an official of the Ministry.

82. Is the Welsh Board of Health subordinate to the Ministry?—Yes, it is part and parcel of the Ministry, but there is a certain degree of independence; there is a separate Welsh Insurance Fund.

83. Is the Chairman of the Welsh Board of Health the same gentleman as was Chairman of the Welsh National Health Insurance Commission?—Yes.

84. Then there is a Board of Health which is subordinate to the Ministry, but there is a separate Welsh National Health Insurance Fund?—Yes.

85. As we have learned from the statement, each National Health Insurance Fund is little more than a banking account between the Ministry and the Approved Societies under its jurisdiction?—Yes.

86. But there is, in fact, a separate Welsh National Health Insurance Fund?—Quite so.

87. Is it within your knowledge that there are any special problems or any special features in regard to the system of National Health Insurance in Wales?—Yes, I think there are special problems in Wales which do not arise to anything like the same extent in England.

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88. I recall that on the results of the last valuation there was a considerably heavier rate of sickness in Wales?—That is so.

89. With the result that the financial position of the Approved Societies in Wales was not nearly so good as on the general average?—Not nearly.

90. Also, under the original Act I think the position as to nationality was this, that every insured person had to be treated as being in the Insurance Fund for the country in which he was resident?—Yes.

91. So that where an Approved Society extended over the borders into two countries it had to have separate Funds for its members resident in each country?—Yes.

92. By a later Act that system was modified, was it not?—Yes.

93. As regards Ireland, a very large degree of partnership between English insured persons and Irish insured persons was established?—Yes.

94. What was the position with regard to Wales? Was it decided in Wales for the main part to retain the National Insurance Fund that they possessed?—Are you referring to valuation?

95. Yes, I am referring to the Funds which are subject in due course to valuation?—Yes.

96. The Welsh people, notwithstanding the opportunity of partnership that was given to them, and notwithstanding their own rather heavy claims, have retained their own separate National Funds to a very large extent?—Yes.

97. That probably creates a special problem that we ought to examine?—Yes. I understand that you are referring particularly to the fact that Societies which were operating in England, Wales and Ireland have decided to have a common valuation as regards England and Ireland, but retain separate valuations for England and Wales.

98. That is one feature that rather distinguishes Wales from England?—That is so.

99. I have an impression that the small village Societies that existed in Wales precisely as they did in England were not brought into National Health Insurance in Wales in the same way as they were in England?—A larger degree of centralisation has been set up in Wales than has been set up in England.

100. That is to say, the Department was successful in inducing the Societies to organise on a county basis or something of that kind?—Yes, County Associations.

101. I think there were at one time some special health problems in Wales—medical benefit problems—but I am not sure whether they were connected with sanatorium benefit and have disappeared?—Yes, they have. The sanatorium scheme in Wales was quite distinct from that in operation in any other parts of the United Kingdom.

102. Do you consider that there are on the whole sufficiently distinctive features in the working of the machine in Wales to make it advisable to have some of your officers responsible in that country examined by the Commission?—I think it is desirable that every point of view should be heard by the Commission, and in the Welsh Board of Health think there are special features or problems connected with administration in Wales which the Commission ought to hear the Commission ought to hear them.

103. I should like to ask, if I may, to what do you chiefly attribute the very considerable reduction of staff of which you told us this morning?—As I mentioned, one large reduction was occasioned by the shutting down of the Central Index Clearance Branch as a result of the recommendation of the committee presided over by Sir Eric Geddes. That branch has been removed from the purview of the Department, and is now operating outside under a committee composed of representatives of Insurance Committees and Approved Societies. In addition to that, we have been able to centralise our offices, the offices dealing with the Navy and Army Fund, the Deposit Contributors' Fund, and the Exempt Persons Fund. Up to two or three years ago we had five or six different offices throughout London, and this

occasioned considerable delays in administration and also necessitated an excessive amount of staff. We have now been successful in getting a large building at Acton, and all these various sections are now centralised and concentrated in this building at Acton. As a result of that, we have been able to effect considerable economies of staff and expedite the work.

104. To that you attribute the quite remarkable reduction in staff?—There have, of course, been other factors. We have during the last few years, in consultation with the Treasury, been doing our utmost to short-circuit work with a view to reducing detail as much as possible and getting the work despatched on, shall I say, simpler lines. By that means we have been able to effect economies in staff.

105. I suppose you would say that you had got to the limit of what you can do in that direction without the assistance of further legislation?—Yes, I am quite satisfied we have now got to the limit.

106. There is one general question which troubles me a good deal from time to time when valuation returns come before me, and it arises on the question of liability to insurance. You told us this morning that in general there is a liability to insurance wherever there is a contract of service and the remuneration is under £250 a year or the occupation is one involving manual labour without regard to remuneration?—Yes.

107. I notice in such bodies as stock exchange clerks, bank clerks, insurance officials, warehousemen, travellers, and people of that class, there seems to be an enormous exit from insurance when people get round about 23 to 25 years of age. Do you think that is to be attributed to people going over the income limit?—I can assign no other cause unless it may happen that their terms are so altered that they pass away from a contract of service.

108. That is not very likely to be the case with a bank clerk or a clerk in an insurance company, is it?—No.

109. Having been insured, say, from 18 to 23 or 24 years of age, they have been under the machine, contributing just at the time of life when their claims would be at the absolute minimum?—Yes.

110. Neither for sickness benefit nor for medical benefit have the vast majority of them probably made any call on the insurance machine. Is it not rather difficult to defend an arrangement under which so large a number of young people are compulsorily brought into insurance and compulsorily ejected from it after a few years?—They have the right to remain in insurance as voluntary contributors at the same premium.

111. Do they ever avail themselves of that right?—Very few do.

112. If a body of persons have a right of which they never avail themselves, one must assume that the right is of no particular value to them?—Yes.

113. I suppose these people in nearly all cases are entitled to draw their salary for a considerable period if they fall sick?—Yes.

114. That would probably explain why voluntary insurance is not suitable for them?—Yes.

115. Has the Department ever considered whether it is possible to adopt some mode of discrimination other than the purely mechanical one that would enable these people to remain outside health insurance if they desired?—It is a very difficult question. We recognise of course that there are forced into compulsory insurance a certain number of people who do not avail themselves of it very much, are only in it for a limited number of years and then pass out of it. We also recognise that it would not be desirable to introduce into the Insurance Scheme anything like a surrender value. But to discriminate would, I am afraid, lead to considerable complications in the Act and might leave loopholes for evasion from the point of view of compliance by those who ought to be in.

116. So that at the moment you know of no convenient way of determining whether a person shall

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be insured otherwise than by the present automatic tests?—No.

117. (*Mr. Besant*): One question supplementing what Sir Alfred Watson put to you with regard to such people as insurance clerks where payment is made for a few years and then in many cases they get beyond the limit. Does that scheme apply to Government officials too, or are they exempt?—They are excepted from insurance because they have pension rights which are recognised.

118. Following that up, would it be possible to extend the limits of exception to certain other classes? The bank clerk and the Civil Service clerk both have more or less permanent positions and I think we might say rank more or less *pari passu* in a matter of this kind?—Yes.

119. The civil servant is excepted but the bank clerk and insurance clerk are not?—That is so.

120. I do think from an insurance point of view it is a little hard on a youngster who starts and has to come under the Act and who is in a position in which more or less automatically he has a certain salary which goes up year by year at specified intervals, that he should be forced into this scheme and get nothing out of it at the end. He says: "I pay this because it is the law"?—Yes.

121. If for Government officials you can make an exception, would it not be possible in certain other classes to make exceptions, if not on identical lines, at any rate on lines which were to some extent commensurate with the same scope of duties?—I am not making suggestions at the moment, but it is a point worthy of consideration. At the present moment exception is given to servants of the Crown who, of course, are Established Civil Servants and have rights in a superannuation fund, and to officials of public or statutory authorities. It is a question whether that should be extended, say, to servants of limited companies with corresponding superannuation rights. It is a matter for consideration by the Commission. It opens a very wide question, because there are pension schemes and pension schemes, and each scheme would have to be examined very critically to see that the participant in the scheme had rights not less valuable than those secured under the Act: also to see that the scheme was on a satisfactory basis and of a permanent character.

122. At the moment I limit my question to the possibility as to whether what is adopted for Government purposes could be extended in certain cases?—It is worthy of consideration.

123. It is a hardship on people to know that they will be, in a few years, merely by age and continuation of duty, excluded from the benefits of the Act?—There is another way in which to meet the difficulty to some extent. Take, for instance, banking and insurance officials: they are at present insured in the Bankers' and Insurance Officials' Approved Societies and the sickness experienced is very light, with the result that the additional benefits given by those societies are of a very generous character.

124. But it is a fact, is it not, that the people who get the benefit are a small proportion of the total people who pay?—Yes.

125. Therefore you get this enormous surplus which, in a sense, is quite unjustifiable, and the people who get the benefit of the surplus have not earned it out of their moneys.—Yes, and it might be considered. I merely mention the matter tentatively as to whether, as an alternative to your original suggestion, some arrangement could not be come to whereby these additional benefits might be continued to those who were once in the society as a compensation.

126. I do not want to pursue it, because I know at this moment we are not dealing with changes of the scheme. It is a question which ought not to be lost sight of.

127. (*Miss Tuckwell*): I understood you to say, Sir Walter, that when the limit was raised from £100 to £250 it was due to the war and cost of living, and that there was discontent because those

people were passing out of the scheme?—They were losing their insurance rights.

128. I understood you to say—correct me if I am wrong—that there was no desire on the part of the insured population for a further increase beyond £250?—I do not think that question was asked. I think the question asked was whether there was any serious demand for insurance from persons under 16 and over 70.

129. I thought it was also on the other point. That would not be a point which would come within your cognisance, would it?—No, it is a matter simply of public opinion. I may say we have not had any representations to the Department on the subject.

130. Naturally you would not. It is hardly the Department they would come to?—Occasionally they might. If members of Parliament felt strongly on the subject they might communicate with the Minister and we should see those letters. We have not had any representations on that point.

131. (*Sir Arthur Worley*): I raised the question by asking whether you had followed the figure in the Workmen's Compensation Act.—We have always been somewhat under the figure in the Workmen's Compensation Act.

132. (*Mr. Evans*): I understood you to say this morning that the moment a man became 70, even if he was able to do manual work, he automatically got outside the provisions of the Insurance Act. Would there be any serious objection to including a man of 70 provided he is able to do manual work?—He is still an insured person from the point of view that he continues to get medical benefit. You are probably aware of that. The opinion generally has been that it would be exceedingly difficult to administer sickness benefit to persons over 70 years of age. Health then is so uncertain that societies would find it very difficult and the medical profession would find it very difficult to say, when a man of that age gets some ailment, whether or not he is capable of work, because incapacity for work under the Health Insurance Act is not like incapacity for work under the Workmen's Compensation Act, which recognises light work. Incapacity for work is total incapacity for work, and it is very difficult to say where incapacity from a specific illness ends and general incapacity from old age is in existence. Administratively it would raise great difficulties.

133. (*Mr. Besant*): If a man or woman was going on working at 70 years of age and was able to earn a livelihood and then got suddenly—I will not say incapacitated—but ill for the time being, would it be any more difficult for the Department to look after that man or woman of 71 than it would to look after a man or woman of 69?—Yes, it is a very difficult test to apply to a person of 71—"incapacity for work." We rarely get a letter on the subject, and having regard to the limited number of persons who continue to be employed over the age of 70, and having regard to the provisions of the Old Age Pensions Act, and having regard to the fact that if this concession was given we might possibly have to increase the contribution in respect of everybody, it does seem rather a sweeping change for the comparatively few people who would seek to avail themselves of it.

134. (*Sir Arthur Worley*): Are there any statistics showing how many people over 70 years of age are in work?—I daresay they could be obtained.

135. (*Mr. Jones*): In the course of a number of years I have come across quite a large number of instances of hardship in connection with this age limit of 70. Do you not think it is a matter that might be investigated further?—I suggest it is a point that might be put to the representatives of Approved Societies.

136. (*Professor Gray*): The administration of the Act depends very largely on Approved Societies, does it not?—Yes.

137. In connection with approved society work, a great deal of work is done voluntarily, is it not,

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perhaps not so much as at one time?—Not so much as formerly.

138. In the case of friendly societies would you say that a fair amount of work was done by people in their spare time?—I am sorry to say voluntary service in connection with National Health Insurance has almost entirely disappeared.

139. In any case it would be desirable that the Act should be as simple as possible?—I agree.

140. As it was first passed in 1911 there were a good many complications which have since dropped out?—Yes.

141. Would you say there was still room for carrying that work further, that there are still provisions in the Act which might be simplified in the interests of making it more easily comprehensible?—I should be very glad if this Commission could bring about some further simplification.

142. Apart from actual machinery, would not you say there were a certain number of provisions in the Act which have hardly ever been put in force?—That is so.

143. I do not propose to go into them, but there are questions like re-insurance with regard to maternity benefit, a varying rate of contribution in the case of seasonal trades, and the old Section 63 of the 1911 Act relating to excessive sickness in certain areas. In all those instances I think it is possibly the case that no use has been made of the sections, or practically none, and meanwhile they make the Act more complicated?—Very little use. The question of re-insurance of maternity benefit is, as a matter of fact, under consideration at the present time with the Approved Societies.

144. Section 63 is a section which in the end will possibly be unworkable under the Approved Societies, or at least very difficult to work?—It is very difficult to work. I have found it exceedingly difficult to get Societies to keep their records in such a way as to render it possible to operate what was formerly known as section 63.

145. With regard to the limit of £250, the present position is that in the case of non-manual labour insurance ends at £250?—Yes.

146. But in the case of manual labour there is no limit whatever?—That is so.

147. Can you say anything as to the underlying reason for that apart from following the example of the Workmen's Compensation Act? Presumably it is an advantage to be under the Health Insurance Act, I postulate that.—Yes.

148. If so, is there any reason why you exclude the non-manual worker at £250 when you confer the benefits of the Act on the manual worker up to any figure?—If I am not running counter to the social doctrines of to-day, perhaps I would explain it in this way. I venture to suggest that on the whole the non-manual worker has greater security of tenure than has the manual worker: he is generally on a monthly or quarterly agreement with his employer, and employers are inclined during periods of illness to retain him on their staff for quite a considerable time. That is one argument. Another argument is that the non-manual worker over £250 a year has been more accustomed than has the manual worker to make his own arrangements for, shall I say, social provision, and it is possible that the legislators in 1911 did not consider that compulsory provision for him was so necessary.

149. Because they knew he made provision for himself?—He was more accustomed to making provision for himself, and he had on the average greater security of tenure in his employment. Social doctrines are changing. I suggest that these were some of the arguments in the minds of the legislators in 1911.

150. There is another point of view dealing with that same question. It cannot always be easy to say whether a man is employed by way of manual labour; for instance a tailor's cutter. Would it be wrong to say that to a certain extent, in determining whether a man is employed by way of manual labour or not, the wage he is getting is a consideration? What I

mean is this. Would not you say, here is a man getting £600 a year, there must therefore be some kind of skill or responsibility over and above the manual labour which justifies his getting £600 a year?—I rather hesitate to think that the amount of the wage is a factor of any moment in coming to a decision. We look at it very largely from the point of view of the extent to which physical exertion dominates the intellectual equipment and the use of the man's intellectual faculties. We have of course had a good many difficult decisions to make. We have now acquired after many years very full knowledge of the subject, and I think the decisions are rarely questioned. I think we are able to give these decisions very satisfactorily to all concerned.

151. With regard to the voluntary contributor, originally the voluntary contributor class was open to anyone who was employed by himself?—Yes.

152. The village blacksmith and people of that sort, who had not been employed before, could become voluntary contributors; but owing to the small number of people who took that kind of insurance that wide door was closed, and from 1918 or thereabouts the only admission to the voluntary contributor class was through a previous period of being an employed contributor?—Yes.

153. Can you say how long those who elect to become voluntary contributors in fact remain in that class?—On the average I do not think they remain in the class more than two or three years, not, if I may venture to say so, because of their feeling that it is not quite a desirable thing to do, but because of inertia. The Insurance Companies know very well that it is difficult to get a man to maintain his premium week after week and pay contributions unless there is an agent to collect them. When a man who has previously been an employed person is anxious and decides of his own free will to continue as a voluntary contributor, when the pressure of having his card stamped week by week by his employer disappears and it is left to his own free will, I think largely through inertia and carelessness he passes out.

154. This matter was considered by the Ryan Committee. That Committee said that at that time suggestions had been made for the abolition of the voluntary contributor class, but it was felt that there would be a certain amount of hardship in closing the door on people who had been employed for a certain time and terminating their insurance. Do not you think that position is somewhat affected by the fact that those who do elect to become voluntary contributors—a considerable number possibly—are in it only for a very short time?—I would not recommend the abolition of the voluntary contributor scheme as it exists at the present moment, because quite a number of people who pass out of the insurable class do at the time wish to continue in insurance. If I may say so, they particularly value their medical benefit: they do not want to lose their medical benefit. In view of the fact that there is no such thing as surrender value in connection with National Health Insurance, I think it is desirable if they have been compulsorily insured for not less than two years that they should have this option to continue if they desire, as voluntary contributors.

155. With regard to exempt persons, these are people who on one ground or another are exempted from the Act although the employer is still required to pay contributions?—Yes.

156. The ground upon which most people are exempted is the possession of a private income which has to be something like £26 a year. There are, of course, other grounds, but that is the chief one, is it not?—Yes.

157. In return for those contributions the exempt person gets medical benefit?—Yes.

158. I think we may take it the reason for requiring stamps to be put on the cards of exempt persons is that the employer may not differentiate in the labour market in favour of those who are exempted in this way?—Yes.

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159. I think the question was put to you as to whether there was any evidence that this discrimination would take place. Do you think it would?—Yes. The argument is sufficiently strong to justify my saying that I think we should continue to insist on the employer paying his proportion of the contribution in case there should be any differentiation in favour of a person with a private income.

160. At one time or another precisely the same argument was put forward with regard to people under 16 and over 70. Do you think there is anything in that?—I do not think there is any analogy, because people under 16 and over 70 years of age have different equipment. Here you are in the same employment comparing a person of, say, 30, with a private income, with a person without a private income of the same age and possibly with the same abilities. I suggest it would be undesirable to give the employer power to employ a person with a private income and free him from the responsibility of paying his proportion of the contribution.

161. Can you say what was the original proposal with regard to the contributions paid in respect of exempt persons?—If I remember aright—at that time I was in Ireland administering the Act where the Act is different in this respect—they were intended to go into a common fund; that there was no particular provision for benefit.

162. Was there not a vague suggestion that they should be used to enable them later on to enter insurance on the same terms as other people if they elected to become insured?—Yes.

163. But the necessity for that provision was done away with when everybody was enabled to enter on the same terms irrespective of age?—Yes.

164. In consequence of this provision being made presumably the contributions were then used to give the exempt person medical benefit?—That is so.

165. Do you think the exempt person has any strong claim for consideration? He is a man who is under the Act and by his own action has elected to go outside the Act. Is there any reason why the State should go after him and give him the benefits of the Act?—It is a very debatable question. The fact does remain that 90 per cent. of exempt persons do take the trouble to go through considerable formalities in order to get medical benefit, showing, in the first instance that they do appreciate it. I think also it might be argued that an employer is interested in seeing that his employee gets prompt medical attention in case of illness, and an employer might quite rightly ask that his proportion of the contribution should be utilised for that purpose for the individual in respect of whom he has paid.

166. Still, the fact remains that the exempt person is the only person who gets something for nothing?—As far as his proportion of the contribution is concerned, that is so.

167. Would it accord with the original intention if the exempt person's contributions were used to go into the general fund to be applied to the reserve suspense fund?—Yes.

168. That would be more in accord with the original intention?—Yes.

169. (*Miss Tuckwell*): Would that mean ruling out from medical benefit the exempt person?—Yes.

170. (*Mr. Besant*): Have you heard at all whether employers as a class have objected to paying this contribution in the case of exempt people?—No, they pay the same amount as if the exempt were ordinary insured persons. From their point of view it is immaterial. It may possibly be argued, I think, that an employer is interested in seeing that at any rate the money which he pays is used for looking after the health of the person in respect of whom he pays it—his employee. That is a possible argument.

171. (*Professor Gray*): You mentioned certain facts and figures with regard to the headquarters staff. Can you say whether any of the people, the figures of which you gave, are also used for work outside Health Insurance. Take, for instance, the case of the 63 regional medical officers: are these people

used for purposes other than Health Insurance?—To a limited extent, yes.

172. And potentially for the future perhaps more?—I do not know.

173. Still at the present moment they are the chief medical people whom the Ministry of Health have up and down the country?—Yes, and our calculation is that nearly 80 per cent. of their time is given to National Health Insurance work, and 20 per cent. is devoted to other purposes.

174. With regard to the lay outdoor staff, is there anything analogous there?—Yes. A very considerable proportion of the time and services of the outdoor staff is concentrated on work for the Ministry of Labour in connection with Unemployment Insurance.

175. Apart from Unemployment Insurance, is it not the case that these people are the only large body of officials whom the Ministry have up and down the country, and whom the Ministry could use for other purposes if necessary?—Yes, occasionally, but not to a like extent. If there is a special inquiry not necessarily connected with National Health Insurance work where we think this staff would be useful they are employed.

176. I want to go back to the question of people over 70 years of age. Can you say whether there is any very definite break in their position at 70; they still remain insured persons?—They still remain insured persons and they continue to be entitled to medical benefit.

177. And maternity benefit?—Yes, theoretically.

178. And additional benefits?—No additional cash benefit.

179. Additional treatment benefits?—Yes.

180. So they really are stopped sickness benefit and disablement benefit only?—Yes.

181. The presumption being that at that age they can, if they like, go under the Old Age Pensions Act?—Yes.

182. (*Mr. Jones*): To return to exempt persons for a moment, these people are employed in the ordinary course?—Yes.

183. They are exempted from their own contributions because they are in receipt of private income?—Yes.

184. It would not appear that they would be under any hardship if they were paying the same contribution as anybody else, that is to say, if they were put on the same level as anybody else?—Subject to their getting the same benefit, none whatever.

185. That would enable you to wipe out at least one special class?—Yes.

186. And so simplify administration?—Yes.

187. Without doing any hardship to these individuals?—In that connection I would like to remind the Commission that the Unemployment Insurance Scheme which was recently very considerably enlarged also has an exemption scheme and, of course, the Ministry of Health does most of the exemption work for Health Insurance and Unemployment Insurance. I think it would be rather difficult to eliminate the exempt persons class from Health Insurance unless corresponding action were taken with regard to Unemployment Insurance.

188. If it were done it would be no hardship on the individual; he is really in a better position to pay than the ordinary workman is?—That is so.

189. (*Professor Gray*): With regard to these exempt persons you said most of them claim medical benefit, thereby showing an appreciation of the benefit?—As far as we can gather from statistics.

190. It is the fact, is it not, that in the case of these exempt persons the line for medical benefit is drawn at £160 and not at £250?—Yes.

191. Above £160 they have to make their own arrangements?—That is so.

192. And that £160 includes the private income where exemption is based on private income?—Yes.

193. So that in the case of an exempt person who is exempted on the ground of income he would have to make his own arrangements if his earned income was above £135?—Yes.

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194. So you would expect most of the exempt persons who get medical benefit to make their own arrangements?—We have no reliable statistics on the subject. In the 1919 Act, that is at the time when we increased the income limit from £160 to £250, there was a section that persons who had not previously been insured but would be brought into insurance for the first time by reason of the increase in the income limit from £160 to £250 should be entitled to claim exemption. As a result of the operation of that section about 5,000 persons claimed exemption, and all those persons would necessarily be "own arrangers." As regards the balance of exempt persons I have no statistics to show what proportion of them would be "own arrangers," but I should imagine quite a considerable proportion.

195. (*Miss Tuckwell*): What dictated the original figure of £26?—It was simply a section in the Act of Parliament. The legislators considered that if a person was, at any rate, in receipt of a definite pension or income of not less than £26 a year and wished to be cut out from the cash benefit, thinking that having that private income he did not need that extra provision, he could do so.

196. £26 seems an extraordinary limit?—10s. a week. That was the amount of sickness benefit under the Act at that time, and if a person had a private income equivalent to the amount of sickness benefit the Act provided that if he wished he need not insure.

197. (*Mr. Cook*): I want you to deal with the case of the uninsured person under 16. Sixteen is the age at which a person comes into insurance. That, I suggest, is a defect in the Act which ought seriously to be considered. In the large majority of cases of working people in the country there are comparatively few children who are not working before they are 16 years of age. The common experience is that immediately a boy or girl reaches 14 he or she leaves school and is sent to the first job that turns up. At that age, between 14 and 16, they are not immune from sickness, and in many instances the money they are earning is a serious consideration in the household, and if that child is laid aside there is an additional burden thrown on the household. I suggest to you that future legislation dealing with this question ought to provide for the insurance of children immediately they enter employment?—I am not expressing any view, I am simply putting the position. We have not had any real demand for a reduction below 16.

198. Now with regard to the individual over 70, my experience has been somewhat similar to Mr. Jones'. I know of many cases of people, particularly men, working at comparatively laborious occupations, who are several years over 70. If it is correct that the number of people employed over 70 is comparatively negligible, I suggest to you the effect would be negligible supposing they were continued in insurance and entitled to draw ordinary benefits, and here again I suggest that they ought to be continued just as they are continued in benefit under the Unemployment Acts?—I hope it will be understood I am not expressing any views on this subject. I have merely been trying to acquaint the Commission with facts, and to inform them of the reasons why so far successive Ministers of the Crown have not taken action on this particular matter. It is a matter entirely for the legislators.

199. (*Sir Arthur Worley*): Lord Lawrence has asked me to continue to ask you the questions he had put down. Passing now to Chapter II, which deals with the collection of contributions, can you indicate to us broadly the reasons that led the Government to meet the cost of insurance by contributions from the employer, the employee, and the State respectively?—I take it there is no question whatever as regards the employee. He should contribute part of that cost because, of course, the Act covers all illnesses, whether they arise out of the employment or occur under any other conditions. As regards the employer, quite a considerable proportion of the illnesses arise out of the employment.

It is unlike the Workmen's Compensation Act, where liability is confined to accidents arising out of and in the course of the employment, and in those cases the employer pays the whole charge. Here it must be recognised that a proportion of the illnesses do arise from the conditions of employment, and I think, speaking broadly, it may be argued quite fairly that from the point of view of industrial efficiency and from the point of view of, shall I say, industrial tranquillity and national welfare, it is highly desirable that the health of the bread winners of the country should be safeguarded by prompt medical attention, and that in time of illness when the bread winner is laid aside there should be a minimum benefit provided for his necessities. In any case, it should be remembered that there is indirectly a relief to the rates and taxes arising from the provisions of the Act, because the benefits provided under National Health Insurance save money to the State and to the employer.

200. Can you indicate to us why a flat rate of contributions for all incomes was chosen, with one small exception for low paid adults? Incomes must range from the part-time charwoman's 10s. a week to the well-paid manual labourer's £5 or £6 a week, and yet all, with the one exception mentioned, pay a single flat rate?—Of course, in a scheme of this kind, which is administered through 8,000 separate societies and registered branches, very few of which are organised on an occupational basis, a scheme of varying contributions and varying benefits would be almost unworkable; and, moreover, it must be recognised that the better paid workers can, and very frequently do, augment their sickness insurance by means of insurance through voluntary agencies. We only profess under the Act to give what we may call the minimum cash benefits.

201. Really the better paid worker can, in proportion to his income, provide for himself from a different source?—If he so desires.

202. Without any help from his employer or otherwise?—Yes.

203. Have you had any difficulty with the exceptional case where there are no wages from which the employer may make deduction and, therefore, where he has to ask the employee to pay his share to him? Take the case of the waiter whose remuneration is by tips only.—We get no complaints. I think they doubtless arrange amongst themselves. Possibly the employer pays the lot.

204. (*Sir John Anderson*): Does not the Act provide that the method of recovery of the worker's share shall be by deduction from wages?—Yes.

205. So that the employer really pays it and he has no fund from which to draw it?—If there is no money earned of any kind that is the position.

206. The question is whether tips are money earned?—They mutually arrange the contributions between themselves.

207. (*Sir Arthur Worley*): On paragraph 38, I assume that there is a real advantage in payment by stamps affixed to cards rather than by a cheque from the employer, as you have in the case of non-domiciled seamen on foreign-going ships, and sailors, soldiers and airmen. Can you indicate to us broadly the advantages of the stamp system?—There is a very close relation in National Health Insurance between the number of contributions paid in respect of an individual in any one year and the rate of benefits to which that person is entitled in the succeeding year. It is consequently of the utmost importance that we should devise a system whereby each contribution is anchored to the right person and that that contribution should find its way to the particular society to which that person belongs. Such a system would practically be unworkable under a cheque system. Non-domiciled seamen are not in Approved Societies. To take from all employers week by week or month by month a record of their employees and contributions in one cheque and then try to divide those sums up between 8,000 societies and registered branches and assign

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them to particular individuals would be an impossible task. That is the real reason for the card system.

208. Has the stamp system lent itself to much in the way of pilfering and trafficking in stamps, dangers which a cheque system would have avoided?—Not very much. We have occasional trafficking in stamps, but we never hesitate to prosecute, and when we have a prosecution we endeavour to give as much publicity to the prosecution as possible with rather salutary consequences.

209. In any event I suppose it is offset in some respects by the profit you make from stamps paid for and not used?—No. As a rule trafficking in stamps is with the object of defrauding the fund.

210. Does the employee on the whole appreciate his duty of securing his card properly stamped and sending it to his Society? Is he, as a class, so interested in his insurance benefits that he carries on this important part of the work quite satisfactorily?—Yes, I think he does his duty quite well, and with the advent of additional benefits he is taking a greater interest now in his card.

211. The greater the benefits the more he values the card?—Yes.

212. I gather that the safeguards for getting in the contributions are (1) the employer's sense of his statutory duty, (2) the employee's sense of his statutory duty and his personal interest in the claim, (3) inspection, (4) prosecution, (5) civil recovery of benefits lost through negligence on the part of the employer. On this question do you consider that your inspection staff is adequate to the work, or do you rely more on the other safeguards? Can you give them in their order? And how long does it take the inspection staff to get round to all the employers?—From the point of view of non-compliance we rely mainly on these other safeguards which are mentioned in the question as we do not profess to make a complete inspection. We also get a good deal of information of non-stamping from Approved Societies; also from insured persons themselves. Speaking roughly, the inspection staff covers about 15 to 20 per cent. of insured persons per annum, but the inspection is exercised with a certain amount of discrimination. At all our divisional offices—we have 12 throughout the country—we have a fairly complete record on a card system of good employers and bad employers from the point of view of compliance, and inspection work is mainly concentrated on those whom we know are negligent.

213. Do you think that there is any considerable non-compliance with the statutory requirements as to the payment of contributions?—Our calculations lead us to think that on the whole we collect about 99 per cent. of the contributions which are due. We recognise that there is a certain degree of non-compliance amongst casually employed persons, and to a more limited extent amongst domestic servants.

214. The cards are now on a half-yearly basis, but were originally on a quarterly basis. What were the reasons for this change, and was a longer period than the half-year considered so as to save on the printing and handling of the cards? The Ministry of Labour has yearly cards for unemployment insurance.—Experience showed that the original quarterly card could be converted to a half-yearly card without any loss of efficiency. We have from time to time considered, with a view, of course, to economy, the possibility of changing the half-yearly card into a yearly card, but on each occasion we have turned it down in the Department. Insured persons change their addresses very frequently and we think it undesirable from many points of view—from the point of view of seeing that contributions are paid, that arrears are paid, and for other reasons—that Approved Societies should be out of touch with their members for a longer period than six months. You mentioned that the Ministry of Labour had a yearly card under unemployment insurance. I should mention that a larger proportion of insured persons retain in their own possession

their cards under National Health Insurance than under Unemployment Insurance, and we felt that a card in the possession of an insured person for 12 months would sometimes be in rather a mutilated condition when it arrived at the Department.

215. Will you state what were the total amounts paid into the National Health Insurance Fund in respect of sale of health insurance stamps during each of the last four years?—Speaking for England—

216. And Wales?—I have only the figures for England, but those for Wales will, generally speaking, be in proportion according to population. In 1921 the stamp sales for England were £20,580,000; in 1922 the stamp sales were £20,680,000; in 1923 the stamp sales were £21,540,000; and so far as 1924 is concerned for the first eight months, that is up to 31st August, the latest date for which I have figures, the stamp sales were £15,300,000. It may interest you to know that the stamp sales for 1924 for these eight months show an increase of £700,000, or 4·8 per cent. over the corresponding months of 1923. Employment was somewhat better in the earlier months of 1924.

217. (Sir Alfred Watson): Sir Walter, on the question of the yearly card, the Ministry of Labour has a common fund, I believe, for Unemployment Insurance for the whole of the Kingdom?—Yes.

218. It is therefore of no importance to the Ministry of Labour, as such, apart from the insured person, to know what becomes of the contributions of a particularly insured person. They are in the fund undoubtedly?—Yes.

219. Now the contributions of Health Insurance have to be divided amongst the funds of 8,000 Approved Societies and Branches?—Yes.

220. And therefore it is of great importance that the exact contribution income of each unit, society or branch, should find its way to the society or branch?—Yes.

221. I think I am right in saying that a very large number of people go out of insurance over a year through ceasing to be employed. They leave insured employment and therefore go out of insurance?—Yes.

222. In many cases it is probable that the last card which was stamped in respect of them never finds its way to the appropriate Approved Society?—Quite possibly.

223. It is quite possible that it is destroyed?—Many of them do not take the trouble for the balance of the last half year.

224. The result is that for every card so not surrendered the Approved Society loses the value of the stamps that are in fact placed on that card?—Yes.

225. And if you had a yearly card instead of a half-yearly card the loss to Approved Societies from that factor would be correspondingly greater?—Yes.

226. The same position arises, I take it, in regard to deaths, where there is a very high probability that the last card in the possession of the deceased insured person does not find its way to the Approved Society that has a right to collect the contributions that are represented by it?—Yes.

227. And again, if you had a yearly card the loss of the societies from that feature would be correspondingly heavier than it is at the present time?—That is so.

228. That is to say, it would not mean on the average the loss perhaps of three months' contributions; it would mean a loss of considerably more than three months' contributions—six months'?—Possibly, yes.

229. The same position probably arises in regard to a great number of women who marry and might have the special benefits but do not in fact trouble about them. I take it that there again there may be losses of contributions to the societies?—Yes.

230. And in general, where women marry and become entitled to special benefits, it is of the highest importance to the society that it should know at the earliest possible moment of the fact of marriage?—Yes.

231. May I suggest that in regard to a very large proportion of their members the societies never know

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difficulty in the interpretation of the phrase, but now, as the result of decisions given on appeals to the Department, broad general considerations have been laid down by which both doctors and societies are able to arrive pretty accurately at a proper interpretation of the phrase.

282. I notice from paragraph 69 that the sick visiting of women must be done by women. Have you any grounds for thinking that this requirement is not strictly observed by societies?—No; we do not get any complaints on the subject.

283. I note from paragraph 70 that societies exempt persons suffering from venereal disease from the operation of the misconduct rule. Can you indicate the reasons for this?—Some years ago there was a Royal Commission which sat on the question of venereal disease, and on the recommendations of the Department, societies adopted the view of that Royal Commission that it was desirable to encourage insured persons, by means of sick payment and otherwise, to go in for early treatment, and that is largely the reason the societies have taken this line. Perhaps they have also been influenced to some extent by this consideration, namely, that the evidence showed that the disease can be transmitted from one generation to another. It is administratively very difficult to give effect to the misconduct rule of societies.

284. With reference to the Workmen's Compensation Act, it throws on the employer the duty of himself financing the insured workman and so relieves societies in this respect. Has there been any demand that the Health Insurance contribution should be made to cover incapacity due to accidents?—No.

285. Do the workmen, or the approved societies on their behalf, play their part effectively in the arrangements for keeping the Society's funds free of these charges?—Yes, I think they do. I think that section of the Act is working quite well.

286. As to maternity benefit, I am not quite clear in what circumstances a household gets 80s. and in what 40s. Can you clear this up?—The married woman is entitled to a 40s. maternity benefit in respect of her husband's insurance. If she is herself an employee and an insured person there is a further 40s. in respect of her own insurance. I may add that if there is a deficiency in any way as regards the husband's insurance—say, for instance, he is out of benefit—her own society makes up the balance.

287. So that if the husband is not insured and the wife is, two benefits are drawn from the wife's society, though only one set of contributions has been paid?—But the contingent liability was taken into actuarial account when the contributions were determined.

288. I see there is a complicated set of arrangements for dealing with benefit when the insured person is in an institution and that the benefit may in some cases go to the institution. A governing principle is that institutions supported by public funds are not to receive relief in this way; is not that so?—The governing principle of the Act is that the benefit is a personal benefit to the member himself, for the benefit of himself and his family, and his primary interests must be safeguarded. I think it was never intended that contributions compulsorily levied in respect of National Health Insurance should go, any, to the relief of local rates; but, of course, that does not debar, say, for instance, a Board of Guardians from exercising their usual powers of recovery from the insured person, as in other cases, if he is able to pay for his treatment.

289. Can you give us figures showing the amount spent on each of the benefits during the past three or four years?—This is rather a lengthy table, and, with your permission, I will hand it in.

(Table handed in.)

ANNUAL EXPENDITURE ON EACH BENEFIT IN ENGLAND FOR THE YEARS 1921, 1922 AND 1923.

Year.	Sickness Benefit.	Disablement Benefit.	Maternity Benefit.	Medical Benefit.	Sanatorium Benefit.	Other Non-cash Benefits.	Total Benefits.
	£	£	£	£	£	£	£
1921	6,646,000	2,510,000	1,625,000	8,795,000	486,000	44,000	20,106,000
1922	7,658,000	3,064,000	1,500,000	7,920,000	131,000	240,000	20,513,000
1923	7,224,000	3,494,000	1,420,000	7,653,000	29,000	555,000	20,375,000
1924 (30 weeks approx.).	5,300,000	2,150,000	750,000	4,000,000	—	350,000	12,550,000

I may, however, perhaps mention just roughly that, so far as England is concerned, the expenditure on benefits in a year is about £20,000,000. Approximately £12,000,000 of that is on cash benefits and the balance is on medical treatment and on drugs and also on what we call "treatment benefits" under additional benefit schemes.

290. I think the Commission would like to have figures showing the cost of all administration for each of those years, divided under the heads of Central Administration, Approved Societies and Insurance Committees, with the percentage of each to the total income of the scheme. Can you let us have that?—Yes; here it is.

(Table handed in.)

EXPENDITURE ON ADMINISTRATION IN ENGLAND IN THE YEARS 1923 AND THE TWO PRECEDING YEARS.

A.—Approved Societies.

—	Expenditure	Per Capita on Society Membership.	Percentage of Total Income of the Scheme.
	£	s. d.	
1923	2,823,000	4 8	8·7
1922	2,734,000	4 6½	8·8
1921	2,818,000	4 8	8·3

B.—Insurance Committees.

—	Expenditure.	Per Capita on Total Numbers.	Percentage of Total Income of the Scheme.
	£	d.	
1923	332,000	6½	1·0
1922	353,000	6½	1·1
1921	414,000	8	1·2

C.—Central Administration.

(See Note below.)

—	Gross Expenditure.	Per Capita on Total Numbers.	Percentage of Total Income of the Scheme.
	£	s. d.	
1923	871,000	1 4½	2·7
1922	925,000	1 5½	3·0
1921	1,240,000	1 11½	3·6

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D.—Total Administration.

	Gross Expenditure.	Percentage of Total Income of the Scheme.
	£	
1923	4,026,000	12.4
1922	4,012,000	12.9
1921	4,472,000	13.1

NOTE.—Gross expenditure on Central Administration (1923) is made up of £448,000 paid from Ministry of Health Votes and £423,000 from Votes of other Government Departments, total £871,000, of which the following amounts were repaid to Exchequer from Insurance funds:

	£
Deposit Contributors Fund (237,000 members)	38,700
Navy and Army Insurance Fund (175,000 members)	33,300
Exempt Persons Fund (10,000 members)	10,000

The amounts paid from Votes of other Government Departments were approximately as follows:

	£
Office of Works (Accommodation, Heating, Lighting, etc.)	20,000
Treasury (Rates)	6,000
Exchequer and Audit Department	3,000
Stationery Office (Stationery and Printing)	19,000
Superannuation Votes	4,000
Post Office (Sale of Health Insurance Stamps)	200,000
Post Office (Postage, Telephones, Money Orders, etc.)	20,000
National Insurance Audit Department (Audit of accounts of Approved Societies and Insurance Committees)	132,000
Government Actuary's Department	10,000

The net expenditure in 1923 was approximately £789,000, representing a per capita expenditure on total members of 1s. 3d. or 2.4 per cent. of the total income of the scheme.

The following amounts are not included in Central Administration expenditure:

	£
Unemployment Insurance services on behalf of Ministry of Labour charged to Unemployment Fund	110,000
Regional Medical Service charged to Approved Societies	62,000

(The number of insured persons referred to R.M.O.'s for examination in 1923 was 136,942. The number examined was 80,730.)

291. Is there any part of the cost of Central Administration defrayed from any source other than the Imperial Exchequer, and if so, will you give us particulars?—I think I mentioned previously that £80,000 of the cost incurred in respect of the deposit contributors, Navy and Army and Exempt Persons Fund, is really defrayed by those persons and recovered to the Exchequer. I think the only other item that occurs to me is that the cost of the Regional Medical Officers to the extent of about £62,000 a year is recovered from the funds of Approved Societies. The Regional Medical Service, so far as its work is concerned with National Health Insurance work, is a debit on the funds of Approved Societies, although, of course, it is a Central Administration service.

292. (Chairman): Is that in addition to the £80,000?—Yes; that is in addition to the £80,000.

293. (Sir John Anderson): I just want to ask you about the interpretation of the phrase "incapable of work." You said that several attempts had been made to substitute by statutory enactment a more precise form of words but that they had been abandoned?—Yes.

294. You thought, however, that in practice satisfactory administrative tests had been arrived at?—Yes.

295. Can you tell us how the phrase is in fact interpreted under the guidance of the Ministry by Approved Societies? You mentioned in an earlier section of your evidence the phrase "incapable of work" in relation to people over 70; and that "incapable of work" meant totally incapable of any sort of work. Is that how it is interpreted?—In speaking of that I was just giving the general phraseology. As regards the interpretation, it was recognised from the very inception of the Act that it would be too rigid an interpretation to say that a person was not entitled to sickness benefit unless they were totally incapable of all kinds of work. The rule now generally recognised is that in the earlier stages of the illness they should be totally incapable of following their own ordinary occupation. We generally advise societies that the earliest test should be: incapable of following their own occupation, and we say to Approved Societies that that is the first consideration they have to apply their mind to. Then, of course, if after a certain time it appears to the society that a member will never be able to resume his own occupation, the society must apply its mind afresh to the question as to whether the person is capable of any other kind of work, and whether that work is available for that person. Our suggestion to societies is that if the work is not then available, or if the person is suffering from any disability which prevents him following his ordinary occupation they ought to give the individual some time to equip himself or to prepare himself for some other form of work. But in the earlier stages of the illness, and in short illnesses, the test is inability to resume one's ordinary occupation. That, of course, is a considerable modification of the hard and fast test: "Totally incapable of all kinds of work."

296. Could it be put like this then: that in practice, as things work out, "incapable of work" means physically incapable of doing work which in the circumstances at the moment could be regarded as reasonably open to the insured person?—That is a fair definition.

297. It comes very close to that?—Yes; but I think in the earlier stages it is limited and the society only looks at his normal occupation.

298. In the earlier stages the society takes the view that the man should go back to the job from which he came?—That is so.

299. Later on they expect him, if he is suffering from, say, a long illness, to look round for some work, if there is any, better fitted to his changed physical conditions?—That is so.

300. But it remains a question of what is reasonably open to the sick man in the circumstances?—Yes.

301. You refer to disablement benefit? Should I be right in saying that disablement benefit is only, so far as the terms of the Act go, sickness benefit under another name and at a lower rate?—It is a continuation of sickness benefit.

302. But the title to benefit is the same as in the case of sickness benefit?—Yes.

303. Do societies, in practice, stiffen up their conception of incapacity for work automatically when the man passes into disablement benefit?—Yes, they do; not all, but many of them.

304. Is that the general policy?—Yes.

305. Is it approved by the Ministry of Health?—The societies might very naturally have done it three months earlier.

306. Is it approved?—We see no objection whatever to an Approved Society looking at a case after a lapse of time and saying, "This man is unable to go back to his previous occupation. We must now regard his disability as permanent, and apply a more rigid standard and find out whether he is able to take up remunerative work of any kind."

307. But, Sir Walter, a man may enter upon disablement benefit after having drawn sickness benefit continuously for 26 weeks?—Yes.

308. Or, on the other hand, he may have had a succession of illnesses spread over a long period and all linked up, and might enter upon disablement

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benefit at the end of a single week on a further serious bout of illness?—That is right.

309. There is no particular significance, therefore, in disablement benefit in relation to a man's physical condition?—None whatever.

310. He may be on disablement benefit because he is in the later stages of a prolonged illness, or he may be on disablement benefit because he has had a large number of bouts of illness varying in character but not widely enough separated in time to enable them to be treated independently?—Yes.

311. It was in view of those considerations that I wanted to know if you could tell us whether the change in the attitude of the societies towards the insured person in their conception of the meaning of "incapacity for work," which you have told us occurs automatically in many cases when the man passes into disablement benefit, had the approval of the Ministry of Health?—No.

312. It has not?—No.

313. I suggest to you that as the scheme of benefits is drawn in the Act there is almost an invitation to those who are administering the benefits to apply a different kind of test when they come to a benefit which is described by a different name?—I agree. That is human nature. But I suggest to the Commission that in cases where there is obviously incapacity for work, some of the societies are inclined to apply too rigid a test when the alarming question of disablement benefit comes to their notice.

314. That is what I wanted to get from you?—In other words, a number of societies automatically referee nearly every case when 26 weeks' benefit has transpired, and we object to that.

315. We only want to get the facts from you. I understand from what you have told us that the Ministry approve of the periodical review of cases of persons who are on benefit for a considerable period on end, with a test of increasing severity as time goes on?—Yes.

316. But that they deprecate the sudden and automatic imposition of a more exacting test when the benefit changes from sickness to disablement benefit?—That is so. It should not necessarily synchronise with the passing from one benefit to another.

317. (Sir Alfred Watson): Just one question on the definition of "incapable of work." You told us that it is now generally regarded in short illnesses as being the same thing as the insured person's incapacity to follow his usual occupation?—In the early stages of the illness.

318. The whole doctrine on which Sir John Anderson has just questioned you is the general doctrine, merely reduced to the precise phraseology employed by Civil Servants, is it not, of a practice which has been in force in the Friendly Societies for a hundred years past? There is nothing remarkably novel about it?—No, nothing.

319. You had a question on the abolition of what we used to know as the misconduct rule. I think I am right in saying that that question was looked at very closely by the Ryan Departmental Committee?—Yes.

320. And it was largely in consequence of the recommendations of that Committee that the societies agreed to abrogate their former practice and the present position came about under which, I think, they are now bound by their rules to pay the benefit?—In respect of venereal disease?

321. Yes.—That is so.

322. They were specially empowered by Statute, were they not, to pay?—Yes.

323. A point that was put to societies with some force was that medical science had revealed the fact that an enormous amount of incapacity in later life, which had never been supposed to have any connection with misconduct in early life, was so due, and that, appealing to societies on their pecuniary side, it would pay them well to pay benefit in order that people could have early and effectual treatment

and thus enable the societies to look forward to release from a great deal of liability in later life?—Yes.

324. And it was on substantial grounds of that sort that they were induced to waive their opposition to the abolition of the old rule?—Yes.

325. (Mr. Besant): The only question I should like to ask you is whether the differential scale of contributions and benefits is ever challenged, taking the scale of benefits as being five to four as between men and women. The scale of benefit is five to four in the case of sickness benefit when once the full 104 weeks' contributions have been paid. The scale of disablement benefit is identical in the two classes. Do you ever have any complaints as between the parties concerned that one side is getting more for their money than the other?—No, because the women pay 1d. a week less than the men. The employers pay the same. We arranged that the employers should pay the same so that there should not be any preference in regard to the employment of women rather than of men or vice versa. But as regards women, they pay 1d. a week less than the men, and that is more or less the equivalent of the reduction in the sickness benefit.

326. The men pay 1d. a week more and they get the same disablement benefit. I thought it was possible, not from the women's side, but rather from the men's side, that they might say that they do not get any benefit in the proportion of five to four, although they pay in a proportion of five to four. But you have had no complaints, have you, on those lines?—No, I do not think we have. They get the higher sickness benefit, which is more or less equivalent to the extra amount paid.

327. (Miss Tuckwell): You remember, Sir Walter, there was an inquiry into the excessive sickness particularly with regard to women at one time?—Yes.

328. Is women's sickness, to your knowledge, still in excess of the men's?—It is difficult to compare the two, because they are in entirely different categories. But I may say that the disablement benefit experience of women, and especially of married women, is appreciably in excess of what was anticipated, or of the disablement benefit experience of men. Also that the surplus as revealed in connection with societies catering purely for women, or where they have a separate women's fund, is not quite so large as in respect of the men. I think that probably answers your question.

329. I think in a good deal of that Report the excessive sickness of women was directly connected with their lower pay; so that that still exists. I think that rather bears on what Mr. Besant was saying, does it not, namely, that we still have a greater sickness of women and a smaller benefit. The two things go together; so that the conclusions do not point to an alteration as against the women's part, but rather to the contrary, as far as national health is concerned?—The experience as regards women from the point of view of surplus has not been quite so satisfactory as that of the men; but I would not like to suggest that the experience is due to a lower standard of wages amongst the women. I am not competent to express an opinion on that point.

330. (Mr. Evans): With regard to the transference from the sickness benefit to the disablement benefit, I think you suggested just now that the medical examination sometimes is too severe?—I suggest that some societies are inclined automatically to have a member refereed when he passes from the 26th to the 27th week, if I may put it that way.

331. I have a case in point which was brought to me only last week. I wonder what you would say to this. A miner 65 years of age was clearly not able to return to work in the mines. He was refereed, and the conclusion was arrived at that the man was fit to do some work and that he was of normal health for a man of his age. Because of that he was struck out. That clearly is to my mind

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a case where the examination by the Referee would be too severe?—We always hesitate to express an opinion on a case like that without knowing the facts. The man has the right of appeal to the Arbitration Tribunal of his own particular society, and if that Tribunal does not give him satisfaction, he has then the right of appeal to the Department, and the Department rigidly refrains from expressing an opinion on the merits of a particular case unless it comes before them on appeal.

332. (*Professor Gray*): You were asked a question about the adequacy of the cash benefits, and I think your answer was that, quite apart from the adequacy of the 15s. or 12s., you could only consider this question in relation to the possibility of men being insured elsewhere; that is to say, you have a possibility of double or triple insurance in a great many cases?—Yes.

333. Can you say whether to-day there is any possibility of these people being over-insured in the sense in which the phrase was used, let us say, 12 years ago?—Yes, I think there is that possibility.

334. Of course, wages have gone up and the cost of living has gone up?—Yes.

335. So that what was over-insurance 12 years ago might not be over-insurance to-day?—No; but it is possible that some of them may have increased their insurances in the interim on the voluntary side.

336. The Insurance Act came along when the field was occupied by a great many voluntary bodies?—Yes.

337. Which had a long and honourable history behind them. Naturally they desired to continue their past activities. Would you say that it would be desirable that the Insurance Act should be framed in such a way as to leave these voluntary bodies some field for their old activities?—You are asking me a very large question of policy. I may say that it was never the intention of the Insurance Act to prejudice the activities of these very important societies on their voluntary side.

338. (*Professor Gray*): That is sufficient.

339. (*Chairman*): I do not think we need trouble you at this stage with questions of policy.

340. (*Professor Gray*): With regard to the meaning of "incapacity" which has been raised, so far as the Act goes disablement benefit and sickness benefit are the same thing?—Yes.

341. The only difference really is one of time?—Yes.

342. A question was raised by Sir John Anderson to the effect that you may have disablement benefit coming along quite at the beginning of an illness if it had been linked up with an illness going before. Can you say very briefly what are the provisions which govern the linking up of illnesses?—An illness is linked up when there is an interval of less than 12 months between it and the preceding illness.

343. And under the interpretation given it is linked up whether or not benefit was claimed, if benefit was payable?—Yes, if benefit was payable and it was ascertained that the person was, in fact, incapable of work.

344. So you would say that a society would be justified in considering not merely periods in respect of which benefit had been paid, but also periods in respect of which benefit might have been paid?—That is the Act.

345. Perhaps this is not a fair question. Do you think that is an interpretation which may bear rather hardly on certain people?—I am aware that there is a feeling, especially with regard to persons of advanced years who suffer from slight illnesses—short illnesses in each year—that they are rather hardly hit by the linking-up provisions of the Act as at present framed.

346. It means, in fact, does it not, that if a person is ill for one day a year he is prevented from getting a new beginning again?—That is so. We get very few representations on the subject, but I am afraid that that rather anomalous position exists, and it is a position the Commission might possibly like to look

into. I should be prepared to submit a memorandum on the subject if desired.

347. After a certain age one does get a cold and one does suffer from lumbago, in the natural course one day a year?—Yes.

348. (*Sir Arthur Worley*): It has to be four days, has it not?

349. (*Professor Gray*): No, not if it is linked up. (*To the Witness*): There was a question asked about women being visited by women. That refers only, of course, to sick visitors?—Yes.

350. It does not relate to a person who is visiting as an agent?—No.

351. With regard to Workmen's Compensation and the provisions on which you act, do you think there is any real danger of a man falling between the two stools—being disowned by the Compensation side, on the one hand, and, on the other, by the Insurance side?—I do not think so. Workmen are very keenly alive to their rights now, both from the point of view of getting a certain amount of money, if they can, preferably from the insurance companies, and, if not, from their Approved Societies. Of course Approved Societies do help their members. Quite a number of important societies have Workmen's Compensation departments, and they do help to see that their members get their claims for compensation properly paid; so that I should think very few people, if any, do fall between the two stools.

352. Theoretically the society might tell him to claim for compensation and the employer might refuse to pay and the insured person might have to take action on his own account?—Yes; but the societies are increasingly willing to help their members.

353. (*Sir Arthur Worley*): What happens is that the Approved Society in a case of that sort usually protects its members and immediately goes for the Workmen's Compensation insurance benefit?—Yes, that is quite right.

354. (*Professor Gray*): Have you any indication, Sir Walter, of the extent to which the maternity benefit is entirely absorbed by the doctor's fees?—Yes. I think the increasing tendency is that the doctor endeavours to get the whole amount of the maternity benefit. When originally 30s. was paid as maternity benefit the doctor took 30s. as his fee. Now that we pay 40s. his fee very frequently is 40s.

355. So that in a case where extra expenses are incurred, as they are, you have to rely on the double maternity benefit?—Yes.

356. It is perhaps hardly germane here, but can you say how far in certain areas this work is being done by midwives, which would introduce a lower scale of payment perhaps?—A larger proportion of the work is, I believe, now being done by midwives, especially in the country areas; but I cannot specify the reasons for it.

357. There is one other point which I should like to mention. You refer under "Certification" to a scheme whereby the doctor might certify less precisely than he is allowed to do in certain cases?—I think that comes later on.

358. (*Professor Gray*): It is mentioned in this chapter in paragraph 60.

359. (*Sir Arthur Worley*): I think you are rather of the opinion there that we should get some evidence from the Approved Societies on the certification question?—This is a particular point Professor Gray is referring to. We have a system in operation whereby if a doctor, when he examines an insured person, is of opinion that it is not desirable that the insured person should be handed a certificate conveying on the face of it the exact nature of his illness, he may give a vague certificate for the Society and then notify that to the Medical Referee. That is in operation, but not to a very great extent—not to the extent that was originally contemplated. Vague certificates fall into three categories. A vague certificate is sometimes given where it is not desirable that the doctor should state on a certificate which would go to the Approved Society, that a man is suffering from venereal disease; or a vague certifi-

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cate may be given because it is not desirable that the man should know what he is suffering from. For instance, he may be suffering from acute heart weakness, and the doctor may not think it desirable to communicate that to the insured person, to whom the certificate is usually handed. Or a vague certificate may be given if the doctor does not wish the precise illness from which the patient—possibly a woman—is suffering should be conveyed to the local officials of a small Friendly Society. I mention the various types. In those cases the doctor is allowed to give a vague certificate, which the insured person gives to the Society, and to intimate the reasons on a separate document which goes to the Medical Referee. He must, however, tell the society that he has issued a vague certificate, and the society can ask for an assurance from the Medical Referee that the circumstances justified the issue of such a certificate.

360. (*Professor Gray*): Of course, you know how many of these cases are dealt with under this section?—Yes.

361. Can you say whether they are frequent?—No, they are not frequent; but from the point of view of the Approved Society, which gets a certificate on the strength of which it passes the claim, now that Approved Societies pay for venereal disease and do not press it as misconduct, they do not suffer any serious financial disadvantage. Is that the point?

362. That is partly the point. (Is there any difficulty in obtaining a satisfactory certificate where an insured person is in a hospital, other than a certificate that he has been admitted and has been discharged?—Yes, there is considerable difficulty. We are in negotiation with the Voluntary Hospitals Association with a view to the extension of hospital benefit as an additional benefit under the forthcoming valuation, and we are hoping to make arrangements with the hospitals for an extension with a view to giving us the necessary certificates.

363. With regard to people who are inmates of hospitals and have no dependants, it is the case, is it not, that that money may be paid to the hospital, but only if the insured person consents?—That is so.

364. Might there not be a greater power of coercion over an insured person under those circumstances, if he has no dependants, to prevent a case which possibly sometimes arises of an insured person being in a hospital for some considerable time and the benefit mounting up while he is there and going, perhaps, to a distant relative when he dies?—I should like to consider that point. I should

be anxious to see that the benefit, at any rate in the first instance, was conserved for the insured person, for his dependants and for his personal necessities, because during his residence in the hospital certain liabilities, such as house-rent, might be accumulating against him, and it would only be when those calls upon him were exhausted that it should be considered what steps should be taken to divert the balance to the institution. I prefer not to express a definite opinion on the subject.

365. (*Mr. Jones*): Do these slightly modified conditions as applied by Approved Societies to incapacity, also apply to medical referees?—Yes.

366. Have they had any special instructions as to the nature of their certificates?—Yes; they have got identical instructions from the point of view of ascertaining what we regard as the proper criterion of incapacity. They are identical instructions to those given to the medical profession and the societies.

367. Have there been many appeals to the Arbitration Board or Arbiter of Approved Societies against the decisions of the medical referees?—We have no record.

368. Is there any evidence of harshness as regards the insured person, because of the action of the medical referee, which would result in an appeal?—We have no record of the number of appeals to the Arbitration Boards of Approved Societies. We have a record of the number of appeals to the Minister. I can give that information later on. (*See Q. 455.*)

369. (*Mr. Cook*): With regard to the point made by you of the Approved Societies who pay from the first day, I think you stated—at least, I have taken it down—that 6,000 societies, representing a membership of over 12,000,000 insured persons, do not pay. Am I right?—I will clear that up. I can give you only approximate figures. 6,000 societies and registered branches in England administer additional cash benefits among 12,000,000 insured persons. Of that number, only 69 societies and branches, representing 96,000 insured persons, as against 12,000,000, have decided to pay benefit as from the first day. They have at their annual meetings, on the vote of their members, decided to make these extensions. I have quoted those figures as evidence that there is no real desire among insured persons for the extension.

370. (*Chairman*): I think we must adjourn now. We are much obliged to you, Sir Walter, for the very valuable assistance you have given us.

(*The Witness withdrew.*)

SECOND DAY.

Thursday, 23rd October, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B.,
M.D., P.R.C.P.
SIR ARTHUR WORLEY, C.B.E.
MR. A. D. BESANT, F.I.A.
MR. JAMES COOK, J.P.

PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
MR. J. W. PECK, C.B. (*Assistant Secretary*).

Sir WALTER KINNEAR, K.B.E., recalled and further examined. (*See Appendix I, Sections A and B.*)

371. (*Chairman*): Sir Walter, we propose to continue your examination on Section A, Chapter IV of the Departmental Statement. Of the special classes of insured persons I see that the first you deal with is married women in paragraph 84. I understand that the original arrangements were modified radically by

the 1918 Act, but it still seems to be rather a troublesome and complicated business. Is that so?—I agree, it is.

372. The Scheme appears to provide for the married woman who has been insured and gives up work something for a limited period at the outset of her

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[Continued.]

married life out of her previous insurance contributions. In normal cases where a man or woman ceases to be a contributor they receive only the ordinary free year benefits. Why was this distinction made?—It is really difficult to make a proper comparison between the ordinary employed person and the married woman who gives up employment on marriage. The administration must necessarily be different, and the finance is quite different. There is really no true comparison between the two classes. For instance, in the financial arrangements for men's insurance, continued employment is assumed as a permanent condition. In the insurance of women, marriage, of course, brings in a temporary element and different conditions altogether have to apply. I ought to say that the present scheme of insurance for married women who give up work is a distinct improvement on the one which was in force up to 1918; but at best it is only a compromise, as the amending Bill of 1918 was altered in one or two important respects when it was going through the House of Lords. It is rather difficult to deal, by way of question and answer, with the question of married women who give up work. I anticipate that you will be having representations from numerous witnesses on the subject, and I should prefer, if you will permit me, to defer my comments till a later stage, when I would be quite prepared to put a full memorandum on the whole subject before the Commission.

373. As regards the Forces of the Crown, I see from paragraph 88 that the method of dealing with their contributions has recently been revised, but it seems there is still considerable difficulty in linking up a man's insurance before and after the period of service. Is this so?—A good deal of confusion naturally existed during and for a considerable time after the War, and, as my evidence states, a new scheme was set up in 1921. This new system is working fairly well, and the conditions are improving; but I think that as the Act stands at present a certain amount of difficulty in linking up a man's pre-service insurance with his position on discharge will always remain. I suggest to the Commission that it would be desirable that they should consider the possibility of suspending altogether the insurance of men during their period of service. It is rather a difficult question because we should have to endeavour to safeguard their rights and also the position of societies with whom the men were insured prior to service. We should also have to consider very carefully the position of men who were discharged unfit from the Services. I merely make these general remarks, and I suggest it is a subject which should be thoroughly explored by the Commission, and, of course, if the Commission desires we shall be only too pleased to submit a memorandum on the subject at a later stage.

374. Paragraphs 90 to 102 deal with deposit contributors, and I see from Table 1 on page 30 that there are now about 240,000 of these. I gather that though the number is fairly constant, the individuals are continually changing and that the residue of persons who would be refused by any society is comparatively small. Is that the case?—That is so.

375. Do you consider that something of the nature of the Deposit Contributors' Fund is

required as a clearing house for people on their way to societies and as a reservoir for those who cannot get into any society?—I think that some arrangement of that kind is necessary.

376. What would have happened to these people if there had been no Deposit Contributors' Fund, first, those who cannot get admittance, and, secondly, those who neglect to join a society?—Of course the proportion of persons who cannot for reasons of health get admittance to an Approved Society is very small; but, still, rather a difficult political situation might arise if we exacted compulsory contributions from a number of persons for whom we made no provision of any kind.

377. As to the people who are suitable for admission to a society but who delay unduly or do not bother about becoming members, is it not their own fault that they do not get the advantage of complete insurance? Do you consider that special provision is merited in these cases?—I rather hesitate at this stage, if I may say so, to debate the arguments. I believe that you will have a considerable volume of evidence from different witnesses on this question of the Deposit Contributors' Scheme. I would remind the Commission that the present scheme is only of a temporary character, and I hope that the Commission will make such recommendations as will result in the question being finally disposed of. I suggest that you should first hear the evidence and at a later stage the Department will be quite prepared to put the full facts before you.

378. Is not the Deposit Contributors' Scheme a costly thing to run with its individual accounts and special administration? Has it ever been considered whether arrangements could be made with an Approved Society or a group of Approved Societies to take over the whole of the deposit contributors?—The scheme is, of course, rather troublesome because we have to keep individual accounts, but it is not unduly costly. At the present moment the Deposit Contributors' Fund is run at a cost of 5s. 2d. per insured person per annum as against the maximum cost of 4s. 11d. allowed to Approved Societies and Insured Committees for an ordinary insured person. As to your second question, I think we might defer that till a further memorandum is put before you.

379. (Sir John Anderson): As regards the Deposit Contributors' Fund you have told us that the deposit contributors are constantly changing?—Yes.

380. Have you any idea of the size of the permanent nucleus? Can you give us any idea of the number of persons in fairly regular employment returning cards year after year as members of the Deposit Contributors' Fund?—I can say this, that of the deposit contributors who entered the Fund in 1920 a little over two-thirds have since passed into Approved Societies or passed out of insurance; they have left the Fund. But, of course, we still have a limited number of persons who have been in the Fund almost from the very earliest years.

381. You cannot give us any idea of the proportion?—I have here two tables which I think supply the information you desire.

(Tables handed in.)

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[Continued.]

DEPOSIT CONTRIBUTORS FUND.

Table showing the number of deposit contributors in November, 1924, according to the years in which they became deposit contributors.

Year of becoming a Deposit Contributor.	MEN.		WOMEN.		MEN AND WOMEN (Combined).	
	Number.	Percentage.	Number.	Percentage.	Number.	Percentage.
1912	13,663	9·01	6,007	7·03	19,670	8·30
1913	1,999	1·32	1,191	1·39	3,190	1·35
1914	2,127	1·40	1,099	1·29	3,226	1·36
1915	3,959	2·61	2,320	2·71	6,279	2·65
1916	3,478	2·29	3,450	4·04	6,928	2·92
1917	4,117	2·72	4,549	5·32	8,666	3·65
1918	4,206	2·77	4,203	4·92	8,409	3·55
1919	19,495	12·85	4,018	4·70	23,513	9·92
1920	11,938	7·89	6,694	7·83	18,632	7·86
1921	11,958	7·89	8,131	9·51	20,089	8·47
1922	20,358	13·42	12,117	14·18	32,475	13·70
1923	31,204	20·59	18,337	21·46	49,541	20·89
1924 (to November)	23,128	15·25	13,344	15·61	36,472	15·38
TOTALS ...	151,630	100·00	85,460	100·00	237,090	100·00

DEPOSIT CONTRIBUTORS FUND.

Table showing under years of entry into insurance the number of men becoming deposit contributors on discharge from the Forces.

Year of becoming a Deposit Contributor.	Year of Entry into Insurance.													Totals.
	1912.	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	
1918 or earlier	45	7	71	58	30	20	9	—	—	—	—	—	—	240
1919	2,469	320	3,481	3,198	2,239	1,182	654	46	—	—	—	—	—	13,589
1920	570	118	508	424	416	361	259	282	27	—	—	—	—	2,965
1921	546	85	379	267	167	163	151	117	151	35	—	—	—	2,061
1922	1,370	135	848	793	503	425	461	324	385	198	51	—	—	5,493
1923	1,214	101	659	585	490	441	392	609	645	459	439	302	—	6,336
1924 (to Novr.)	1,369	104	394	394	347	341	363	807	673	525	526	1,002	403	7,248
TOTALS ...	7,583	870	6,340	5,719	4,192	2,933	2,289	2,185	1,881	1,217	1,016	1,304	403	37,932

(These figures are included in the previous table.)

382. I gather that the bulk of the members of the Deposit Contributors' Fund are people who use the Fund as a sort of half-way house?—Yes.

383. Do you suppose they become deposit contributors from inertia, or are they, to any large extent, people who are not satisfied in their own minds that they are going to be permanently insured?—I think the cause is mainly inertia, but there is a certain proportion who think that it is not worth while, as they will in a short time be passing out of insurance, and, of course, there is a certain limited proportion who object to being forced into an Approved Society.

384. That was rather the point to which my first question was directed. Would you agree that if you find a person regularly employed returning cards year after year as a deposit contributor with the prospect of benefits which cannot compare in advantage with the benefits that an Approved Society can give, that person presumably has some objection to going into full insurance?—That is so. The policy of the Department is to encourage members to transfer from the Deposit Contributors' Fund to Approved Societies, and within the last two years we have brought prominently to the notice of every deposit contributor the additional benefits which are now being given by the majority of societies.

385. What happens to his balance in the Deposit Contributors' Fund when the deposit contributor reaches the age of 70?—If a deposit contributor of any age passes out from the Deposit Contributors' Fund by reason of emigration or death a certain pro-

portion of the balance is handed over to him or his representative and the rest is transferred to the Reserve Suspense Fund.

386. He or his representative gets a proportion of his credit transferred to him in cash?—Yes.

387. What happens if he just ceases to be employed?—He has his "free year." If he resumes employment and joins an Approved Society that society is entitled to get a reserve value in respect of him.

388. What is it that leads the deposit contributors in your second category—those who pass into Approved Societies after a short time—to decide to cease to be deposit contributors?—I think the fact that they are joining a common insurance fund in which their benefit rights are not limited, and also the attractiveness of the additional benefits which can be given by an Approved Society.

389. Those may be the considerations that appeal to them. What I meant was, what starts them going on that line? Is it canvassing by societies, or pressure by the Insurance Department, or just common sense?—We do not allow canvassing of deposit contributors by Approved Societies. We do not exert pressure. We bring the facts of the position prominently before them.

390. Do you think you could let the Commission have an analysis of the composition of the Deposit Contributors' Fund so that we may see the elements of which it is composed?—The first of the two tables I have just submitted gives, for the total number of

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deposit contributors, the average duration in years of each block of deposit contributors in the Fund.

391. What we should like to see is how far there is a permanent membership, that is to say, how far there is an element composed of people who are just as permanent in their status as deposit contributors as any group of members of an Approved Society: how far the fund includes people who use it as a stepping stone; and how far it includes people who are not permanently insured at all, who are insured for a short time, or whose employment is entirely casual. Those are the main elements and it would be useful if we could have that brought out?—I think the table gives that.

392. (Mr. Besant): You spoke of a certain proportion of the Deposit Contributors' Fund being paid back to the deposit contributor on death or emigration. In paragraph 92 you speak of it as one-half?—Yes.

393. The other half goes to a Suspense Account?—Yes, to the Reserve Suspense Fund.

394. Does that man have any possibility of getting any benefit out of that Suspense Fund, or does he lose it altogether?—The other half represents the employer's contribution and is therefore not the employee's own money. If he comes back into insurance and joins an Approved Society there is given to his society a reserve value out of the Reserve Suspense Fund so that at whatever age he comes into insurance and joins an Approved Society he is only charged the ordinary contribution as if he was entering at 16.

395. In other words, while he cannot get personal benefit it is hypothecated for him if he comes back later on?—That is so.

396. With regard to the Table on page 30, can you tell me whether the benefits have been the same from the beginning? I want to know if the conditions to-day as regards benefits are identical with those in force in 1912 or in 1918 when the big amendment took place. The numbers, although they seem to be a little more constant in 1921, 1922 and 1923, are much higher in 1912 and in 1918. In 1919 they seem to have gone up to the maximum, and then to have fallen somewhat sharply. It seems to me there may have been some changed conditions to induce that?—As far as benefits are concerned, they bear a relation to the benefits paid to a member of an Approved Society so long, of course, as the deposit contributor has a balance to his credit. I think my evidence points out that for book-keeping reasons, and in order to simplify the account keeping, the books are kept on what we call the Unit System. The rates of benefit are based not so much on cash as on the number of contributions, with the result that at the present moment a male deposit contributor, if he has a sufficient balance to his credit, gets 14s. 1d. per week sickness benefit instead of the 15s. to which he would be entitled if he was a member of an Approved Society. A woman gets 12s.

397. What did he get in 1912?—The same rates of benefit as a member of an Approved Society. In 1912 there were lower rates of sickness benefit.

398. Take 1913. Is there any inducement as between the two classes to make a change now which did not exist in 1918 or 1913?—With the exception of the attractiveness of additional benefits, practically none. If I may explain the variation in the number of members, you will observe that from 1912 down, roughly speaking, to 1918, there was very little change in the membership of the fund. In 1918 right up to 1920 the membership rose. That was in consequence of the War. A large number of persons were discharged from the Army; they really could not remember in many cases to what particular society they belonged prior to Service; some of them had never been in an Approved Society when they enlisted and they drifted into the Deposit Contributors' Fund for a year or two. Since 1919-20 these persons have been gradually realising the advantages of Approved Society membership, and they

are steadily transferring from the fund to Approved Societies.

399. It looked to me as though in 1920 some extraneous event must have happened that suddenly pulled the numbers down by more than a quarter, and then after that everything is steady?—Yes. By 1920, members who had dropped into the Fund were beginning to realise the advantage of common insurance in an Approved Society, and in 1921 the additional benefits schemes of the societies came into operation.

400. One would have expected not a sudden fall in the figures by an enormous percentage and then absolute steadiness, but something more like a curve?—I may say that contemporaneously with the results of the valuation reports we brought to the notice of deposit contributors the attractiveness of being in Approved Societies, and that possibly was the chief reason for the reduction.

401. In 1920 and 1921 did these people get 14s. 1d. for their sickness benefit as compared with 15s.?—Yes.

402. Is it always in the proportion of 14 to 15 or thereabouts?—It depends on the value of the contribution. It is based on the Unit System, as I mentioned. In calculating the units we always try to make the cash benefit of the deposit contributor a little less than the benefit given by a society.

403. But it is in itself more or less constant in the proportion which it bears to the full benefit?—More or less.

404. (Miss Tuckwell): With regard to married women you said 40s. is the sum received for maternity benefit?—Yes.

405. The intention of the Act was to endow maternity to that extent, I suppose?—Yes.

406. The doctor's fee now absorbs the whole amount?—There is no fixed fee.

407. It has tended to cover the whole?—Yes.

408. Suppose a woman has a doctor and not a midwife, or any other arrangement, what does she do? Has she any other benefit or any other claim after that 40s. has been expended on the doctor during the time of maternity?—Are you referring now to married women who have given up work and have gone into this special class of insurance?

409. Yes, I am referring to the woman who has given up work and who has the 40s., or the woman in work who would have if she was married an extra 40s. There is no other benefit of any sort under the Act except the 40s. or the £4 which she gets where she is herself an insured person and also her husband?—Except, of course, sickness benefit. There is no other.

410. Can you give us figures as to the number of persons who are non-contributory by reason of low wages, that is, below the 3s. a day. It would be very interesting if we could know, only roughly, what numbers are insured and are not contributing?—I am afraid that we cannot give you those figures now. At one time we could. At one time the State contributed 1d. per week to this particular class, but there is no extra State contribution now, and I do not think we are in a position to furnish precise figures now.

411. With regard to deposit contributors, the arrangement is intended to be a temporary one. Do you remember the Inquiry into Excessive Sickness in 1914?—Yes.

412. Do you remember that there was a minority memorandum by Mary MacArthur in which she suggested a National Society organised by the Commissioners with branches coincident with existing areas. Has any State National Society of this sort ever been considered?—The Deposit Contributors' Scheme has been under constant review by the Department for the last 10 years, but we have never seriously put forward proposals with a view to the formation of a National Society for deposit contributors. We are hoping that this Commission will now help us to solve a really difficult problem.

413. (Sir John Anderson): You told us what the estimated cost of administration per member of the

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Deposit Contributors' Fund is. You mentioned that it was substantially less than the maximum amount allowed for administration by societies?—No, a little more; 5s. 2d. compared with 4s. 11d., and, of course, the deposit contributor pays that.

414. Would the cost be less if the benefits were administered as they are to members of Approved Societies, if individual accounts, and so forth, could be got rid of, having regard, of course, to the class of membership?—It is difficult to express an opinion. It is purely hypothetical.

415. I wanted to know how far the cost was due to the class of membership or to the conditions under which the Fund is administered or to the peculiar nature of the accounts?—I think largely to the peculiar nature of the accounts.

416. You would anticipate some saving in cost if the benefits were placed on an ordinary insurance basis?—I should think there would be.

417. (*Professor Gray*): You have indicated, Sir Walter, that you may give us a memorandum with regard to married women, so I need hardly go into that question now. At the same time I think it might help us if you would explain why the married woman presents peculiar difficulties in insurance?—You are speaking of the employed married woman?

418. Yes, the employed married woman. Why is married women's insurance so difficult to deal with?—One of our main difficulties in connection with the insurance of married women is that they may give up their employment and they may be performing household duties at home. It is very difficult to exercise any supervision over them.

419. In fact the married woman always has some kind of alternative employment at home?—Yes.

420. She may be engaged in housework?—Yes.

421. The fact that she is not at work is hardly an indication that she is incapable of work?—That is one of the difficulties.

422. And also possibly the question of health arises?—Yes.

423. Would you say this was analogous to the case raised last week of the man over 70 years of age. Is there not something similar there? A man over 70 has a reason for being at home; there is not the same economic compulsion to work?—There is a certain analogy.

424. You said that members lost connection with Approved Societies as a result of the War. Is that because a good many insured persons do not know what society they belong to?—Take a Friendly Society with possibly 3,000 or 4,000 branches. When a man has been on active service for possibly five years it is sometimes very difficult for him to remember whether he belonged to Branch 18 or 1,800. Insurance was a very minor factor with him at the time.

425. And possibly a man knows very often not his society but the agent with whom he deals?—That is so.

426. If the agent goes away in the interval he loses connection?—A very large number of insured persons only know their society because they know the agent. They do not know the society. The name of the society is not on the insurance card.

427. You hinted that these people on joining the Army might be taken out of insurance. That would in effect put them in the same position as people exempted?—For the time being.

428. And when they come back they would have a clean sheet to start with another society?—Yes. Of course we should have to consider a possible demand from Approved Societies that we should endeavour to give back to them the members they lost on joining the Army. We should also seriously have to consider the question of men who would be discharged unfit from the Forces of the Crown and who could not get admittance into Approved Societies and who might possibly be handicapped by going into the Deposit Contributors' Fund.

429. The real difficulty of the deposit contributor is the fact that the provisions are still under the Expiring Laws Continuance Act?—Yes.

430. You would consider it desirable that that anomalous position should be done away with even although the same conditions remained?—It is most urgent that the present temporary arrangement should be got rid of.

431. The abolition of the deposit contributor would seem to imply, would it not, first, that the societies should give up the right of expulsion?—Yes, with the additional condition that the deposit contributor must join some Approved Society.

432. At present a society can expel a member, and there must be somewhere for that member to go?—Yes.

433. Secondly, you could only abolish the deposit contributor if the Department or the Insurance Committees had power to assign insured persons to societies?—I think if the Deposit Contributors' Fund were to be abolished it would be necessary to find a home somehow or another for every insured person. I put it no higher than that.

434. I think the question of assigning insured persons to societies would raise enormous difficulties amongst societies. It is a much more difficult question than assigning an insured person to a doctor?—Roughly speaking, we get in about 50,000 new deposit contributors each half year, and if we as a Department were to be asked to assign those 50,000 persons amongst our 7,000 or 8,000 units we would be faced with a very difficult task, having regard to the restrictions which certain types of societies place upon the class of member they admit.

435. And also the question is more troublesome because in the case of societies a great number of them work over the whole country, whereas in the case of assigning a person to a doctor it is the particular doctors in the area who alone are concerned. A point was raised with regard to the deposit contributor about payment being made when he left the country on emigration. Has there been any trouble from that cause owing to members of societies becoming deposit contributors in order to get this money?—I think two or three years ago it existed to a certain extent in Scotland and we did consider the possibility of making a regulation to deal with the Scottish temperament, but the problem has diminished, and I do not think it is necessary now to take any further steps in the matter.

436. With regard to the number of deposit contributors to which Mr. Besant referred, you indicated that part of the increase there was due to people who, coming out of the Army and having lost touch with their society swelled the number of deposit contributors. Is it not also the case that a good deal of that increase in the earlier stages was due to people who took up employment for the first time during the War and who did not desire to become members of any society?—Temporary war workers, yes.

437. The sudden drop in 1920, in addition to the reasons you have given, is also to a large extent due to the fact, is it not, that these temporary war workers gave up their employment?—That is so.

438. (*Mr. Jones*): Whatever the reason may be for certain persons not becoming members of Approved Societies, is it not also the case that many have transferred to Approved Societies because on making a claim they have found their deposit fund exhausted and they are disappointed in the benefit that they have received?—Yes, they realised the advantage of being in a common fund.

439. (*Sir Arthur Worley*): I take it, Sir Walter, from an administrative point of view it would be an advantage if some scheme could be devised to do away with the Deposit Contributors' Fund?—The Deposit Contributors' Fund is no burden on the Exchequer.

440. But it means a mass of work in your Department?—It would reduce the number of Civil Servants.

441. I should have thought some arrangement could have been made with Approved Societies for taking in all people—whether they were really fit or not—who would otherwise become deposit contributors, on the ground that the number would not

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seriously affect the general results?—I will deal with that very fully, if I may, in a memorandum.

442. (*Chairman*): I now come to Chapter V., Section A. I understand that the Arrears Regulations have been modified several times, and generally in the direction of greater simplification. Is this so?—Yes.

443. Do you consider that some arrears system is essential if insurance principles are to be maintained?—I regard it as fundamental.

444. Have you received any complaints from societies as to the complexity of the present scheme and the difficulties in its working?—No. The scheme now in force is quite simple, and societies have little or no difficulty in administering it.

445. Is not the present Arrears Scheme somewhat generous to the insured person in arrears at the expense of the general body of members?—Yes. The penalties payable by persons in arrear are scarcely adequate for the benefits which they secure; but the general conception of the Act tends in the direction of dealing rather leniently with the less fortunate insured persons.

446. I gather that the rates of benefit during any calendar year are not affected by any arrears accruing more than 18 months before the year in question began. Is this in order to simplify the system? It does not seem to be quite in accordance with ordinary insurance practice.—Strictly speaking, that is so. The scheme did achieve a very large measure of simplification.

447. It is to simplify the scheme?—Yes.

448. (*Mr. Besant*): Can you tell us exactly why the benefit year was fixed from January to December and the contribution year from July to June; in other words, why the 18 months period was chosen?—As you are aware, the cards are for half-yearly periods, and societies get in the cards for the second half of the contribution year at the beginning of July; they then have to look at the number of contributions on the cards for the two half-years.

449. It is mainly the half-yearly card system which governs that?—No. Societies have to get sufficient time to ascertain to what extent a member is in arrear, notify him of the extent to which he is in arrear, and give him an opportunity of paying up the arrears penalties, so that if he desires he can qualify for full cash benefit at the beginning of the benefit year, in January. They have six months in which to do that work.

450. It is the half-yearly card system which governs it?—Mainly the necessity for societies intimating to their members the extent to which they are in arrear, and giving them during the days of grace an opportunity of paying up the arrears penalty if they wish to do so in order to qualify for full benefit during the next year.

451. (*Professor Gray*): With regard to the employed contributor who is intermittently employed, in certain cases where the insured person is employed for less than 40 weeks in two consecutive years he is charged for arrears on the voluntary basis?—Yes.

452. Before he is so charged the society has to make inquiries as to the cause of the shortage of contributions. Is there a danger, especially perhaps in the case of the larger societies, where they have not got intimate knowledge of their members, that they may merely accept the fact of the contributions being less than 40 and proceed on the voluntary basis without adequate inquiry?—I think that is possible.

453. It must be a temptation?—Yes.

454. (*Chairman*): Paragraph 111 of Chapter VI. deals with appeals and disputes. Are you satisfied that the present arrangements afford sufficient protection to an insured person who thinks he has been unfairly treated?—On the whole the arrangements work fairly well. The Department has done a good deal by means of instructions to societies, and especially by the issue of Model Rules for societies, with a view to improving the position of insured persons in this matter. We still have difficulties.

The rules of some societies are still too cumbrous; insured persons do not understand them. In some societies insured persons have to appear before two, and possibly three, separate tribunals before their case is finally disposed of. In a few cases societies still continue to charge what we regard as rather onerous deposits payable by the insured person as a condition precedent to his appeal being heard, and I am inclined to think that in certain societies insured persons, when their benefit claim is refused, are not informed of their rights and of the procedure which they ought to follow as fully as they should be. I may mention to the Commission that the Model Rules which we have issued to societies have been adopted by the great majority, but they are purely optional, and I consider that we have not got adequate powers to insist on the amendment or repeal of rules (many of which were passed in 1912) which we consider to be objectionable or unsatisfactory. So far as appeals to the Minister are concerned, I ought to mention that the system of independent Legal Referees which was set up in 1919 is working quite satisfactorily.

455. Can you tell us how many disputes between insured persons and their societies come to the Minister for decision in the course of a year?—Yes. In 1921 there were 22 appeals to the Minister; in 1922 there were 21; in 1923 there were 31; and in 1924 up to 30th September last there were 31.

456. (*Mr. Besant*): Does that mean appeals submitted or appeals heard by you, because I see you have power to turn them down if you like?—Those are appeals which have been heard by us.

457. Not appeals which have been submitted?—No. There are very few that have been turned down.

458. (*Miss Tuckwell*): Can you tell us how many?—It is very rarely that the Department turns down an appeal from a member of a society on the ground that it is obviously frivolous and vexatious. We have the power. In the last six years the number was only nine.

459. (*Mr. Besant*): I was wondering whether you have had, say, 500 submitted to you and only heard 20?—As I have indicated, very few are turned down, because the Department takes the view that when a member has gone to the appeal tribunal of his own particular society, which is the first step, and considers he has not got justice and appeals to the Minister, we must be very careful to take the fullest possible steps, unless the appeal is obviously frivolous and vexatious, to see that the appeal is heard.

460. (*Chairman*): Of these disputes which have been submitted to the Minister how many have been conceded?—About 40 per cent.

461. The emergency provisions for abnormal unemployment have been in existence for three years and were specially devised to meet the continued industrial depression. Is that the fact?—That is so.

462. I gather that they are clearly of an emergency nature and are not dealt with in the Consolidation Act?—No.

463. Is not the general effect of these provisions to make things easier in the way of excusing arrears and continuing insurance of the unemployed who previously were fairly regularly employed in insurable occupations?—That is so.

464. Have these arrangements put a substantial or undue strain on the funds over these three years, or are they likely to do so if continued much longer?—The strain has not been seriously felt. For the first year the Approved Societies voluntarily bore the burden themselves. During the last two years we have recouped the societies out of the unclaimed balance in what we call the Stamp Sales Account to the extent of the penalty arrears which they have excused the members. I should mention that in consequence of the Medical Benefit Act of this year the balance in that account has been rather seriously indented upon, and we cannot continue the present arrangement much longer.

465. Then it is likely to be a strain if continued much longer?—Eventually.

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466. I take it that you would desire to discontinue these arrangements as soon as the state of employment will allow?—Yes.

467. The Ministry of Labour gives the number of unemployed at about 1,200,000. Have you any idea as to what reduction in this figure would justify you in terminating the emergency arrangements and reverting to the normal arrangement of the Consolidation Act?—I have no idea. Personally I think that as long as there are hundreds of thousands of genuine workers suffering from prolonged spells of unemployment and consequently threatened with loss of their cash benefits, some special arrangement must be continued.

468. (Sir Arthur Worley): With regard to the Model Rules, you say they have been adopted by a large number of societies?—The great majority.

469. Does that mean by practically all the large societies? Suppose one very large society did not adopt them, that would mean a very big proportion of insured persons, would it not?—Yes. Speaking entirely from memory, I think most of the large societies did adopt them.

470. I suppose from the point of view of the Ministry it would be acceptable and desirable if regulations could be framed by which the Model Rules could be made at least the basis of the rules of all societies?—Yes.

471. With power to amend or add to them if approved by the Minister?—Yes. They would have to be suitably modified to meet the particular type of society to which they were applied.

472. If that were done would it, in your opinion, result in benefit to the contributors?—I think so.

473. (Sir John Anderson): Have you anything to say to us in regard to the relation between the rates of benefit under the Health Insurance Scheme and the rates of benefit under the Unemployment Insurance Scheme with reference to what you have been telling us about special measures to relieve the position of people who have long periods of unemployment? Has there been any reaction upon Health Insurance of the Unemployment Insurance provisions which has affected the working of the Health Insurance Scheme adversely or favourably?—Personally I should be inclined to think that the high rate of benefit paid under Unemployment Insurance has, if anything, tended to reduce the claims on Health Insurance because of the much lower rate of benefit which is obtainable under the Health Insurance Scheme.

474. Have you had any complaints from insured persons who have been unemployed for long periods and have fallen sick?—Yes.

475. With regard to the inadequacy of the Health Insurance benefit by comparison with the Unemployment Insurance benefit?—Yes.

476. That is what I had in mind when I said "adversely." You have had complaints?—Yes.

477. Do you regard your special Arrears Scheme as meeting that complaint to a substantial extent?—No. The position is rather anomalous. At the present moment we have large numbers of insured persons who, even with the concession given under our new Arrears Scheme, are only entitled to 8s. a week sickness benefit and 4s. a week disablement benefit. A man is out of work and is attending the Labour Exchange where he receives benefit varying possibly from 20s. to 29s. or 30s. a week for himself, his wife, and his family. He falls sick: he is not then entitled to Unemployment Insurance benefit.

478. Not if he is obviously sick?—Not if he is obviously sick, and if he comes within the category of those people who have been suffering from prolonged spells of unemployment he is only entitled under the Health Insurance Scheme to 8s. a week for sickness benefit and 4s. a week for disablement benefit and any additional cash benefit which his society may be able to give.

479. Is that a state of things that can continue?—It is rather anomalous.

480. What is the defence for it? I have no doubt the Department reason with these people when they

protest. Is there anything to be said in defence of that position?—It is very difficult to defend.

481. What defence can in fact be put forward?—I have never attempted to defend it.

482. (Mr. Besant): With regard to the emergency provisions which you mentioned, was I right in thinking that these special benefits form an additional charge on the societies, and to that extent diminish their surplus and so diminish the fund out of which additional benefits can be supplied?—During the first of the three years that was the case. For the last two years the societies have been recouped to the extent of the arrears penalties excused out of funds in the hands of the Department.

483. There has not been any scheme for giving an additional Government subsidy?—Oh no. By that you mean Exchequer grants?

484. Yes; has there been any such provision?—No.

485. Has that been discussed at all?—No, because in my opinion so far the National Health Insurance funds have been fully adequate to meet the strain.

486. But it does take away, does it not, what would otherwise have been money available for giving additional benefits?—That is so. I think societies recognised it was scarcely right that on the one hand they were paying additional cash benefits to their more fortunate members and on the other were allowing large numbers of their members who helped to build up the surplus out of which these additional cash benefits were being paid, to be deprived altogether of cash benefits. That would be an indefensible position.

487. I can see that the position is a difficult one, but I can see equally that if abnormal unemployment occurs and therefore a perfectly abnormal expense is imposed on a particular society, it might be a hardship on that society from which they could quite well argue "This occurs in one society because of the particular trade conditions there; it does not occur in others." I should have thought the possibility of some outside subsidy was at any rate one which was arguable. In any event it has not been paid so far?—In view of the affluent condition of National Health Insurance finance it is difficult to conceive any justification for a special Exchequer grant on behalf of National Health Insurance.

488. (Miss Tuckwell): I am a little puzzled. On the one hand we have a system which in its last resort brings you down to a condition of things which you say you have never attempted to defend, and on the other hand National Health Insurance funds seem to be so healthy that a great deal more could be done. Is it only to me that there seems to be any contradiction in that?—It is fundamental. The large surpluses are apportioned in varying degrees amongst different societies, and it may quite possibly happen that a society which has an undue preponderance of members who have suffered from prolonged unemployment may be the particular society with a very small surplus.

489. So that there could be no help except from the Exchequer for such a society?—Unless there was some financial rearrangement under the Act.

490. (Professor Gray): I should like to get clearly in my own mind the relation of the Ministry of Health to appeals and disputes. Is the position that you came along in 1911 and approved certain societies with certain rules?—Yes.

491. You could not modify these rules entirely, and under the existing rules societies had various provisions for appeal courts, deposits and other things of that sort which you might have regarded as objectionable; but you had more or less to accept these rules, and you really come in on appeal to the Government from these existing provisions?—That is so.

492. So that your power stops short when you come down to the internal affairs of the society?—Yes.

493. (Sir Arthur Worley): Then it would be possible for an appeal to come before you, and if the contributor was a member of Society A. you might decide it in his favour, but if he was a member of Society B., you would have to give it against him. That appears to me to be a possibility?

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494. (*Professor Gray*): No, the position is merely one of procedure. One society may have an appeal from one court to a higher court; it may have three courts. There might be delay or expense I take it?—Yes.

495. But once an appeal comes from a society to your Department then presumably you look at the matter on the merits of the case, and are not handicapped by the particular rules of the particular society?—That is so.

496. (*Sir Arthur Worley*): I wanted to know whether the Minister was handicapped by having to consider the appeal *vis-a-vis* the rules of that particular society?—Not the Minister, but the insured person is possibly handicapped by the procedure of his own society.

497. (*Sir John Anderson*): Might it not happen in the case of a society with a very stringent misconduct rule?—Yes, in a case like that.

498. (*Professor Gray*): Or where there is a time limit? In one society there might be a time limit which might bar the man?—Yes, it might.

499. The number of appeals to the Government Referees you have given us. They are about 22 to 30 a year?—Yes.

500. Does not that strike you at first sight as an extraordinarily small number in view of the fact that there are 15,000,000 insured persons with a corresponding number of claim cases?—The number of appeals to the Department has in recent years fallen off, mainly because of the institution of the system of regional medical officers. When an insured person is examined by a regional medical officer of the Ministry and as a consequence of that officer's report his benefit has ceased, the insured person as a rule is satisfied and does not prosecute his appeal further to the Department. That is one point. The other point is that only a small proportion of appeals eventually find their way to the Department. It may be that the majority of insured persons are satisfied with the decision of the tribunal of their own particular society, or it may be that in some cases the insured persons are so tired that they do not take steps to prosecute their case further before the Department.

501. (*Mr. Besant*): Arising out of that, if an insured person appeals is he put to any expense whatever in the matter?—As far as the Department is concerned, no, none whatever.

502. Are there expenses in the earlier stages, do you know? May he be put to expense in the society in order to get to the Ministry of Health, and may that be the reason why you get so few appeals?—One of the things which we have endeavoured to carry out in the Model Rules is that the procedure on appeal should be as simple and as inexpensive as possible.

503. Has that been done?—To a very large extent, but some societies do continue to place difficulties in the way, and a few societies continue to ask from their members deposits which we consider are onerous.

504. (*Miss Tuckwell*): Has that to be met by some alteration in the powers of the Ministry?—I think so.

505. (*Mr. Jones*): Would it be an advantage, do you think, if you had a power which would enable you to make more or less uniform Appeal Rules?—Yes.

506. Sir John Anderson has drawn attention to the difference in value of unemployment benefit and sickness benefit. Is it not the fact that in the majority of cases of unemployed workmen at present this difference is equalised by a grant from the Poor Law?—I am afraid I have no information on the subject.

507. (*Sir Arthur Worley*): it would be possible, would it not, for the contributor to insure with a Friendly Society or Approved Society for benefits beyond those given under the Health Insurance Scheme?—Yes, that point must not be overlooked. Possibly 4 million or 5 million of our insured persons are insured in Friendly Societies and Trade Unions on the voluntary side for extra sickness benefit.

508. Can you tell me whether the Trade Union unemployment benefit is the same as sickness benefit? My recollection is that unemployment benefit from

the Trade Union is greater than is allowed to a man if he is sick?—I am not sure.

509. (*Mr. Cook*): As a matter of fact a very large number of Trade Unions pay no unemployment benefit at all.—A great many have abandoned the schemes.

510. You pointed out in the course of your remarks that no Exchequer grant was necessary because of the affluent condition of the Health Insurance funds. May it not be the case that a society might have a comparatively large number of unemployed people and for that society not to be in a very affluent position financially?—I have just mentioned that in reply to Miss Tuckwell.

511. (*Chairman*): Now, Sir Walter, I come to Section B, Chapter I. I gather that the administration of this very large and complex Scheme is largely in the hands of the Approved Societies—apart from the question of medical benefit. This system is unique, is it not, in the administrative arrangements of this country? I mean, it is essentially different from those for Public Health, Poor Relief, and Unemployment Insurance?—Quite.

512. I assume that the reasons for instituting this system were partly at least historical, that is to say, the Friendly Societies and Trade Union Societies were already in the field giving sick pay and in many cases medical benefit?—The Insurance Act did not set up an entirely new machine. In addition to creating some new organisations it grafted a scheme of State Insurance on the existing arrangements of Friendly Societies, Trade Unions, &c.

513. I suppose the Trade Union Societies are very often largely composed of members of a particular trade. What is your feeling about the insurance aspects of this as compared with a society open to members of all trades and occupations?—From an insurance point of view the claims experience of a Trade Union Society is more likely to reflect the standard of health prevailing in the particular industry to which the members belong.

514. I suppose that, even with the provisions for self-government contained in the rules, the control of societies, especially the larger societies, must necessarily in practice fall very largely into the hands of the officers?—That is true of certain societies and especially of the larger ones, but it is not confined to the larger ones.

515. Do you find that the insured members do as a rule evince much desire to take a share in the government of their societies? For instance, do they attend in any numbers at meetings at which they are entitled to be present?—The degree of interest varies with the type of society. For instance, in the Friendly Society movement the members were accustomed to take quite a considerable interest in their society. I think I may say that as a general rule the great majority of insured persons take little or no interest in the government of their society.

516. The Approved Societies are in theory subject to the absolute control of their insured members. Is there not, in point of fact, also a considerable degree of control by the Department?—The Department exercises constant supervision.

517. It is confined to that. I should like to know something more as to the manner in which the Department satisfies itself that societies are carrying on their work in a satisfactory manner and in the interests of their members?—The Department is in receipt of a constant flow of information about the operations of each society. We get information, for instance, from the reports of the Treasury auditors: we get information through our own inspectors: we get information from insured persons: and in our Accounting Department we keep a very constant watch over the issues of all funds to societies. In the Department a record of complaints against and weaknesses of every society is kept, and such administrative action is taken as the circumstances demand.

518. Have you had much complaint during the last twelve years from the societies to the effect that this control by the Department is too strict or too detailed? I suppose it is in fact much closer than they are

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accustomed to in their work which does not relate to National Health Insurance?—There must of necessity be closer supervision of a National Scheme to which employers and employees and the State are compelled by Statute to contribute, but as long as a society is efficiently administered the Department does not desire and does not seek to interfere, and I think the representatives of Approved Societies when they appear before you will tell you that it is generally recognised that Departmental intervention is always conceived in the interests of the members—the insured persons. Occasionally our intervention is resented by societies, but in such cases we have generally found that it was very necessary.

519. I see from your statement that one society has 2,250,000 members, and that at the other end of the scale you have eight with less than 50 members. What do you consider the relative merits and defects of the large and the small centralised society as regards efficiency, cost of administration, financial stability, and so on?—That is a very large question, my Lord, and I am very anxious not to appear to bias the minds of the Commission as regards any particular type of society. I should prefer that the members of the Commission were left with entirely open minds on the subject.

520. Under the present system you may have in any one town numerous societies of various types operating with numerous competing agents and officers who must tend to overlap in their activities with consequent increase of administrative expense?—As regards the first part, yes. As regards the second part of your question, undoubtedly the fact that there is considerable overlapping in administration through Approved Societies does add, speaking generally, to the cost.

521. Is it the case that any society, wherever its office may be, may have members in any town or village throughout the length and breadth of the land?—Yes. A society can recruit members in any part of the United Kingdom for which it is approved. Some societies are approved only for England, some for Wales, and some for Scotland.

522. Could you let us have some figures as to the number of separate Approved Societies carrying on business in certain specified towns?—Yes. I will give you the figures for six towns taken at random. In the city of Liverpool, 488 societies have members: in Bolton, 285: in Brighton, 304: in Norwich, 213: in Reading 245: in Tynemouth, 168.

523. (*Miss Tuckwell*): Were these picked out at random?—We have not picked out any particular towns. I told the clerks to go down the list and give me half-a-dozen towns.

524. (*Chairman*): Take a place like Sheffield?—I can get you the figure for Sheffield. In comparison with population it would probably have about the same experience, that is to say, you will have a number of societies in a city like Sheffield with possibly half-a-dozen members each.

525. (*Sir Arthur Worley*): With regard to the question put to you that Trade Union Societies are very often largely composed of members of a particular trade, I suppose there are both advantages and disadvantages in that from an insurance point of view?—I said in my answer, I think, that the claims experience reflects the standard of health prevailing in the particular industry to which the members belong.

526. Seeing that this is a National Health Insurance Scheme and practically all these people pay one premium, the effect of doing it with Approved Societies that are limited under present arrangements to one class, may mean that those people do not get the same benefit as members of other Approved Societies?—There is great variation in the additional benefits given.

527. Therefore under a system of watertight compartments as it is now, the members of particular trades may be, and probably are, seriously prejudiced compared with a universal system?—Undoubtedly.

528. Let me take an extreme case. I do not know the figures. Take the miners' case. They pay the

same and the employer pays the same. It may be that their health experience is such as to leave their society less surplus than—to take the other extreme—agricultural workers?—Yes.

529. Consequently, their members being in a separate watertight concern, get less benefit because there is less surplus with which to pay additional benefits, whereas if they were all thrown into one pool everyone would benefit in the same way?—Yes. Of course the present position is in accordance with the original intention of the Act.

530. I understand that. I am looking at it from an insurance point of view. With regard to the question of the amount of supervision exercised by the Minister, as distinguished from "control," the word used by the Chairman in his question to you. I take it if you got your Model Rules instituted in all societies you would then have in effect a good deal more control than you have now?—No. I do not think so. When I spoke of the Model Rules, I spoke largely of the protection of insured persons. I do not think the Rules would give us appreciably much more control.

531. Do you want more control? Is it to the advantage of the contributor that you should have more control, or do not you protect him by your Model Rules or some amendment of them?—It is not possible for the Department, in looking after the rights of insured persons, to override the Rules of the particular society to which he belongs.

532. Therefore, if you got your Model Rules put on such a basis that every society in a given time had to adopt them with such modifications as circumstances called for, the contributors would be better off?—In a number of societies undoubtedly they would be.

533. Coming to the question of these societies with small membership, you would agree, would you not, that as regards cost it must be more difficult for a small society than a large society to operate with proper machinery?—For a very small society.

534. Of which you have a large number?—Yes.

535. That again amounts to this, that the contributor, whether he knows it or not, suffers in the end where efficiency is not achieved in the cost of administration, by not being able to get the same surplus?—I think the question of surplus has nothing whatever to do with the size of the society.

536. It has in this way, that if you have not got a surplus you are not going to pay additional benefits?—It is astonishing what large surpluses, proportionately, some of the small societies have.

537. That is what I want to elucidate, if I can. In some of the smaller societies, either by administration or health experience, their members are equally fortunate with others?—Yes, in small societies. The main difficulty of small societies from an administrative point of view is that the administration allowance for the small society is so small that they find it difficult to get a man sufficiently competent to do the work. But it does not necessarily follow that the members are worse treated in the small society, because very often a small society is in very close touch with its members, and there is an element of humanity in some of the small societies which possibly does not exist to the same extent in some of the large ones.

538. With regard to the question of a society having members in any town or village up and down the country, that must have a tendency, must it not, to cause delay? Supposing, for instance, the society is in Aberdeen and the contributor is at Land's End and he falls sick, there is delay, is there not? Does it amount to anything?—I do not think it amounts to very much. If a member of a society is located in a town in which his own particular society has no representative it is possible that there may be a little more delay as regards the initial payment of benefit, but not as regards later periods.

539. (*Mr. Besant*): Do you consider this multiplicity of societies is on the whole beneficial, or do you think efficiency would be brought about by some scheme of amalgamation, the tendency to-day being towards amalgamation in almost every sphere of

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activity?—I would like to defer answering that question till a later stage. I should prefer that the Members of the Commission should hear the evidence and form their own ideas of the working of the machine before I express any personal views on that subject.

540. At the end of paragraph 4 you refer to Industrial Insurance Companies as large centralised societies. Would you include in that the Insurance & Banking Officials Approved Society?—This division is rather rough and ready; it does not cover every type of society.

541. Is it advisable from the point of view of the Ministry of Health to have that type of society? In the case of the Post Office the whole thing is under one organisation, and that again is centralised. I suppose you would rather not answer at this stage?—Personally I have no views on the subject.

542. (Sir John Anderson): In regard to the composition of the societies by which the scheme is administered, is there not something in the freedom which is given to members under the scheme to group themselves together as they like, in societies of their own choosing which really is incompatible with the basic idea of a scheme involving a national pooling of risks? Is it true to say that when the scheme was started the criticisms which were levelled against it on the ground that the flat rate was unfair to particular classes of employed persons were met by a reference to the possibility of grouping in particular societies where the risks were less than normal?—That is so.

543. Is the Ministry in a position to say whether the segregation thus allowed and in a measure encouraged has been carried to a point at which the soundness of the scheme as a National Scheme is definitely menaced? By that I mean, are you left as a result of that segregation with a residue of societies at the present time in which the risk is so much greater than normal that the scheme is not really sound?—I think I would put it in this way, that I can scarcely imagine that legislators when passing the Act anticipated that such large surpluses would emerge and that consequently such a degree of disparity between different societies would arise. I think I am bound to say that as a result of the amount of segregation which has taken place the problem of a certain number of the societies, composed largely of persons belonging to industries where the standard of health is not particularly high, is becoming rather a serious one. Does that answer your question?

544. You refer to the surplus. The surplus surely is only incidental. What we have to look at is the disparity?—Yes.

545. If there had not been a large surplus you would have had just the same disparity?—Yes, but the surplus has emphasised the disparity.

546. It may have emphasised it, but on the other hand it has mitigated the effects because that circumstance has greatly reduced the number of societies whose results are below par according to the standard of the original scheme?—I agree.

547. If there had not been a surplus surely the disparity would have shown itself in a number of societies above the line, and a corresponding number below the line?—Yes.

548. The present position by reason of the unexpected surplus is, I take it, that nearly all the societies, all but a comparatively small proportion, are over the line?—Yes.

549. But the disparity remains?—Yes.

550. Side by side with the facilities for segregation which were given by the original scheme, there were provisions, were there not, in the opposite sense for compulsory grouping?—Yes.

551. Have those provisions operated in practice?—The main provisions for compulsory grouping have passed away by reason of the setting up of the Contingencies Funds under the Act of 1918. But there is still an element of grouping as regards societies with less than 1,000 members.

552. What was the limit before—5,000?—5,000.

553. The only difference made by the 1918 scheme in that respect was that the limit which previously was 5,000 became 1,000?—And also to the extent that now the participation is only as regards 50 per cent. of the Contingencies Fund, the combined Contingencies Funds of all those societies. It is a limited participation.

554. Was it complete participation before?—No, not quite complete. It was limited to a proportion of the surplus.

555. What was the proportion?—One-third. That has disappeared and participation now is not as regards surplus but as regards the Contingencies Fund.

556. And you have a reduced limit?—A reduced limit.

557. So that really the effect of the 1918 Act was rather to intensify the degree of segregation. Specialised societies were able to assert their independence on a smaller membership than they were before?—Yes.

558. And the small ones that were grouped did not have to put their resources into a common pool to the same extent?—No.

559. Are there still left any societies which in the view of the Ministry are too small to be efficiently managed?—Yes.

560. Which purely by reason of numbers are not a sound proposition?—Yes.

561. Have the valuation results in fact shown the sort of discrepancies that you would expect in such societies—violent fluctuations?—Yes. Of course some societies are really so small that although there was a surplus the valuer was not in a position to say definitely that it was safe to distribute the surplus.

562. Have you given us the number of societies below a certain membership. Have you got that?—Yes, it is in the evidence.

563. I think you said in answer to the Chairman that the Ministry supervised the working of societies. Can you tell us in a few words what the ultimate power of the Minister is where a society is thoroughly inefficient and how that power is exercised?—Where a society is thoroughly inefficient we have power under the Act to withdraw approval.

564. But prior to the withdrawal of approval have you any power?—Nothing worth speaking of.

565. Cannot you put in a manager?—Yes, that is part of the procedure of withdrawal of approval.

566. I know; but withdrawal of approval is the act which brings the society to an end?—Yes. Prior to actual withdrawal of approval as a rule we put in a manager. The manager is put there in the first instance to see if he can pull the society together. We have had one or two cases where the manager we put in did pull the society together and the society is in existence to-day; but in other cases where a manager was put in we found the position so hopeless that we effected a transfer of engagement to another society. We prefer to follow that procedure rather than to withdraw approval.

567. Can you put in a manager except where the Ministry are satisfied that there is a *prima facie* case for withdrawal of approval?—No, our powers in dealing with societies where there is a certain degree of defect of administration but not sufficient to establish a case for withdrawal of approval are too limited.

568. Might I put it like this, that it is only where the Ministry are in a position to say "If this condition continues we shall have to withdraw approval" that you have any effective disciplinary control?—That is my opinion.

569. It is a matter of fact, is it not?—That is so.

570. You cannot take any effective steps to compel a society to conform to your requirements unless it has been shown to be so bad that continuance of its existing condition must inevitably lead to withdrawal of approval?—That is so.

571. What about audit control. I do not want to anticipate your evidence. Is the control which can be exercised through the audit an effective safeguard against maladministration in the matter of over-spending or reckless spending?—It is not sufficient.

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572. (*Miss Tuckwell*): With regard to the statement in the first paragraph as to the affairs of a society being subject to the absolute control of its insured members, that was the intention of the Act, was it not?—Yes.

573. Your answers show, in fact, that that intention has not been carried out?—In a certain proportion of societies.

574. Whose fault is that? Would you say it was apathy on the part of members, or what?—I think it is due largely to apathy on the part of members.

575. It is not a question of the size of the society?—That is one element.

576. With a small society would you get more live interest?—In a very small society, but in a moderate sized society I think they take as little interest in the management as in a very large one.

577. It could not be got at by rules as to annual meetings?—What we have been endeavouring to do, especially with the very large societies during the past few years, in view of the very small attendance at the annual meetings, and the difficulty of the insured persons expressing their views, is that we have got some of these large societies to set up "district areas." Members in these district areas have the right to summon a meeting if they have a particular grievance, and the district meeting can bring the case up before the General Meeting of the society. I do not think a district meeting has ever been called in one of those societies. I do not wish you to take it for granted that in some of the societies the members are suffering with any burning grievance. I do not think they are.

578. It is a question of democratic control which does not exist?—That is so; it is largely theoretical.

579. You rather differentiated as to Friendly Societies. Do the members take an interest when it comes to the question of insurance?—Yes. Friendly Societies as a rule have small branches, and they have branch meetings from time to time primarily in connection with the voluntary side; but interwoven with those meetings is the State side, and by that means I think the State insured members of branches of Friendly Societies are more in touch with the work than they are in the large centralised societies. I put it no higher than that.

580. That is because there is general business?—Yes, and because of the organisation.

581. (*Sir Arthur Worley*): Is it not because the Friendly Societies have been going for many years and have been holding meetings regularly by their different branches—and in the Trade Unions a somewhat similar state of things obtains. The Approved Society is built on insurance company lines where a man pays his premium and in due course dies and his relatives get the money, but there is never any meeting of policy holders?—That is so.

582. (*Professor Gray*): The Act of Parliament lays it down that the society must be democratically controlled?—Yes.

583. All that you can do is to provide under the rules an opportunity for giving effect to that?—Yes.

584. You cannot compel members to turn up or to take an interest?—No.

585. Obviously the bigger the society the more difficult it is to get any living interest in the matter?—Yes.

586. I think you might say, apart from cases where there is some other interest like a trade union, or temperance or religion, you cannot get an interest in health insurance alone on the part of most members?—It is very difficult.

587. A question was raised about very small societies. The fundamental difficulty there is, is it not, that insurance requires a certain number of people before you can level out the risks, and when you get down to a very small number you have not a sufficient number of people for that purpose?—That is so.

588. But is there not another point also? In the case of a small society the secretary, whoever he may be, is inevitably a man of not very great experience,

and the kind of questions that might turn up in a big society every week or every fortnight will only come his way once in six months or once a year?—That is so.

589. So that inevitably the secretary of a very small society has not got the experience and knowledge of the man running the bigger society?—I think I would put it in this way, that the administration allowance for a small society is so small that it is sometimes difficult to get a man sufficiently competent and sufficiently well versed in the administration of the Act for the money available.

590. Yes, but over and above that the man when he is doing his work does not get full experience of all the regulations. The actual work of his society is so small that he cannot get the experience that a man would do who was doing the one thing all the time?—I think a man handling a very big society in which every type of question is constantly coming before him is more versatile and more competent than is a man administering a very small unit.

591. As regards the plan of using for the administration of National Health Insurance various kinds of societies—Trade Unions, Friendly Societies, and so on—a very large number of the people who are running Health Insurance have in a way some other interest?—Yes.

592. The number of people who are engaged whole time on Health Insurance may be fairly small compared to the total number doing it?—I could not give you the exact proportion, but a very large number of persons doing Health Insurance work are primarily engaged in other work.

593. There is the Trade Union man who has to look after his Trade Union as well; there is the man under the Industrial Insurance Company who has private business of theirs to look after, and so on?—Yes.

594. With regard to Associations, you have not had much experience yet of the present arrangement? You give figures which show that of the existing Associations—19 altogether—six in fact had less than 5,000 members, and none of the others have been operative?—Not been operative from the point of view of pooling.

595. Can you tell us how the Associations for pooling purposes work, and whether they have any control over the independent bodies. You have a number of societies which pool together and have a central body in control over them?—No, the central body is not allowed to interfere in the administration of each particular unit.

596. Does not that raise a difficulty if you have bodies which pool for valuation purposes but which can go off on their own and establish their own maxims for administration?—It has not arisen so far, and it must be remembered that before a society is permitted to join an Association all the other members of that Association are allowed to make very critical examination of its methods of administration and indeed of its financial position before admission.

597. I take it the Association can expel a society later if it thinks fit?—No, not unless there has been committed a definite breach of the rules. So long as a society conforms to the rules of the Association the other members of the Association would not be allowed to expel it from the Association, simply because they thought it was going to have a bad experience.

598. An Association could not expel a society which they considered was unduly generous in the payment of benefits?—Not unless there was a breach of the rules of the Association.

599. (*Mr. Jones*): You gave us, Sir Walter, the number of societies operating in Liverpool, Bolton, and some other towns. Could you extend that to show the numbers of members—above 100,000, 50,000, 10,000, and so on; and I should like you to bring out in that statement the large number of societies that have only a very few members in a particular town. In Glasgow we have 100 societies each with one solitary member?—I will see what information can be supplied.

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600. (Mr. Cook): You do not suggest in the case of Approved Societies that have little or no surplus that that position is the result of maladministration?—Oh no. I recognise as regards the first valuation period, maladministration did effect to a slight extent the results of some societies, but very few. In producing the results—surplus or otherwise—of a society, the chief factor is the type of member, especially as regards occupation.

601. (Sir Arthur Worley): That is the health experience?—The health experience.

602. (Mr. Cook): With regard to these different types of societies, for instance, the big industrial societies, are there adequate safeguards and checks to see that no part of the money that is paid for National Health purposes is paid for other than National Health work. Do you see my point?—Yes. I think you are referring to the arrangement under which a few societies make contract arrangements under which they get a specified sum from the Approved Society for doing definite work. The arrangements are very few in number. In over 1,000 societies there are only 14 such arrangements; and it is a fact that in two or three industrial societies arrangements have been made whereby a fixed sum is paid over per annum to what we call the voluntary side for carrying on the work in connection with National Health Insurance. That sum is, of course, scrutinised very closely—as closely as we can—by the Department; it is subject to review each year and subject to the sanction of the Minister; and although the expenditure on the voluntary side is not subject to audit and consequently we are not able to see the details of the disbursements in anything like as close a degree as we can on the State side, yet the societies do give us figures from time to time which go to show, as far as we can judge, that the amount of money handed to them under the contract is spent on National Health Insurance work.

603. (Sir Arthur Worley): What is the result compared with the normal arrangement, where, generally it costs about 4s. 5d. per member?—That is the maximum. A society is not allowed to exceed 4s. 5d. The average cost is less than that.

604. Where you have made these commuted arrangements is the cost more or less than in the other cases?—I think it would probably work out at about the average expenditure.

605. There is no material gain to you?—No, I do not think there is any gain, but I think the expenditure would work out on the average.

606. On the other hand a large society with a large number of members would have a less general on-cost and, therefore, they ought, one would think, to do it at a less ratio?—You might ask the societies about that.

607. (Chairman): Now, Sir Walter, we will come to Chapter II of Section B, on which I shall have to ask you a few questions. I gather that of dissolution, amalgamation, transfer of engagements, and withdrawal of approval, the third is the principal method by which societies come to an end. I suppose that the main concern of the Department in this matter is to see that the interests of the members are properly safeguarded, and that at expiry the society is properly wound up?—That is so.

608. Have you had anything substantial in the way of complaint from individual members, as to their position on the disappearance in any of these ways of their society?—No, we have had no complaints.

609. None?—No complaints.

610. Is there not sometimes difficulty in finding a society willing to take over what might be regarded as a derelict concern?—No, we have never had any difficulty.

611. You have had no trouble?—That is so.

612. Do you expect the present tendency towards reduction in the number of societies—I notice you have only about half the number that you had in 1912—to continue, or do you think you have now come to something like a stable position?—I anticipate

that the process will continue for some time longer, but at a greatly diminished rate.

613. Then you think you are likely to be as you are for some time to come?—No; there is always a certain number of amalgamations going on and small societies disappearing, but not so many now as there used to be.

614. Small societies are apt to get into difficulties for various reasons, I gather, such as too small membership to support the risks, inexperience of part-time officials, and so on. Has it at all been the policy of the Department to press for the abolition of small societies, or has the large reduction in the number of societies come about naturally?—The reduction has come about, I may say, naturally. The Department has no policy in the matter, and it rarely acts except on administrative grounds.

615. Has the disappearance of the societies in these various ways been caused by administrative failure or rather by a desire to spread the risks and administrative charges over larger groups?—Both causes have been in operation; but I think administrative failure has been responsible for more transfers of engagements than anything else.

616. You attribute it chiefly to that?—Yes.

617. I see that in the case of a society with registered branches, every branch is a separate financial unit for the purpose of National Health Insurance. Does not this result in a great multiplication of work in connection with the keeping of accounts, audit, valuation, and so on?—Well, I suppose there is a little more work in connection with societies with registered branches, but not so much as would appear on the surface, as arrangements have been made under which a considerable part of the account-keeping and the audit work is done at the head office of these societies with branches. These arrangements have lessened the work appreciably.

618. Can you say whether the consolidation of separate branches into larger units, which has taken place in some societies of this type, has on the whole resulted in more efficient administration?—On the whole, yes.

619. (Sir Arthur Worley): Has the consolidation of small societies and branches, in view of larger spheres of influence, been, as far as you can judge, a great advantage?—Yes, I think the reduction of the number of branches in branch societies and their transference into districts has on the whole resulted in a higher standard of administration. Of course, in approaching a matter of that kind we must always have regard to the traditions of a society and its organisation on the private side, as we are never anxious capriciously to press upon a society with branches any model scheme of our own if it is going to interfere unduly with the organisation on the private side.

620. Would you be prepared to give us a memorandum on any specific views that you have on that point?—Yes. You mean with regard to what alterations we suggest.

621. What alterations you would suggest for greater efficiency to the benefit of contributors, and greater efficiency of management generally?—Yes.

622. I was thinking that if you gave such a memorandum it might be that one could ventilate it when the Approved Societies came forward?—I am not anxious—

623. It may be that that is not desirable?—That is so. I personally should prefer in matters of that kind that you should hear the evidence from the society witnesses and form your own views as to the actual position, and then we should be quite prepared to give our comments from the point of view of the Department.

(Sir Arthur Worley): All right.

624. (Sir John Anderson): Arising out of what Sir Arthur has put to you, has there been any tendency in England towards the formation of County Societies, that is, societies organised definitely on a geographical basis?—Nothing like to the same extent as in Wales or in Ireland.

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625. Has it been carried far in Wales?—Yes; there are quite a number of County Organisations and County Societies in Wales.

626. When you speak of the organisation of County Societies do you mean County Societies approved as such?—Yes.

627. As the result of grouping?—Yes. The Irish Section of the Act gave Ireland permission to form County Societies. It authorised special arrangements for the formation of County Societies.

628. (*Prof. Gray*): By the County Council?—Yes. That was owing to the fact that when the Act was first started the Friendly Society movement had not been extensively developed in Ireland, and it was necessary to give the Irish Insurance Commission special powers with regard to the formation of new societies on county lines.

629. I think the same thing applies to Scotland?—Yes, I think that is so.

630. (*Sir John Anderson*): But in Wales it was the result of spontaneous action?—I believe so.

631. There was no special provision in the Statute?—No. I think it may possibly have been to some extent due to representations made by the Welsh Insurance Commission. But the witnesses from Wales could tell you better on that point.

632. But the fact is that there are in Wales County Societies formed by the grouping of pre-existing Friendly Societies?—Yes.

633. And nothing of that sort has happened in England?—Yes. To a very limited extent.

634. (*Prof. Gray*): The provisions with regard to dissolution and expulsion of branches, and so on, are somewhat complicated, are they not?—Yes.

635. Would we be right in assuming that in actual practice these are rather a weapon kept in the back-ground?—I do not think there has ever been a case of dissolution or expulsion of a branch.

636. So that in actual practice where these things might be difficult in operation you would rather proceed by administrative action?—Yes.

637. So that in the case of an arrangement such as the Unattached Members' Fund it has not much importance, except theoretically?—That is right.

638. (*Mr Jones*): On the question of administrative expenses, you have said repeatedly, that you leave societies as much freedom as possible and do not want to interfere or dictate. It would be a considerable administrative advantage if you had a certain minimum membership limit because of the reduction in numbers of societies that would occur. You run down to societies with 50 members or 100 members. If you had, say, a 5,000 or 10,000 membership lower limit you would wipe out a very great number of separate administrative units?—Are you speaking of the question of expense?

639. In relation to expense; in relation to the cost of administration?—I am bound to say that the size of a society bears no relation really to the expense ratio of that society.

640. I am thinking rather of central administration. The large number of small societies is bound to involve a very great deal of work. Take the amount of correspondence, for instance?—Yes, at headquarters.

641. Another point: a separate valuation of these societies will involve a great deal of work on the Valuation Department?—Yes.

642. And similarly in the case of societies with branches, a separate valuation, I understand, has to be made for each of these?—Yes, that is so.

643. If there was consolidation in the matter of branches, or in the matter of numbers, that would make, at any rate, for cheaper administration centrally?—Yes. I do not want to put it too high, but there would be a certain administrative saving.

644. (*Chairman*): Do you think that young persons on entering into insurance for the first time understand the importance of joining an Approved Society and know what steps they should take to do so?—Of course a good many young persons before entering into State insurance are already members of societies on their voluntary side, and as a rule they join the

same society for State purposes when they become eligible for State insurance. But the fact does remain that quite a considerable proportion of young people do not appreciate the importance of selecting their society when they first enter into National Health Insurance, and indeed some of them are content to remain in the Deposit Contributors' Fund for a year or two before making a definite selection.

645. Is anything done to guide them in the choice of a society?—No; the department preserves a strictly neutral attitude as regards the merits of particular societies.

646. What are the principal causes which impel a member to change his society?—I would say that the principal causes were transference to a district in which his old society was unrepresented; dissatisfaction with the payment of claims by his society; possibly the attractiveness of the additional benefits of another society; and, I think not infrequently, the importunities of a canvasser.

647. You mean there are various causes?—Yes; there are various causes.

648. Do you think that much canvassing to induce members to transfer from one society to another now goes on?—I think a certain amount of canvassing goes on still.

649. On transfer to another society the member carries his transfer value with him. This has the effect, has it not, of putting the society to which he goes in the same financial position as if he had joined it at the age of 16?—That is so. I may, however, mention, that the transfer value is based on the assumption that he is an average healthy life.

650. I gather that insured persons are free to transfer from one society to another as they wish, subject to the payment of a small fee of 2s.; but I see from paragraph 101 that transfer involves the loss of the member's right to receive additional benefits for a considerable period? Does not this work hardly in some cases?—Yes, I think occasionally there is a hardship, especially where the member has changed his residence and gone to live in a district in which his old society is unrepresented. But possibly we may deal with that later on. There are very weighty reasons why members transferring into a new society are not allowed to participate immediately in the additional benefits.

651. I see from paragraph 95 that a society may terminate the membership of any member who has less than thirteen weekly contributions to his credit in each of the two previous years. Is this often done? At first sight, it seems rather hard treatment of a member who has been unfortunate enough to have had very little employment. Can you explain the object of this provision?—I think this provision is very rarely resorted to by societies. Indeed, at the present moment it is almost a dead letter, especially in view of the Prolongation of Insurance Act by which we enable these people to be kept in benefit rights. I ought to mention, however, that that particular section of the Act was really designed in the interests of this type of person. You will find among 14 or 15 million insured persons that there is always quite an appreciable number of persons who are only very casually or seasonally employed, and in the course of each year they would have a comparatively small number of contributions on their cards. If these people remained as members in societies, the administrative charges alone would swallow up the value of their contributions and there would be practically no balance left to qualify them for cash benefits. These persons are, under such circumstances, by the section of the Act, entitled to claim exemption.

652. (*Sir Arthur Worley*): On the question of transfer by a member, you say there are weighty reasons why he should not at once participate in full benefits, but there is certainly a great deal of hardship about it in certain cases?—Yes.

653. It is quite conceivable that a member of a society getting decent additional benefits, if he transferred to another society would get no additional

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benefits at all, and so would be penalised?—Yes. Normally he would not be compelled to change his society by change of circumstances.

654. Not normally, I agree; but still, it might be desirable if he were in a local society where he got decent benefits and he went away some 200 miles, that he should be able to transfer to another society without loss?—Yes. There is a case of hardship there.

655. Could not something be done in a case of that nature?—We have considered that on more than one occasion, but it is very difficult when you are dealing with such an enormous number of people to legislate for special classes without a risk of the concession being abused.

656. With regard to this canvassing question, put by the Chairman, canvassing is not really prohibited at all. Societies are entitled to canvass if they choose?—There are provisions in the Act which are designed to prevent one society making a wholesale raid upon the members of another society. We do not like that; but individual canvassing for transfers is not prohibited. Obviously, of course, it is not desirable that the administration money of an Approved Society should be utilised for mere canvassing purposes.

657. I agree; but what I have in my mind is that there is nothing in the regulations to prevent ordinary canvassing from one society to another?—That is so.

658. (Sir John Anderson): Has a society any right to object to a member desiring to transfer?—Yes.

659. The payment of the 2s. fee is not the last word?—A member on seeking to transfer has to pay a transfer fee of 2s., but even then the society which he is leaving can on certain grounds object to his being allowed to go.

660. What remedy has the member?—He has a right of appeal to the Department.

661. Have you many such appeals?—I have the figures here. There were 800 cases of transfer in December, 1923, and I think in 10 cases the societies' objections were upheld.

662. That is in one month?—Yes.

663. Is that a typical month?—I should think that it is on the high side. The number has probably fallen a good deal since then. In 500 out of those 800 cases the societies gave way.

664. That is a pretty steady flow, is it?—Yes, quite a steady flow.

665. Do not those appeals give a good deal of work?—A certain amount. Not a very big amount of work.

666. Do you ever hear the appeals personally? I do not mean you, but is there ever a personal hearing?—I do not think so, now. We have forms which the particular members fill up and we are able to deal with the matter by correspondence.

667. The matter is determined on the papers?—Yes, on the papers.

668. Have any principles been laid down which can be made known for dealing with appeals?—Yes.

669. What is the sort of ground which, if advanced by the society, would be held to justify a refusal?—A society might properly contend that, if this transfer were allowed, it would be prejudicial to its interests or to good administration. I will give you one or two examples. A society might fine a member for some breach of the rules—quite properly fine him—and the member might want to get away from that particular society; or they might have suspended him from benefit for misconduct, and the member might want to get away from the effects of his misconduct. In a case like that we would support the original society. We would say: "You have taken proper action in that case as regards that member and we will not allow him to escape, by transfer, the penalties of his misconduct." Then occasionally we have cases where the agent of a society has had trouble with his head office and having left that society and joined another, he has made a canvass of his old members with a view to getting

them to transfer to his new society. We would consider that improper. If there were a considerable body of members involved we would not allow transfers in such a case.

670. In other words, you do not allow a society to say arbitrarily: "No, we want to keep you and you shall not go"?—No.

671. But if a society can prove that it is likely in some way to be damaged by transfer of a member, then you look sympathetically on the society's views?—Yes; but you will see that in 800 cases, only in 10 cases were the society's objections upheld.

672. Then, as regards what happens when the man does transfer, are we to understand that in no circumstances may a member who transfers either take with him any additional benefits of the society he has left or, until the next valuation, obtain the benefit of any additional benefits that his new society may be giving to its members?—Roughly speaking, that is the position.

673. Are there any exceptions?—Of course, we had exceptions as regards the first valuation, that is, the valuation which took place at the end of 1918; we allowed members who had joined societies up to July, 1920, and who had been insured prior to 1918, to participate in the additional benefits of the new society.

674. That was not quite my point. I quite understand that as a matter of administration, the scheme of additional benefits was extended to those who were in fact members of a society on a specified date. That was not my point. Is there any case in which a member can, in an inter-valuation period, transfer from one society to another, both paying additional benefits, and get any additional benefits in his new society before the result of the next valuation comes into effect?—I am trying to recall one, but I cannot recall any instance. I do not think so.

675. Such a course might involve, might it not, the calculation of a special transfer value?—Yes, it would involve very troublesome accounting. The transfer value handed over on transfer is only the equivalent of the normal benefits, and if the new society wants to allow the man to participate immediately in additional benefits, properly speaking the transfer value should be loaded with the amount of the additional benefits which he would carry from his old society. That would lead to very troublesome complications.

676. (Prof. Gray): Would that be difficult in the case of additional cash benefits?—As regards loading the transfer value?

677. Yes?—No; but it would need a special calculation in every particular case, and it would not be a solution of the problem, because a man generally changes from a society with small cash benefits to a society giving higher cash benefits, and the transfer value added on would not as a rule be the equivalent of the additional benefits in the new society.

678. (Sir John Anderson): You said there were weighty reasons why a man transferring to a new society giving additional benefits should not receive the advantage of such additional benefits immediately?—Yes.

679. I do not want you to elaborate that, but will you tell us if there are the same weighty administrative objections to allowing a person who goes from a society which is paying additional benefits to take the additional benefits with him to his new society, if the new society is willing?—By loading the transfer value?

680. I do not say by loading the transfer value. I do not know whether it would be necessary to do so or not. I am not sufficiently skilled in these matters. It might be that the transfer value does not represent the benefit liability merely. It might represent the extra liability due to the man's age?—Yes.

681. If he were aged 16 there would be no transfer value?—That is so.

682. Indeed there might be a negative transfer value?—Yes, but such a person would not be entitled to additional benefits.

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683. I do not know how far it would, in fact, as a matter of good administration, be necessary to load the transfer value?—Let me put it this way. The scheme of additional cash benefits is based on a certain membership on the actuarial tables and that scheme is sanctioned by the Minister. If a society had a fairly attractive scheme of cash benefits and we allowed members immediately on transferring to that society to participate in these extra cash benefits —

684. I excluded that. I said I was not going to ask you to elaborate your objections to giving the member the benefits of his new society. I wanted to know what the objections were to allowing him to take with him the benefits of his old society if the new society were willing to pay the benefits. Take a concrete case. You have a man in a small rural society, centrally managed and strictly limited geographically in its operations, with an additional sickness benefit of 5s. a week. That man gets a job 100 miles away and he wants to join the same type of society in his new locality. What is the objection, if he can find a society which is willing to take him with this right to an extra 5s. a week until the next valuation, to allowing him to take that right with him, the transfer value being the same?—You might get such an influx of new members as might upset the actuarial basis of the scheme. You might get a lot of people wanting to come into that society.

685. But why should they? They are not attracted by the benefits of that society. I am not suggesting that the man should get additional benefits that the new society is giving by virtue of his new membership. What I am suggesting is that he should retain the benefits of his old society?—If he retains the benefits of his old society, then I suggest that it would be necessary for the old society to hand over to the new society that member's portion of their surplus.

686. I suggest to you that there is also the consideration that the surplus is built up during the experience at a time when that person and others were members of the old society?—Yes.

687. The existence of a surplus provides cash, it is true, to pay additional benefits, but it is also evidence of a sub-normal risk?—Yes, in the membership as a whole.

688. And you might take the view that that person, in common with the other members of the society, had contributed to that sub-normal risk. He would be the sort of person who could be taken by another society without any great financial risk. I only want to know whether you have considered it. There are two quite separate and distinct things; there is the question whether a new member should be allowed at once to enter into the enjoyment of additional benefits by virtue of his new membership. You say there are weighty reasons why he should not, but for the moment I do not bother about that. I am accepting that. But there is a great hardship in certain cases in depriving a man, who has acquired a right to additional benefit in his old society, of the right to go on drawing those benefits until the next valuation period?—Well, my answer is that if the numbers of such persons entering the new society were so small that they might be ignored from an actuarial standpoint, it could be done; but if there were a risk of a considerable accretion of new members in the new society on such grounds it would only be reasonable that part of the surplus they had earned in the old society should be transferred to the new society so as to keep the scheme of the new society on a true actuarial basis.

689. Then let me vary my question. Suppose both societies were paying the same amount of additional cash benefits. Would there be any reason in that case against allowing the man to transfer with his accrued right?—With his accrued right?

690. Yes; without any complication of loading the transfer value—just with the ordinary transfer value. I am speaking of two societies in different parts of the country paying the same additional benefits. I suppose there are a lot of societies paying the same benefits?—Yes.

691. Would there be any reason why in that case, if the man could find another society in his new locality which was paying the same rates as his old society, they should not take him?—With his normal transfer value?

692. Yes.—It depends entirely on the fluctuations of membership. If Society B. gets much the larger number of members as compared with Society A., and it is not a mere exchange, you are going to bring a much larger number of persons into Society B. entitled to participate in that cash without having augmented the resources of the scheme.

693. I am not expressing any view. If I may make a remark for a moment instead of putting a question, I mean you have to consider in a national scheme of this kind something more than merely absolutely sound financial administration. You have to consider grievances, which are important from a national standpoint, and the fact that under the existing scheme a man may be under the necessity either of forfeiting his additional benefits altogether or of putting up with the inconvenience of having his benefits administered by a small local society a hundred miles from where he is, is a serious matter. What I wanted to know from you was whether without increasing the complications greatly, you thought it could properly be left to the new society to determine whether it would accept members under those conditions. There might be an administrative warning. These cases are not very numerous, but the fact that there are no means by which that case could be met at the present time seems to be a matter for inquiry. That is all. I do not want to question you on it?—It is rather a startling suggestion. I should like to consider it very carefully.

694. (*Sir Arthur Worley*): If the position was that instead of the societies being in watertight compartments there was one State scheme, all your points would go by the board?—Yes.

695. It is simply owing to the watertight arrangements that there are at present certain contributors who are prejudiced from an actuarial and bookkeeping point of view. I mean there is a fear that there would be some prejudice on that point as between two societies, but the scheme as a whole would be no worse off?—That is so.

696. (*Mr. Besant*): I do not think we need follow up that point which Sir John has made. With regard to expulsions, what happens when a man is expelled? I see the cases are not very numerous. What happens to him? Does he become a deposit contributor?—No; as a rule he goes into another society.

697. Does he get in somewhere else?—Yes.

698. But apparently he can only be put out of one society for something which would not make him a very welcome member elsewhere; but he gets in somehow?—Yes, and he always has the Deposit Contributors' Fund.

699. Do you get many appeals made to the Minister on this question of expulsion?—No. I have the statistics here. I do not think we get more than two or three in a year.

700. It is not worth bothering about?—No; there are very few members expelled.

701. (*Miss Tuckwell*): You said that there were only 10 cases of objection to transfer upheld out of 800. On what sort of grounds were the 790 brought? What sort of cases were they?—Some societies would allege that if they lost four or five members, their administration allowance would be so greatly reduced that they could not carry on. We would regard that as quite a frivolous excuse and we would turn it down. I give that as an example.

702. They would all be cases in which they would try to show it was to the detriment of the society?—Yes.

703. (*Prof. Gray*): With regard to these transfers, I think we may say that the assumption is that if a member says he wants to go, he is allowed to go. The weight is put upon that side rather than on the other side?—Yes—freedom of transfer.

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704. In actual fact, the great majority of cases which come before you do go through, do they not?—Yes.

705. Perhaps it is also the case that a good deal depends upon complying with certain formalities—time limits, and so on?—Yes.

706. So that a substantial number of these cases in which the society may win are determined on technical grounds?—A certain proportion might be ruled out under a time limit.

707. I do not want to elaborate a point taken before, but in the case of a person transferring from one society to another he loses additional benefits. Does that apply in the case of a person transferring from one branch of a society to another branch of the same society?—Yes.

708. So that the point which Sir John Anderson was making might even be more strongly urged?—Yes.

709. You might have a member of the Foresters, who, as a good Forester, would want a transfer to his local branch?—Yes.

710. And on transferring to his local branch he might lose his additional benefits?—Yes.

711. There is a small point which I think is misleading—it is not perhaps wrong—about expulsion. It is said that a society may expel a person for certain reasons, which are set out. Then the statement goes on that a discretion is left. They may as an alternative to expulsion impose a restricted penalty by fine or suspension from benefits. That does not apply, surely, to the case where a person had already suffered a penalty in the Law Courts?—No. As a rule if a person has expiated his crime by a penalty of the Law Courts it is not possible for a particular society to fine him unless he has infringed a specific rule of the society. But it is very rarely that a case of that sort comes up.

712. A society may say: "Here is a member who has been convicted. He is not a fit person for us to consort with," and they might turn him out?—Yes.

713. But they could not say: "Here is a member who has been convicted of stealing and sent to prison. We shall fine him 7s. 6d."?—No; if that is implied it ought to be corrected.

714. With regard to the provision for a person employed for less than thirteen weeks in each of two consecutive years, you explained that that was largely in the man's own interest?—Yes.

715. I think you said that as a member of a society he would be so constantly in arrears that it would not be worth his while continuing?—Yes.

716. It is also the case, is it not, that that person would be out of benefit all the time as a deposit contributor?—Yes.

717. So that either as a society member or as a deposit contributor there is no proper place for this occasional person in the scheme of things?—That is so. The debit for medical benefit would wipe out his balance.

718. As a deposit contributor?—Yes.

719. So that it is really a kindness to an insured person, who is thus not penalised in respect of his contributions?—That is so.

720. (Mr. Jones): What relationship has that minimum number of thirteen contributions to casual labour. I am not thinking of the docker, but the casual washerwoman or sewing woman, or someone of that sort. The docker's employment is casual, but it is more or less regular—regular in its irregularity we might say; but the washerwoman type and the sewing woman type, how do they fare?—If such a person has less than thirteen contributions each year for two years, she has a right to claim exemption, like any other employed person.

721. There is a difficulty in regard to that class of people?—Yes. The clause was designed in order to protect people of that class, who have very few contributions each year on their cards, from having to stay in an Approved Society and practically have all their contributions wasted in administration charges.

722. Making contributions for which there is no return?—Yes.

723. Then again, on this question of transfer values or reserve values, it would be no solution of that problem to make a payment in cash to the member?—Payment by whom?

724. By the society which he is leaving, in respect of the value of his extra benefits?—I am afraid societies losing members would feel very bitter if they not only had to lose the member but had to hand him over some cash. In any case additional cash benefits belong to the common Insurance Fund, in which all the members have a right.

725. The idea was the difficulty that members would rush away who would not be entitled in the ordinary actuarial chance to those funds?—I think if there was a prospect of cash being handed out to them on changing societies you would have a lot of transfers.

726. (Miss Tuckwell): May I ask some questions on paragraph 95, Section B? Are these contributions so few because the person has no money to pay them or because he has not been employed?—Because he has not been employed.

727. How are the people who are employed, but are employed at a lower rate of wages, affected by this?—There is always a contribution put on for each week of employment — for each week when there is any employment, irrespective of whether they are paid a high rate of wage or a low wage; but in the case of the low-wage people, the bulk of the contribution is borne by the employer.

728. Or all of it?—Yes; there are cases where the whole of it is paid by the employer.

729. So that does not come in at all?—No, it does not bear on this point.

730. (Chairman): Taking you to Chapter IV, Section B, which is mainly concerned with the question of expenditure by societies on administration—a very important subject—I understand that the amount which societies may spend on administration in any year is limited by Regulations of the Minister, and that the present limit is 4s. 5d. per member?—Yes.

731. Is the limit the same for all societies, whatever their type or size? Surely some societies must cost far more to run than others?—Yes. I may say that the cost at the present moment varies from about 3s. per member per annum as a minimum to the maximum allowance of 4s. 5d. We have a few societies who go over the 4s. 5d., but they are very few at the present moment.

732. I see that there are comparatively few societies which have deficiencies on their administrative account, while many have very substantial surpluses. I suppose we may deduce from this that the present allowance is ample for the great majority of societies?—Yes, that is my opinion.

733. In the case of a very small society or branch, with a membership of, say, under 100, the total sum available for all administrative charges would only be about £20 a year. Is it possible to find people willing and competent to do the work for the very small remuneration which can be provided in such a case?—I think we dealt with that this morning. I explained that it is one of the principal difficulties of the small society and branch.

734. I think I read somewhere in your Statement that a further allowance is made to societies towards the cost of administering additional benefits. Can you tell us the position with regard to this?—When the additional benefits came into operation it was deemed only reasonable that societies which had to administer these additional benefits should be permitted, if necessary, to receive a small increase in their administration allowance for the extra work involved in administering these additional benefits. Consequently, in addition to the flat allowance of 4s. 5d. per member per annum, a society is permitted, where it administers extra cash benefits, to draw up to another ½d. per member per annum. As regards money spent on what we call non-cash or treatment benefits, they are allowed to spend, if required, up to a maximum not exceeding 5 per cent. of the money expended on the treatment benefits.

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735. Generally speaking, one would expect that the larger the society the lower would be the cost per head for administration? Is it so in practice?—No; I think, as I said before, the size of the society bears little or no relation to the administrative expenditure.

736. Do you rely more on control by the members or control by the Department in this matter of keeping the management expenses as low as is reasonable. In other words, does the Department concern itself at all if the limit of 4s. 5d. is not exceeded in any one year?—So far as the members are concerned we find that as a general rule they do not take any interest in the matter until or unless there is a levy made upon them for an administrative deficiency. So far as the Department is concerned, we do not often intervene so long as the maximum allowance is not exceeded; but where cases are brought under our notice of extravagance—brought under our notice probably through the reports of auditors—we interfere in cases of that kind. In recent years there is another kind of case in which we interfere. We sometimes come across cases where the maximum administration allowance is not exceeded, but the money is apportioned amongst different sections of the staff on such an unfair basis that it has resulted in defective administration. Perhaps I might explain that. We find occasionally that some section of the staff, through a staff organization—possibly an organization representing the agents—has been able to bring such pressure to bear upon the committee of management of the society that they get an undue share of the administration allowance, with the result

that the administration on the other side of the society is starved.

737. Your statement makes it quite clear how deficiencies on the administration account are dealt with, but what becomes of a surplus on that account?—A society is not permitted to ask for any more administration money as long as it has a balance on administration account equal to one year's expenditure. When the valuation comes along and we examine the balances of the administration account, if we find that there is a fair balance we make representations to the society and, as a rule, the society tips that balance into the surplus available for additional benefits.

738. I gather that the audit of Approved Societies' Accounts by the Treasury Auditor shows substantial improvement in book-keeping in recent years and that now practically half the Treasury audit reports are made without reservation. But you are not yet satisfied and are looking for further improvements, are you not?—Yes. I may say that improvement is steadily going on and we are hoping to reach a higher standard as the years go on. Quite recently I got out some comparative statistics of audit going back for the last five or six years, and, with your permission, I will insert them in the body of the evidence, as I think they will be rather interesting. I may mention that during the last seven years the number of societies whose reports showed reservations by the auditors has been reduced by over one-half—the average has been reduced by one-half; showing that a marked improvement has been steadily going on. (Table handed in.)

APPROVED SOCIETIES AND BRANCHES.

Comparative Statement of Numbers of Auditors' Qualified Certificates for the years of account 1916, 1917, 1918, 1919, 1920, 1921 and 1922 (up to the date of the Chief Auditor's Report for 1923).

Year of Account.	How Certified.	Societies.		Branches.		Total.	
		No.	%	No.	%	No.	%
1916	Without reservation	285	16·4	2,006	17·7	2,291	17·6
	Subject to Report	1,456	83·6	9,296	82·3	10,752	82·4
1917	Without reservation	356	21·4	2,589	23·7	2,945	23·4
	Subject to Report	1,307	78·6	8,355	76·3	9,662	76·6
1918	Without reservation	541	34·2	3,900	37·0	4,441	36·6
	Subject to Report	1,042	65·8	6,653	63·0	7,695	63·4
1919	Without reservation	736	48·2	5,173	56·5	5,909	55·3
	Subject to Report	792	51·8	3,990	43·5	4,782	44·7
*1920	Without reservation	755	52·1	4,969	57·0	5,724	55·3
	Subject to Report	695	47·9	3,750	43·0	4,445	43·7
†1921	Without reservation	578	45·4	4,194	51·0	4,772	50·3
	Subject to Report	695	54·6	4,023	49·0	4,718	49·7
‡1922	Without reservation	423	59·2	2,297	60·2	2,720	60·0
	Subject to Report	292	40·8	1,518	39·8	1,810	40·0

* Figures include accounts of 5 centralised societies and 10 branches for 1919.

† Figures include accounts of 1 centralised society and 1 branch for 1920.

‡ Up to the date of the Chief Auditor's Report for 1923.

739. Has there been much complaint on the part of societies about the complexity of book-keeping or the meticulousness of the audit control?—As regards the book-keeping, I think possibly you might put that question to the Accountant General when he comes before you. He is more competent to deal with it than I am. The accounts are somewhat complicated, but I think that the Accountant General is always doing everything in his power to simplify them, and I think he has been very successful in that direction. As regards the auditors, occasionally, of course, we get a complaint from a society, but we generally find on investigation that the action of the auditor was perfectly justified. Auditors naturally are critics. They are not out to please people. I think they do their work thoroughly and well.

740. Can you give us any idea as to the proportion which the recorded overpayments of benefit bear to

the total amounts paid in benefit, in corresponding periods?—I was looking at the auditors' reports for that and I find they only started to give these figures in 1922. I have only the figures for 1922 and 1923. I find that in 1922 the recorded overpayments of benefits made by societies amounted only to 6s. 4d. in every £100, and in 1923 the amount was 4s. 8d. in every £100.

741. (Sir Arthur Worley): I understand that the maximum amount allowed for expenses is 4s. 5d.?—Yes.

742. And that actually the expenditure works out from 3s. up to 4s. 5d.?—Yes.

743. What is the reason for the tremendous difference between the two?—A small local society is possibly run partly by semi-voluntary effort, for instance. They may not have any agents. The work may be done entirely from an office. There are

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great varieties of system. The agency system is an expensive system, and in the case of a society which has to employ agents for delivering and collecting its cards, you generally find that is a fairly heavy item.

744. Is it suggested that the 3s. will be the amount in the case of a small society?—Not necessarily. The tendency is rather in that direction, but it is not necessarily confined to small societies. You will find certain societies with a membership of 10,000 to 20,000 where they have a small local office and the membership is concentrated round that particular area, and they are able to manage that society more economically, perhaps, than others.

745. It is a very great difference—50 per cent. more?—Yes.

746. Is there much difference in the large societies?—Not very much. You would find the cost varying from about 4s. to 4s. 4d. or 4s. 5d.

747. I think it is said that the amount of the allowance for administration has not very materially increased from the time when you first started?—I think, having regard to the changed economic conditions, the maximum allowance having only been increased by 29 per cent., that it is not an excessive increase.

748. It is the fact, however, that it has gone up?—I do not think, from the changed conditions, that the increase is excessive.

749. But I was only saying that, as a fact, it has gone up?—Yes.

750. Do you think that the amount by which the cost of administration has come down from the high peak point has followed the fall in the cost of living sufficiently?—If we assume that the figure originally fixed and in operation for the first seven years of the Act, namely 3s. 5d., was a correct figure, then I think the cost now of 4s. 5d. is not excessive. I think that the cost of 4s. 10d., which was the peak figure which we reached, being only something like 40 per cent. over the pre-war figure, could not be regarded as excessive.

751. If 4s. 10d. was the peak figure at a certain time when the cost of food was at the highest point, do you say that the reduction of 5d. only has been sufficient? Assume that 4s. 10d. was quite a proper sum. Is it a proper sum now to have 4s. 5d.?—As a matter of fact, the 4s. 10d. was not fixed when the cost of living was at the peak figure. It was not based on the peak figure. The societies might reasonably have contended, if the cost of living had remained at the peak figure for some appreciable time, for a higher allowance than 4s. 10d.

752. The peak was about 1920, was it not?—Yes. As a matter of fact, the 4s. 10d. was not awarded until six or seven months afterwards, when the cost of living had fallen. The peak figure was for the cost of living 176 and fell to 130 about 6 months later.

753. The peak figure was reached in November of 1920?—Yes. If that peak figure had remained at the time the Award was made I think a higher Award than 4s. 10d. would have been made.

754. There seems to me to be an extraordinary difference in administration cost, whatever may be the reason, between the 3s. and 4s. 5d., and it makes one wonder whether there is not some margin of difference which could be looked into?—Of course, 3s. is very exceptional. I should think the average society is costing at the moment 4s. or 4s. 3d. 3s. is a very exceptional case, and I do not think it can be taken as a true criterion. I think it would be very interesting if you asked different societies what amount of money they paid to their agents for the collection and delivery of cards, and what other work those agents did, and also got some idea from them as to what staffs they had at headquarters per thousand members.

755. (Sir John Anderson): You referred in your paper to the method of recovering a deficiency on Administration Account. Have you many cases where a society's Administration Account has been in deficiency?—There were a good many in the earlier years. There are not very many now.

756. There were a good many?—Yes.

757. And has this method of recovery that you mention in paragraph 132 worked satisfactorily?—Yes, on the whole.

758. You have not had protests?—No. You are now referring to the levy?

759. Yes, I am referring to the levy?—Naturally, the members are rather indignant when they find they have to pay a levy. They want to know the cause of it, and we are very glad that they do.

760. Has the levy had to be recovered in any large proportion by a deduction from benefits?—Yes, in quite a considerable proportion. Members have not paid the levy and it has resulted in a reduction of their benefits for the following year.

761. A large proportion have not paid the administrative levy, but have preferred to remain passive and have it taken off their rate of benefit?—Yes, that is so.

762. As to improper expenditure, you told us it was small in amount, but so far as it is not recovered, either from the member receiving the improper payment or from the officer making it, it is charged to the Administration Account?—Yes, that is the general rule; there are a few exceptions.

763. That is an innovation, is it not?—Yes, it is an innovation.

764. It was not a feature of the original Act?—That is so; but it is a very effective innovation.

765. You find it works well?—Yes.

766. (Mr. Besant): Can any saving in expenses in any one year be set off against a deficiency in a following year?—Yes; in fact, a deficiency does not arise until the savings of previous years have been wiped out—savings remaining in the Administration Account.

767. Then what happens at the end of the valuation period? I take it any savings which have accumulated are then put into the general pot and can be used as additional benefits?—Yes, if the balance is fairly large; if it is not inconsiderable.

768. At each five years you have to take stock and it disappears?—Yes. If it is only a small balance it is left in the Administration Account.

769. Then have the additional benefits involved any addition to the administration expenses?—Yes. The administration cost of the non-cash or treatment benefits is fairly high. There is not very much extra labour involved in the administration of the additional cash benefits, but there is a little.

770. But in some of the others there would be a good deal?—Certain things, such as dental benefit and optical treatment, involve a certain amount of administration expenditure.

771. To some extent an addition to the maximum of 4s. 5d. is justified by the fact that they have to do more work?—We have allowed societies to go up to 5 per cent. as an expenditure on the amounts disbursed on non-cash or treatment benefits. If a society spends £100 on dental benefit, it is allowed to draw another £5 for the administration of that benefit.

772. Over and above the 4s. 5d.?—Yes.

773. (Prof. Gray): Mention has been made of the very great range in the cost of administration of Approved Societies. Is that, perhaps, surprising in view of the extraordinary difference in the way they are conducted and the system of government?—No, I do not think so.

774. You might have a society, for instance, with a large delegate meeting, which would make an enormous hole in the administration expenditure allowance?—Yes.

775. Then with regard to the variations in the amount of the administration allowance, it is rather difficult, is it not, to establish any chronological correspondence between the amount allowed and the cost of living?—It is very difficult, especially as so many officials are part-time.

776. But, apart from that, would not you say that perhaps the original figure had not a long enough run before the war came, to enable you to see whether 3s. 5d. was or was not sufficient?—I think we had

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sufficient information to enable us to say that 3s. 5d. was quite a fair amount to give them.

777. Probably more than fair?—Yes.

778. That is the point I was getting at. The first rise in the administration allowance was as late as 1920?—Yes.

779. That means that during the whole time prices were going up the administration allowance was at the same figure?—Yes.

780. And that was because the societies had a very large surplus?—Yes.

781. Because of that large surplus there was no case for increasing the amount?—Yes.

782. With regard to these few societies you mention as making a contract arrangement, the number is probably very few, is it not, ten or twelve?—Ten, I think.

783. But, on the other hand, I think we ought to bear in mind that they are very large?—That is so.

784. So that they cover, as far as insured population is concerned, a matter of 6,500,000 people?—That is possibly true. I do not know the exact figure.

785. So that, in speaking about the administration expenses and the adequacy of them, we have to bear in mind that, with respect to something approximating, let us say, to half the insured population, the actual amount spent is, in a way, not subject to detailed audit?—That is true.

786. (Mr. Jones): Is it not a usual feature of trading or business of any sort that the greater the turnover the less is the cost per unit?—Yes, I think that is a sound business principle.

787. Generally recognized?—Yes.

788. As a matter of fact, is it not the case that the Ministry have introduced that same principle in another direction in connection with Insurance Committee administration?—To a modified extent, yes.

789. At the same time, you have pretty well levelled down, or levelled up, as you care to look at it, the standard of Insurance Committee variation?—Yes.

790. Does it not appear, in view of the variation in the charges, that it is desirable to have some power of more or less standardizing the methods of Approved Societies?—Of course, you are opening an enormous question. This Act has been built up on an existing machine. The administration of the Act through Approved Societies contemplated that existing organizations, such as Friendly Societies and Trade Unions, etc., etc., which took over the administration of the National Health Insurance Act, should be interfered with as little as possible. We have such a diversity of types, and, as I said in the morning, our policy has been to see that the Act is efficiently administered, and in that we always endeavour to see that the members get their benefits promptly and on an economical basis as possible. But we have not conceived it right that we, as administrators, should attempt to stereotype a machine which the legislature handed over to us, and on which this organization has been built up.

791. On the point of the levy, a large number of members do not pay that levy, at any rate, in cash?—That is so.

792. How long does the debit stand against them?—For the whole of the benefit year following.

793. Only for the year?—For the year.

794. So that, if they hold tight and do not pay till the end of the benefit year, they escape the levy?—If they do not pay at the appropriate time they are subject, if they fall ill, to have a corresponding reduction per week off their sickness benefit in the following benefit year. If they are sufficiently healthy and do not make any claim, it is true they escape any monetary loss.

795. So that, if a person is unfortunate enough to be ill in the last week of the year, he may have to pay the levy; but if his illness is not till the first week in the next year, he escapes it altogether?—Yes, that is so.

796. (Chairman): We now come to Chapter V of Section B. On the first valuation were the financial results much better than were expected, and if so,

will you explain broadly the reasons for this?—Yes. I think I may say that the results of the first valuation were better than we expected. The chief contributory causes of the large surplus were, first of all a low claims experience, especially during the period of the war; a high interest yield on investments; a high average of contributions received by societies during the period; and, as regards men's societies, a high rate of mortality among men during the war, which had the result of reducing the liabilities of societies and releasing substantial reserves.

797. Do you consider that the 17 million surplus mentioned in paragraph 161 indicated that the contributions under the Act were unnecessarily high?—I think that the first valuation covered such an exceptional period that it would not be safe to draw any definite inference from it.

798. You could not draw any definite conclusions?—You could not draw any definite conclusions from it.

799. Can you give us any explanation of the differences shown by the figure in paragraph 164 between the average surplus per head in the different countries?—That is rather a difficult question. The Welsh and the Irish Societies were generally below the average. The Welsh experience was affected by the heavy sickness rates which are associated with certain industries in which a large proportion of the insured persons in the Principality are engaged. I think that is the chief reason as regards Wales. As regards Ireland, that factor to some extent affected the results in the North of Ireland; but another factor in Ireland was that the average number of stamps on the cards in Ireland was below the average. I think that is the best explanation I can give you.

800. Was the disparity in the valuation results as between different societies greater than was expected?—As I said this morning, I do not think anybody at the inception of the Act ever anticipated such a large surplus, and such a degree of disparity, as actually happened. I confess that, speaking for myself, I was not surprised at the degree of disparity when I saw the amount of segregation which had taken place.

801. Do you attribute this to remediable defects in management, or do you think it is a feature inherent in a system of societies of such varying size and type of membership?—I do not think the size of the society, apart from very small societies, has much to do with it. To a slight extent defective administration did affect the results of a few societies during the first valuation period; but the real factor in my opinion was the type of member, especially as regards occupation.

802. In paragraph 178 I see it is stated that while the realised surplus was 17 million the disposable surplus was about 9 million. Can you indicate to us broadly on what basis the disposable surplus is marked off from the total?—I think that is rather a question for the Treasury Valuers. I anticipate one of the Treasury Valuers will be giving evidence before you later on.

803. Do you expect the results of the valuation now proceeding to be as favourable as those of the 1918 valuation? Can you give us any approximate estimate of the expected surplus as compared with the 17 million of the last one?—I understand that the results of the valuation now proceeding promise to be very satisfactory. But the Department has as yet received no reports from the Treasury Valuers, and until we do so it is impossible for me to give you any figures.

804. I observe that the valuation this time is taking place as at two dates separated by a year in order to ease the work of the Valuers. Is this going to cause any inequality among insured persons in the two acts of societies? Will some not get their additional benefits sooner than others?—No. Arrangements are being made whereby in future members of a society will participate in additional benefits according to the length of their membership in the society, quite irrespective of the date as at which the society is valued.

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805. (Sir Arthur Worley): I take it from what you say that in your view, when this Act came into being, the legislature never contemplated either that there would be such large surpluses or such a large variation in them, or that there would be very little here and a great deal on the other side?—It is difficult for me to answer that, but I scarcely think they could have imagined that such large surpluses would have arisen.

806. The result of this has been that what was put forward as a national scheme of insurance—the word “national” presumably meaning equal benefits for everybody—has not really been carried into effect?—I do not think you are interpreting the word “national” correctly. It was distinctly understood that the main intention of the Act was that it was to be run through different societies, and insured persons who had the wisdom and the foresight to join together in groups of particular kinds would participate by additional benefits in the fortunes of their own particular group.

807. That was the effect of it, at any rate?—That was the intention. It is a national scheme, but there is no doubt whatever as regards the intention of the Act as originally passed through Parliament. I am not defending it, but that is the position.

808. I think as a matter of fact the framework ought to be altered in view of different circumstances that arise from time to time; but the effect of it at any rate as applied is that it is not a universal benefit. But had it been possible for the actuaries to arrive at what was a correct figure all over, there probably would not have been that inconsistency. If they had been able to estimate the liabilities and the amount of the claims, then there would not have been these additional benefits being given by some societies?—In a National Scheme of this kind, administered through Approved Societies, if the flat rate of contribution is just the bare equivalent of the risk, you are bound to have an appreciable number of the societies always in deficiency.

809. I agree; but if the estimate had been closer between the actual premium required and the actual experience, there would have been less of a variety—less disparity?—There would be a smaller surplus.

810. And therefore a less fund to draw on, and probably less disparity?—I do not know about the disparity. The amount of the surplus does not affect the disparity. The disparity may become more obvious, the greater the surplus; shall I put it that way?

811. I do not mind your putting it that way, but it does come back to the same thing?—Yes.

812. However, your reply is that as the Act was framed and carried out, it has ceased to be national in the sense of being universal and equal for everybody?—Yes; it did not contemplate that.

813. (Sir John Anderson): Is it possible to give us any simple method of estimating and fixing in our minds the extent of the disparity which has resulted from this unexpected degree of segregation to which you have referred? Can you give us any figures, for example?—Yes.

814. But figures which impress the mind. You see 17 million seems a very big amount but it does not convey very much, at any rate to me. Suppose £100 represented the expectation over the whole country. What would be the extremes above and below in your actual experience after the first valuation? I mean does it range from 70 to 130, or from 60 to 140, or 80 to 120? That is the sort of thing.—I think we can get you a table based on those lines. I see what you mean.

815. The whole thing is relative?—Yes. In our report we have pointed out in paragraph 164, for instance, that the average surplus per member for the different countries was, England, roughly speaking, 25s.; Scotland, 20s.

816. I know; but that is the average surplus?—Yes.

817. That is not what I want. That shows you the extent to which the working over the whole was better than the original anticipation; but it does not show the extent of the variation?—We can give you that. We can tell you the number of societies which had a certain rate and the number in the next grade.

818. I think it is important from our point of view to know what degree of fluctuation in risk, owing to segregation or any other cause, we have to face?—Yes; we will get that out.

(The Statement promised in answer to Questions 814–818 is inserted here for convenience of reference.)

TABLE AND DIAGRAMS ILLUSTRATING THE FINANCIAL EFFECTS OF SEGREGATION, AS AT THE 1918 VALUATION.
Distribution of Insured Persons with reference to the Rates of Additional Cash Benefits which the Disposable Surpluses would provide.

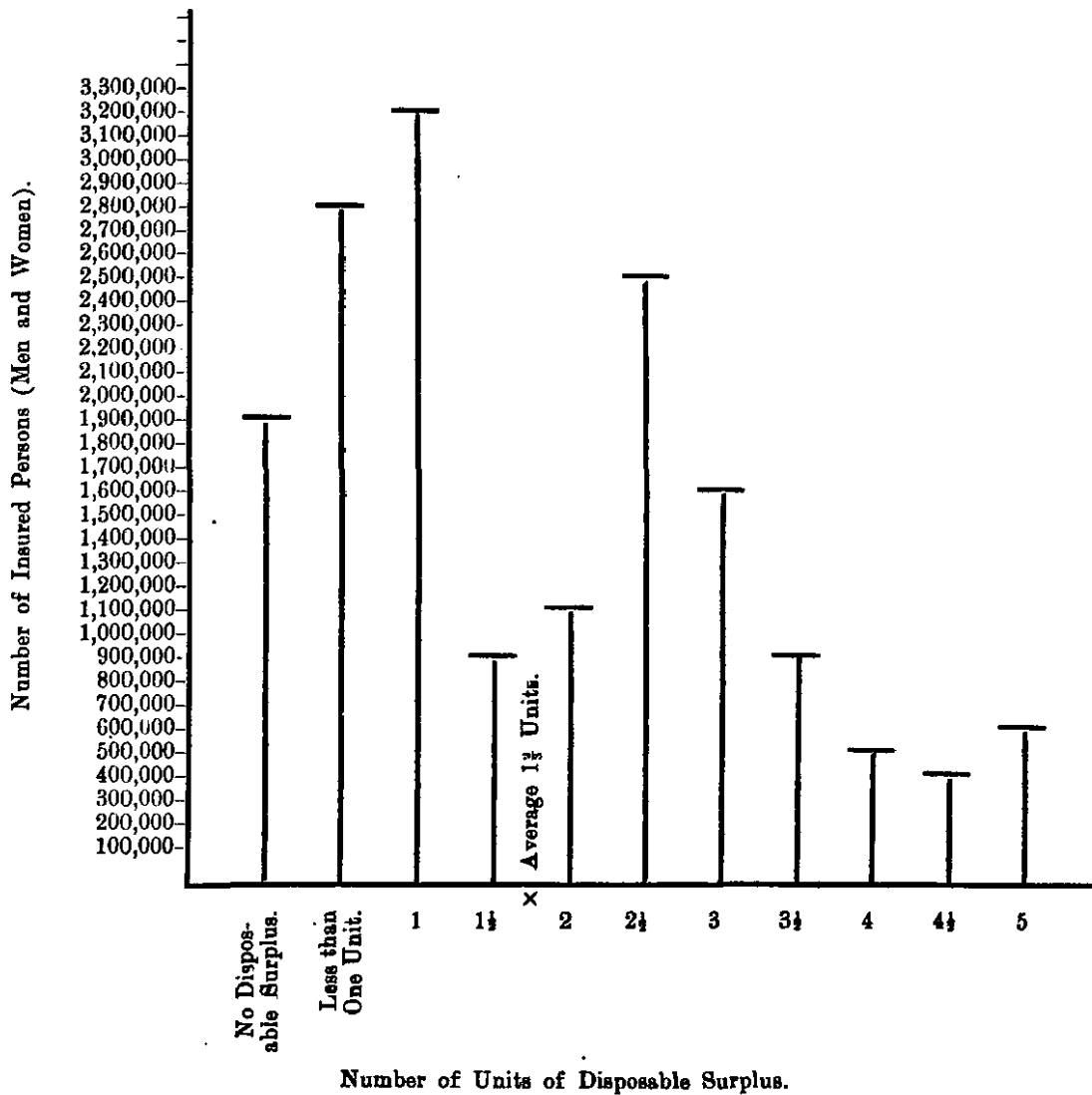
Number of Units of Disposable Surplus.	Number of Insured Persons.		
	Men.	Women.	Total.
Deficiency	288,573	33,777	322,350
Non-disposable Surplus	1,144,208	414,072	1,558,280
Less than 1 unit	1,661,904	1,160,541	2,822,445
1 Unit	1,235,252	1,978,200	3,213,452
1½ Units... ..	671,108	262,062	933,170
2 "	684,169	322,143	1,006,312
2½ "	2,227,048	271,394	2,498,442
3 "	895,098	683,848	1,578,946
3½ "	743,602	115,709	859,311
4 "	339,497	104,636	444,133
4½ "	327,475	49,619	377,094
5 "	465,167	171,676	636,843
TOTALS	10,683,101	5,567,677	16,250,778

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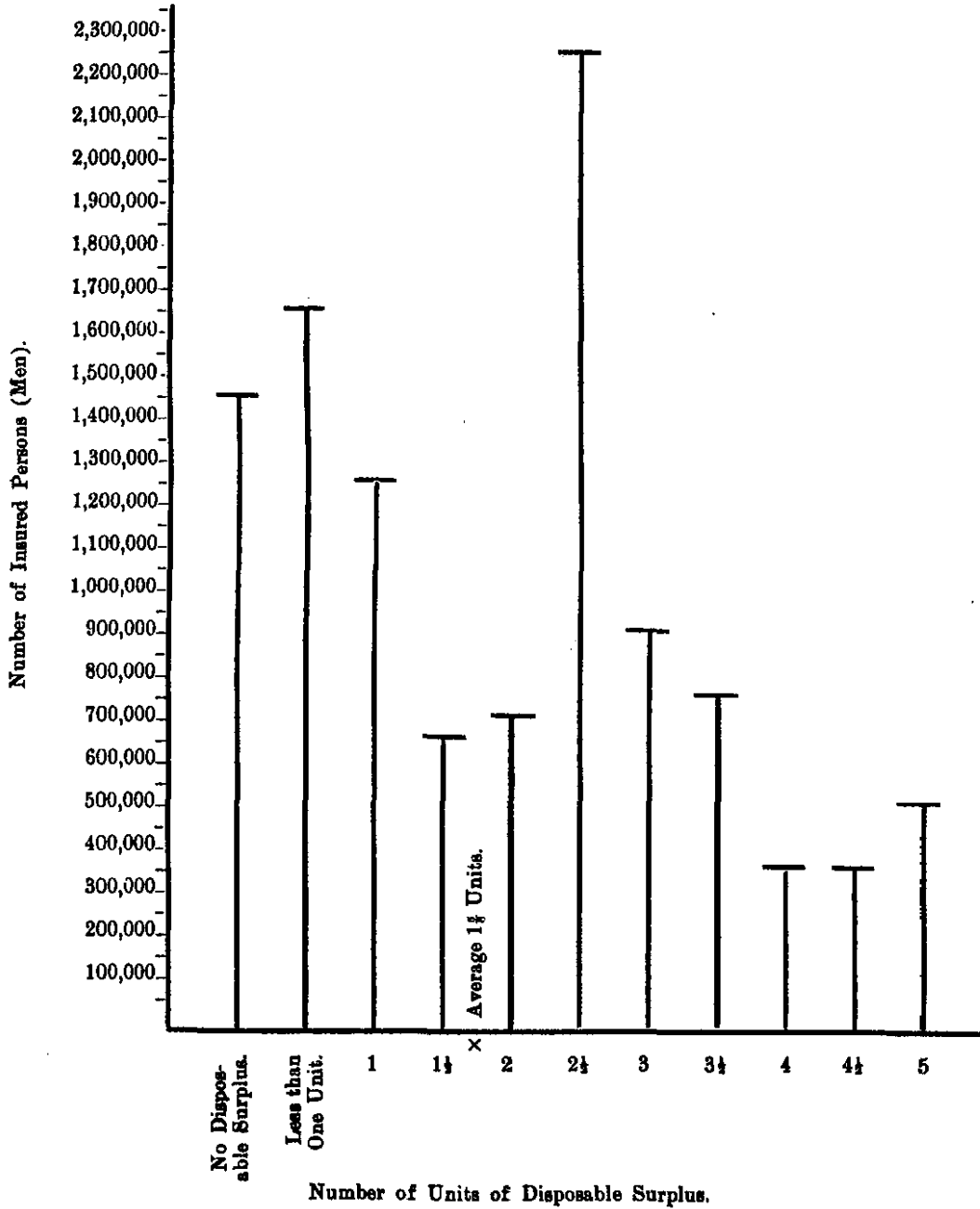
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[Continued.]

Distribution of Insured Persons (Men and Women) with reference to the rates of Additional Cash Benefits which the disposable surpluses would provide.



Distribution of Insured Persons (Men) with reference to the rates of Additional Cash Benefits which the disposable surpluses would provide.

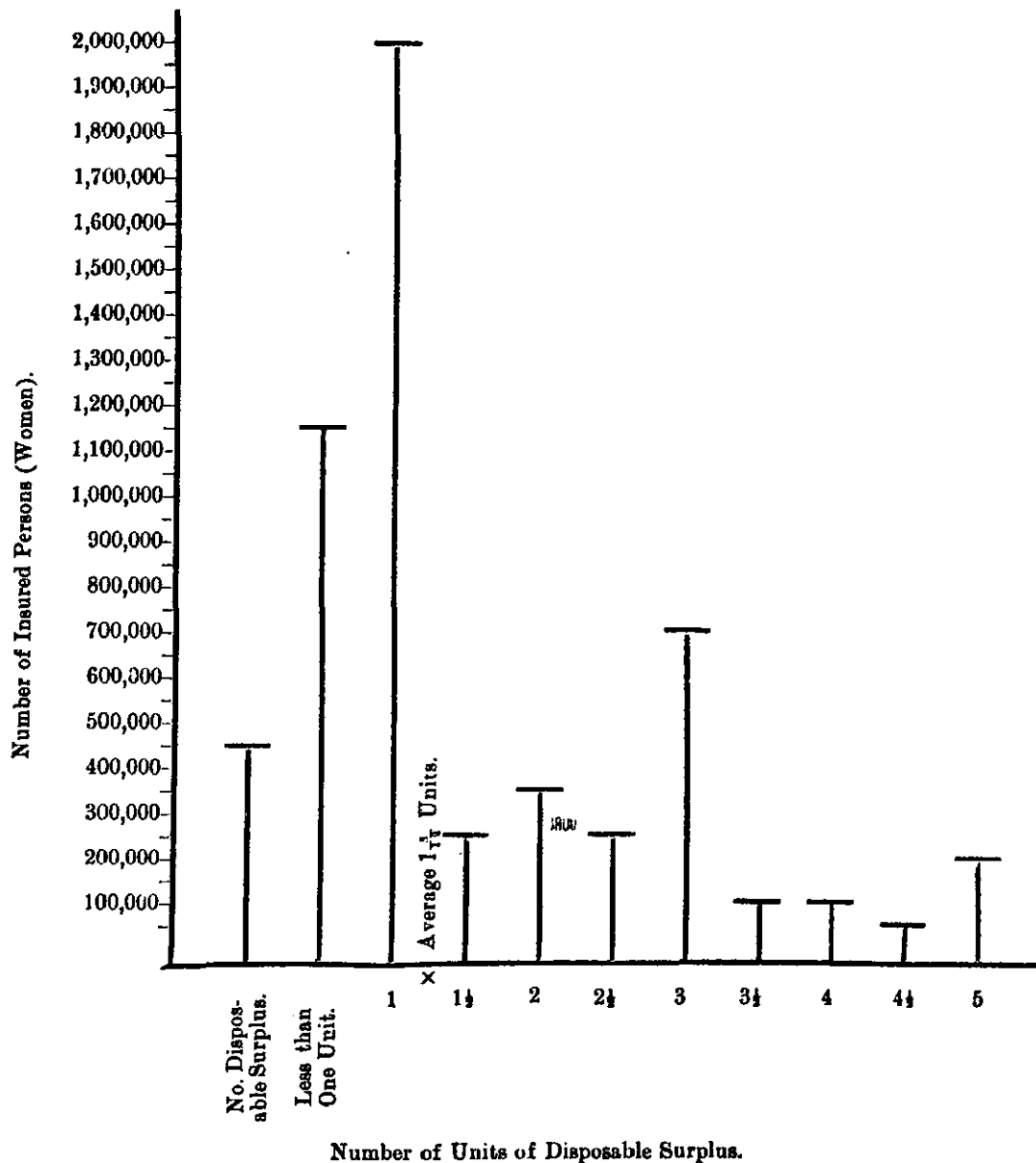


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[Continued.]

Distribution of Insured Persons (Women) with reference to the rates of Additional Cash Benefits which the disposable surpluses would provide.



819. All the figures that we have got do not distinguish between the divergence of the experience from the original estimate or the divergence of the experience from the actual average. There has been a segregation in particular societies; the thing has not worked out as an average for the various Insurance societies, with a result that you have got tremendous disparities, which I think are less obvious than they would have been by reason of the fact that the experience as a whole has been a great deal better than was originally anticipated?—I will get out a table of what Sir John Anderson wants.

820. (*Mr. Besant*): In paragraph 155 you mention the report of the Government Actuary. A good many of the questions which were put from the Chair are dealt with in detail in that report and your answers dealt with some of the salient features. But I know that Sir Alfred Watson set out four definite causes why the surplus was so large in 1918, and if that report could be obtained I am sure that all the members would find it a mine of information on this particular question?—Yes; it is a very valuable document.

821. (*Miss Tuckwell*): You will remember that you were asked about the Sickness Inquiry in 1914 when it was shown that a good many societies would become insolvent if some arrangement was not made. Was it out of the surplus or how was it arranged that the societies' provision for sickness should be increased? What was done?—Of course the war changed the whole financial aspect of National Health Insurance.

In 1914 the societies had only been getting into their stride and the expenditure was fairly high. At that time prompt administrative action was taken by the Department with a view to getting societies to look into their claims more closely. That was one factor which helped to bring down the claims experience. The other factors were partly due to the war. That is, the high rate of interest; the high rate of contributions received; and the high mortality. These were war factors which completely changed the position of societies. In addition to that, there was an amending Bill passed in 1918 under which certain reserves were set up on behalf of societies called the Contingencies Funds, which helped materially to buttress up the finances of societies.

822. It was this Contingencies Fund?—Yes; it was a second reserve.

823. (*Prof. Gray*): At present the question of deficiency is hardly an important one with regard to the past valuation, that is, how to deal with deficiencies. But it is a question which may be of practical importance in some cases later—at the next valuation?—Deficiencies on valuation?

824. Yes. After the Contingencies Funds have been made use of, and so on, do you think that the other means which the Act lays down are in fact in any way practicable? There are various ways by which a deficiency can be met?—Yes.

825. Increasing the contributions and so on. It strikes me it might be a question which might ulti-

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[Continued.]

mately have a considerable practical importance, and it is very doubtful whether the methods laid down by the Act are practicable having regard to the experience so far?—I am glad to say that so far it has not been necessary for us to put this particular section of the Act into operation. In view of the Contingencies Funds and of the Central Fund, I anticipate, even under fairly adverse circumstances, it must be a very rare case when we have to put that section of the Act into operation. It is very complicated, but whether it will be workable when the time comes we have not really seriously considered; we have not had reason to consider it.

826. (*Mr Jones*): The societies all started level, I think—that is to say, without regard to the age of their members—by a special provision being made with regard to reserve values?—That is so.

827. Now surpluses and deficits might vary according to a selection of the age constitution of a particular society; that is to say, if a society had the misfortune to have a large proportion of old members, it would show a heavy sickness rate?—Yes.

828. Conversely, if it had a large proportion of young members, it might show a high surplus because you are working then at healthy ages when sickness is at a minimum. Now has anything occurred which has so affected the age constitution of the insured population as to account for these surpluses generally, in addition to all the other reasons which you have given? I am thinking at the moment of the very great influence of infant mortality on the age constitution of the younger generation, because the reaction that has taken place has been long enough in force now to affect the age constitution?—There is no doubt about it that the race is living longer, and that factor is adverse to the accumulation of surpluses.

829. Yes; but has not the change taken place at the other end—that as a result of improved health conditions, the health of the younger generation has been improved rather than that of the old, because I think the span of life may still be about 70 years on the average. Has not that affected the age constitution of the younger members of the population, among whom in any event there is always the lowest sickness?—I think your point is that societies possibly have a larger margin of profit amongst their members at some ages than at others.

830. Yes, I think they will have?—I think that is true, and I think it is a matter which will probably be considered in any actuarial investigation which this Commission may make.

831. That leads me to my next point. I think the sickness basis was the Manchester Unity's experience of 1893 to 1897?—Yes.

832. Was not that rather an old basis on which to make comparisons?—Yes, I quite agree. The fact is that our sickness experience is very much less than the expectancy, and the general experience is that the standard of health of the people has appreciably improved.

833. I think the actuary is able to make his valuations from a statement of total sickness. He ascertains the total sickness against the lives at risk and is able to produce his figures of valuation without giving age distribution. Has the Department any additional information as regards the age distribution of sickness?—No; I think that is for the Government Actuary's Department.

834. (*Mr Jones*): Perhaps we will get that later. I think it has a very great bearing on the value of the contribution.

835. (*Mr Cook*): I observe that you point out that societies with a large proportion of miners come out very badly so far as the accumulation of profit is concerned?—That is so.

836. That rather upsets the idea that mining is a healthy occupation, although that is repeatedly stated?—I was not aware of that.

837. It is commonly stated that mining is a healthy occupation. I think that statement is made by people who have done no mining. But there is a

point to put. Do you think it is quite an equitable arrangement that in a national scheme where all persons are contributing equally, they should not be able to derive equal benefits? That is the position under the present arrangement. The societies where you have got a large percentage of miners, we will say, are only able to give the statutory benefits and accumulate no surpluses, and there is no charge brought against them of maladministration. Other societies can pay the statutory benefits, and in many cases with valuable additional benefits for the same contribution. Perhaps that is a point which is not quite relevant at the moment, but it is one in which I am very much interested.

838. (*Chairman*): Now we will take Chapter VI of Section B. I observe that the additional benefits are administered by the Approved Societies. Does this mean that in the case of the "non-cash" or "treatment" benefits, each society has to make its own arrangements for the provision of the benefit to its members?—Yes, subject to the provisions of the scheme sanctioned by the Minister.

839. Has not this resulted in a very wide variation in the standard and the cost as between different societies?—Yes.

840. Would it not be possible and desirable for the Department to negotiate with the persons or bodies in a position to provide treatment, e.g., with the hospitals, or dentists, with a view to securing uniformity of standard between the several societies giving a particular "treatment" benefit?—The Department is at present considering that question with a view to seeing what greater degree of uniformity can be obtained at the second valuation.

841. Then we shall hear more of that later?—Yes.

842. Where a society makes payments to hospitals as an additional benefit, can you tell us in what way the members of the society benefit by reason of such payment?—Hospitals cannot enter into contractual arrangements with Approved Societies to give a preferential treatment to insured persons; but payments made to hospitals in respect of insured persons reduce *pro tanto* the amounts those insured persons would otherwise have had to pay in the case of certain hospitals. In addition to that, it is recognised that the hospitals render really valuable service to the sick members of Approved Societies. The contributions by the societies to the hospitals have certainly helped many hospitals to keep open a number of beds which otherwise might have had to be closed, and thereby of course the insured persons have greater facilities.

843. I note that you have a good deal to say with regard to payment by societies to charitable institutions under Section 26 of the 1924 Act. Is it the case that a society is free to make such payments as it thinks fit under this section without any control by the Ministry?—Practically, that is the position.

844. I suppose the Treasury Auditor satisfies himself that a society obtains proper consideration for any payment which it makes under the section?—No; as a rule, the Treasury Auditor is unable to get adequate information.

845. I gather that the Department is not happy about the present position under that section and I anticipate that at a later stage you will have some suggestions to make to us on the subject?—Yes.

846. (*Sir Arthur Worley*): It is not very satisfactory that the Treasury Auditor cannot satisfy himself that a society obtains proper consideration for any payment made under the section?—No; it is not satisfactory.

847. Do I understand that you are considering what can be done?—Yes. We purpose bringing the matter before you.

848. (*Sir John Anderson*): With regard to payments under Section 26 (that is the old Section 21) they were not benefit payments at all, were they?—Yes; they are charged to Benefit Account.

849. I know they were charged to Benefit Account, but they were not payments directly for the benefit of the members of the society?—No; they were sup-

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[Continued.]

posed to be payments to hospitals and other charitable institutions.

850. What I mean is that the Statute did not make the payment depend in any way upon the securing of benefit for the members, directly or indirectly, of that society?—That is so.

851. Therefore, for that reason I suppose it is not competent for an auditor to inquire into the destination of the payment?—That is so.

852. The section gives an absolute discretion to the management of the societies. If it were otherwise, and the society had discretion to make a payment conditional on an adequate return being secured for the members, then presumably the Department would be entitled to make inquiry?—Yes.

853. So that that fact in regard to the terms of the section is at the root of the difficulty?—Yes, that is one of the difficulties; but another difficulty is that Section 26 is now being used in order to divert to all members of the society what really was part of the surplus.

854. Has dental benefit been provided largely under that section?—Yes.

855. That was an extension of the scope of the section which was never anticipated?—Quite.

856. Or was the section intended to be a sort of sop to the hospitals?—In the old days Friendly Societies were accustomed to give a small charitable subscription to the local hospitals, and it was intended that they should be able to give a similar small contribution under the old Section 21 as in the past.

857. Without in fact getting anything for it?—That is so.

858. (*Mr. Besant*): With regard to what you say as to a scheme having to be sanctioned by the Minister, has the Minister either power to make suggestions or to veto a scheme if the additional benefits are within the permitted scope?—The Minister has to look at the scheme as a whole. The benefits selected must be within the Schedule to the Act, and the Minister has to satisfy himself that the scheme is a fair one from the point of view of all the members of the society.

859. Quite. But admitting it is within the scope of what is permitted, has the Minister any power to say "Yes" or "No"?—He has the power to lay down conditions. He has to satisfy himself that the scheme is an equitable one. I will give you an example. If a society decides to distribute its whole surplus in additional maternity benefit, which is one of the additional benefits, we would not sanction that.

860. You have had to stop that?—We have. We say that you must have regard to the interests of the members as a body, and not concentrate the scheme in favour of one particular section of the members. I give that as an example.

861. Taking another example, it does seem to be a fact, judging by paragraph 190, that the bulk of the surplus has been divided in cash?—That is so.

862. Would you allow the whole of the surplus in the case of any one society to be divided in cash, or would you veto that?—On the first valuation no disposable surplus was sufficient to allow a society to give an extra cash benefit of more than five shillings, and we certainly did not veto that. What the position will be on the second valuation I do not know; but the general principle is that the members in annual meeting assembled have a right to select their own additional benefits.

863. That is the point I was coming to?—And, subject to administrative considerations, and subject also to considerations of, shall I say, equity between the members as a whole, the Minister would as a rule approve the scheme.

864. But my point really is this: suppose the members in their assembly and in their wisdom or unwisdom want certain benefits, would you veto that?—We have power, but as the lawyers say, we must not act perversely. The Minister has to sanction every scheme, and a scheme must be in accordance with what we lay down; but we must act reasonably. I

should say that 80 per cent. of the schemes go through.

865. (*Miss Tuckwell*): You said that in selecting additional benefits you would not allow the whole surplus to go to additional maternity benefit. Is maternity benefit often chosen as a direction in which to give the benefit?—As a rule the additional cash benefits are allotted in proportion to the existing normal benefits; that is, sickness benefit is 15s.; disablement benefit is 7s. 6d.; and maternity benefit is 40s.; and as a rule the extra cash benefits are in the proportion of two shillings, one shilling, and four shillings—two shillings extra to sickness, one shilling extra to disablement, and four shillings extra to maternity.

866. And that you pass?—That is the normal scheme. But if the society wished to allot perhaps a slightly larger proportion to the maternity benefit, we would probably pass that scheme.

867. What proportion?—A slightly larger proportion.

868. But how much larger, to give me an idea of how much they might get?—If a society was composed of all types of insured persons, we should not allow them to distribute the bulk of the money in maternity benefit, because that would not be equitable.

869. What would you call equitable?—I am afraid I cannot answer that question, because the question has not arisen. We would have to consider it when the opportunity arose. I think the highest addition to maternity benefit which we have sanctioned is £1 in addition to the 40s.

870. And that would be with no weekly addition to sickness and disablement?—Possibly the society could afford to give an addition to sickness and disablement benefits as well.

871. Would there be a large proportion of the societies which had additional benefits which they could give in this way?—Nearly all the societies can give extra cash benefits.

872. The amount, of course, depending on the surplus?—Yes.

873. But there is a large proportion of societies which do give these extra benefits?—Yes. The bulk of the societies give these extra benefits now. As a rule I should say that where the sickness benefit is increased by 2s., the maternity benefit is increased by 4s. A very common maternity benefit now is 44s.

874. (*Professor Gray*): A considerable number of these additional benefits have not, in fact, proved of great importance?—That is so.

875. Being somewhat impracticable. As a matter of fact, I should think the most popular ones are those which were added later—the four which were added later?—Cash is the most popular.

876. But of the non-cash?—Possibly. They were added later because of the demand.

877. And because others were not wholly suitable?—Yes.

878. Would it be fair to say that additional benefits open up a way to a certain amount of competition amongst the societies?—Yes; not to the same extent as would exist if new members were entitled to immediate participation.

879. But still societies like to make a good display of their additional benefits?—Yes.

880. From that point of view, would there be a danger of a society adopting a benefit without perhaps devoting enough money to it?—That is so. You see the first valuation was purely experimental. Societies adopted what we call additional non-cash benefits, and they allotted a certain amount of money to each benefit; but at that stage we really did not know what demand there would be for that particular benefit, and consequently whether the money allotted was sufficient. In the course of the last three or four years we have acquired considerable experience on that particular point, because we are very anxious that societies should not be allowed to adopt additional benefits for window-dressing purposes; that they should not be able to advertise that they are giving additional benefits for which the sum of money allotted is not sufficient to meet the normal applica-

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Sir WALTER KINNEAR, K.B.E.

[Continued.]

tion. At the next valuation we propose to say that societies should not be allowed to adopt an additional benefit unless they have allotted a certain sum of money per annum for it. Is that your point?

881. Yes. To continue the same thing, do you think there is a certain amount of confusion amongst insured persons as to what the additional benefits are in any particular case?—As to whether they know of the additional benefits?

882. Yes, and what particular benefits a society gives?—Yes. Of course, we did our best when the valuation results came out to get societies to inform their members of the particular benefits that particular societies gave. It is very difficult to get that information properly distributed amongst 14,000,000 or 15,000,000 people, and I am hoping at the next valuation, when the results come out, that, with the delivery of the contribution card, there will be handed to each member a leaflet setting forth clearly the benefits to which he is entitled in his society.

883. Apart from that, is there not another element of confusion here? If you take, for instance, such a benefit as dental treatment, the scope of dental treatment may vary enormously from one society to another. One society may merely give extractions, while another society may give treatment, and so on. Is that the case?—That is so, and that has occasioned a considerable amount of correspondence. A member getting dental treatment of a comprehensive character from one society gets talking to the member of another society which has only a limited amount of dental treatment, and consequently there is friction and correspondence with the Department. We are considering all these things now in view of the fact that the valuation results will be coming out within the next two or three months, and I am anticipating that certainly as regards dental benefit we will insist on a uniform definition of the benefit so as to avoid friction between the various societies.

884. With regard to Section 26 (the old Section 21), of which Sir John Anderson was speaking, the inten-

tion there, as he was putting it to you, was that the money should be given away without any expectation of return?—Yes.

885. A casting of bread upon the waters. Under Section 26, would you say there is a definite expectation of a society getting something for its members?—Yes, and of getting members.

886. For the benefit?—Yes.

887. There is rather a curious sentence in paragraph 236, where one is led to imagine that resort is being had to Section 26 much less than before schemes of additional benefit were available. Is that so?—Yes.

888. In actual fact, Section 26 is operating pretty much the same as an additional benefit?—Yes.

889. So that a society is thereby enabled to use its non-disposable surplus, or to mortgage the next surplus in this way?—Yes.

890. Without, of course, having regard to those who would, under a normal scheme, be entitled to additional benefits?—Yes.

891. (*Mr. Jones*): Might I draw your attention to Table 25 on page 73 for a moment. The last two figures there are £833,612 and £224,325. What is the £833,000?—£833,612 is the amount available in the period mentioned, viz., July, 1921, to December, 1922.

892. So that the liabilities which the societies anticipated on these particular benefits have not arisen; that is to say, the sums set aside have not been used?—I would put it differently. The insured persons are only gradually getting to know of their rights to additional benefits. The demand is a growing one, as is evidenced by the fact that we are now putting in evidence to the Commission that the amount spent on additional benefits in 1923 was two and a half times the amount spent in 1922. That answers your point, I think. I should like to hand in a table for 1923 corresponding to Table 24 (p. 73) at the end of Section B of the Statement. (*Table handed in.*)

TABLE

Amounts spent compared with amounts available in respect of non-cash additional benefits during the year 1923.

Centralised Societies (English members).

Additional Benefit No.	Amount Available.			Payments.	Receipts from Members.	Net Total Payments.	Add 5% of 1923 payments (Col. 5) for Administrative Expenses.	Total Payments.	% Col. 9 to Col. 4
	1923.	Brought forward from 1922.	Total Amount available 1923.						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2	£ 156,248	£ 145,569	£ 301,817	£ 245,723	£ 10,705	£ 235,018	£ 12,286	£ 247,304	81.9
7	449	1,782	2,231	112	—	112	5	117	5.2
8	19,482	20,827	40,309	5,649	—	5,649	282	5,931	14.7
11	15,366	15,533	30,899	2,530	—	2,530	126	2,656	8.5
13	135	645	780	—	—	—	—	—	—
14	7,730	371	8,101	6,224	—	6,224	311	6,535	80.6
15	255,037	261,738	516,775	219,858	502	219,356	10,992	230,348	44.5
16	47,624	66,456	114,080	5,164	108	5,056	158	5,214	4.5
17	31,323	34,821	66,144	12,477	208	12,269	623	12,892	19.4
18	58,079	82,743	140,822	6,207	1	6,206	310	6,516	4.6
Totals	591,473	630,485	1,221,958	503,944	11,524	492,420	25,093	517,513	42.3

(The Witness withdrew.)

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Mr. L. G. BROCK, C.B., and Dr. J. SMITH WHITAKER,
M.R.C.S., L.R.C.P.

[Continued.]

THIRD DAY.

Thursday, 30th October, 1924.

PRESENT:

THE RIGHT HON. SIR JOHN ANDERSON, G.C.B., in the Chair.

SIR HUMPHRY ROLLESTON, BART., K.C.B.,
M.D., P.R.C.P.

SIR ALFRED WATSON, K.C.B.

SIR ARTHUR WORLEY, C.B.E.

MR. A. D. BESANT, F.I.A.

MR. JAMES COOK, J.P.

MR. JOHN EVANS.

PROFESSOR ALEXANDER GRAY.

MR. WILLIAM JONES.

MISS GERTRUDE TUOKWELL.

MR. E. HACKFORTH (*Secretary*).MR. J. W. PECK, C.B. (*Assistant Secretary*).Mr. L. G. Brock, C.B., and Dr. J. Smith Whitaker, M.R.C.S., L.R.C.P., called and examined.
(See Appendix I, Section C).

893. (*Chairman*): Mr. Brock, we are now taking the Department's statement, Section C, beginning at Chapter 1, page 76. That Section deals with the scope and administration of medical benefit. I understand that you, Mr. Brock, and Dr. Smith-Whitaker, will answer questions arising on Section C, and that you desire to be examined together?—(*Mr. Brock*): I think perhaps it would be for the convenience of the Commission that we should be examined together, and that unless Members wish to address questions specifically to either one of us, it might be left for us to decide which particular question falls within the province of each of us.

894. Mr. Brock, are you the Assistant Secretary in charge of the Division of the Ministry of Health which deals with medical questions arising in connection with the National Insurance Acts?—I am.

895. And you, Dr. Smith Whitaker, are a Senior Medical Officer of the Ministry and are concerned primarily with the medical aspects of such questions?—(*Dr. Smith Whitaker*): Yes.

896. We shall take first Chapter 1 of Section C, which deals with the local administration of medical benefit. That administration is in the hands of local committees called Insurance Committees set up for each County and County Borough?—(*Mr. Brock*): Each administrative County and County Borough.

897. The statement gives the impression that these Insurance Committees have not much independent voice in making the arrangements for the provision of medical benefit in their respective areas. Is that the case?—That is so. Under Section 15 (1) of the Act of 1911 Insurance Committees were required to make arrangements for the administration of medical benefit in accordance with regulations to be made by the Commissioners. That pre-supposed, therefore, that the arrangements in all areas would be possessed of certain common features. Further than that, subsection (2) required that the arrangements in each area should be subject to the approval of the Insurance Commissioners, now the Minister of Health. The effect of that was that the Minister for Insurance was made responsible to Parliament for the action of the Commissioners in approving the arrangements in any particular area, and Parliamentary responsibility of that sort would naturally tend towards uniformity of arrangement. Further than that, the medical profession at a very early stage insisted on central negotiation in regard to the settlement of the capitation rate, and even if it had not been the very strongly expressed view of the profession that negotiations should be conducted centrally, it would, I think, in practice have been quite impossible for Insurance Committees to carry on negotiations in their own areas and to make the sort of arrangements that were contemplated by the original Act with all Approved Societies. The societies were so multifarious that these considerations, combined with the necessity for a fairly uniform content of service in return for a uniform remuneration, all resulted in the

whole thing being on the same lines throughout the country. Really the only important respect in which there were local variations between one Insurance Committee area and another was with regard to the basis on which the money available for payment of the doctors was to be divided between the practitioners in that respect. Whilst the majority of areas adopted the capitation system, some areas adopted an attendance system; and there have been minor local variations in regard to details of mileage schemes and matters of that sort. But, substantially, there has always been uniformity, and although there might have been perhaps rather more elasticity had the profession desired more local variation, yet I think it is doubtful whether there could ever have been much variation in the essentials.

898. The arrangements are negotiated centrally by the Minister as the successor of the Insurance Commissioners with the medical profession?—That is so.

899. What body is there representing the medical profession with which the Ministry negotiate?—The Insurance Acts Committee formed by the British Medical Association.

900. Is that body accepted by insurance practitioners generally as authorised to speak on their behalf?—(*Dr. Smith Whitaker*): I think in experience it is, and constitutionally it has the position requisite for doing so, because under the Act of 1913 provision was made by section 32 that where it was the duty of the Insurance Committee to ascertain the wishes of insurance practitioners in any area they should do so through a body elected by the insurance practitioners of that area, which has been known as the Panel Committee. So that you have in every insurance area a statutory body elected to represent the insurance practitioners of that area. These Panel Committees, in conjunction with the Local Medical Committees set up under the Act of 1911, elect delegates to conferences held from time to time, and those conferences have since about 1915 recognised the Insurance Acts Committee appointed by the British Medical Association as their executive body. The Insurance Acts Committee reports formally to the conference, the report is laid before all Panel Committees, and their delegates are instructed with reference to that report; so that the authority of the Insurance Acts Committee to represent insurance practitioners is constitutionally derived from the insurance practitioners by a direct chain.

901. Passing to the question of the supply of drugs and medicines, the arrangements in that regard are made separately, are they not?—(*Mr. Brock*): Quite separately.

902. Is there similarly some central body representative of the chemists with which the Ministry can negotiate?—Negotiations were originally conducted by the British Pharmaceutical Society, but when it was decided in the Courts that work in the

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[Continued.]

nature of trade protection was outside the objects of that society, a separate organisation called the Retail Pharmacists' Union was established. The statutory Local Pharmaceutical Committees were then circularised and asked whether they were prepared to accept the Retail Pharmacists' Union as representing them, and with two or three exceptions they all agreed. Since that time negotiations have been carried on with the Retail Pharmacists' Union, which has a divisional organisation considerably less elaborate than that of the British Medical Association, but still it has a means of getting in touch with its local constituents; in fact, there has never been any suggestion that it does not successfully represent the minds of the pharmacists.

908. Does the same body speak for pharmacists throughout the United Kingdom?—The arrangements in Scotland are somewhat different (I should not care to say what happens there), but it does speak for the pharmacists in Wales.

904. The negotiations for which the Ministry of Health are responsible extend only to England and Wales?—England and Wales.

905. With regard to paragraphs 17 to 30 of the Statement which deals with the administration costs of Insurance Committees, can you tell the Commission what is the present average cost per head for Insurance Committees' administration and what proportion the figure bears to the expenditure on medical benefit?—Excluding the comparatively small amount paid to Insurance Committees for the administration of the benefits of deposit contributors and the Navy and Army Fund, the cost is 6½d., that is, the statutory 6d. for the cost of administration of medical benefit, and ½d. for the Central Index Clearance Committee.

906. Does that figure of 6½d. include the Exchequer contribution?—It does.

907. What is that Exchequer contribution? Is it the statutory two-ninths of the expenditure in the case of men and one-fourth in the case of women?—It is two-ninths now in both cases. The one-fourth in respect of women disappeared under the 1920 Act.

908. Is there any supplementary Exchequer grant whatsoever?—Not now. The deficiency grants which were made during and for a short time after the War have ceased.

909. What proportion does the figure bear to the expenditure on medical benefit?—It is roughly 4½ per cent. of the total cost of medical benefit. If the cost of the regional medical staff is included the percentage would rise to slightly over 6, but I suggest that the regional medical staff should properly be regarded as headquarters staff.

910. Is the cost of the regional medical staff charged directly on the Exchequer?—(Dr. Smith Whitaker): No, mainly on the funds of Approved Societies. There is an apportionment between the Exchequer and the funds of Approved Societies, bearing a relation to the amount of time given by the regional medical staff to central administrative work and the amount of time that is given to work of reference and so forth.

911. In this connection are the regional medical officers in any sense agents of Insurance Committees?—Not at all.

912. So that the figure you have given of the proportion which the cost of administration by Insurance Committees bears to the cost of medical benefit is accurate?—4½ per cent.

913. I see you say in the statement that the total cost of Insurance Committees' administration now amounts to £360,000 per annum. Can you tell the Commission quite briefly what responsibilities are undertaken by Insurance Committees in return for that considerable expenditure?—(Mr. Brock): The main portion of the expenditure of Insurance Committees and the main part of the work that is done in their office is the keeping of the Index Register by which the movements of all insured persons and their title to medical benefit are recorded. There is also an expenditure of about 10 per cent. of the total

on the pricing of prescriptions, which in most cases is carried out by Joint Committees. There are a small number of committees that have their own pricing bureaux, but in most cases a number of committees combine. Then, of course, there is a good deal of accounting work concerned with the calculation and payment of the sums due to the doctors and chemists who are under agreement with the committee. There is the administration of cash benefits for deposit contributors and the Navy and Army Fund.

914. Is that included in the £360,000 a year?—Yes. There is a good deal of correspondence both with the doctors and chemists on questions arising out of day-to-day administration, and each committee has to be provided with offices and a place of meeting. The most important part of the work which falls to the committee as distinguished from its staff is really the investigation of complaints of different sorts. I could not give a definite figure as to the cost of that. Of course, it accounts for part of the time of the senior officers of the staff, but in the main the expenditure of Insurance Committees is expenditure on the maintenance of these various indexes which are necessary, firstly, to prove the title of the insured person to medical benefit, secondly, to attach him to a doctor, and, thirdly, to calculate what is the amount of work, or rather, the number of patients accepted by a doctor, and, therefore, what share of the total pool available to the area should be allocated to him.

915. How often, on an average, does the Insurance Committee meet?—About two-thirds of the committees only meet quarterly. Of the residue half meet monthly, and the other half at two-monthly intervals; but, of course, there are a number of cases in which the Finance Sub-Committee, the General Purposes Sub-Committee, and the Medical Benefit Sub-Committee meet at much more frequent intervals.

916. Have the Ministry any information with regard to the attendance of members at meetings of the Insurance Committees?—The committees are not required to give us any return of attendances, but if a member fails to attend for a period of six months, unless his absence is due to a reasonable cause, such as sickness, he ceases to be a member of the committee. The number of appointments which have to be filled on that account is comparatively small. Such details as we have indicate that the average attendance is probably about 60 per cent. of the total membership; but I think it has risen since the size of Insurance Committees was reduced, and I do not give that as more than quite an approximate figure.

917. All Insurance Committees include among their members representatives of Local Authorities?—They do. One-fifth of their members are appointed by the Local Authority.

918. Was that with the object of securing some co-ordination between the work of Insurance Committees and the work of Local Authorities?—That was one of the objects. I think it was also desired to introduce into these new local bodies a certain element with previous experience of public administration, and, in fact, for the purposes of the Medical Service Sub-Committee—the most important of all the sub-committees—that is the way in which the neutral chairman is provided.

919. Do the representatives of Local Authorities constitute the element in Insurance Committees which is otherwise independent of insurance administration?—That is so.

920. Can you tell the Commission whether the Insurance Committees are in the habit of consulting with the local Public Health Authorities in matters which come before them, or of acting in co-operation with the Authorities in any respect?—Under the Public Health (Tuberculosis) Act, 1921, the Public Health Committee have power to co-opt members of the Insurance Committee in order to avail themselves of the experience gained in the administration of sanatorium benefit. We have no detailed figures as to the extent to which the power has been exercised,

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[Continued.]

but we do know that it has been used in a good many cases. Insurance Committees have also consulted from time to time with Public Health Committees of the local Health Authority in the publication of information relating to health, particularly where something in the nature of a local health week has been organised. Committees can incur expenditure on propaganda without the formal approval of the Minister, and no doubt there have been a good many cases of consultation with that object between committees and the local Health Authority which have never been reported to us.

921. (*Sir Arthur Worley*): I understood you to say that two-thirds of the Insurance Committees meet quarterly?—Yes.

922. Are the members of the committee paid for their services at all, or is it voluntary?—They may be paid in county areas for the loss of remunerative time. The amounts so paid are quite small.

923. It does not amount to much out of the £360,000?—No.

924. So that £360,000 is largely spent on the permanent staff?—Of the total about £30,000 represents the cost of the Central Index Committee, and something like £320,000 to £330,000 the cost of the other Insurance Committees. The real expenditure is expenditure on the clerical staff, and the provision of offices.

925. The bulk of it is really expenditure on clerical staff and offices?—It is the cost of the machine.

926. That machinery is really, firstly, the keeping of the Index Register, and secondly, the checking of prices. Are those the two main functions?—The register is the main item of expenditure. Of course there is a considerable amount of correspondence.

927. Could that be done better and more economically from a central point than in the divers number of places where you have committees, 117, is it not?—I think it is quite possible that the administration costs might have been reduced if you had had a smaller number of committees. In the case of the smaller County Boroughs it is not an economical arrangement to have a separate committee office for each County Borough, but I do not think the whole of the work could ever have been done centrally. I think, whatever changes might be made, it would be necessary to have some local organisation and some representatives who could be in touch with the doctors and chemists.

928. What I had in mind was whether it would not be more economical and equally efficient if, for instance, it were done by counties rather than being divided amongst so many bodies?—(*Dr. Smith Whitaker*): I can say something on one aspect of that. I am quite sure that in the administration of medical benefit, which involves dealing with the doctors and also with the chemists, it is a great advantage in a fair-sized borough that you should have an official of the local committee to whom the insured persons and doctors and everybody can have free access. If you were to centralise the work too much, the actual administration of medical benefit, apart from book-keeping and that kind of thing, you would not have that ready access which does a good deal to make the thing work smoothly. We should have more complaints if it were not possible for the insured person to go and talk things over with the clerk and the clerk to talk things over with the doctor. I think you must have the clerks distributed for that sort of reason, and I assume that might have some effect on the question of centralisation of the other work.

929. (*Mr. Besant*): You told us that certain things which in the first place were done locally have afterwards been done by consulting with one of the central bodies, either the British Medical Association or the Retail Pharmacists' Union. Has that had the effect of diminishing the importance of the local Insurance Committees?—(*Mr. Brock*): I do not think it can be said to have diminished their importance because it is work which they never did. It has made them, I think, considerably less important than the framers of the Act contemplated that they would be.

930. Their chief duties now, I take it, are to do the bookkeeping part and to afford a centre to which the patients can come if they have any complaint to make?—(*Dr. Smith Whitaker*): Yes, the adjustment of complaints is an important part of their work; very important.

931. Is that valued locally by the insured person?—I have no doubt about that.

932. (*Miss Tuckwell*): Can you tell me what complaints do go to the Insurance Committee. I thought complaints were dealt with by the sub-committee. Are they dealt with by the Insurance Committee itself?—(*Mr. Brock*): If a complaint seems to provide *prima facie* ground for any kind of enquiry it would stand referred to the Medical Service Sub-Committee, and they would see the parties, including the doctor. They would then report to the Insurance Committee, and their report is binding so far as their findings of fact are concerned. But their recommendation in regard to anything in the nature of a penalty is subject to confirmation by the Insurance Committee and may be, and sometimes is, varied by the latter.

933. So that they are really referees; it is dealt with by other people in the first instance?—The facts are found by the sub-committee. What the committee as a whole have to consider is what action they should recommend on those findings of fact. They do not see the parties and they do not hear the case.

934. I want to ask you about the composition of the Insurance Committee. You said that the one-fifth of the committee which was appointed by the County Council was valuable for giving the medical representation which was necessary?—I said it was mainly valuable because it introduced an element with experience in public administration; but it is also generally from that one-fifth that the chairman of the Medical Service Sub-Committee is taken because he has to be a neutral member. He may not be either a doctor or a representative of the insured person, and he is, of course, a very important person.

935. (*Mr. Evans*): Following up that last question, do you find that public bodies usually appoint men to the Insurance Committee who are not medical men, or is there rather a tendency to appoint men who are members of the Public Authority who are also medical men?—Most of the men whom Local Authorities appoint are not medical men, but they are generally members of the Authority.

936. Would it be advisable, do you think, that those men should not be members of the medical profession?—I think any Insurance Committee must have on it a substantial medical element, and I think it is also desirable that at least a part of that should consist of doctors who are not directly appointed by the Panel Committee or insurance practitioners. One wants a certain element, so to speak, of independent doctors.

937. (*Mr. Jones*): Mr. Brock, in England you have seen fit to reduce the membership of Insurance Committees by about 50 per cent. Has that been accompanied by any lowering of the standard of administration?—I do not think so at all. I think, if anything, it has resulted in rather a better attendance.

938. They have not seen fit to do that in Scotland, as you are probably aware?—I am quite aware that Scotland by no means always follows England.

939. In this case you are quite satisfied that no harmful effect has followed; probably a beneficial effect?—I am perfectly satisfied. I think the original Insurance Committees in many instances were needlessly large.

940. In giving us the items on which Insurance Committees incur expenditure you expressed the view that the bulk of that expenditure was in the constitution and working of the Index Register of insured persons and the Medical Register as well?—That is the biggest single item, certainly.

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[Continued.]

941. Is not a very considerable proportion of their expenditure associated with the preparation and issue of medical cards?—Well, of course, it all dovetails together.

942. It is a separate function, the preparation of a separate record on the face of the medical card?—You have to fill in certain details on the face of the medical card which, in fact, would be taken from the card in the Index Register.

943. Then you have to provide an envelope for that, and you have to provide for postage twice, the original issue of it, and the re-issue of it after it has been registered. Is not that a cumbersome piece of work and expensive?—I do not think so, because the record card also serves the doctor as an index card of his patient.

944. I am not talking of the medical record card, I am talking of the insured person's medical card, his document of title to benefit?—The insured person must, I suggest, have some document which is producible as evidence of title.

945. He must have that, but is not this rather a cumbersome method of doing it?—I do not think so. I think the amount you have to enter in the medical card is about as small as it would be possible to make it under any system.

946. But you have double postage in that you have to issue your medical card originally, then the doctor signs it, and it is sent back, and then you have to re-issue it to the insured person. There is a double charge for postage of the card?—I do not see how that can be avoided, because it is necessary that you should know to what doctor a particular insured person has attached himself.

947. That is not my point at the moment. In your details of expenditure you put the cost of the Index Register first. Is not the handling of the card a considerable item in that expenditure of the Insurance Committee?—It certainly is.

948. Is it not heavier than the Index Register?—You have the same staff working on both. I do not think I could attempt to apportion the cost between the two processes as they are so interwoven.

949. At any rate, if that could be simplified it might lead to economy?—If there was no obligation on Insurance Committees to issue any document to insured persons as evidence of title, and if there was also no necessity for them to know to what doctor a patient had attached himself, or how many patients a particular doctor had undertaken, of course I agree the staffs and offices of Insurance Committees could be very greatly reduced.

950. Is a medical card required in the case of payment by attendance, such as prevails in Manchester?—Yes. As a matter of fact, in Manchester, and, I think, also in Salford, it is very difficult for an insured person to obtain treatment at all unless he has got a medical card, and the number of insured persons who come to the Manchester Insurance Committee office every week in order to get a card is quite considerable.

951. In connection with the former administration of sanatorium benefit by Insurance Committees, with whom principally did they make their arrangements for treatment?—In the majority of cases they made a sort of single bargain with the Local Authority.

952. What was the reason for that?—The Local Authority in many cases had already either itself provided buildings or made arrangements for the provision of beds, and it seemed to be much more convenient that the whole of the work should be done by the one Authority than that you should have two Authorities working side by side and quite possibly competing for beds in the same institution.

953. That suggests, does it not, that the administration at all times by Insurance Committees was more or less superfluous if the Local Authority had fully provided to undertake the work?—There you are going into a question of policy on which I am not instructed.

954. Does not that arise out of your answer?—If so, it is an inference I should have avoided.

955. Is there any evidence whatever that insured persons have suffered in any way from the taking of sanatorium benefit out of the Act?—That is a question very difficult for me to answer. It does not come within my knowledge. All I can say is in a certain number of cases there have been complaints that insured people have been required to make a contribution towards the cost of their sanatorium treatment.

956. (*Professor Gray*): Insurance Committees in the main represent insured persons, do they not?—That is the three-fifths; there is always a majority of representatives of insured persons.

957. Can you tell us how these three-fifths are elected?—No doubt the framers of the original Act contemplated that there would be an election rather on the lines of the Local Authority elections, but in fact that has never been found practicable, and the members are elected on a proportional representation basis by the different Approved Societies having members in the area. If a society in a particular area has a membership exceeding the quota for the area it has an absolute right to appoint. It appoints one member for each quota or unit that it has. If its membership is less than the quota then those societies take part in voting for the remaining place, their votes being proportionate to their membership strength; in fact a large number of representatives of insured persons are directly appointed by the larger societies.

958. A large society has a sufficiently large number of members in most areas to entitle it to one member on the Insurance Committee?—That is so.

959. When you speak of these people representing insured persons, they are really selected not by the members of the society but by the Committee of Management, are they not?—I do not think the member of the society has any voice whatever in the election in most cases.

960. We had last week evidence which tended to show that in every Insurance Committee area there were members of a very large number of societies, one, two, three or four members from various societies. In actual fact those would have no effect on the election?—No, they could not.

961. Could you tell us briefly what is the exact difference between the Local Medical Committee and the Panel Committee?—For practical purposes in the great majority of areas there is no difference at all. Where there is a difference the Local Medical Committee represents all the practitioners in the area, and the Panel Committee represents the practitioners who are under agreement with the Insurance Committee.

962. The Local Medical Committee is optional, is it not?—(*Dr. Smith Whitaker*): Yes.

963. And it undertakes certain functions in connection with the Act?—Yes.

964. It contains doctors who are not under contract in connection with the Act?—So does the Panel Committee to a certain proportion. The insurance practitioners are free to elect anybody they like although they have agreed not to elect non-insurance practitioners to more than a certain minority.

965. Are there also two corresponding committees with regard to chemists?—(*Mr. Brock*): No, only one.

966. The Pharmaceutical Committee?—Yes.

967. Can you tell us whether these three committees are active bodies having regular meetings, or do they meet for annual purposes?—(*Dr. Smith Whitaker*): The Panel Committee and the Local Medical Committee, which are usually identical, meet quite frequently.

968. Always in connection with the Act?—Yes. (*Mr. Brock*): The Pharmaceutical Committees are also quite active bodies though they have no occasion to meet quite as often as the Panel Committee would meet.

969. The Insurance Committee draw their funds from a pool, do they not?—Yes. It is not possible to allocate their administration income strictly in pro-

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portion to their insured membership. That would not provide a sufficient income for the smaller committees in the smaller county boroughs, so that there has to be a certain amount of loading, but, roughly, their administration income is in proportion to the number of insured persons in the area.

970. Making allowance, of course, for local differences, deposit contributors, and so on?—Yes.

971. Are Insurance Committees represented on the body that brought up that scheme of distribution?—No, they are not, but in point of fact there is generally some informal consultation with representatives of the National Association of Insurance Committees.

972. The point I had in mind was the difficulty of getting a scheme like that acceptable to all Insurance Committees. Does no friction arise there?—There are always a certain number of small committees which find it a struggle to make both ends meet, and which think they do not get sufficient loading, but I think I may claim that we have reached a very fair degree of satisfaction. You can never satisfy everybody in distributing a limited fund.

973. In reply to Mr. Besant you said that an Insurance Committee did not occupy the position that it was originally intended it should. I think the original idea was that it should take a general interest in matters of health under the Factory Acts, and so on. I suppose the fact that that has not come about is partly the reason why District Committees do not exist now?—District Committees do not exist now; they have been abolished. I should not care to say that the comparative want of interest on the part of many Insurance Committee members is due to the disappearance of the District Committees.

974. No, the other way round?—I do not think the District Committees ever had very much interest in the thing.

975. (*Sir Humphry Rolleston*): Professor Gray has touched upon the question of medical representation on the Insurance Committees. Is the medical man who is appointed by the County Borough or County Council, generally speaking, a representative of the panel, or is he a non-insurance practitioner?—(*Dr. Smith Whitaker*): I think usually the medical representatives of Local Authorities are non-insurance, but not invariably.

976. There is an advantage in that, is there?—Yes, as Mr. Brock suggested, in independence of outlook.

977. Is there any difficulty in getting a man who is generally a pretty busy insurance practitioner to take up the work?—We have not found that Local Authorities usually have difficulty in making selections. (*Mr. Brock*): In the case of some of the smaller County Boroughs it would be very difficult to find a practitioner in the area who was not on the panel. There are a good many places in which you get 100 per cent. of the active men on the panel; the only people who would not be on the panel would be people holding public appointments.

978. With regard to the other representatives of the medical profession, they are appointed by the medical men themselves, are they not?—(*Dr. Smith Whitaker*): Two by the medical men, and some by the Ministry. The Ministry appoint a certain number of medical representatives on each committee.

979. The men appointed by the practitioners in the district would presumably be panel men?—They are usually insurance practitioners.

980. And those appointed by the Ministry, they may be either?—It depends very much on the circumstances of the area. We usually endeavour to find somebody who is not closely interested in the matter for the Ministry to nominate, but very often we cannot find anybody who is willing to act and suitable who is not on the panel.

981. With regard to the question of remuneration, they are practically paid nothing except their expenses?—Nothing.

982. (*Miss Tuckwell*): Is there not some regulation or custom that one member of the Insurance Committee should be a woman?—(*Mr. Brock*): Yes, there is.

983. (*Chairman*): Can you tell us what the provision is?—Of the elected members, that is, the persons selected by the Approved Societies, two at least must be women in the case of a committee consisting of 35 or more members, and one in the case of a committee consisting of less than 35 members.

984. Is there no condition as regards the nominated members?—I think there is. Among the members appointed by the Minister we always include a woman member.

985. So that in practice there is no Insurance Committee which does not include at least one woman?—That is so.

986. And in the majority of cases more than one?—I should say in practically all cases.

987. (*Professor Gray*): The same applies to sub-committees, does it not?—Yes, I think there has to be a woman on every sub-committee.

988. (*Miss Tuckwell*): She might be a woman doctor, might she not?—Yes.

989. (*Chairman*): I understood you to say the members elected to the committee to represent insured persons must in practice include at least one woman. Might not the woman on the committee be a woman doctor?—That is so. The fact that there was a woman doctor on the committee would not make any difference to the necessity for the representatives of insured persons including one or more women.

990. The representative of insured persons would not ordinarily be a woman doctor?—Not ordinarily.

991. (*Sir Arthur Worley*): I understood you to say that arrangements were generally made with the doctors centrally and that in certain cases the local committees had distributed the money on the basis of attendance instead of on a *per capita* basis?—That is so. There are certain areas in which the payment is on an attendance basis.

992. In actual work has that brought about any differences? Have there been any complaints from one side more than the other? Has one system been more satisfactory than the other?—Of course, the choice between the attendance and the capitation system is primarily a matter for the decision of the doctors themselves. At the start there were, I think, about 12 or 14 attendance areas, but since the end of 1913 there have been only two, Manchester and Salford. It probably survived there because it provided for free choice of doctor. Now that there is free choice everywhere it is not unlikely that it will disappear in Manchester and Salford.

993. (*Sir Humphry Rolleston*): Can you say what proportion of panel practitioners are women doctors?—I am afraid I have not any figures, but I could find out. I am told at the last count it was about 300.

994. (*Miss Tuckwell*): What percentage is that?—300 out of roughly 12,000.

995. (*Chairman*): I come now to chapter II of Section C and I have one or two questions to ask on a very important topic, the scope of medical benefit. I gather from the Department's Statement that in practice medical benefit has been regarded as limited to treatment of the kind which an ordinary general practitioner can properly render, and that in the Regulations which have been issued under the Insurance Acts and which govern the administration of medical benefit that interpretation has been followed. Can you tell the Commission on what provisions of the Insurance Acts that view of the scope of medical benefit is based?—That view was based on the advice given to the Insurance Commissioners by their legal advisers. The grounds upon which the view was based were, broadly, that the scheme of Section 15 of the 1911 Act was not consistent with any other view. The Act, to begin with, gave every duly quali-

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fied medical practitioner a right to come upon the medical list; secondly, it contemplated that every insured person would have one medical attendant, but not more than one at a time; and it provided that if the insured person did not himself choose a doctor he might after a certain time be allocated to a doctor by the Insurance Committee. If every doctor had a right to come on the medical list and every insured person had one, and not more than one, doctor, it seemed impossible to avoid the inference that the scope of medical benefit must be construed as being limited to services which were within the competence of the average general practitioner. Of course, that construction of the Act is admittedly inferential, but had the view taken by the Commissioners been open to question it could very easily have been challenged in the Courts. No attempt ever has been made to challenge it in the Courts. There was also the subsidiary and rather difficult question, as to whether every medical practitioner who came on the list was bound to render all the services which were within his competence. Naturally the lists included a certain number of men with special experience in particular directions, men whose competence in some special branch was above the average; but it was felt that if all doctors were to receive the same rate of remuneration, that implied a uniform obligation, a uniform content of service, and that it would not be equitable to require one man, because of the accident that he possessed some special skill, to render a wider range of service than the rest of his brethren on the medical list.

996. Is there anything in the Insurance Acts which requires that all medical practitioners giving service under the Acts shall be paid on a uniform basis? Would it not have been consistent with the scheme of the Acts to have adopted a scheme of payment by services rendered, and to differentiate between one sort of service and another?—The Act certainly contemplated that there might be differences between different committee areas, but in a given committee area it assumed that there would be a certain amount per head of the insured people payable towards the cost of medical benefit. That might have been distributed on an attendance basis, and that attendance basis might have provided some special fee for special service.

997. Do you find any support for the view upon which the Ministry have acted in the list of additional benefits? Do you find among the benefits which may be provided out of surplus any hint that medical service beyond the competence of the ordinary medical practitioner could be provided?—It does provide payment for the benefit of a member who is under treatment in an institution. I think that inferentially rules out any sort of institutional treatment.

998. Is not that a cash payment to the member or to the institution?—That is so.

999. Would you not have expected, if the framers of the Act had consciously limited the medical provision to ordinary general practitioner treatment, that the scheme of additional benefits, which is very comprehensive, would have included some opportunity for providing out of surplus for a higher medical service which was no part of the ordinary scheme?—I should have thought the cost of providing any sort of specialist service would have been so great that societies would not have been likely to have the necessary money to provide it as an additional benefit.

1000. I do not want to put any question to you that you are not prepared at the moment to answer. It occurs to me on the reply you have just given that the cost of some types of specialist service might not be expected perhaps to exceed the cost of providing general medical treatment for the dependants of an insured person, and that undoubtedly was included among the additional benefits. Perhaps it is not fair to press you on this at the moment, because you have given a perfectly clear answer that from the outset medical benefit has been generally accepted as limited to ordinary practitioner treatment; that in

fact that view has never been challenged although it could have been.—(Dr. Smith Whitaker): It has never been formally challenged: it has been criticised.

1001. Was there at the beginning any idea of conforming more or less to the scope of the treatment provided by the old Friendly Societies?—(Mr. Brock): I think that must have influenced all the discussions which took place when the Bill was going through. That was ordinarily treatment more limited than the general practitioner service provided by the Act. For one thing it ordinarily excluded treatment in respect of venereal disease, and, further, it did not provide a service for the member when he left the area in which his club or society operated; it was a local service.

1002. Was that so in the case of the Affiliated Orders having members all over the country, or in the case of a society like the Hearts of Oak?—Not in all cases. Societies like the National Deposit had a service wherever the member was.

1003. I suppose you would say this, that dealing as you had to do with a limited fund, and being under an obligation to make provision for the whole community, a provision which each insured person could claim as of right, it would have been administratively quite impossible to provide a medical service which included all sorts of specialist treatment?—Quite.

1004. And, on the other hand, no warrant could be found in the Act anywhere for including specified kinds of specialist treatment and excluding others. It being a question of all or none, and having regard to the fact that the fund was limited, and that insured persons could claim whatever the benefit was as a matter of right, the authorities concerned were justified on practical grounds in the course that they took?—If the Commissioners had contemplated the provision of any specialist services in addition to general practitioner treatment, I cannot see any provision in the Act which would have enabled them to select certain services and to say, "We will provide these," and to rule out others and say: "We will not provide those." (Dr. Smith Whitaker): I think the Commissioners (although, of course, the actual wording of the Act had to govern everything) had some regard to the course of the discussions in Parliament; for example, on the question of the amount of the remuneration. That was discussed in Parliament on the footing of 4s. per head, or 6s. per head, which would have been quite inapplicable to any kind of specialist service. You could not discuss specialist services in terms of capitation rate because you could not assess the incidence.

1005. What, in fact, happens when an insured person on going to his panel doctor for treatment is found to be in need of some medical service which the ordinary general practitioner cannot provide?—The answer to that is contained in paragraph 9 (1) of the terms of service, which you will find quoted on page 80 of the Departmental Statement: "If the condition of the patient is such as to require services beyond the competence of an ordinary practitioner, the practitioner shall advise the patient as to the steps which should be taken in order to obtain such treatment as his condition may require"—that is a general obligation in every case—and, again, "Where provision is made for such service in or for the area by any public authority of which notice has been given by the committee to the practitioner, he shall take such other steps as may be reasonably necessary in order that the patient may derive full advantage from the provision of such service." The only present example of the operation of that is tuberculosis, and under the principle mentioned—which has been agreed with the doctors—we do require the doctor to give definite information to the Tuberculosis Officer as to the condition of his patient, and to take steps to secure that the patient gets proper treatment.

1006. Can you tell us what would happen if, when the insured person went to his doctor, the doctor found that he was suffering from a condition of ill-health due, for example, to defective teeth? How does the doctor proceed in such a case as that?—

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He could only advise the patient to consult a dentist; but if the society is one that provides dental benefit as an additional benefit and sends by the insured person notice to the doctor that it is prepared to pay for the cost of dental treatment if the doctor thinks it advisable, the doctor will mark on the next certificate issued a statement of his recommendation that such treatment should be obtained.

1007. I suppose there are cases where action in regard to teeth is essential to proper medical treatment?—Yes.

1008. The doctor cannot go beyond suggestion, I understand?—That is so.

1009. If his suggestion is not carried out he must do the best he can for the patient. Is that the position?—Yes, that is the position.

1010. What happens when the panel doctor is, in fact, capable of rendering in a particular case some form of specialist service which an ordinary practitioner would not, as a rule, render?—If the patient desires that the doctor should render it, the latter must first of all explain quite clearly that, in his view, it is outside the scope of the service he is bound to provide under his contract, but if the patient desires that he should perform the service, for example, examination of defective eyesight, prescription for spectacles or something of that kind, he may undertake it and charge a fee. But under paragraph 10 (2) of the Regulations in any such case he must, within two days after giving the treatment, furnish the Insurance Committee, on a form supplied by them, with particulars as to the service: so that the Insurance Committee receive notice of every case in which an insured practitioner has charged a patient on his list for treatment given in this way.

1011. Would it be right to put it like this, that if, in fact, the panel practitioner renders the service, the onus is thrown upon him to show that it is a service which is not covered by his contract?—That is so.

1012. And the procedure which is laid down is intended to guard against the risk of the insured person having to pay for a service to which as an insured person he is already entitled?—That is so. The Insurance Committee have notice of every case in which a charge has been made, and it is open to the Insurance Committee to investigate the matter, and to refer it to the Panel Committee or Local Medical Committee for their medical opinion. If the Insurance Committee and Local Medical Committee agree that the service is one which should be regarded as within the contract it must be so regarded, and in that case the insurance practitioner is not entitled to make a charge. If they differ, the matter comes to the Ministry, or if they both agree that it is outside the contract it comes to the Ministry. If they differ, the case must be referred by the Ministry to Referees for investigation. If they are agreed, the matter may be referred by the Ministry to Referees.

1013. Have the Ministry of Health cognisance of all complaints against panel practitioners?—Mr. Brock: Since April, 1920, committees have been required to send to the Ministry reports of all cases heard by the Medical Service Sub-committee: prior to April, 1920, we have no figures as to the number of complaints heard.

1014. Are all complaints that are made to the Insurance Committee heard by the Medical Service Sub-committee?—It is rather difficult to define a complaint. There are a good many cases in which the insured person comes to the office of the committee rather to ascertain his right than to lodge a formal complaint. There are many cases in which there has been a *bona fide* misunderstanding of his obligations on the part of the practitioner. Those things are settled out of court, settled by agreement. But where it appeared to the chairman of the Medical Service Sub-committee that there was something that really needed investigation, it would be treated as a formal complaint and it would come before the Medical Service Sub-committee.

1015. Taking complaints as falling within that restricted definition, complaints which are heard by the Medical Service Sub-committee, can you give us any idea as to the bulk of the complaints received in the course of a year in relation to the number of practitioners concerned?—Since April, 1920, we have received in all reports of, in round figures, 1,700 cases that have been investigated. Taking the last complete year, 1923, the number of complaints heard was 411. In that year the number of doctors on the Medical List was rather under 12,000—11,830—and that figure would give 34 complaints per 1,000 doctors.

1016. In the course of a year?—In the course of a year.

1017. Thirty-four complaints which were sufficiently serious to require some sort of formal investigation per 1,000 doctors on the panel in the course of a year?—That is so.

1018. Does the number show any decided tendency either to increase or to diminish?—It is showing a tendency to increase, but I do not think that implies that the service is less satisfactory. I think it really means that insured persons are much more alive to the rights which they enjoy under the Regulations; and, of course, I should mention also that for a time after the war, committees naturally had to take a rather more lenient view because of the number of practitioners who were returning from military service and who suddenly found themselves accepting obligations the full extent of which they perhaps had very little opportunity of studying.

1019. I see that you have some system of monetary penalties on doctors. In 1923, for example, there are 132 cases mentioned in the Statement as being cases in which monetary penalties were imposed. In what circumstances can a monetary penalty be imposed on a medical practitioner in respect of something arising out of his contract?—Remuneration might be withheld for any breach of the Regulations or of the terms of service which was not of such seriousness as to justify the removal of the practitioner from the Medical List.

1020. Do the Insurance Committee or do the Ministry take the initiative in cases in which a monetary penalty is inflicted?—The case is heard before the Medical Service Sub-committee, and then their report comes before the whole Insurance Committee, and that in turn is forwarded to the Ministry.

1021. My question was, at what point does the insistence upon a monetary penalty arise? Does the Insurance Committee take the initiative, or does it wait till the report has been received and considered in the Ministry?—In most cases the Insurance Committee would itself recommend the withholding of a definite sum, but some committees do not make any definite recommendation. In any case, whether the Insurance Committee proposes to withhold a definite sum or not, no action can be taken until that recommendation has been either confirmed or varied by the Minister.

1022. Some of the penalties I see are quite substantial. There was one case in 1923 where a penalty of £1,000 was imposed. I do not want you to give us details that ought not to be made public, but can you, without mentioning names, give us some indication of the circumstances in which a penalty of that magnitude was held to be justified without, I presume, the removal of the practitioner from the panel? First of all, is that assumption correct—did the practitioner remain on the panel?—That was a firm. Both practitioners remained on the panel. It was of course a very exceptional case. There were two doctors practising in partnership in a self-contained area. It was a fairly large village sufficiently far from the nearest town to make it difficult for any other doctors to practise in that district. On the facts found in the course of the Inquiry it appeared that both those practitioners had been making a charge to their patients expressed as a charge for the bottle of medicine, but in fact, according to the local custom, it was a charge which also covered treat-

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ment. Apparently in that area the bottle is considered more important than the advice, and it is usual to express the charge as a charge for the bottle. In this particular case what they charged was 3s. for cash and 3s. 6d. for credit. That had gone on for a very considerable time, and the fact that it had continued so long was probably only to be explained by the comparative isolation of the place. Had there been other doctors practising there the insured people would not have been so readily persuaded that by paying their insurance practitioner they were going to get a quality of treatment and a quality of medicine that they could not get as insured people without charge. When the case had been investigated by the Medical Service Sub-committee and had been forwarded to the Ministry by the Insurance Committee, the facts appeared to the Minister to be of such seriousness that a letter was written to the Insurance Committee suggesting to them—not directing but suggesting—that they should consider whether it was not their duty to make formal representation for the removal of those practitioners from the Medical List, representations which would of course necessitate the appointment of an independent Committee of Inquiry to hear the whole of the facts. There has been some comment on the action of the Ministry in writing that letter, and I should like to put it on record that when the case was before the High Court the Lord Chief Justice expressed the opinion that that was a perfectly proper course to take. The Insurance Committee did make representations. The case was heard by a Committee of Inquiry consisting of a legal chairman and two medical members, and a number of instances in which these charges had been made were established; but it was not the object of the Insurance Committee to establish before that Committee of Inquiry all the instances in which these irregular charges had been made. Their object was to prove that the thing had continued on such a scale as to imply a regular practice of making these improper charges over a considerable period. When the report of the Committee of Inquiry came before the Minister, while he took the view that the facts established would be quite sufficient to justify the removal of those two doctors from the Medical List, he also felt that there were special circumstances that would warrant him in imposing a less grave penalty. I think he was principally influenced by the fact that if those two practitioners had been removed, there were no other doctors practising in the area who could have undertaken the care of their insured patients. In the interests of the insured people it seemed better to deal with the case by way of a penalty than to deal with it by way of removal. I might also add, perhaps, that the Insurance Acts Committee of the British Medical Association or their representatives, have publicly admitted that if the Minister had taken the course of removing these two doctors from the Medical List they would not have felt in a position to challenge the decision; but as he adopted the, perhaps I might say, more merciful course of dealing with the matter by way of monetary penalty, it made it possible to raise the question as to the extent of the improper charges that had been made, the number of cases that had been proved. I think it is the fact that for the purposes of the representation, the Insurance Committee only felt bound to prove a series of cases and did not feel bound to attempt the task of proving all the cases, and this fact has given rise to the criticism of the amount of the penalty; but, of course, in ordinary circumstances where a breach of the doctor's contract is so grave as to justify a penalty of anything like that sum it has been generally felt that the proper way to deal with it is by removal from the List and not by the imposition of anything in the nature of a fine. It was only the very special local circumstances of this case which led the Minister to deal with it differently.

1023. But here there was no reflection on the quality of the service rendered?—None at all. The men were highly qualified men, very popular with

their patients, and carrying on a very good-class practice, and that, I think, in a sense was rather an aggravation of their offence. If these men had been starving practitioners in the back streets of some industrial town, there might have been, I will not say justification, but at any rate a certain amount of excuse. But they were not starving men; on the contrary, they were men with a very substantial practice and in the enjoyment of a large income, an income to which they added considerably by charging their patients twice over. First they got the capitation fee, and then the second payment of 3s. or 3s. 6d. for the bottle.

1024. Have many doctors, in fact, been removed from the panel since the Acts came into operation?—Thirty-two doctors altogether have been removed between 1913 and the present date, and besides that eight have been allowed to resign to avoid removal, so that in effect 40 have been removed.

1025. What is the position of a doctor when he has been removed from the panel? Can he ever get back again?—Yes, it is open to him at any time to apply for restoration.

1026. Must he apply formally?—He must apply formally, and before a decision is reached, it is usual to consult the Insurance Committee and the Panel Committee of the district in which he previously practised. He would also be required to produce evidence as to his conduct in the meantime from medical men in the area in which he had been working.

1027. Did the figures you gave include cases of doctors who have been dealt with by the General Medical Council and had their names struck off the Register, or have you given only cases of doctors who have remained on the Medical Register but who have been removed from the panel?—Some of those doctors who have been removed from the Medical List have also been removed from the Medical Register, but I have not the figures here showing how many.

1028. (*Sir Humphry Rolleston*): A very small number I think.—(*Dr. Smith Whitaker*): I think those figures do not include cases removed from the List because they have ceased to be registered, where removal from the Register has occurred first.

1029. (*Chairman*): That was the point of my question. I was not dealing with cases in which the General Medical Council might have taken the same facts into consideration and imposed the more drastic penalty of removal from the Register. May we take it that your figure of 40 does not include the names of persons who, having been removed from the Medical Register by the General Medical Council, have been automatically taken off the panel?—(*Mr. Brock*): That is so, but it might be in a particular case a matter of accident which machine moved first.

1030. Does the answer you gave me about restoration to the panel apply equally where a doctor who has been removed establishes himself in practice in another area?—He cannot come back on to the Medical List in any area without the Minister's sanction.

1031. Is there any provision for a further formal investigation of inquiry before sanction is given, to re-admission?—No, there is not.

1032. What you have told us shows that the machinery provided under the Insurance Acts does in fact enable the authorities concerned, the Insurance Committees and the Minister, to exercise a substantial measure of what I may call discipline over panel doctors in their capacity as Insurance Act practitioners. Is there any evidence that the doctors themselves chafe under this disciplinary régime?—(*Dr. Smith Whitaker*): I do not think they do as regards the constitution of Courts of Inquiry for removal or as regards the procedure that is adopted. Of course there has been a large volume of criticism of the arrangements for removal.

1033. I saw a letter in "The Times" the other day criticising the arrangements from that point of view.—We have gone into that on several occasions

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in discussion with the Insurance Acts Committee of the British Medical Association, and the root of the matter, as they recognised frankly the last time we went into it with them, is the statutory provision. It is not the way in which the Department has acted in carrying out the Statute. Of course there will always be ground for criticism, but there has been no serious criticism of the action of Ministers in the exercise of their powers. The criticism, carefully analysed, has always turned out to be a criticism of the statutory provision which gave the Minister power to remove a man from the list. It has been contended by some doctors that such a matter should be dealt with by the General Medical Council, or that there should be some machinery for referring the matter to the High Court. But we have always had to answer that that is a question of legislation, and if they want anything of that kind they must get legislation introduced. The powers under the Act are quite clear and specific.

1034. Do you think from your experience that the service could be administered on the lines on which it has been established without such a controlling power?—No. I would suggest that those who want to go into the matter should consider the wording of the 1911 Act itself, Section 15 (2), which puts the power of removal on the ground of efficiency. Every doctor has a statutory right to go on the list; there is no power of selection before he goes on, and there is no power of removing him from the list other than that we have been discussing. There is not the ordinary employer's power of dismissing an employee. The only method of getting rid of a doctor who is not working satisfactorily is the power of the Minister to remove, and it is very difficult to see how the system could be worked satisfactorily unless that power is vested in someone responsible to Parliament. We have to recognise that the criterion of the Act in this respect is not like that of the Medical Act, removal on the ground of infamous conduct in a professional respect or anything of the kind. The power of the Minister to remove depends on his being satisfied that the practitioner's conduct is prejudicial to the efficiency of the service, so that the power is essentially one for controlling the proper standard of the service. It is difficult to see how a power of that kind could be exercised satisfactorily except by someone responsible to Parliament which, of course, would not apply to the General Medical Council or to the High Court.

1035. Apart from complaints by insured persons or Approved Societies, is there any supervision at all by the Insurance Committees or on behalf of the Ministry over the panel practitioner in the exercise of his duty under his contract?—Yes, in two or three ways; in the first place, not as regards the actual carrying out of his medical treatment, but as regards his practice arrangements, the Insurance Committee have certain powers of supervision. They can consider whether his surgery and waiting-room accommodation is adequate, and they can deal with questions of surgery hours, and so forth. Apart from that, the Ministry have through the regional medical staff a certain kind of supervisory power.

1036. Are the regional medical officers the servants of the Ministry?—Yes.

1037. You told me in reply to an earlier question that their remuneration was charged against the funds of Approved Societies, but I gather that in the first instance they are paid from the Exchequer?—Yes. The whole cost of the service is apportioned between the Exchequer and the Approved Societies. When the question of the employment of the regional medical staff was under discussion with the profession, both in 1914 when it was first proposed, and in 1919 after the War, when it became again a practical proposition, it was frankly accepted in those discussions that this would include a certain amount of supervision of the insurance practitioners' work; not, of course, that the regional officers could ever be made inspectors to sit in the doctor's surgery while he was seeing his patient, but that they would have

various opportunities of noting indirectly how he was doing it, and of exercising a certain amount of pressure upon him. In practice now that arises mainly in two ways. In the first place, as referees the regional medical officers see cases that are referred to them by the Approved Societies or by the doctors; and under a power conferred by regulation the regional officer asks the doctor for a statement of what he knows of the previous history and present condition of the patient, and on his examination and through that document gets opportunities of observation of the character of the practitioner's work. He reports to the practitioner the result of his examination, and wherever he thinks it desirable may call his attention to any particular point to which he thinks attention should be called. This is all apart from any exercise of disciplinary powers, it having been anticipated that probably the mere fact that you had doctors in whom the profession had confidence, who had these opportunities of observing how their work was done, would exercise a kind of gentle pressure to induce a number of men to do their work better than they otherwise would have done it. We have also the opportunities afforded by the inspection of records.

1038. Can you tell us what proportion of practising general practitioners in England and Wales are on the panel?—(Mr. Brock): It is difficult to give a quite certain answer because of the difficulty in arriving at the total number of men actively engaged in general practice. But the information collected during the War by the Central Medical War Committee, led them, I believe, to conclude that the number of general practitioners in England in active practice was somewhere in the neighbourhood of 18,000. It is probable, or at any rate it is possible, that that number has since increased because of the large number of newly qualified men who have been turned out by the medical schools.

1039. Does that figure include assistants and men acting as *locum tenentes*?—The number of men on the panel is 12,000.

1040. I am referring to your figure of 18,000 in general practice?—Yes, that would include assistants.

1041. It is not limited to people who have their own independent name-plate? Would some of these assistants not be acting as assistants to panel practitioners?—Some of them certainly would be acting as assistants to panel practitioners. It would vary with the circumstances of the area.

1042. To get a true comparison you ought to reduce the figure of 18,000 somewhat in respect of the men who are not themselves panel doctors but are acting in the capacity of assistants to panel doctors?—There are just over 12,000 men now on the medical lists. That includes most assistants. So that it is roughly 12,000 out of 18,000.

1043. Do you always know when an assistant is employed?—The doctor has to obtain the sanction of the Insurance Committee before he employs an assistant, and a good many but not all insurance committees require the name of the assistant to be put on the medical list. I could not say that we knew of all cases in which an assistant was in fact employed.

1044. The doctor has no inherent right under his contract to employ one assistant; it is a matter of special sanction in each case, is it?—It is really more a formal matter of reporting to the Insurance Committee.—(Dr. Smith Whitaker): He has to have authority of the Minister to employ more than one assistant. (Mr. Brock): The authority to employ a second assistant is only given in very exceptional cases. It might be given, and it has been given in a certain number of cases, on the ground of health: a temporary sanction.

1045. Can a doctor normally employ one assistant subject only to the requirement that he should report the fact to the Insurance Committee?—Yes. He has to obtain the formal consent of the Insurance Committee, but that is a consent that cannot be un-

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reasonably withheld. In practice, unless there is some very good reason, they have to give it.

1046. Then, I suppose, the division of the remuneration between the practitioner and his assistant is a matter purely of private arrangement?—Yes. That is a matter of which the Insurance Committee has not to take cognisance. In order to be recognised as a partner the doctor must prove that he is getting a definite fraction of the total income of the firm.

1047. So that on the figures you have given, roughly two-thirds of the practising general practitioners are on the panel or are acting as assistants doing insurance work, 12,000 out of 18,000?—Yes, two-thirds.

1048. As between country areas and town areas would that proportion vary?—It would vary, not only as between country and town, but also between town and town. In the mainly industrial boroughs, where you do not get any considerable well-to-do population, it may be taken that probably 100 per cent. of the active general practitioners are on the panel. I find, in fact, that in Walsall, West Bromwich, Dudley, Burnley, Rochdale and Wigan, practically all the general practitioners are on the panel, but when one comes to bigger cities, such as Birmingham and Sheffield, which both have medical schools, there is, of course, a larger proportion of consultants and of border-line men who are partly general practitioners and partly consultants. These do not tend to come on the panel. For Birmingham I find the proportion is 65 per cent., and for Sheffield it is 66 per cent. Taking the county areas the proportion is rather smaller. In Devonshire there are only 54 per cent., in Cambridge it drops to 41 per cent., and in Kent, 61 per cent. Of course, these are only approximate figures, because they are based on certain assumptions as to the proportion of the total number of medical men in the area who are engaged in general practice. Some time ago we took count of between 2,000 and 3,000, and that showed that about 25ths of the total number of qualified men in the area were not engaged in general practice. But it may certainly be taken that in the purely industrial areas it is very difficult for a man to make any kind of living as a general practitioner if he does not go on the medical list. He has very little choice. But when you get to the other end of the scale, to a place like Bournemouth, the percentage is very much lower, well below 40, and probably the same thing would hold in Torquay and other places of that type.

1049. I suppose a number of the practitioners in health resorts like Bournemouth or Torquay, although holding themselves out as general practitioners, are in a sense specialists?—Yes.

1050. They carry on a specialised practice—shall I put it like that—at those health resorts?—(Dr. Smith Whitaker): At a place like Harrogate they would certainly. (Mr. Brock): It might be specialised in the sense that they were interested in particular types of disease. Sometimes it might be specialised in the financial sense, that they were not going to worry about patients who could not pay at least a certain amount.

1051. I have three questions I want to put to you and Dr. Smith Whitaker of a general nature with regard to the quality of service. I can only ask you to give, if you are able to do so, the general impression that responsible officers in the Ministry have formed. The first question is this. One often hears statements to the effect that the services rendered by a panel doctor to his patients is different in character and inferior in quality to the services that he would render ordinarily to paying patients in the same economic circumstances. Can you say whether those statements on the whole are well founded or ill-founded?—So far as I have opportunities of judging I should say, and say quite emphatically, that in the great majority of areas there was no attempt whatever to discriminate between the insured and the non-insured; indeed, if there is any discrimination I should say it is probably in favour of the insured, because a doctor

would know that if he has to make a choice between two patients and he fails to respond to the call of the insured man he may find himself involved in a complaint. There are, of course, certain areas in which conditions are still difficult because the men on the panel are men who have come on reluctantly, who are not dependent to any appreciable extent on their insurance income, and who have, in fact, only come on, as so many have come on in districts like Chelsea and Kensington, because they felt that if they were not on the list and were not prepared to take domestic servants some other man might get a footing in the house. Those men to whom the financial value of insurance practice is small do not find it worth while to familiarise themselves with the regulations; they render their services reluctantly; they are probably not as well paid as they were in pre-Act days when they looked to the employer for payment. There is also, of course, at the other end of the scale, difficulty in some single-doctor areas in the country where there is no kind of competition. I do not mean that the unopposed doctor necessarily, or even often, takes advantage of his position, but sometimes he does. But as regards the main areas of population I should say that the alleged differential treatment between insured and uninsured is a mere legend and a survival of the past.

1052. Perhaps it will be relevant to the question and answer we have just had if you will tell us from your experience how far the panel practitioner normally undertakes the treatment of the insured person's dependants under private arrangement?—Generally speaking, I think, except, of course, in so far as they might get treatment from one or other of the public services, he would ordinarily be the doctor going to that house if a doctor goes there at all.

1053. As far as that is the case the panel doctor is in private contractual relationship with the insured person and any inducement he might have to discriminate would be *pro tanto* diminished?—That is so. I think it is very unlikely that a man of common prudence would offend the bread-winner at the risk of affecting his chance of attending the rest of the family.

1054. Have the Ministry any means whatever of judging how the service now rendered by insurance practitioners compares with the service secured in the old days by Friendly Societies for their members?—(Dr. Smith Whitaker): We have no official experience, but if I may say something as to my personal impression, first as a medical practitioner between 20 and 30 years ago in a town in which there was a good deal of club practice, though I had very little myself, secondly as Secretary for ten years of the British Medical Association where I heard a good deal about it, and then for the last ten years as an officer of the Ministry, it is a point that naturally I have considered a good deal. Up to the end of the war one would have found it very difficult to express any confident opinion, owing to war difficulties; but I should say that since the readjustment of the terms of service with the doctors in 1920, we have had a fair opportunity of judging what the panel service taken as a whole really is, and of comparing it with the conditions which prevailed in pre-Act days. It is very difficult, of course, to get more than a personal impression as to how this doctor or the other doctor does his work. I think you have to look at the broad features of the two systems if you are going to make a comparison, and the first thing that strikes me about the present insurance service is that it is under public control, and that the free wind of publicity blows through all the arrangements. The doctor's contract is clearly defined, whereas in the case of club practice it was very often not clearly defined; in fact, it was almost the exception for a club to have a clearly drawn-up agreement with its doctor. The machinery for enforcing the contract is also clearly defined and is one which has been settled by agreement with the doctors themselves, they having had every opportunity of expressing an

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opinion. Under the old arrangement the doctor was appointed usually by the Club Meeting. Clubs and Friendly Societies are exactly like all other voluntary societies in that their affairs are usually managed by a comparatively small number. The doctor was chosen by the active few, and a member who was dissatisfied usually employed some other doctor privately, otherwise his only remedy was to get a meeting of the Lodge summoned and get a change of doctor carried through; but under the Insurance Act he is free to change and choose a doctor with whom he is personally satisfied. That brings you to the second point of free choice of doctor. Then I think that a feature that has a good deal to do with the difference between the present insurance service and any pre-existing service is the extent to which in recent years we have succeeded in getting acceptance by the profession of collective responsibility for the efficiency of the arrangements as a whole; not only the individual doctor's personal responsibility to his individual patients, but in the last four years the profession have increasingly recognised that inefficiency of the panel service reflects on the profession and that the profession as a whole have a responsibility for seeing that the panel service is efficiently conducted. I think we may attribute that change—for it is a change—to two or three things: first, what has already been referred to, the provision made in the Insurance Acts for direct participation by the medical profession in the administration of the Acts. That undoubtedly has created a sense of responsibility for efficient working that we could not have got otherwise. Then in various ways the regulations now provide for collective responsibility; for example, in order to secure immediate treatment in any case in which it is required the profession have agreed to arrangements by which, if an insured person cannot immediately secure the services in an emergency of the doctor of his choice, he has a call on any doctor on the panel, and an arrangement is made for paying the fees for that attendance out of the medical pool of the area. I think, Sir, that in respect of public control, in respect of free choice of doctor, and in respect of the responsibility which the doctors have accepted for the efficiency of the system as a whole, we have a great improvement over anything that existed before the Insurance Acts. There is one other point already referred to by Mr. Brock, perhaps not very large, but it is important. An insured person can obtain treatment anywhere in Great Britain with as little formality as possible. Under the old system, although some of Friendly Society lodges were able to make arrangements at a distance, as a rule they were not; and in many cases if a member of a Friendly Society moved to a distance he could only at the most get an allowance from the club of the amount of his subscriptions; he had no arrangement for treatment.

1055. My question was rather directed to the quality of the service when it was rendered?—Yes.

1056. One further question. Leaving out of account the War period, and all the difficulties with which you had to contend during that period and for some time after, do you think that the Insurance medical service has improved substantially since its inception?—

(Mr. Brock): I should say it had. (Dr. Smith Whitaker): I should say so.

1057. (Mr. Brock): May I supplement one answer that I gave earlier? I think I conveyed the impression that where there is a withholding of payment from the doctor, there has been in the majority of cases, a recommendation from the Insurance Committee to withhold the sum. I think that was perhaps rather an overstatement. Some committees never do make any recommendation for the withholding of a definite sum; they leave it to the Ministry. I think probably it is about half and half, if you exclude the special type of case in which the Insurance Committee are not concerned at all, that is, the withholding of grant where the medical records have not been properly kept or where reports have not been

furnished to the regional medical officers matters in which the committee are not concerned. I ought also to have said that removal from the medical list, is invariably the personal decision of the Minister. It is not a Departmental action. It always goes to the Minister in person.

1058. (Mr. Besant): I just want to ask one question on the 1,700 complaints. I understood that you said there had been some 1,700 complaints in the last four years?—Since April, 1920.

1059. Of those you account for some quite small percentage—about 20 per cent.—in the first table on page 83, in which you give the facts as regards monetary penalties. Can you tell me, first, what percentage of the total complaints were apparently justified out of the 1,700?—I could not. I have not got the figure. We can get out figures if you wish, but it would involve a good deal of labour, I think, to go back over the whole four years' period. We could give you figures for the last complete year or two.

1060. I do not think that will be worth while, because I think my next question may lead up to what I want to get at. The monetary penalties, as far as I can see, in the last four years account for only about 20 per cent. of the complaints. The figures are given in the first table on page 83. Of the other 1,400 odd complaints, could you tell us what has happened to them or what other form a complaint which does not result in a monetary penalty can take?—To begin with, there must be an appreciable number of cases in which no breach of the regulations was proved to have occurred. The total of 1,700 would include all the cases which resulted in acquittals. Of the cases in which the facts were found against the doctor, apart from monetary penalty, there would be a good many cases dealt with by way of a letter of warning. Where the case was a first offence and not of a very serious nature, it would probably be sufficient to warn the doctor that if there was any repetition of this the Minister would have to take a more serious view of the matter.

1061. Could you tell me whether in a fair percentage of cases, without committing you to an exact percentage of the doctors acquitted, the complaints turned out not to be justified?—I should say that in quite a substantial percentage of the cases nothing is proved against the doctor. The complaint proves to be ill-founded.

1062. Then beyond that there would be a certain number of cases in which you would say: "Well, the doctor is a little at fault, but not much, and we shall merely call his attention to it, and ask him not to do it again"?—That is so.

1063. Then you get the small percentage of cases where you inflict a monetary penalty. These do not amount to more than 20 per cent. of the whole. Is there any other form of penalty except this monetary deduction?—(Dr. Smith Whitaker): There are cases in which a doctor has failed to give attendance and the patient calls in another doctor. The Insurance Committee decide that the doctor was at fault, and they make him pay the bill of the other doctor, they having power to make the doctor pay any expenses necessarily incurred by his patient through his default. Where a penalty of that kind has been inflicted it may be thought that that is sufficient and that it is not necessary to add a monetary penalty.

1064. Is that a small or a large percentage?—I could not say off-hand what proportion they are. (Mr. Brock): They are fairly frequent cases. I should not like to suggest that on the figures for the recent years the percentage of cases in which a monetary penalty was inflicted was very small, because if you take the last completed year—1923—there were 132 cases in which money was withheld out of something over 400 complaints investigated.

1065. I am coming to that in my next question; but for the moment I limit it to this, that out of 1,700 complaints this particular solution—money penalty—accounts for about 20 per cent. Could you

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tell me whether there is any other form of penalty, or what accounts for the great bulk—the 80 per cent.—which are not dealt with by a money penalty?—I am afraid I am not in a position, without having the cases examined in detail, to give you any figures.

1066. What I meant was this. It might be that out of the 80 per cent., 70 per cent. were acquittals, or it might be that out of the 80 per cent., 10 per cent. were acquittals. I wondered whether you or your colleague could give me some kind of idea as to whether, out of those 1,700, the doctors are condemned in a larger percentage or a smaller percentage of the whole, or, if not, how you sub-divide the 80 per cent.—(Dr. Smith Whitaker): Perhaps it would be more satisfactory if we gave figures of the number of acquittals; but as regards cases where the doctor is convicted, if we may use the term, and at the same time no monetary penalty is inflicted, you have a considerable number in which the committee pronounce a censure, and doctors think so much of the censure, and dislike it so much, that we have frequently had appeals against the decisions of a committee to censure a doctor, although they propose no other penalty.

1067. You see my point, Mr. Chairman. I do not want to give an enormous amount of detailed work to look up each case out of the 1,700, but if we could get, as it were, a sort of classification of these cases, I think it would be useful if you care to support that view.

1068. (Chairman): I am sure the witnesses would be very glad to undertake to let the Commission have a brief statement sub-dividing the cases.

1069. (Mr. Besant): If that could be done without bothering about particular cases, that is, if they could give the main percentages, it would be helpful.

1070. (Chairman): (To the Witnesses) Can you undertake that?—(Mr. Brock): Yes, I think we could do that.

(The Statement promised in answer to Q. 1070 is here inserted for convenience of reference.)

In submitting at the request of the Royal Commission the following analysis of complaints against insurance practitioners which have been investigated by the Medical Service Sub-Committees of Insurance Committees it should be explained that the total 1,646 is less than the figure given in evidence ("in round figures, 1,700") for the following reasons:—

- (1) Cases which on the 31st October were still before the Minister have been omitted, because in the absence of a decision by the Minister they could not be classified;
- (2) Cases which ultimately resulted in the Insurance Committee making representations for the practitioner's removal from the Medical List have also been omitted, because in such cases the representations have generally included a series of charges, which could not properly be classified under a single head; and
- (3) In a certain number of cases the enquiry was dropped by the Medical Service Sub-Committee and the reports do not disclose the nature of the offence or the doctor's name. These cases, which are not numerous, have also been excluded.

Analysis of Complaints dealt with by Medical Service Sub Committees from 1st April, 1920, to 31st October, 1924.

Nature of Complaint.	Doctor acquitted or case not substantiated.	Grant withheld.	Doctor warned either by Insurance Committee or Ministry.	Action limited to (a) (b) requiring Doctor to repay insured person bill of another Doctor, etc. (c) refund fee wrongly charged.	Totals.
(a) Neglect to visit	100	73*	52*	35	260
(b) Inadequate treatment	250	48*	68*	26	392
(c) Fee charging	105	73†	57†	108	343
(d) Irregular certification	142	84	248	—	474
(e) Miscellaneous	50	37	90	—	177
Total	647	315	515	169	1,646

NOTES.—* In many of these cases the doctor was also required to pay the insured person the cost of treatment by another doctor, etc.
† In most of these cases the doctor was also required to repay the fee wrongly charged or to withdraw his account.

SIMILAR TABLE FOR WALES from April 1, 1920 to October 31, 1924.

Analysis of Complaints dealt with by Medical Service Sub-Committees.

(a) Neglect to visit	15	3	3	1	22
(b) Inadequate treatment	7	2	—	1	10
(c) Fee charging	15	3	1	6	25
(d) Irregular certification	19	7	30	—	56
(e) Miscellaneous	32	13	15	—	60
TOTAL	88	28	49	8	173

1071. (Mr. Besant): Then with regard to the first table on page 83, can you explain to me why the figures have jumped up so suddenly—18, 59, 115 and 132? Is it because you have been tightening-up your standard, or is it due to other causes?—There has been a tightening-up of the standard, and, of course, for some considerable period after the war we had so many doctors coming back to the Insurance service on demobilisation who were not familiar with all the changes in the regulations that committees had to deal with them a good deal more leniently. During the last two or three years there has been a distinct tightening-up, I think.

1072. (Miss Tuckwell): Under the old system of National Health Insurance all doctors on the Medical Register were able to put themselves on the panel if they chose. Was any other system ever suggested? Was there any alternative suggested other than that of every general medical practitioner being able to go on if he liked?—(Mr. Brock): I cannot say what proposals may have been discussed in Parliament in 1911. Of course, the principal Act as it stands gave every qualified man a statutory right to go on. I think in fact it would have been very difficult to proceed on any other system, because of the difficulty of selection. The one thing that might

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have been possible, and I think was considered, was to give Insurance Committees a right to make representations that the admission of a particular individual to the list would be prejudicial to the service. They do possess such a right in relation to chemists.

1073. I understood Dr. Smith Whitaker to say that the value of the regional medical officers was great in bringing a sort of pressure to get to the work properly done. I have not got exactly your words, but that is what it came to?—(Dr. Smith Whitaker): Yes—pressure, I think, only in the form of calling the attention of the doctor to things that were not quite satisfactory, and not in the sense of any disciplinary action by the regional officers.

1074. These officers were appointed later?—Yes; they were appointed in 1920.

1075. They were appointed in consequence of the recommendations of the Excessive Sickness Committee?—Partly that; and also because of the demands of the Approved Societies and the doctors.

1076. And those demands were based largely on the fact that it would make the doctors more efficient?—Yes, I think so.

1077. Could you tell me what error or delinquency is sufficient to make the Minister take people off the panel?—The commonest causes that have occurred have been persistent or very gross negligence. Another cause has been drunkenness, and then there have been two or three cases in which a practitioner was quite intractable; he would not carry out any of the regulations. Again and again he set the whole system at defiance and refused to carry out various obligations, perhaps not important in themselves, but without which you could not carry the system on. But the majority of cases have been for negligence in treatment.

1078. When you spoke of accusations of inefficiency against practitioners being a legend and survival of the past, I gathered that there was a difference. What is the past in which the doctors were so much more inefficient?—(Mr. Brock): I think I was referring, when I used the term "legend," to the suggestion that there was differentiation between panel patients and non-panel patients, and it was not so much a question of efficiency in the earlier days of insurance. There was a good deal of differentiation, and some doctors insisted on panel patients coming in by a separate door. That has gone.

1079. I understand, do I not, from your replies to previous questions, that all systematic reference to specialists is excluded from the scope of medical benefit; that the general medical practitioner is the person who deals with cases, and that as a rule when it comes to specialist treatment, unless there is some special arrangement, that is barred out?—The only provision for anything in the nature of specialist treatment is that the regional medical staff are available at the request of the doctor to give a second opinion. They cannot treat; they can only give an opinion. Apart from that there is nothing beyond general practitioner service.

1080. (Chairman): Mr. Brock and Dr. Smith Whitaker, can you indicate for the benefit of the Commission what in your experience are the main grounds of criticism on the part of insured persons or their representatives, including Approved Societies, of the existing system of providing medical treatment in case of sickness. Let me sub-divide the question, if I may. Have you had criticisms, which seem to be of weight, with regard to the preventive medicine aspect of the whole question, and have you had criticisms with regard to the impossibility of getting, at the expense of the Insurance Fund, specialist medical services, and are there any other heads which occur to you under which criticisms of weight have been directed against the existing system? Would you mind taking the preventive aspect first?—(Mr. Brock): Certainly it has been a ground of criticism that very large sums were being spent out of the Insurance Funds sometimes on treatment of symptoms, and at any rate only on the treatment of disease, and that there was not a corresponding provision on the preventive side. That can

be illustrated particularly in the case of a man who is suffering, as many insured people do, from digestive disorders resulting from defective dentition. The Act goes on providing him with medical treatment necessary for dealing with the consequences of his defective teeth, but unless he happens to be in a society which has some sort of dental benefit as an additional benefit, nothing whatever is done for his teeth. I take that as an illustration. I think another ground of criticism, coming principally from the insured persons themselves, is that under the present terms of service the doctor who is attending them is not bound to do all the things that he is capable of doing for them; that there are certain things which a particular doctor might be able to do for his patient, but when the necessity arises he says to the patient: "This is outside my contract, and if you want me to do it I must be paid." I think that is a difficulty which has given rise to a good deal of criticism.

1081. May we clear that up by taking a concrete case? Suppose, for example, an insured person is suffering from spotted fever, and the question of an injection arises; it does arise does it not? Am I right in supposing that the appropriate treatment comes very near the border line between what a general practitioner in the ordinary course might undertake and what some would hesitate to undertake?—(Dr. Smith Whitaker): I think in that particular case if it were an injection for the purpose of treatment of an infection already contracted, it would usually be held that it should be provided, because if the practitioner is prepared to administer it it would be provided. But you might have cases in which you would say that it was an expert service to give an injection.

1082. I remember the argument that used to be adduced in regard to spotted fever was that it was a new thing; that the technique in connection with the necessary injections—I do not understand the technicalities of the thing—was so new that the ordinary practitioner could not be expected then to undertake it. I may be quite wrong, but take that sort of thing as an illustration. You have this general question: you have got a great body of practitioners in the country; new methods of treatment may be devised which in the course of time all qualified medical practitioners would be able to undertake. It is perhaps better to put it as a theoretical case?—We had an example in the case of salvarsan. There was the question of whether general medical practitioners should be required to administer salvarsan, or whether that was a special service. It was considered that that must be regarded as a special service in the majority of areas, but that there might be areas in which the general practitioners had acquired so much experience, and there might come a time when that knowledge would be so widespread, that you could no longer say that that was a specialist service. The criticism is that that state of affairs ought not to arise; that your system ought to be comprehensive and complete, and that it should not be open to you to have to go into minute questions of that sort as to whether a particular kind of treatment should be available to the insured. But that is really a criticism of the limitation of the service, of course, and I doubt whether really the question of preventive medicine comes into a different category.

1083. (Chairman): I thought Mr. Brock had gone to the second head: the advanced facilities for specialist treatment. But I am much obliged, Dr. Whitaker. The case you have taken illustrates the particular point.

1084. (Mr. Berant): Another aspect of the same thing is this. As I myself gathered (but I hope I am not right in that) a panel doctor was not supposed to do his best for his patient; in other words, not to use the whole of his intellectual ability for the benefit of his patient. I did rather hope that that point would come out and that you would be able to tell us that each doctor does his best?—Yes.

1085. He does use his intellectual equipment to the full for the benefit of each patient?—I cannot

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imagine really that a doctor would discriminate in that way. When there has been a question of whether a service was inside or outside the Act it has never been a question of the doctor's application of all his force of mind; it has been that he might be required to do some particular thing that required a certain degree of skill that he could not be expected to possess.

1086. That was not quite my point. My point was that if he, being a panel doctor, had got that particular skill, did he apply the whole of his skill for the purpose, or did he say: "No, the ordinary panel doctor has not got that skill, and therefore I will not give my semi-special knowledge to that patient"?—That certainly is the position, and that position arose, as was explained this morning, in the very early days of administration. While the Commissioners were considering the first Regulations, they received a number of letters from doctors of the type that Mr. Besant has just referred to. The typical case was that of a doctor in a somewhat remote county who said: "I am a general practitioner. I am also an operating surgeon. I am on the staff of the local infirmary. I am called upon in the ordinary course of my practice to operate 20 or 30 miles away from my home. My colleagues in the profession have such confidence in my operative skill that I am called upon to perform operations of the greatest magnitude—capital operations—for them. At the same time there is not enough surgical work of that kind within reach of my residence for me to make my living out of it. I must be a general practitioner. I have a good many patients among the insured class. If the panel system is started here I shall be bound to go on the panel. It would be quite unfair if I, receiving the same remuneration as the other doctors, were compelled under my contract to perform a capital operation which they would be quite incapable of performing." That was the position which the Department had to face, and they came to the conclusion that, the conditions of service being practically uniform, you could not under the contract impose different obligations on different doctors. It is only in that sense that differentiation exists. But the question I submit for the consideration of the Commission would be whether that is avoidable so long as the content of the service is not complete: whether, so long as you do not include in the service the provision of special services of all kinds, you can avoid difficulties of the kind I have been mentioning.

1087. (*Sir Alfred Watson*): To make the matter quite plain, I think Mr. Brock did say, in effect, that your surgeon specialist in the case you have cited, might perform an operation for one of his own insured patients and charge a suitable fee for it, provided he went through certain formalities and gave certain notifications?—The contract does not debar him from performing the operation, but debar a patient from receiving the service as part of the doctor's obligation. The patient can have the service on paying for it, or as a hospital patient or anything of that kind.

1088. (*Mr. Besant*): Need we take such an extreme case as a capital operation? Suppose you had a patient with a certain type of heart mischief. Would you say that your panel doctor would always use his best abilities for the panel patient where investigating the exact condition of that heart means that he uses a type of knowledge a little above, perhaps, the ordinary knowledge that a family doctor would possess, and where he might have to give a great deal of additional time in order to investigate that case carefully and make a diagnosis on which he could place complete confidence? In other words, I am not taking the outside case of the operation, but a case which would happen, I should think, in the case of a good many panel patients?—We have not experienced difficulty of that kind. I cannot remember any case in which a panel doctor has claimed to be paid for rendering a service of that kind, and that is the only form in which the question would arise. The question

would never arise of refusing to perform the service. It would be a question of the right to charge the patient for the exhibition of skill.

1089. I want to get at the fact whether, if the patient said, "I cannot afford it and I am not going to pay," his heart would be neglected, or whether the panel doctor would give the same attention to that heart as if the patient had paid a fee?—I cannot conceive a case where that would arise. It seems to me that all the cases we have had to deal with have been cases much more comparable with the capital operation—quite definite services. Take one of the commonest cases, examinations of refractions. Some kinds of examination have been held to be within the scope of the contract and some without, according to the degree of difficulty, and so on. But that is quite a definite thing. I find it very difficult in the heart case, as stated, to find what there would be that the man could claim which would entitle the doctor to make a charge. One of the points that we have always had to bear in mind in dealing with this question is that you could not say that a service was within the content of the obligation unless you felt that it was safe and in the interests of the insured persons themselves, to enforce that obligation on the practitioner. If it were, in fact, a service that it would be dangerous for a considerable proportion of the practitioners to undertake, it would not be doing a good service to the insured to try to hold that it was within the content of the obligation. I suggest that when you come to the consideration of the whole of this subject, you will find, as has always appeared to us, that there is no half-way house between the completion of the service, to include everything that can be done outside residential institutions, and the necessity of making the kind of distinction that we have felt bound to draw.

1090. (*Chairman*): Let me put a specific question. Inoculations are in the ordinary course of medical treatment?—Yes.

1091. Are preventive inoculations undertaken as part of the insurance service?—Yes, where they are required. If a doctor says that preventive inoculation is necessary in the patient's interest, it is part of his obligation to perform it, if he is competent to perform it.

1092. (*Sir Arthur Worley*): An inoculation like being inoculated for influenza?—An anti-typhoid was a case of inoculation which came up. We had the question of whether it was within the obligation of the practitioner to inoculate a patient against typhoid. It was decided that if in all the circumstances he thought this was necessary, it was within his obligation to do it if he was competent to do it.

1093. (*Chairman*): Who is the judge of the interests of the patient?—The doctor.

1094. And what would a doctor say if a panel patient came to him and said: "I am going abroad to a place where I believe typhoid fever (or anything you like) is rampant. I want you to inoculate me against it"?—I think some would say: "It would be wise for you to have it done," and others would say it was not. But the doctor would be bound to consider the interests of the patient, and, I suggest, would be open to attack if it were held that he had not applied his mind fairly to that question.

1095. (*Sir Arthur Worley*): Although if the man contracted typhoid in the place Sir John mentions, he would not be entitled to benefit or treatment?—No; but the insurance service is not only concerned with sickness benefit: it is concerned with the treatment of the people in the interests of their health.

1096. (*Chairman*): Before we pass from this aspect of the subject, is there anything further you would like to say in reply to my general question? You have dealt with the preventive aspect and with the specialist service aspect. Is there any other feature of the system which has been the subject of general criticism, not from the point of view of administrative working, but from the point of view of the interests of insured persons?—(*Mr. Brock*):

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No, I do not think I can say more than that it has, of course, been recognised from the start that a medical service which was limited to what the average general practitioner could do could never be satisfactory. It was a stage on a journey, and what we felt was that the first thing to do was to see that at any rate we got our general practitioner service as good, within the original limitations, as it could be made. But that was only a halting place. We have always hoped that we should some day be able to extend the service. (*Dr. Smith Whitaker*): I think there is another criticism that is really directed more against the system than against the individual doctor. I refer to all the general volume of criticism that the panel doctors do not do their duty completely; that they do not give the attention to the patients that should be given. It has been referred to already, and we have been asked whether we think there is foundation for it. There is a general undercurrent of dissatisfaction on the ground that a lot of the doctors do not do their work properly; that they do not give the attention that they ought to give; that they do not take sufficient interest in their work and so forth; and, of course, there is the ordinary English grumbling. Then, again, you may say that we shall get it all right in time, and that it arises merely from the defects of individuals, which can only be eliminated gradually. But I do feel that it is a matter for consideration whether some people do not, in effect, really mean to say: "No, it is not merely the fault of individuals, it is not merely grumbling; but it is something inherent in the system of employing every doctor and of having him in this kind of relation to the employing authority instead of being under more definite control." Some would say that it is impossible under this system to get the degree of control which you would get under a system of whole-time service, while others would say that a whole-time service had disadvantages of its own.

1097. (*Sir Arthur Worley*): Does it not also arise from this fundamental point; that is to say, certain words were used in the Act, and then in due course the Department consulted their legal advisers as to the interpretation of those words, and their advice was embodied in the words: "The knowledge of a general practitioner," and this, together with the fact that each and every doctor is paid the same, makes it not unnatural for a doctor to say: "We give the same average service," and that a patient coming under that wording would consider that he would only get the average service. You are paying a common fee, but medical knowledge is not common. That seems to me one of the fundamental principles on which this dividing line appears. I was wondering whether it would not be possible, where areas have an attendance fee to make an arrangement so that some of the fees are allocated to a special service.

1098. (*Chairman*): That is the sort of thing we shall come to later.

1099. (*Mr. Besant*): I think I could sum up what in effect I want much more clearly by getting away from the abstract and by getting to the concrete, which I think I understand. I should like to ask the doctors this. Let us take a heart case, as I began in my illustration before. If you apply the stethoscope to the heart, is it applied in the case of a panel patient, say, for 10 seconds, whereas in the case of a private patient it would be applied for 10 minutes; that is the point of my question?—I should say that if the case required for proper treatment a prolonged application, shall we say of the stethoscope, undoubtedly the practitioners would recognise it was their duty to carry that out. There would be no question there of any extra payment or anything of that kind.

1100. There would be no scamping the panel patient because he did not pay extra fees?—No. I will not say that no individual doctor would do so, but he would be repudiated by his colleagues.

No doctor would justify such a proceeding, I am sure.

1101. (*Mr. Besant*): I am talking of a class, and if you are satisfied of that, that is what I wanted to elucidate.

1102. (*Miss Tuckwell*): I want to ask Dr. Smith Whitaker a question on paragraph 38, page 80, these interesting figures and matters that we have been talking about. If any question arises as to whether a particular operation or service is within the scope of medical benefit, would the question be referred to a medical referee?

1103. (*Chairman*): Dr. Smith Whitaker, you referred to the functions of the regional medical officer supervising the panel practitioner. Miss Tuckwell wants to know whether his influence is exercised with a view to seeing, or with the effect of ensuring, that the services which are comprised within the scope of medical benefit on a proper view are in fact rendered?—Only very indirectly.

1104. The machinery is quite different, is it not?—The machinery is quite different.

1105. (*Miss Tuckwell*): It was the very small number that struck me. The only other point I wanted to ask about was if in some cases monetary penalties have been imposed on medical practitioners, why is there so great a variation in the number of cases in the different years?—(*Mr. Brock*): Between 1921 and 1923?

1106. Yes. Is there any general cause to account for that extraordinary discrepancy?—No. I think it was that there was a tightening-up after a certain period had elapsed to enable the demobilised doctors to get back into normal practice, and partly because the insured people are becoming more and more conscious of what they are entitled to under the regulations. Doctors that one meets privately all say that the insured people are much more alive to their rights than they have ever been before. In fact, many doctors go so far as to say that if you have to choose between two patients and you cannot see both, it is very unwise not to see the insured man.

1107. (*Sir Humphry Rolleston*): I think it has been pretty well established from what has been said in this very interesting discussion that the scope of medical benefit has widened, and that it necessarily must do so year by year with the advance of medical science. The decision as to what additions should be made to medical benefit depends, I presume, on two bodies—first, the local Insurance Committee, in consultation with the Local Medical Committee of the district will decide as to whether some particular service such as lumbar puncture, which has been mentioned, would come within their scope or not; and the other body that would look after it would be the central one. Is that so, or, would it be entirely central?—(*Dr. Smith Whitaker*): Take the illustration of salvarsan. If it were a fact that, say, two-thirds of the practitioners in any area had in various ways equipped themselves for the administration of salvarsan, that might perhaps be held to be within the general competence of general practitioners in that district. But that would not be equivalent to passing a resolution that a particular thing should be added.

1108. How would it be arranged then?—It would come about in connection with the decision of a particular case that the question of fact would be investigated.

1109. I mean cases which are commonly occurring. I am not sure that I have made myself clear. There must be a definite increase in the amount of work which it would be legitimate to expect from a panel practitioner?—Yes.

1110. With the advance of knowledge?—Yes.

1111. How would that be settled?—By an expression of opinion by the Local Medical Committee that this particular service was within the competence of general practitioners in the area.

1112. (*Chairman*): And if necessary it could be referred for decision to the central tribunal?—Yes.

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1113. Even if there were no dispute might it not be so referred?—Not if it were held to be within the competence of the practitioners.

1114. But if the Insurance Committee and the Local Medical Committee held that it was not, then it might be referred?—Yes.

1115. (*Sir Humphry Rolleston*): That is very closely connected with the availability of a certain amount of minor specialist services, because every panel practitioner to a certain extent is a universal specialist, and he carries the special treatment up to a limited stage. That will necessarily advance with the rest, will it not?—Quite.

1116. And that will be settled in the same way.—I think so.

1117. I do not know whether it is possible to enter into the question of the possibility of some monetary arrangement which would enable, say, one panel practitioner to be substituted by a specialist on the panel. Suppose you had in a definite area a certain number of young practitioners, by slightly increasing the number you might select one man who is known to have a special knowledge. Could you utilise him as a special panel practitioner in a special branch?—I do not think the Department or the Insurance Committee could enforce any such arrangement on a body of practitioners. Whether it would be possible for them to enter into such an arrangement within the four corners of the scheme I am not sure.

1118. (*Chairman*): I think this is the question, if I might intervene. Take an area like Manchester or Salford, where you are not tied down to the flat rate payment of so much per insured person on the doctor's list, and where, in fact, the payment takes account in some measure of the services rendered. Would it be within the scope of the scheme as laid down at present in the Act and Regulations to provide for some differentiation of services and for a corresponding differentiation of payment as between one group of practitioners and another group?—It seems to me to be essentially a legal question. I imagine that we could not possibly enforce such an arrangement on a group of practitioners, but if they choose to arrive at an arrangement among themselves they could do so. I would suggest, however, that it is not confined to an attendance area by any means, because there is no such rigid rule in the so-called capitation areas, as we have said. I do not see why it should not work as well in one area as in the other. Practitioners have agreed that anaesthetics should be a first charge; that is, any anaesthetist may be employed at the cost of the local Fund.

1119. Must these anaesthetists be on the panel?—No. The Panel Fund of an area is chargeable with the cost of the administration of an anaesthetic for any operation which is performed by an insurance practitioner. The Regulation has been altered so recently that I should like to refresh my memory as to the exact terms. The fact is that the defraying of the cost of the administration of anaesthetics for operations performed with the scope of the service is already made a first charge on the Fund, and if the practitioners of an area agreed among themselves that a part of the Fund of the area should be set apart for the payment of other special services, I do not know at the moment why it should not be done, although there may be legal difficulties of which I am not aware.

1120. (*Sir Arthur Worley*): But you are inclined to agree that it would be desirable if it could be done?—It seems to me rather difficult, because you are enforcing it on the practitioners, and if you start a thing of that sort I do not see where it is to end.

1121. (*Chairman*): But is not the arrangement for the payment of an anaesthetist forced upon the practitioners?—Yes, by agreement with the practitioners.

1122. Is it not universal?—It is universal.

1123. And it involves the payment of medical men for services not rendered by them, namely, the ser-

vices of an anaesthetist, in their capacity as the panel practitioner responsible for the treatment of the particular insured person?—Yes, that is so.

1124. Does not that make a breach in the principle that only general practitioner services rendered by an individual doctor to an insured person entitled to look to him and to no one else for treatment, are provided by the Scheme?—I think I can only say that that has been agreed, and I do not know how far the other would be agreed. In the case of the administration of the anaesthetic the point is that the operation could not be performed unless the anaesthetic could be administered. The operation is one within the competence of the practitioner, and it was considered preferable to place the cost of the anaesthetic entirely outside the burden on the individual practitioner performing the operation.

1125. (*Sir Humphry Rolleston*): A question rather allied to what we have just been speaking about is this; is there any give and take between independent panel practitioners, one man perhaps not feeling quite competent about a thing calling in another in the same way that there would be between individual members of a panel firm?—I think there is a good deal of give and take. I could not say how far it extends. We have a provision in paragraph 11 of the Terms of Service (Part I of First Schedule of the Medical Benefit Regulations) that a practitioner may, when he is not himself prepared to perform any service which falls within the scope of the contract, employ another practitioner at his own expense to do the thing for him. "Provided that if the practitioner is unwilling to render any particular service or class of service within the scope of his obligations under these terms of service, he may make arrangements with another practitioner for the provision of such service by that practitioner as his deputy and on his behalf."

1126. The next point is one which is on quite different lines. It is with regard to the competence of a practitioner. I do not gather that there is any regulation with regard to the superannuation of a panel practitioner. Is that so?—That is so.

1127. Would it be right to ask you whether you think that is desirable or not?—Well, I am afraid we have cases of practitioners who, we have reason to fear, through old age are not fully equal to their duties. Unfortunately, not uncommonly they are rather popular.

1128. At the present time is it not true that a great deal of the demand for specialist treatment is in practice met by handing a case over to the hospital of the district?—Yes. A great many specialist services are rendered by hospitals, of course. As *Sir Humphry* perhaps knows, at the examination of this question of special services in 1919 it was held that the difficulty about the present arrangement with hospitals is that we cannot get the team work between the general practitioners and specialists which is so desirable. At present the practitioner says: "You had better go to the hospital." The patient turns up at the hospital and is seen by somebody there. The physician or surgeon at the hospital knows nothing about what has been done by the practitioner, and the practitioner knows nothing of what has been done at the hospital. There is no co-operation between them and no arrangement for co-operation.

1129. I want to refer again to your £1,000 case. Of course, it was a very exceptional case. The decision there was largely based on the local opinion?—Yes, the opinion of the Insurance Committee.

1130. So that the trial took place locally rather than in Whitehall?—Yes. There were two trials. There was first, the trial by the Insurance Committee, who formed their opinion and decided to make a representation; secondly, there was the inquiry by the Inquiry Committee appointed by the Minister.

1131. What was the composition of the Committee of Inquiry? Were those local people or central people?—The rule in such cases is that we appoint a barrister in independent practice and two medical

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practitioners. In that particular case, I think one of the practitioners came from Birmingham and the other from Sheffield. The facts were investigated by them; they constituted the Committee of Inquiry.

1132. (*Sir Arthur Worley*): I want to ask you one question. It was stated by Mr. Brock in the early stages that this definition of medical benefit as general practitioner treatment had never been challenged in the Law Courts, rather drawing a deduction from that that it was acceptable and possibly equitable and right. Who could challenge that? An insured person?—(*Mr. Brock*): Yes. I think it would have been quite a simple matter to have arranged for an action to be brought in the Courts in the name of an insured person claiming some form of treatment outside that given by general practitioners as a class.

1133. He would have had to pay for it. It is rather costly to bring an action against the Ministry with all its possibilities. It is not a thing which the ordinary insured person would look forward to with any pleasure. I do not know whether you think an Approved Society would back him up?—Under the Workmen's Compensation Act I suggest that where there is a sporting chance of getting a verdict of a Court in a test case there is no great difficulty in getting the necessary funds.

1134. They do not mind that so much where there are damages—sums of money to be got. But I do not know that there would be very much to be gained out of it in this case, because, I suppose, it is not certain that he would not have to get a Petition of Right to do it. But it did not seem to me to be quite a right deduction from the fact that there had been no action taken, and it seems to me that that definition of medical benefit is at the root of all the objections that have been raised. I can imagine that insured persons reading that might say: "We are not going to get anything more than a general practitioner"?—I think if it had been regarded as a really open question, there were people and organisations who would have been prepared to take steps to test it.

1135. (*Chairman*): I would like to ask a question arising out of the questions which have just been put to you. If proceedings were taken in the Courts with a view to challenging the validity of the Regulations under which the scope of medical treatment is determined, would not those proceedings be directed against the Insurance Committee as the statutory body responsible, rather than the Central Department. I put that question because Sir Arthur referred to the possibility of a Petition of Right?—Yes, I suppose the insured person would bring an action against the local Insurance Committee.

1136. Would it take the form of an injunction preventing doctors making an arrangement which excluded the insured person from a claim to which he was entitled?—I should think that would be an alternative way. But that is perhaps a question which could be better answered by Mr. Maude, who is here, if the Commission wish it.

1137. (*Sir Alfred Watson*): There is one question I would like to put to Dr. Smith Whitaker. I do not know whether he would care to answer, but he gave us very strong reasons for believing that the medical service has greatly improved in comparison with that which was available for persons of the insured class under the old Club practice of Friendly Societies. I have noticed lately that there is a very marked decline in the sickness benefit claims of Approved Societies compared with the standard employed, which is based upon Friendly Society experience. I should very much value Dr. Smith Whitaker's expression of opinion, if he cares to give it, as to whether he thinks the improvement in the medical service is a factor in the decline in the claims for sickness benefit?—(*Dr. Smith Whitaker*): Of course, no one knows better than Sir Alfred Watson the great difficulty, when you have a number of possible causes, in saying from which

particular cause a particular effect results. I think one can only go, in a way, by the light of nature. Leaving out for the moment the comparatively small number of people who were members of the old Friendly Societies, the insured people are getting a great deal more attendance than they were, and they get attendance from the very beginning of an illness. It was interesting to notice that at a recent medical conference, I think about six months ago, one of the most experienced and most highly respected practitioners on the Tyneside said that in recent epidemics he had become convinced that the insured suffered less severely than the uninsured, because they were not deterred by the same considerations from consulting the doctor as soon as they began to feel ill. They were taken in hand from the beginning. Of course, it may be said that that position applied to the Club patient, because the old Club patient had the free access to his doctor that the present insured person has. But going back to old days, I doubt whether the Club patient in old days did make the demand on his doctor as widely as the insured person in the industrial areas is making the demand on his doctor to-day. I think it is psychological, you have the whole industrial population insured. Their rights become common knowledge, they become the subject of conversation, and I think people are becoming more insistent on their rights. I think, therefore, it is quite probable that they are receiving more prompt attention, and a greater amount of attention, than was received under the old system, partly perhaps for the reasons that I mentioned this morning. It is not only that the insured people are more conscious of their rights; but the doctors after all the discussions of the last four years about the conditions of service, and after going through two arbitrations in which they had to prove their claim to certain sums of money, have become much more conscious of their responsibilities and of the importance of giving the best service they can. One cannot but think that those things must have had an influence on the health of the people; but, of course, you have concurrently with that the provision of the sickness benefit and so forth.

1138. Of course, you always had that with the Friendly Society?—Yes. I should imagine—it is very difficult, or impossible, to prove—that there has been an improvement as the result of the operation of the Insurance system.

1139. That being so, we should, perhaps, be justified in assuming that improvement due to that cause would be permanent?—Yes.

1140. (*Chairman*): Dr. Smith Whitaker, there was a question, I think, on which you wished to supplement the answer you gave me a short time ago?—Yes. I think it was a question from Sir Humphry Rolleston or yourself, as to what would happen if the doctor became very old and unfit for his work. I am afraid I had forgotten the provision in the Regulations which bears upon that. It is as follows: "Where the Committee, after consultation with the Panel Committee, are satisfied that owing to the continued absence or bodily or mental disability of an insurance practitioner, his obligations under the terms of service are not being adequately carried out, they may with the consent of the Minister give notice to the insured persons on his list that the practitioner is no longer in a position to carry out his obligations under the terms of service." That does not amount, of course, to removal from the list, but it amounts to an intimation to the insured people that he is no longer to be regarded as effectively responsible.

1141. (*Mr. Evans*): I think I heard Mr. Brock say this morning that the ordinary patient has the right to the services of any panel doctor in the district. If I may mention the area I come from, there are three or four firms. Each firm is a panel firm. Has a member the right, when he has declared who his doctor is, to the services of any other doctor under that scheme?—(*Mr. Brock*): In the case of a partnership, the patient has no right to the services

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of a particular partner. Subject always to reasonable continuity of treatment, either partner may take him. In the case of a doctor who has an assistant, the insured person has a right to ask for the services of the principal; but in the case of a partnership he must accept either partner.

1142. He could not get the services of a doctor in another firm?—He could transfer to the other firm.

1143. He could do that by giving notice?—He has got to take his medical card to the other doctor and get the other doctor to accept him.

1144. (*Sir Alfred Watson*): How often can he transfer?—(*Dr. Smith Whitaker*): As often as he likes.

1145. (*Mr. Evans*): He must give notice, I suppose?—No. (*Mr. Brock*): First of all he has to get some other doctor to accept him. Then the other doctor sends the medical card to the Insurance Committee. It can be done quite rapidly.

1146. (*Mr. Jones*): I would like to return to this question of the definition of medical benefit. I have not the terms of the section before me, but I refer to paragraph 33 on page 79. I take it these words: "Entitled to medical attendance and treatment" sufficiently explain the terms of the section itself?—Yes.

1147. I may make my point a bit clearer here also by taking a specific case. I will give my patient an attack of appendicitis so as to find what would come within the definition of medical attendance and treatment. In the first instance, at any rate, medical attendance and treatment would cover general practitioner treatment?—Yes.

1148. Would it also cover the services of a consultant, say, in a case of appendicitis where a general practitioner in attendance upon a patient—a non-insured or an insured patient does not matter for the moment—says: "I think I ought to have a second opinion" and he calls in a consultant? Would that fall within these words, "medical attendance and treatment"?—I think the words taken by themselves are so wide that you could not say that any particular thing was excluded so long as you take the words isolated from their context.

1149. Take them as they stand here. Now these are the words in the Act—"medical attendance and treatment." The Ministry or the Insurance Commissioners have a power of making regulations. Is there not some provision in the Act—probably in the same section—that these Regulations are equivalent to the powers of the Act itself?—Yes. They are statutory Regulations; they are practically equivalent to an Act.

1150. They have the force of an Act of Parliament?—Quite.

1151. We have here what appears to be a lower definition of medical treatment in the Regulations; that is to say, a less expansive definition. Is not that a limitation under legislation by regulation of the wider power which appears to be given by Parliament?—I suppose that anything in the nature of a definition is bound to import some kind of limitations.

1152. I would like to put it this way. Is this not a Whitehall rather than a Parliamentary definition of

medical benefit?—It is a Parliamentary definition at least in the sense that those Regulations were laid upon the Table of the House and might have been challenged.

1153. There is that point perhaps. Now what should any person challenge if they sought to challenge the Regulation?—In the House of Commons?

1154. Yes?—I think they could take the range of service.

1155. What is the procedure of an insured person challenging the Regulations in the House of Commons?—Now or at the time they were made?

1156. I do not know that there has been any recent change. Was it not by way of Petition to His Majesty?—I can imagine a variety of ways in which this might have been challenged. I should think that it might have been possible to apply for an injunction against the Insurance Commissioners to have restrained them from defining the thing in such a way. But I am not a lawyer and I should not care to say.

1157. I suppose the English procedure is more or less analogous to the Scottish, although in different Courts. Is not that what took place in Scotland on one occasion when the Scottish Insurance Commissioners chose to make certain Regulations saying the only procedure which was open to the Insurance Committee who proposed to object to these Regulations was to interdict their being placed on the Table of the House of Commons?—I do not remember the case to which you refer, but I have no doubt it was so.

1158. I happened to be interested, and that was the procedure.—The simplest way of challenging a statutory regulation is to get a member to move an Address to the Crown praying for its annulment.

1159. It may be simple to a rich body, but it is not simple for an insured person?—Not for an individual insured person; but anything which affected insured persons as a class I think would be a matter for a variety of social organisations which would have other resources.

(*Chairman*): I am not sure that there is not a misunderstanding between the member and the witness.

1160. (*Mr. Jones*): I was endeavouring to bring out that it is practically an impossible procedure to challenge these Regulations after they have been laid upon the Table of the House of Commons. Go back again to a challenge in Court, as you said this morning, Mr. Brock. I am not familiar with your English legal terms, but what could an insured person challenge in a Court here? Could he challenge the terms of this Regulation which has given a lower definition of medical benefit than the Act itself provides? Could he challenge that in the Courts at all?—I think he could, but I think that is a question which would be better addressed to the Legal Department of the Ministry. One of our legal staff is here if the Commission would wish to go into the matter. I think that question could better be answered by Mr. Maude, if he may come into the witness chair.

(*The Witnesses withdrew.*)

Mr. E. J. MAUDE called and examined.

1161. (*Chairman*): Mr. Maude, you are Assistant Solicitor to the Ministry of Health, are you not?—Yes.

1162. Does your work involve the consideration of legal questions arising in connection with the administration of the Insurance Acts?—Yes; it has involved that.

1163. (*Mr. Jones*): I will put my question very briefly to you, Mr. Maude. Could an insured person in a Court of Law challenge anything other than the competence of the Regulations—whether they were *intra* or *ultra vires*?—The insured person is given a right under the Act of 1911 to refer any dispute between himself and an Insurance Committee to the

Department. I think that if he alleged that the Insurance Committee had failed to carry out their statutory duties either by failing to give him proper medical benefit or in any other way, that would be a dispute which, under the Act, could have been referred to the Department. It would have been for the Department to decide that point subject to this, that any point of law, which would, of course, include any question as to the construction of an Act of Parliament or Regulation, might have been referred by either party to the Court; so that the High Court would, in fact, decide any point of law if either party were not satisfied with the decision of the Commissioners on that point.

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[Continued.]

1164. But assume that the insured person goes to the Insurance Committee, would the defence of the Insurance Committee be that it was acting *intra vires* in accordance with the provisions of the Regulations which, so far as it was concerned, would have the power of an Act of Parliament?—They might, and no doubt would, have raised that as a defence. I think it would have been open to the insured person to reply to that that the Regulations were repugnant to the Act. That would have been an arguable position. Although the Act provides that the Regulations are to be part of the Act, yet if you find in an Act of Parliament two clauses, one repugnant to the other, then it is a matter of legal construction which is to prevail, and it would have been perfectly open, I think, for the insured person to argue, first before the Commissioners, and secondly before the Court, that, whatever the Regulations said, the Act in this respect was plain that he had a right to a fuller type of medical benefit than was given by the Committee.

1165. Then the settlement of this point could not be, as Mr. Brock suggested this morning, a very simple matter for an insured person?—I do not think it would have been a simple matter for the insured person to argue the point.

1166. Or anybody else, perhaps. Any proceeding to get a decision on this point on the strength of

these Regulations is a matter that is wholly beyond the scope of practically any insured person who may feel himself injured in the matter?—I think that might be so in the case of an insured person unassisted.

1167. His individual case is small and what interest is there to anybody else to follow it up? It is only a matter of individual service?—As regards individual service, it might be a matter of considerable moment to the insured person; and, of course, to any representative organisation of insured persons it is clearly a matter of large importance.

1168. Yes, but it clearly has not been done. Might I address to you a question that I asked Mr. Brock to begin with? Do you think the definition in the Section and the definition in the Regulations are quite consistent?—I suggest that as we have already had the opinion of a former legal adviser to the Department after consultation with the Law Officers of the Crown, that is hardly a question on which my opinion is likely to be of much value.

1169. That is why I hoped to get an opinion from Mr. Brock. It might not have been legal, but it might have been common sense. However, we will depart from that. My other questions are for Mr. Brock.

(The Witness withdrew.)

Mr. L. G. Brock and Dr. J. SMITH WHITAKER, recalled and further examined.
(See Appendix I, Section C.)

1170. (Mr. Jones): Most of the ground has been well covered, Mr. Chairman, by the questions that have already been asked. But I should like to ask Mr. Brock and Dr. Smith Whitaker, having regard to the increasing number of complaints, which necessitated the imposition of a monetary penalty, and having regard also to all that has been said regarding the incompleteness of the service, do they think that the general under-current of complaint against the service—because there is such an under-current—is due in greater part to the negligence on the part of practitioners which gives rise to these complaints and ultimately penalties, or is it in greater part due to the other aspect of which we have heard so much, namely, the inadequacy of the service?—(Mr. Brock): I should say that probably it is more due to the limitations of the service than to the failure of individuals. But that is, of course, a matter of speculation; one cannot arrive at any certainty on the thing.

1171. On the whole, the minimum number of complaints shows that the service, whether we compare it with the past service or not, seems to be fairly adequate and satisfactory?—I think it is.

1172. Dr. Smith Whitaker gave us a single instance of a practitioner expressing his view very strongly on the additional advantages that the Act conferred. Is there any volume of such evidence on the part of practitioners?—(Dr. Smith Whitaker): I think it is very difficult to produce concrete evidence. That was, of course, a public statement; but my main source of information is in the reports we get from the Regional Medical Staff who are in touch with practitioners and who see a great deal of what is going on. We have had to go into it, particularly, lately, on the question of excessive prescribing, where there has been a question how it was that medicine is being given so much more frequently than it used to be. One answer repeatedly given was that they were satisfied that people were receiving much more attendance than they used to get. There are more bottles of medicine ordered because the patient is being seen so much oftener. The explanation given is that which I have already given. People have said that the insured person is becoming more acutely alive to his rights and the doctor to his responsibility.

1173. So that there is a direct relation between the number of bottles and the amount of attendance?—There is bound to be some relation. I do not say that it is a direct proportion.

1174. It may be put quite definitely that if there is any inadequacy in the quality of the treatment it must be very much confined to a few individuals and probably to very special areas?—I should say that what we are getting from the insurance practitioner is what you would get from a similar large body of members of any profession. You get the service that the people in the service are capable of giving. The best give the best service. The medium men fail now and then, but give good service on the whole, and a few are negligent. It is just the average service that you get from a collection of human beings. They do not differ because they are panel doctors.

1175. (Professor Gray): The main service under the Insurance Act is what you call the panel service, is it not?—(Mr. Brock): Yes, that is so.

1176. But in addition to that you have power, if need be, to suspend that service?—(Dr. Smith Whitaker): In a case of inadequacy, yes.

1177. Has that been done often?—(Mr. Brock): Since the early days, very rarely.

1178. But you have had that power always in reserve?—Yes; we have always had it in the background.

1179. And been conscious of that power?—Yes.

1180. With regard to the question of the scope of medical benefit, the attendance during confinement has always been excluded by the Act, has it not?—Yes.

1181. Can you give any reason for that? Has not that been criticised?—Yes, it certainly has. I think probably one of the reasons that contributed to it was the difference in practice between different areas in the extent to which women are ordinarily attended in their confinement by doctors or by midwives. If it had been desired to extend the service to include treatment in confinement, it would have been necessary to provide not only for a practitioner service, but in some areas—probably many areas—for the co-operation of midwives as well.

1182. Is there anything also in the point that an extension of medical benefit in this sense would introduce complications in the case of a non-insured wife of an insured person?—I think in those areas in which the local Health Authority was active in providing facilities under the Maternity and Child Welfare Act you would have been bound to get the same sort of criticism that you got with regard to sanatorium benefit, namely, that the person was having to pay for what others got without charge.

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[Continued.]

1183. There would be, in fact, two different scales of maternity benefit?—It gets fairly near to that.

1184. In paragraph 38 you give certain figures about the scope of medical benefit, indicating how many fall within and without?—Those are cases referred to Referees.

1185. Yes. I think it might be a considerable help to the Commission, as a kind of guide on the matter, if we had some sort of information of the nature of the cases which fall within the Act and without?—We could very easily put in a statement explaining those particular cases.

1186. Showing where the dividing line falls?—Yes. Of course the cases are also summarised in the volume of Appeals and Decided Cases which has been issued by the Ministry; but we could put in a summary. (Dr. Smith Whitaker): May I intervene on one point? I am not sure whether there has not been some misunderstanding. The word "Referees" as used in this table has nothing, of course, to do with our regional medical officers. The Referees here are the people for whose appointment provision is made in one of the Regulations to decide questions of this kind. They consist of a barrister and two doctors appointed *ad rem* for a particular occasion.

(The Statement promised in answer to Q. 1186 is given in answer to Q. 1207.)

1187. Then, with regard to the doctor who has himself got special skill beyond that of the ordinary panel practitioner, I think I am right in saying, am I not, that a doctor cannot merely say, "I am more skilled than my neighbours" and then this falls outside the scope of medical benefit. There are definite conditions laid down before those conditions would fall outside?—That is so.

1188. These conditions are set out in paragraph 39?—Yes.

1189. And that shows that before a doctor can claim that what he is doing is outside the scope of the medical benefit, the matter must be submitted to a fairly stringent test?—Yes, and the test is now more stringent than it was under the Regulations in force before this year.

1190. A question was put which suggested that some part of the difficulty might be met if a certain portion of the funds were set aside and, in effect, used to provide specialist treatment by one doctor. If any such suggestion was adopted it would be necessary, would it not, to see that the same kind of specialists were available everywhere?—Of course, that would mean providing extra money. But I understood the proposition previously put to me to be something like this. Suppose the doctors in Sheffield say: "We should like our insured people to have something better than they are getting for their money; that is to say, we should like them to get something which is outside the scope of medical benefit without having to pay more for it. Therefore we agree among ourselves on paying for it out of our local pool." Of course, the money for the remuneration of the doctors in Sheffield is not appropriated primarily to any one doctor, and the Regulations do not prescribe in any way how it should be applied. It is open very widely to agreement between the doctors themselves and between the doctors and the Insurance Committees how it is to be applied. I do not see at the moment anything to prevent the Sheffield doctors agreeing among themselves to say: "In order that our patients may have their eyes tested for spectacles without having to go to anybody else, here are two or three of our number who we know are particularly competent for treating errors of refraction and we will arrange that they shall do all the refractions and that the cost of doing those refractions shall be made a first charge on the funds of the area, so that our remuneration will be diminished *pro tanto* by that charge." I do not know of anything to prevent them, because it is a matter of private arrangement. If they choose to say that that money, which is their

money, shall be disposed of in that way, that is their own affair.

1191. But that would be a voluntary arrangement made by the doctors in a certain area to extend the scope in that area?—That is all I understood was put to me.

1192. That would hardly be satisfactory?—No doubt it would not be so satisfactory to the insured person as something that was provided everywhere.

1193. Just a question about the Medical Service Sub-Committee. As I understand it, complaints are referred automatically to the Medical Service Sub-Committee?—Some are referred automatically and some are referred specifically.

1194. That committee consists of three doctors, does it not, and three insured persons and a chairman?—(Mr. Brock): Yes. The chairman is a neutral.

1195. So that on that committee the doctors are in a minority?—(Dr. Smith Whitaker): That is so.

1196. There is no reason to suppose, is there, that doctors who are on the committee are disposed to be very lenient towards their fellow practitioners?—I think one is bound to say that in some areas they are inclined to take too lenient a view. On the other hand, we have heard from other areas that they think the doctors are more severe on their brethren than anyone else.

1197. But, still, the doctors are in a minority?—Yes.

1198. Would you say that this Medical Service Sub-Committee commands the confidence of societies?—(Mr. Brock): I have no reason to think that it does not.

1199. When societies are making complaints and you suggest that the case ought to go before the Medical Service Sub-Committee, do not you find them saying: "What is the use?"—(Dr. Smith Whitaker): They have said so, but I have not heard them say it so much recently. They have, however, said so.

1200. I was wondering whether the difficulty there was whether the societies who took up that line felt that they had some reason for thinking that they had no chance of getting justice there, or whether they think if they have a good case it is no use going before the committee by reason of the difficulty that always arises in proving a case in legal form?—I have discussed this with representatives of societies and I should say there are different explanations in different cases. In some cases it is the difficulty of proving the case because of the difficulty of getting evidence.

1201. In many cases the insured person would have to go before the committee?—Yes, and they find the insured person is reluctant to go. In other cases, I suppose, whether rightly or not, they are suspicious of the attitude of the committee; and then, I must say that in some cases, as is very common in this country, they would rather have their grievance than apply the remedy.

1202. Just one last question; perhaps it is rather a general question. The doctors, in working this thing have got to know a great deal about the machinery of the Act—about the constitution of committees, certification and all the rest of it. How do doctors learn that?—Some of them learn it and some of them do not, of course. But those who do learn usually learn it by experience as members of panel committees or by the experience they have had as defendants in cases in which there are complaints.

1203. Take the normal case of the young doctor who qualifies. The great bulk of these doctors would become panel doctors straight off. Is it not desirable that they should have a certain amount of knowledge of the broad machinery of the Act before

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[Continued.]

they start being panel doctors?—I dare say they could learn it, but I doubt very much whether anybody merely reading this set of Regulations in the abstract would be very much wiser at the end. I have always believed myself that the best way of learning these things is for a man to go as an assistant to a general practitioner and get some experience of practice. It is not until a young fellow has seen something of practice that he can understand the sheer meaning of a lot of these things. To a medical student they would be almost meaningless.

1204. Do not you think if you took a medical student and gave him six lectures on the machinery of the Act he would be a better panel doctor to begin with?—I do not know. Unless the lectures were necessary for him to be signed up in order to be admitted to his final examination, I doubt if he would attend the lectures; and even if he were required to attend them he might not attend them all. (*Mr. Brock*): Perhaps Professor Gray is more optimistic about the success of university teaching.

1205. (*Mr. Besant*): Turning to paragraphs 37 and 39, there has been a good deal of discussion on these Regulations and I just wanted to ask the witnesses whether the interpretation of medical benefit as provided by the Act has not been a good deal extended by the latest Regulations beyond the definition contained in the Regulations which were made a few years earlier. In other words, what I want to get at is whether the interpretation of the

same Act of Parliament has not been changed in the two sets of explanatory Regulations?—(*Dr. Smith Whitaker*): May I say on that that we were advised that the new definition did not differ in substance from the old definition. The reason for changing from the old definition was that we found it was often misunderstood in practice by the practitioners and Insurance Committees, and, as a result of discussion with doctors, it was agreed to vary the terms of the definition. At any rate, as a Department, we were satisfied that the new definition would not give us the right to anything less than the old definition gave us.

1206. I thought it gave more. While the first definition says that it includes everything that a general practitioner should do, the second definition says it includes everything except what a specialist should do. It seems to me, speaking purely as a layman, to take the thing a stage further and to extend it. It may be that medical knowledge has expanded and the conditions have settled down after the War, and you have, I think, tightened up what you expect the ordinary general practitioner to do?—I think one perhaps cannot put it higher than this, that we had the hearty good will of the doctors in trying to arrive in 1923 at a definition which should include everything that it was consistent with the interpretation of the Act to demand; and that if our definition did, in some subtle way, create a greater obligation than the old, the doctors were quite prepared for that addition to their obligations.

(*The Witnesses withdrew.*)

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[Continued.]

FOURTH DAY.

Thursday, 6th November, 1924.

PRESENT :

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RIGHT HON. SIR JOHN ANDERSON, G.C.B.	MR. JAMES COOK, J.P.
SIR HUMPHRY ROLLESTON, BART., K.C.B., M.D., P.R.C.P.	MR. JOHN EVANS.
SIR ALFRED WATSON, K.C.B.	PROFESSOR ALEXANDER GRAY.
SIR ARTHUR WORLEY, C.B.E.	MR. WILLIAM JONES.
SIR ANDREW DUNCAN.	MISS GERTRUDE TUCKWELL.
MR. A. D. BESANT, F.I.A.	MR. E. HACKFORTH (<i>Secretary</i>).
	MR. J. W. PECK, C.B. (<i>Assistant Secretary</i>).

Mr. L. G. BROCK, C.B., and Dr. J. SMITH WHITAKER, M.R.C.S., L.R.C.P., recalled and further examined. (*See Appendix I., Section C.*)

1207. (*Chairman*): Mr. Brock and Dr. Smith Whitaker, we propose to begin to-day with Chapter III of Section C of the Departmental Statement?— (*Mr. Brock*): Before we come to Chapter III may I hand in a statement which I promised last week to prepare for the Commission? (*Document handed in.*) It is a statement of the cases on questions outside competence which have been referred to referees.

QUESTIONS REFERRED TO REFEREES.

(*Article 50, Medical Benefit Regulations, 1913, Article 35, Medical Benefit Regulations, 1920, Article 38, Medical Benefit Regulations, 1923.*)

Area.	Nature of Operation or other service.	Opinion of Local Medical Committee.	Whether Insurance Committee agreed or disagreed with opinion of Local Medical Committee.	Decision of Referees.
Walsall ...	Examination of eyes for errors of refraction.	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Surrey ...	Examination of eyes by means of trial lenses.	Service <i>not</i> within scope.	Agreed ...	Service rendered by doctor was <i>not</i> so offered or rendered as to exclude it from medical benefit.
Surrey ...	Stopping hæmorrhage after treatment by dentist.	<i>Not</i> part of doctor's duty as dentist was fully qualified to deal with such cases.	Disagreed ...	Service was one that the doctor was required to give.
Surrey ...	Excision of a papilloma on the lip.	Service <i>not</i> within scope.	Agreed ...	Service within scope.
Manchester ...	Tonsils removed ...	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Burnley ...	Tapping for hydrocele ...	Service <i>not</i> within scope.	Disagreed ...	Service within scope. (There was no hearing.)
Wigan ...	Removal by excision of fibroadenomatous growth from breast.	Service <i>not</i> within scope.	Disagreed ...	Service within scope.
London ...	Removal of hæmorrhoids ...	Service <i>not</i> within scope.	Agreed ...	Service <i>not</i> within scope.

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[Continued.]

Area.	Nature of Operation or other service.	Opinion of Local Medical Committee.	Whether Insurance Committee agreed or disagreed with opinion of Local Medical Committee.	Decision of Referees.
London ...	Removal of cyst of knee ...	Service <i>not</i> within scope.	Agreed ...	Service within scope.
Wigan ...	Removal of thrombosed and varicose veins of leg with varicose ulcer.	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Wigan ...	Operation for atresia oris uteri interni (dilatation, curettage and replacement)	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Sajop... ..	Amputation of arm below elbow.	Service <i>not</i> within scope.	Agreed ...	Service <i>not</i> within scope.
Worcester ...	Removal of polypus from rectum.	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Worcester ...	Removal of epulis from between teeth, using a paquelin cautery.	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.
Worcester ...	Removal of needle from foot which could only be located by X-rays.	Service <i>not</i> within scope.	Disagreed ...	Service within scope.
Leicestershire	Removal of papillomatous tumour from back.	Service <i>not</i> within scope.	Disagreed ...	Service within scope.
Birmingham...	Taking of blood (venous) for Wassermann test.	Service <i>not</i> within scope.	Agreed ...	Service within scope.
Leicestershire	Administration of radiant heat and inunction.	Service <i>not</i> within scope.	Disagreed ...	Service <i>not</i> within scope.

1208. We have had some questions of medical certification under Section A. Here I simply want to get one fact clear, namely, that the provision of medical certificates for the purpose of claiming sickness and disablement benefits is part of the contract of the doctor with the Insurance Committee and paid for from the 9s. Is that so?—That is so.

1209. But any certificates in connection with maternity benefit are not so provided, but must be paid for by the claimant?—Yes.

1210. Are you of opinion that the present arrangements for the supply of medical certificates by panel doctors are working satisfactorily?—(Dr. Smith Whitaker): I think, so far as the Department are concerned, they are working as satisfactorily as you could expect any system to work having regard to the difficulties of the conditions we have to deal with. So far as the doctors or the societies are concerned, I do not think one could say that they are entirely satisfied with the arrangements. The doctors complain that they have found the arrangements irksome, but I think that both with them and with the societies the difficulty arises from the fact that they have not appreciated the necessity for the restrictions; and in some cases society officials who have not appreciated the importance of carrying the system out thoroughly have, through their insured members, pressed the doctors to give certificates in a way that is irregular.

1211. You do not now receive any complaints from Approved Societies that medical certificates of incapacity are too easily obtainable or that they afford insufficient information as to the cause of incapacity?—In the proceedings before the Court of Inquiry last year there were complaints by societies, in general terms, that doctors gave certificates too readily; but otherwise we do not get many such complaints, because a society that is dissatisfied with a doctor's certificate refers the case to one of our regional officers to get the question of incapacity tested. As to the description of the cause of incapacity, there may be a certain amount of vagueness, and the regional medical officers in the course of their work sometimes come across cases in which the description of the cause of incapacity on the certificate does not correspond with the account which the doctor gives of the case in reporting to them the previous history and condition of the patient. But we certainly do not get many complaints from societies now on the ground of inadequate description.

1212. Have you ever had a complaint from an insured person that he was refused a certificate of incapacity when he asked for one?—Not commonly. We do occasionally get them. We had one this week.

1213. Would certificates from a non-panel doctor be accepted by societies as part of the evidence on which they would consider claims to sickness benefit?—Yes, they would.

1214. Will you tell us about the medical benefit records? I gather that originally these served a two-fold purpose. First, as a medical dossier for the patient, which follows him from doctor to doctor all his insured life; and, secondly, as a basis for impersonal statistics to be studied by the Ministry. But now only the former purpose is served by the present form of medical record?—I should perhaps dissent a little from the last statement. We should say the present records are capable of serving statistical purposes as well as clinical purposes. I should like to refer the Commission to the report of the Committee of which Sir Humphry Rolleston was Chairman, which explains the whole basis of the system. The Committee took the view that the previous form of record, which had to be given up by the doctor at the end of the year, and on which all the particulars of the nature of the case were entered—a card that bore no name of the patient and, therefore, could not afterwards be connected with the particular patient—did not give the doctors the help in their daily work of treating cases that they ought to have. But, at the same time, although the Committee considered that the object of the record in helping the doctor in treatment must be regarded as paramount over any other consideration, they did consider that the record could also serve useful statistical purposes. Among the members of the Committee were several eminent statisticians who gave great assistance in considering that point.

1215. Is it not the case that the medical records of insured persons, taken in the aggregate, might provide invaluable statistical material in relation to the health of the nation, the incidence of various diseases, and other matters of great interest and importance?—As I have just said, the Committee came to the conclusion that the records might be of great value in statistical investigation, but they considered it would be quite impossible, consistently with having a continuous record kept by the doctor, that you should be able to gather up all the records

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[Continued.]

periodically and make a general statistical analysis; that the most you could do was to make sample investigations: take a bundle of records from typical areas, have the particulars taken out, and draw inferences from those.

1216. Is that being done now?—Yes, it is from time to time where there is thought to be occasion. In the Annual Report of the Chief Medical Officer of the Ministry of Health for 1922, page 31, you will find a table giving particulars, derived "from investigation of record cards, of the kinds of conditions for which insured persons have been treated, and the numbers treated in respect of particular conditions. I may say that that investigation originated from a request by the Royal Commission on Venereal Disease, who wanted some information as to the incidence of venereal disease. They could get the figures of the venereal disease clinics, but they had no source of information as to the prevalence of venereal disease among people who did not go to the clinics for treatment. At the instance of the Commission it was decided to make an investigation of insurance practitioners' records to get what information we could from them on this point, which was dealt with as part of the more general investigation that I have mentioned. Perhaps I may say, Sir, that that enquiry showed the value of dealing with things in this way rather than by merely collecting large masses of figures, because the regional medical officer went to the doctor, looked at the entries on his record, and was able to obtain his explanation of any obscure points. If there were no cases, he asked, "Do you have no cases of venereal disease: if people in your practice suffer from venereal disease, where do they go for treatment? Do they go to other doctors? Do you get patients of other doctors coming to you for treatment, or do they go to the clinics?" We were able in that way to get the impression of the doctors based on their experience that the vast majority of cases went to the clinics.

1217. Has the present form of medical record been generally accepted by the doctors and found of value to them in treating new patients?—Yes, in so much that we understand some doctors are now using the same form of record in their private practice.

1218. The maximum size of the medical list is now 2,500 for a single-handed practice. There was no limit prior to 1920, and from 1920 to 1923 it was 3,000. Is the figure of 2,500 now accepted by the doctors as a reasonable limit?—(Mr. Brock): The reduction to that figure was, in fact, proposed by the doctors.

1219. On the basis of a list of 2,500 insured persons can you give us a rough idea of how many insured patients a panel doctor would ordinarily see in the course of a day's work, and how much time that would occupy?—We made certain investigations in the course of last year's negotiations, and on the 1923 figures we found that on the average a doctor sees something between 40 and 50 per cent. of the patients for whom he is responsible in the course of a year. But some allowance has to be made for the minor services that even the most conscientious doctor does not always record, and I think it would be safer to take 50 per cent. as the figure. On the average, each patient who is seen at all is seen seven times, so that the doctor has to render 3.5 services per person on his list per annum. That would mean, with a list of 2,500, that he would have altogether to render 8,750 services in the year. I think it is fair to take his average working year at 300 days. He would probably take a half-day off in the middle of the week. As a rule in insurance practice there would not be very many surgery attendances on Sunday—Sunday is a light day—and, taking a broad view, it has been generally accepted that 300 working days is a fair average. On that basis the doctor would have 29 services per day on the average. Of these 29 services, probably eight in an urban area would be domiciliary visits; the remainder would be surgery attendances.

As regards time it is very difficult to give an exact estimate because the time taken in visiting must vary with the concentration of the doctor's practice; the more his patients are concentrated in a narrow area the quicker he can get from one to another and the less time he wastes in travelling. But taking a normal urban practice a doctor could do between three and four visits an hour. As regards surgery attendance, of those 21 surgery attendances on the average only three are coming for the first time and, therefore, may be expected to require a fairly careful examination; the remainder are coming back either to report progress, or to ask for another bottle of medicine, or to obtain a sickness certificate, and those cases can be worked off pretty rapidly. If you allow an hour—probably a fairly liberal estimate—for the three new cases, the others could probably be worked off at 9 or 10 to the hour. But, of course, those are average figures, and they are only true of urban areas. When you come to rural areas the proportion of visits to attendances is quite different. In an urban area the patient, if he is able to get about at all, generally prefers to come to the doctor; in a rural area obviously the percentage of patients who can travel from their home to the doctor is bound to be much smaller. Also, a doctor's work is not evenly spread over the whole of the year; he is going to be comparatively slack in summer and badly overworked in winter. The figures I have given are only average figures. They would not be true either in the middle of the summer or in the heavy period in the winter.

1220. May it be assumed that a practitioner will usually attend the dependants of the insured persons on his list? Have you any idea how much work this will represent?—I think it can be assumed that normally he would attend the rest of the household. The number of dependants, so far as we have been able to calculate it, is about 1.5 per insured person, but it would be very difficult to form any estimate of how much time that private practice would take up because although the insurance doctor would attend the wife and family if they wanted attendance in their own home, the children get a good deal of attendance through the various public services. For instance, in the case of measles, they would be taken to the infection hospital. A good many minor defects in the case of school children would be dealt with through the school clinics provided by the Local Education Authority. (Dr. Smith Whitaker): May I supplement that on one point, that even as regards the adult portion of the non-insured there is good reason for thinking they do not obtain anything like the amount of attendance that the insured person obtains. The amount of attendance given to insured people by practitioners is over twice as much per head as the attendance Sir William Plender found from examination of the doctors' books to have been given to the whole population in pre-insurance days. (Mr. Brock): The figures I gave just now were based on enquiries made in 1923. Since that time the expenditure on drugs has led us to think that possibly there may have been an increase in the number of services rendered by the doctors. If it would be of service to the Commission we would arrange for a further count to be made early next year. I think it could not be made till then because it ought to be a count of the whole of the calendar year.

1221. I think that would be very interesting. When an Insurance Committee reduces the limit below 2,500, is it supposed to take account of the volume of private practice or other work done outside the insurance work in the case of a particular doctor?—The Insurance Committee may, in agreement with the Panel Committee, reduce the limit for all the doctors in the area. There are, in fact, six Counties, mainly rural, and two Boroughs, which have limits below 2,500. But there is also the other case in which, after investigation of a complaint against a doctor, the committee come to the conclusion that he has taken on more patients than he is capable of looking after, and they may reduce the limit for him only. That can only be done after a hearing.

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1222. Could you give us any figures as to the number or proportion of panel doctors who have lists of, say, under 500, 500 to 1,000, 1,000 to 2,000, and over 2,000 respectively?—I find that 35 per cent. of the total have lists of 600 or under, 30 per cent. have from 600 to 1,200, 21 per cent. have from 1,200 to 2,000, so that there are only 14 per cent. who have more than 2,000. Of that 14 per cent. a majority, probably the great majority, would be men who employ an assistant. The figures on the doctors' lists are always subject to a certain degree of inflation, so that the real number of persons for whom a doctor is responsible is a little lower than those figures would suggest.

1223. (*Sir Arthur Worley*): Turning to the question of complaints from Approved Societies. I gather that the establishment of regional medical officers has reduced the number of complaints by making inquiry into them. Is that so?—(*Dr. Smith Whitaker*): Yes.

1224. What happens when an insured person is refused a certificate and makes a complaint to you here?—He complains to the Insurance Committee that his doctor has refused a certificate which he considers ought to have been supplied to him, and they investigate it.

1225. With regard to numbers, do you in a general way consider that a practitioner who has 1,200 to 1,500 persons would give better service than one with 2,500 persons? Is not 2,500 with, of course, his private practice, rather a heavy strain on him?—(*Mr. Brock*): Speaking quite broadly, our experience has been in the main that the doctor with a big list gives rise to fewer complaints than the doctor with a small list, because the man with a substantial list is a man whose living depends to a very large extent on insurance work, and he is not going to jeopardise his position or impair his popularity by not giving the best service he can. The man with a small list may possibly be a man who has come on to the panel rather unwillingly and gives a grudging and sometimes an unsatisfactory service. But that is only a broad generalisation; it cannot be true of all cases.

1226. (*Sir Alfred Watson*): I am a little in doubt as to the inference to be drawn from the respective figures of attendance on insured persons and the general population. I think you said, Dr. Smith Whitaker, that the attendances on insured persons are double the attendances that were found by Sir William Plender to be given to the whole population?—(*Dr. Smith Whitaker*): That is per head, of course; double the attendance per head, not double the aggregate.

1227. The general population would, of course, include a very large number of children, for whom I suppose a substantial amount of attendance would be expected?—That is true, but it would not be true to the same extent now as in 1911, when that investigation was made, because of the development of school medical services and so forth in the meantime.

1228. Do you think that before the development of school medical services there was more attendance by doctors or did the children go in a sense neglected?—If you say did children go neglected. I think that is really the point we should regard as underlying the whole thing, that the people did not get the attendance required because they could not afford to pay for it. The insured people, we have no doubt, are getting more attendance now, a good deal more, than they did in pre-Act days, because when they had a trivial illness they never thought of going to the doctor; they could not afford to pay him. Now they go to the doctor on the least provocation.

1229. That is a very important distinction. The insured population have a contract with the doctor, and to go to him involves no financial consequences?—Yes.

1230. Whereas any attendance on the family involves sooner or later the presentation of a bill by the doctor which has to be paid?—Quite. The point

I was attempting to make was that if you say a doctor has 2,500 insured persons on the list and, say, 4,000 dependants, you cannot infer that he is having to do more than twice the amount of work he would have to do if he had the insured people only. The amount of attendance on the 4,000 dependants of insured persons who are his private patients will probably not be greater, possibly not as great, as the amount of attendance given to the 2,500 insured persons.

1231. That seems highly probable. I was rather doubtful as to how far statistical evidence so ancient as 1911 could be appealed to in support of it?—We can only take it *pro tanto*, as it is the only statistical evidence we have. I think it is of some value. The fact is, insured people are receiving twice as much attendance per head as was given to the whole population, rich and poor, in five towns, in which the doctors' books were carefully examined. What inference can be safely drawn I am not sure. At any rate, it is the only statistical evidence that we have, and I think it is of some value.

1232. Apart from statistics, may we take it that between the healthiness of the children and the fact that a great deal is done for children at the schools we should not expect the attendance on the families to be anything like proportionate to the attendance on the insured persons themselves?—No, I do not think it is.

1233. (*Miss Tuckwell*): Dr. Smith Whitaker, one of the most important things with regard to the feeling about National Health Insurance is to get a definite feeling of equality so that people may feel that they are being as well treated under National Health Insurance as if they were private patients. One of the things which is often complained of to me is the differential treatment in the way of different entrance, different waiting rooms, the segregation as it were of insured persons from private patients. Is there really any reason why this distinction should be made?—I should hardly have thought that it is made, at least in the form in which the point is so often put. I do not doubt that in the case of a practitioner who has a mixed practice, including all sections, there may be a certain amount of differentiation such as has existed for a very long time between different social classes; but I do not think there is any differentiation between the insured as such and private patients as such, if only for the reason that the great bulk of private patients are members of the families of insured persons.

1234. There is a difference, is there not, as to entrance and waiting-room accommodation where you have both sets of patients? Do you feel that is necessary?—We have made careful inquiry, and we have very little evidence, if any, that there is one waiting-room for insured and another for uninsured. There may be one place of waiting for the well-to-do and another for those who are not so well off, but not a distinction between insured as such and non-insured as such. (*Mr. Brock*): There were such cases in the early days of the Act. I have no knowledge of anything of the kind going on now.

1235. (*Sir Humphry Rolleston*): There is not now, is there, a separate door as there used to be?—There was a separate door in the case of a few doctors marked "Insurance patients."

1236. That is not the case now, is it?—I do not think so. I have no knowledge of such a case.

1237. (*Miss Tuckwell*): You only know of very isolated cases where that distinction is made?—Very isolated. I am inclined to think it would only happen with the Kensington or Chelsea doctor who has come on to the panel rather reluctantly to take a limited number of domestic servants. He is the man who might do something like that.

1238. (*Sir Arthur Worley*): If your attention was drawn to it, would you take any action?—We should certainly ask the Insurance Committee to take the matter up with the doctor.

1239. (*Miss Tuckwell*): With regard to the question of clinical records, I gather from your answer to

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the Chairman that those are now fairly full and satisfactory?—(Dr. Smith Whitaker): They are very much better than they were. There are great differences between doctors. Some doctors do not fill them up quite satisfactorily, but our evidence from the regional medical officers is that the standard of entry improves from year to year and has improved very greatly.

1240. When a person is suffering from more than one illness, what happens? Is it entered on the record?—Yes.

1241. You spoke of venereal disease as having led you to make a separate inquiry. I gather that was not entered on the record?—Yes, if the doctor had attended a patient suffering from venereal disease it would be his duty to enter it on the record, and we should find it entered on the record in the case of a man who kept his records properly.

1242. You had to make a special inquiry because there were errors?—No, the special inquiry was because those facts are entered on the record card which is in the possession of the doctor and are known to him only, and the Royal Commission wanted information that was not available to them and could only be obtained by sending somebody to look at the records.

1243. I think you have answered my last question, which is, would your records which, as I suppose, are more and more perfectly kept, make almost a clinical history of the person—would they be available to a body like the Industrial Research Committee or other Government Department?—I think there would be objection on the ground of confidentiality to placing the records themselves at the disposal of anyone who was not ordinarily concerned in dealing with them. We have had a great deal of trouble about the confidential character of these records, in the interest of the patients. It would be quite possible, if the Industrial Research Board, or anyone else, wanted us to work out certain facts, to ask the regional medical officers to make an investigation of the records; but we could not take the records out of the doctor's keeping for any prolonged period or hand them over to other people to investigate.

1244. Would it not be possible, omitting the names?—There would be no difficulty about the making of an abstract from the record cards, omitting the names, but, of course, there is the question of the amount of labour that might entail and the cost of the investigation.

1245. I gather you would not think it proper to put those cards anonymously at the disposal of another body which was making inquiry into trade diseases?—The point has not been considered, and there has been so much difficulty that I think I would rather not attempt to answer the question. If the question were raised it would have to be considered.

1246. (Mr. Evans): With regard to the checks upon medical certificates, do not the Approved Societies provide some sort of check in the shape of sick visitors; would that be an effective check, too, on the issue of certificates?—That relates to a side of insurance with which I have no direct association. We know that societies have sick visitors, and we know that sick visitors obtain information. When an Approved Society refer a case to the regional medical officer they are asked to give us any information they have obtained through their sick visitors that bears on the case.

1247. That, I take it, would be some sort of check?—That helps us in examining the case.

1248. With regard to the number of insured people on the lists of panel doctors, would it be advisable, when you have a married man who is a panel patient, that the members of his family should also be insured in some way through him rather than that he should have his wife and children non-insured patients and he himself an insured patient?—(Mr. Brock): I think that question raises a very big issue of policy, and I hope it will not be pressed now. That is a

matter that we would much rather reserve till we come before the Commission again.

1249. In paragraph 83 of Section C there is reference made to surgery and waiting-room accommodation, and there is also a reference to the distance a doctor may be living from his patients. Is there any stipulated maximum distance between the surgery and the place where the patient may happen to live?—No. How far away from his surgery it is reasonable to allow a doctor to live is a question which the Insurance Committee have to consider on the merits of the particular case. It would depend to some extent, of course, on the means of access, the facilities for getting from one point to the other.

1250. Should there be a community of 200 people living in a little village, would it be compulsory for the panel doctor to provide a surgery in that village?—The doctor's agreement usually stipulates that he shall only be liable to accept patients within a specified radius. If he, in fact, accepted a number of patients in a village which was, say, two or three miles from where he lived, he certainly would, I think, provide a waiting-room and surgery in which he could see them.

1251. Paragraph 86 of Section C refers to some sort of link between the doctor and the Tuberculosis Officer. I should like to know what powers the panel doctor has. Has he any greater power than that of issuing a report or reporting a case to the Tuberculosis Officer?—(Dr. Smith Whitaker): He recommends the kind of treatment that he thinks advisable.

1252. Having reported, he has no further responsibility?—Unless the case remains in his hands for domiciliary treatment. A very large proportion of the cases reported remain under the care of the insurance practitioner for domiciliary treatment, the Tuberculosis Officer considering that the best way in which the patient can be treated.

1253. (Mr. Jones): Turning, for a moment, to the first table on page 98, the results of the work of the Medical Referees, if you take the 1923 figures the total cases referred are 146,000 odd; those still incapable of work, 63,000; those not incapable, 22,000; and last of all, the number of persons who fail to attend, 60,000—a fairly large number. How would you interpret that?—There are a considerable number of causes for which people either declare off or fail to attend. In some cases, the man is unfit to attend for examination and the doctor reports to that effect. In some cases, the insured person has declared off before he received the notice asking him to attend; in fact we find from examination of the figures that such cases are a fairly large proportion. Then it may be that the insured person, though he had not previously declared off, was on the point of declaring off and goes back to work, having recovered since the doctor's certificate was issued on which the society acted. You have to bear in mind that in some of the societies the interval between the date of the certificate on which the society acts and the date of the reference by the society to the regional medical officer may be three or four weeks, so that by the time the reference reaches us the patient may be in quite a different condition of health from that in which he was when the doctor said he was incapable of work. We have analysed figures of a number of references from particular societies. In certain large societies the average interval between the date of the last certificate on which the society acted and the date of signature by the secretary of the society on the form of reference to us was about 20 days, so that in those cases pretty nearly a month will have elapsed between the time when the doctor last saw the man and gave the certificate on which action was taken and the time when the regional medical officer examined him.

1254. Without asking you to undertake any fresh work, would it be possible to insert in your evidence that statement to which you refer? This is a figure that might be liable to misinterpretation. Your information as to how these cases are accounted for is quite new to me?—Yes.

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[Continued.]

(The Statement promised in answer to Question 1254 is inserted here for convenience of reference.)

INTERVAL IN DAYS BETWEEN DATE, STATED, OF LAST CERTIFICATE RECEIVED FROM PRACTITIONER AND DATE OF SECRETARY'S SIGNATURE ON FORM R.M. 1.

Analysis of about 50 consecutive cases referred by each of ten Societies.

Society.	No. in which interval was		Average interval in days in the series.
	(a) 20 days and over.	(b) 3 days and under	
A.	7	4	11
B.	3	5	10
C.	28	1	21
D.	17	—	17
E.	28	—	28
F.	17	—	20
G.	1	6	8
H.	16	1	16
I.	1	16	5
J.	—	31	3
	118	64	—

1255. On the question of medical records, am I right in understanding that the only return you get of sickness is when the person passes out of insurance, or have you any intervening report other than on a special investigation?—The records are systematically examined, of course, by the regional medical officers to see that they are being properly kept; but in the ordinary course a record would not come to the Ministry for scrutiny till the patient died or passed out of insurance, because it must remain in the doctor's hands till then.

1256. Under the present system in England,—Yes.

1257. So that you have no knowledge of occurring sickness except as the result of a special inquiry and knowledge you get through the regional officers?—We have not.

1258. (Miss Tuckwell): When the records do come into your hands on the death of a patient what happens to them? Are they kept?—They are kept, and we should investigate them if there was any special inquiry we thought it important to make.

1259. (Professor Gray): I want you to tell me a little more about the practice of certification. In paragraph 58 of Section C you say that certificates are given to an insured person where he so desires and requests. Why is that so?—I think the reason for the decision to give the certificate, that is to say, the first or intermediate certificate, only when the patient asked for it, was that it was not thought desirable that the doctor should be thrusting certificates upon people who might not want them.

1260. Is there any possibility of trouble arising because an insured person does not ask for a certificate and is faced with difficulty later on when he might have had it if he had asked for it?—This is one of the commonest causes of trouble with the doctors. There are several cases in which it arises. One is the case at the beginning of an illness. A man at the beginning of an illness hopes that he will recover quite quickly, and does not apply for sickness benefit, hoping that he will be able to do without sickness benefit. Four or five days later, or a week later, when he finds his illness more serious than he thought it was, he thinks he would like to have sickness benefit, and then he wants to have a certificate dating back to the commencement of his illness; but under the Rules it has been found necessary to shut out from our official system of certification certificates that are retrospective, that relate to a past state of affairs. A doctor's certificate

must relate to an examination made at the time of giving the certificate, not to some previous occasion. The doctors were told from the beginning with regard to these cases, and also another group, that it was always open to them to sign a private certificate or write to the society, giving any information in their possession that they thought would be helpful to the society and which the society might be prepared to consider; but we could not make retrospective certificates part of our official system of certification. This year we have provided a form of voluntary certificate, partly to deal with this class of case. Another class of case in which an insured person does not apply for a certificate is when he is away from home, perhaps in hospital, or something of that kind, and does not claim sickness benefit at the time. Perhaps he does not appreciate that the getting of a certificate bears on his insurance in other ways than merely the payment of sickness benefit. Afterwards he finds that it is important to him that he should have a certificate, and he asks the doctor to give it; but the doctor is precluded from giving it. He can make a voluntary statement, but he cannot issue one of our official forms.

1261. What would you say was the function of a certificate from the point of view of the society?—Primarily, I suppose, to enable them to be satisfied by medical evidence that the insured person is incapable of work.

1262. The decision is the society's decision?—Yes.

1263. And not the doctor's?—Not the doctor's.

1264. From that point of view I suppose you would say that it was of the utmost importance that the certificate should be entirely accurate?—Yes.

1265. Do you think certificates are less vague than they used to be?—As regards the description of cause of incapacity, I should say, on the whole they are. I think that feature of the system is better appreciated. I do not think we have so many cases now of people being certified as incapable for long periods and no other cause than debility being assigned. I think that is partly due to the work of the regional medical officers. If a doctor certifies debility, the society states that on the form of reference. The doctor is asked to give particulars of the case, and describes the condition. The regional medical officer may then say to him in sending his report: "Do not you think you ought to have described this condition more precisely than by debility? Is debility a fair description of a condition like this?"

1266. I expect you have heard it said by societies that the real danger is with regard to two or three odd days at the end of a period of illness when a person might have declared off. Is that view still held?—I do not know.

1267. In any case, it is desirable, I suppose, that the final certificate should be obtained at the right moment?—Yes.

1268. From that point of view there is a certain danger in doctors prophesying rather than testifying what they find?—Yes.

1269. Do societies object to the limited extent to which certificates are prospective? Apparently, at the end of illness there are two or three days which are covered rather by a prospective certificate than a retrospective certificate?—Up to last year we had always avoided that except in rural areas, but last year the subject was fully discussed between the societies' representatives, the doctors and the Ministry, and we found that societies did not object to the alteration that was made.

1270. Have you any difficulty in the case of persons who are, in fact, not attended by doctors at all, or is that more or less settled now?—I do not know of difficulty. Occasionally a society will consult us—very rarely—as to what should be done in the case of an insured person who is going to a bonesetter or cancer healer or herbalist, or something of that kind. I think they do sometimes refer such cases to the regional medical officer to get his opinion. The

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society, have difficulty in refusing to consider anything that can be called evidence.

1271. Can you give us any information about the number of vague certificates under the special procedure for certifying less precisely than is possible?—Yes. I had inquiry made quite recently and was surprised to find that the number of cases in which that procedure was resorted to had gone up appreciably this year. Since the beginning of the year we have had something like 70 or 80 references to the regional medical officers under the special procedure, whereas in the seven or eight years after the procedure was first brought into operation the Ministry would only have perhaps half a dozen or a dozen in a year.

1272. (Mr. Cook): Have you any information with regard to the extent to which societies deal with complaints against doctors?—The number of complaints made by societies to Insurance Committees?

1273. Yes.—(Mr. Brock): I have no figures here, and I think it would be difficult to get figures that were worth very much, apart from the figures of the number of complaints actually investigated by Insurance Committees, which I gave last week.

1274. I understand the Insurance Committee cannot compulsorily inspect surgeries. Is it entirely at the discretion of the doctor, whether he permits his surgery to be inspected or not? Have you any cases on record where doctors have absolutely refused to allow facilities for inspection?—No, I do not think we have had any case of absolute refusal, and if we had I think the Insurance Committee would view the matter with grave suspicion and take further steps. If a doctor is satisfied that he is complying with the regulations and providing proper and efficient surgery accommodation he would rather welcome a visit than refuse it.

1275. I see from the statement that in some cases insured persons deliberately ask to be treated as private patients. Can you suggest any reason why an insured person who is already paying a doctor should ask that same doctor to treat him or her as a private patient?—I think it is partly the result of the unfortunate speeches of some people rather prominent in the Friendly Society world who repeatedly depreciate the insurance medical service. That is bound to create an impression in the minds of some insured people that if they come as private patients they may in some way or other be better treated.

1276. I expect that is their point of view at any rate, that the treatment would be more satisfactory?—Sometimes I am afraid the suggestion has been made by the doctor, that if the patient came to him as a private patient he might be able to do this, that, or the other, which he was not required to do under his contract. Such cases have occurred.

1277. Where a man starts work—this is a point that Professor Gray has been dealing with—without having been finally examined and obtained a final certificate, the doctor is under no obligation to supply a certificate?—(Dr. Smith Whitaker): Not only is he under no obligation but he is precluded from providing one of our official certificates. He is prohibited by the Rules from doing so.

1278. He may supply a voluntary certificate?—He may supply a voluntary certificate.

1279. It occurs to me that that is a direct incentive to a man to misrepresent the actual facts of his case. For instance, it may happen that a workman may have good reason to return to work and something may prevent him from being examined for the purposes of a final certificate, and unless he gets a final certificate he may possibly be deprived of benefit. That might induce a man to misrepresent his case in order to get a certificate, might it not?—Misrepresent the case to the doctor? The doctor has his knowledge of the case derived from previous examination. I do not see how you can get past it unless you prohibit doctors from issuing any certificate at all to people that do not come to them at the time. The society are entitled to have any evidence that is in the doctor's possession, and if the doctor feels reasonably

satisfied as to the man's condition on a certain day the doctor is not precluded from saying so and the society can treat the statement as they think fit. The decision rests with the society. They are not bound by the doctor's statement.

1280. Supposing a man starts work on Monday and does not see the doctor till Tuesday or Wednesday: why should not the doctor on that date certify that the man is fit for work? He is precluded from doing that?—There is nothing to prevent the doctor certifying on Tuesday that the man on Tuesday is fit for work. Would that be of any use to anybody? What the society want to know is whether he was fit for work on Monday.

1281. If the man started work on Monday that is clear proof that he was fit for work on Monday?—Not necessarily.

1282. (Sir Humphry Rolleston): What difficulty has there been in getting medical records properly kept by the doctors?—In the first place inexperience, then agitation by some people against the records, which gave the doctors prejudice against them, thirdly, the natural reluctance of most medical men to do any clerical work that they can avoid.

1283. Has that grievance died out now?—To a very great extent.

1284. Are you satisfied with the use of the record cards?—I am satisfied that the cards are very much better kept than they were, and I think the vast majority of cards are being kept reasonably well.

1285. You think they have justified their introduction not only from an administrative point of view, which was necessary, but also from the point of view, first, of the patient, and, secondly, in helping the doctor to do his work?—Yes. The regional officers all report a changed attitude on the part of the general body of practitioners towards the records. A large number of doctors say how helpful they find the records both in the treatment of cases which have been in their hands all through and in the treatment of cases that come to them from other doctors.

1286. Can you give us some definite examples of work—reports, statistics, conclusions—which have been obtained so far from the ordinary record cards?—The report contained in Sir George Newman's Annual Report is the principal one up to the present, and the information that we were able to give to the Royal Commission on Venereal Disease. Then, again, we were able to make administrative enquiry as to the number of attendances, on which we based the figures given to the Court of Inquiry.

1287. Do you anticipate that medical knowledge will by the use of these cards be advanced to a degree which would justify their introduction apart from the other necessary reasons for their use?—That is a matter on which one must depend on the evidence of the medical and other statisticians who helped us on your Committee, Sir Humphry. They evidently were of opinion that information of value could be derived. I do not know whether they would have gone so far as to say that the statistical information that could be derived from the cards would suffice alone to justify imposing on the doctors the burden of the work of keeping them. The card being necessary from a clinical point of view, they were satisfied that it might be made of great statistical value; but I doubt if they would have gone so far as to say that the statistical use alone would justify the imposition on the doctor of the burden of keeping the records.

1288. It was intended—and I imagine it has been put into practice—that in certain definite areas, for example, industrial areas, where there was some disease the nature of which might be elucidated by these cards, the practitioner could be got to undertake a rather more special investigation with fuller details than are put on the ordinary cards?—Yes. We derived some assistance of that kind in the Rheumatism Inquiry. There was very little satisfactory information as to the existence of different types of rheumatism, and guided by the way in which the records were kept, practitioners were selected whom we could regard as reliable men to keep a special

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record with regard to rheumatism. Forms were issued to them and they kept a record of all cases treated within 12 months of any kind of condition that might broadly be called rheumatic. Those returns were of great value.

1289. With regard to the maximum size of the panel in rural as compared with urban districts, I gather that the local Insurance Committee very rightly judges as to whether the maximum size shall vary. Is there any general regulation which would correlate the sparsity of population in a definite area with a maximum number which is allowed for a panel in that district?—(Mr. Brock): I have no detailed information as to the reason for the special limit in the eight areas in which the general maximum is reduced, because we have always taken the view that where the insurance committee and panel committee were in agreement there was no occasion to intervene.

1290. That bears on the question whether there should be any difference in the payment made to the rural practitioner as compared with that made to men in towns who have very compact practices?—When you come to rural areas, people are not thick enough on the ground to enable any doctor to get in the neighbourhood of 2,000 on his list.

1291. You are limited to a certain extent by the population of doctors?—Quite.

1292. (Sir Alfred Watson): Arising out of an answer you gave to Mr. Jones, I am very anxious to know what is the exact procedure with regard to the examination of an insured person by the regional medical officer. You said, dealing with the difference between the number of cases referred and the number of people who actually went to the regional medical officer, that it was known that very often the panel doctor's last certificate on which the society acted was 20 days earlier than the date on which the society communicated with the Department, and, consequently, about a month earlier than the date on which the case could be seen by the regional medical officer. What happens to the insured person's benefit in that intervening 20 days or month?—(Dr. Smith Whitaker): Between the doctor's certificate and the reference, as far as I know, the benefit continues to be paid.

1293. That being so can you throw any light on this extraordinarily long period of 20 days between the date of the certificate on which the society elects to send the case to the regional medical officer and the date on which it actually communicates with the Department for that purpose?—We have made some inquiry, and the only explanation we can get is that it is due to the administrative machinery of the large centralised societies. Perhaps it would help the Commission if they were to see the form of reference we receive from the society and a copy of the form of inquiry we address to the doctor. You will note on the first page of this form of reference called "R.M.1," a line with a dagger against it marked "Date of last certificate received." That was intended to be the last certificate that the society received before they referred the case. And you will observe the note. We ask them to take care to find out whether the member has declared off in the meantime. Over-leaf the secretary of the society dates the reference. The figures we have worked out are the figures that show the interval in a large number of cases between those two dates. We took 10 societies and 50 cases taken at random from the files of references of each of those societies in our London office.

1294. Is that how the interval of 20 days was arrived at?—Yes.

1295. That is the average period; it may be considerably longer than 20 days?—In addition to getting the average period I had figures obtained of the number of cases in each batch of 50 in which the period exceeded 20 days, and in the case of some societies, in about half of all the references 20 days had been exceeded.

1296. Is it not rather a serious condition of affairs when an Approved Society is entitled for the

trifling sum of 1s. 8d. to call in the services of the regional medical officer on the basis of a certificate that is three or four weeks' old?—This does not apply to all societies. In some of the batch of 10 we examined, quite the opposite condition prevailed; nearly all the certificates were within three or four days of the date of reference.

1297. That is the proper state of things, surely?—That is a matter of administration. I understand the Controller is having the matter looked into, but it seemed important to get at the facts in this respect when we were considering the inference that might be drawn from the number of insured persons who failed to attend for examination.

1298. The number who failed to attend is very striking, and it might easily lead to the assumption, unfavourable to the insured persons, that a large number on being told to go to the referee at once declare off rather than face an ordeal in which they have reason to think they will be found out, so to speak. If, however, we had a very large number of cases in which the insured person may have already declared off, the fact being that the Approved Society is so inefficient in its methods of administration that it cannot put the demand before the Department before the expiration of three or four weeks from the date of the certificate on which it desires to act, then the inference might be quite otherwise?—In a batch of cases in which enquiry was made at the Norwich office we found that out of 2,600 cases in a 12-month period about 17 per cent. had declared off before they received our notice that they had been referred, and about 7 or 8 per cent. were unfit to attend. The total number of those who did not attend for examination was 46 per cent. That leaves 21 per cent. not accounted for by those two facts. Of the 21 per cent. a considerable proportion are those that you would naturally assume the whole class to be, that is to say, people who were on the point of declaring off or were nearly well and went back to work rather than have the trouble of facing an examination, or because they felt quite sure what the result of the examination must be. There are a number of cases of that kind. There are some cases, I am told—I have been making careful enquiry about this from the Divisional Medical Officers—of people who are really incapable of work and do not go back to work but forfeit their benefit rather than face an examination, and I believe that particularly applies to pregnant women. Though they do not go back to work, though perhaps they are not fit for work, they give up their benefit and carry on as best they can rather than face an examination. I do not say that number, of course, is at all large, but I am assured that those persons do exist.

1299. May I ask whether the Department has any reason to think, going back to the question of 20 days, that there are actual cases in which the insured person has declared off before the time at which the society puts the Departmental machinery in action?—Yes, before they refer the case to us.

1300. That surely points to a certain degree of inefficiency of administration on the part of the society?—It was because we knew of so many of those cases that, when we revised this form about a year ago, we added the footnote with a dagger against it on the first page, viz., "Be careful to ascertain that the member has not declared off in the meantime." We found our work was increased unnecessarily by references that did not materialise for this reason.

1301. Would it not be possible to have a question for the society to answer, pinning them down to the fact that they have ascertained that the insured person is still not at work at the time they send in the report?—Perhaps I may suggest it would be easier for the Controller to consider a matter of that sort than for me. It is a question affecting the administration of societies.

1302. (Miss Tuckwell): With regard to the question of women giving up benefit rather than facing an examination, how can one get more definite information as to that—through the Ministry or Approved

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Societies which include a large number of women?—I am afraid I do not know. The societies, I suppose, might know.

1303. You yourself said it?—I only know it because I am told by the regional medical officers that they have been informed of that by the doctors of these people, or that it has come under their observation. That is the only information we have. They do not say that they are a large number of cases; they say they do know that such cases exist.

1304. I understood you to say that the doctor of the insured person generally was the family doctor?—Yes, we have every reason to think that, as a rule, and as one would naturally expect, the insurance doctor is the family doctor of the insured person's family.

1305. On that I wanted to ask you whether you think, in the majority of cases, the doctor knows the history of the child's health before it becomes insured?—I should find it rather difficult to answer that—in what proportion of cases he would actually have attended the child.

1306. Do you think there would be a good many cases in which he would have a complete record?—He would have knowledge.

1307. (Mr. *Desant*): Going back to paras. 40 and 54 of Section C that were dealt with last week, about complaints, Dr. Smith Whitaker told us that there had been some 1,700 complaints since 1920. Of these something over 400 were in the last year, and on the table given in para. 54 it is explained that some 20 per cent. of those did not turn out to be complaints which were justified. I asked if we could get any information about the other 80 per cent. It seemed, on the face of it, a very large number of complaints to have (34 per 1,000 doctors was the figure given), and I wanted to find out whether a large number of these complaints turned out to be unjustifiable?—(Mr. *Brook*): I have some figures here. They are not quite final figures; on one or two points they require further examination. Out of a total of 1,646 cases I find the doctor was acquitted, or the case was not substantiated, in 647, and there were 999 proved cases. Out of that 999 grant was withheld in 31½ per cent.; the doctor received a warning in 51½ per cent.; and in the remaining 17 per cent. he was required to refund to the insured person the amount that the insured person had spent in obtaining the services of another doctor.

1308. About 40 per cent. of the complaints were not justified, 647 out of 1,646?—That is so.

1309. What type of complaint would those be?—Of the cases in which the doctor was acquitted 100 were allegations of neglect; 250 of inadequate treatment; 105 of fee charging; 142 of irregular certification; and 50 of a miscellaneous nature.

1310. Those figures will be included in the evidence when they are finally checked?—Yes, we are putting in a statement. It is not quite complete because the total I have got here does not absolutely square with the 1,700. I cannot account for the whole of them. I was hoping to let you have the completed figures by next week.

1311. (Chairman): We will now take Chapter IV of Section C. Under the Insurance Acts it is provided (Section 10 (2) of the Consolidated Act) that the medical attendance and treatment to which insured persons are entitled "includes the provision of proper and sufficient medicines." Will you tell us what kinds of questions have arisen affecting the interpretation of this provision and how such questions are decided?—(Dr. *Smith Whitaker*): The questions that have arisen have turned partly on whether particular substances fell properly within the description of medicines, whether they were or were not medicines, and partly on the question whether the medicines ordered by a doctor exceeded or fell short of what an insured person ought to have received. On the first point of whether substances are or are not medicines, the question usually arises in the investigation of prescriptions by the Insurance Committee prior to

payment, and if they find that a doctor has ordered something and the chemist has supplied something which in the opinion of the Insurance Committee is not a medicine, they refuse to pay for it. If the chemist was quite clearly wrong in supplying something which he was under no contract with the committee to supply, he accepts the decision without question. If there was room for honest doubt an *ex gratia* payment may be made to him. The questions are decided administratively in that way by the committees. Sometimes they apply to the Ministry for some guidance or advice, but the Ministry do not in any way direct the committees as to the action they should take, because if there were a dispute it might come to the Ministry as a matter of appeal. But the remarkable thing about the working of this part of the machinery is that we have had no cases put to the test of formal decision in that way. Apparently it is one of those cases in which common-sense action in particular cases meets the matter completely. Once or twice the question has been raised indirectly by the doctors. One doctor who was under contract to supply all medicines on a capitation basis to his insured patients, claimed that the supply of a serum or vaccine was not the supply of a medicine. That came up to the Ministry for decision, and it was decided that it was a medicine. Then on the other group of cases, questions of excess or defect, very rarely we get a complaint by an insured person that his doctor has refused to supply him with something that he thinks that he ought to have been supplied with. Those cases, in the first instance, go to the Insurance Committee, and if either party is not satisfied with the decision of the Insurance Committee they come to the Ministry. Very often it is a question of supplying a proprietary preparation, or something of that kind. The bulk of the questions that arise in this way arise under the regulations relating to excessive prescribing. The doctor's prescriptions are examined, and the committee comes to the conclusion that the drugs he has ordered exceed in cost what was reasonably necessary for treatment.

1312. Has there been any extension of the list of prescribed medical and surgical appliances since the Act first came into operation?—Yes, there has been an extension entirely in the way of provision of additional kinds of dressings.

1313. I see that trusses are not mentioned among the prescribed appliances. Would you not consider that they would fall under your definition of "All appliances which are reasonably necessary in connection with ordinary general practitioner treatment"?—When the list of prescribed appliances was first drawn up in 1912, the question of the provision of trusses, spectacles, artificial limbs, and other things that are required more or less permanently, was carefully examined. The Commissioners took the view that as Parliament had given them a complete discretion as to the appliances that should be prescribed they must have regard to the kind of burden that would be imposed on the Insurance Fund by a very wide list of appliances. In regard to this particular question of trusses, and also some of the others, the considerations that had to be taken into account were, first, that such things are usually easily obtainable through charitable organisations, such as the Surgical Aid Society, and, secondly, that it would be exceedingly difficult administratively if you provide them at all to protect yourself against supplying a great many that were not necessary—a truss can even be sold. The Commissioners considered that there was not such need for providing those as would justify imposing that burden on the Insurance Fund. Although from time to time different people have suggested that we ought to supply trusses, we have never had any evidence that insured people were suffering through trusses not being made part of the provision.

1314. The doctor has now no interest in the expenditure on medicines apart from his natural professional interest in giving his patient the best treatment. In the days of the "floating sixpence," I

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gather that he had a financial interest in keeping the prescriptions down. Can you tell us why that arrangement was abandoned?—(Mr. Brock): That arrangement was abandoned at the request of the doctors themselves, because they felt that they were put in an invidious position so long as the suggestion could be made that they were cutting down the medicines supplied to their patients in order to benefit their own pockets.

1315. Has it been found that the expenditure on drugs has increased since the device of the "floating sixpence" was abandoned?—It has increased very materially, but it is difficult to say how far that increase is due to the abolition of the "floating sixpence." The cost of many drugs has gone up a good deal since the War, and there is also evidence that insured people are making more demands on their doctors. There has been an increased frequency of prescribing which suggests that more services are now being given. The increase in the total drug expenditure is to a large extent due to that increased frequency. No doubt the abolition of the "floating sixpence" has been a factor in it, but it is a factor I could not attempt to evaluate by itself.

1316. It appears that the Ministry is now taking a greater part than previously in the investigation of prescribing. This is a recent arrangement. Is it working to your satisfaction?—(Dr. Smith Whitaker): Yes, so far as we have carried it. Up to the present we have not taken any disciplinary action under the new arrangement; we have thought it more expedient to begin by a comprehensive investigation of the causes of high cost, and the regional medical officers are only being employed at present in interviewing the doctors and ascertaining from them the reasons for prescribing of which the cost appears high.

1317. Are chemists, on the whole, satisfied with the scale of the drug tariff and the operations of the Pricing Bureaux?—(Mr. Brock): I think they are quite satisfied with the work of the Pricing Bureaux, and they have ample opportunity of making their own checks on the calculation that the bureaux carry out. But I should not like to say that they are satisfied with the remuneration they are now receiving.

1318. Are there any systematic arrangements for ensuring that the drugs supplied to insured persons are of satisfactory quality?—We are now in negotiation with the Retail Pharmacists' Union with the object of establishing some machinery for checking quality, but we have not hitherto had it.

1319. (Sir John Anderson): On the question of prescribed appliances, I got the impression from Dr. Smith Whitaker's answer that the main ground upon which the Insurance Commissioners decided to exclude such things as trusses from the list of prescribed appliances was the ground of cost. Is there not a clear distinction to be drawn between the sorts of things which are, in fact, included in the schedule, things like dressings, ice-bags, splints, and so on, which are ancillary to the continued provision of the medical treatment to which under the Act insured persons are entitled; and things which may, in ordinary every-day parlance, be called appliances, like supports for flat feet, crutches, artificial limbs, spectacles, and so forth, which are required, not so much for treatment, but to compensate for physical defects by mechanical means? Is there not a pretty clear distinction in kind between the two sorts of things?—(Dr. Smith Whitaker): I think, perhaps, that the distinction between the thing required immediately and temporarily and the thing required permanently to correct a defect may have something to do with the reason; but certainly in the case of a man who has a hernia the use of a truss may be essential if you are not going to perform a radical cure, and in the case of a man whose eyesight is seriously defective he cannot get about in life without spectacles. In the case of a truss you are doing more than merely remedying

a defect, you are really protecting him against a serious risk to life; but in the case of spectacles, of course, the man is merely inefficient if he has not got them. I should have thought the difficulty was essentially the fundamental administrative difficulty of guarding yourself against very serious abuse; that it is not so easy to limit the provision to what is necessary.

1320. Now you are answering the second question I was going to put to you, but I should like to repeat my first question. Is there not a distinction in kind between the things which are required in order to enable the process of medical treatment to be properly carried out, and things which are required to remedy physical impairments in every-day life?—I should feel the distinction was much stronger in the case of an artificial limb or spectacles than in the case of a truss.

1321. Is it, in your opinion, merely a question of degree? Do you tell us that in your view there is no distinction in kind between these two classes of artificial aids which may be called appliances?—I should hesitate to say that you could justify the discrimination in every case in which we had made a discrimination on the ground of that distinction.

1322. Does a person suffering from hernia normally wear a truss in bed?—No.

1323. Does not that rather point to a distinction? Does not he wear his truss when he is in fact capable of work?—He wears his truss for working.

1324. When he is capable of working?—Yes.

1325. And when he is incapable of working he takes it off? I think there must be to the lay mind a logical distinction which is a little plainer than you are disposed to admit. From the medical point of view one can see that the use of the truss is so vital and so important that it is with reluctance perhaps that the medical mind assents to the exclusion of such a thing from the list. My first question was simply: Do you or do you not recognise a distinction in kind?—I recognise a distinction in degree so great as to be—

1326. Let me proceed to my next question. Is not the difficulty (once you cross the line which, according to my suggestion, represents the passage from one kind to another kind) of discriminating between one thing and another the real obstacle to making any addition to the list of prescribed appliances?—I think one might put it in this way. The object from the practical point of view was to establish a satisfactory criterion of necessity. In the case of things which are provided you usually have pretty direct evidence as to the necessity; in the case of things which are not provided it would be much more difficult to establish the necessity, though even so, if we were to try to find a definite logical discrimination, I am not sure that we ought to include suspensory bandages as we have done.

1327. (Sir Arthur Worley): Is not the difference this, one is preventive and the other is curative?—No, I do not think you can say that.

1328. A truss is preventive against a man becoming unfit to work?—Mainly, yes.

1329. It does not cure him: it is to prevent him getting to the stage of being chargeable on the Insurance funds?—Yes.

1330. (Sir John Anderson): Is there any way under the Insurance Act in which insured persons can secure assistance in obtaining these things which may be required if they are to do their daily work but which are not included in the list of prescribed appliances?—Yes. A society may as additional benefit provide any appliance which is not in the list of prescribed appliances.

1331. That is one of the statutory additional benefits?—That is one of the statutory additional benefits.

1332. Is the same purpose ever secured under what used to be Section 21 of the Act of 1911? Could a surgical aid society be treated as an institution to which the society could make a contribution?—Yes, I understand so.

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1333. (*Sir Alfred Watson*): Dr. Smith Whitaker, there have been allegations in the Press of late with reference to the drugs supplied in the course of insurance work. Is there any ground for the suggestion that under the Insurance Act the drugs supplied to insured persons are limited in range or inferior in quality compared with what the doctors would prescribe for their private patients?—No foundation whatever, Sir. On that point, as the matter has excited a good deal of interest, may I call attention to, and put in, the letter which the Minister caused to be addressed to the Insurance Acts Committee in May, 1924, when we were instituting the new system of investigation. In that letter it was said as follows: "The Minister is most desirous that, as stated in the letter to Panel Committees, all drugs and appliances should be made available to insured persons which, on a liberal view, may be considered to be reasonably necessary for the efficient treatment of sick persons, and that full scope should be afforded for the exercise by practitioners of proper independence of judgment in the treatment of their patients. He would not think it right that any cheeseparing economy should be practised in this connection, or that practitioners should be pressed to adopt any stereotyped methods of prescribing, but, on the other hand, he must secure by every means open to him that the funds available for providing benefits for insured persons shall not be impoverished by wasteful expenditure on drugs and appliances, particularly that which results from mere inattention in prescribing to considerations of cost." In that letter the Minister only repeated what had been said many times before, but which it seemed so difficult to get appreciated by some doctors and other critics of the system.

1334. Last week you gave us some information, or Mr. Brock did, as to a particular case in which certain doctors practising in partnership had had withheld from them a very large sum of money because they had been dispensing medicines to their own patients and charging for them. I think that case was the subject of considerable comment in the Press. We may as well face the kind of issue that it raises. The sort of argument that was used, certainly in one prominent newspaper, was this. The doctors are required by the Department to limit very strictly the kind of drugs that they will give to insured persons, and the cost of them: it has become well known to insured persons in consequence, that under the Insurance Act they are supplied with inferior and, possibly, inefficient medicines: they thereupon refuse to take these inferior drugs, and request their doctors to treat them as though they were private patients as far as drugs are concerned, to give them efficient medicines and to charge them for them; and when that happens, the Ministry comes down and puts a doctor on his trial, passes sentence on him, and proceeds to enforce it. What is the answer of the Departmental witnesses to that kind of allegation?—In the first place, the fact that insured people have this impression is traceable to the same causes that Mr. Brock assigned for application to doctors to treat them privately instead of as insured persons. There has been so much depreciation of the panel system in all its aspects in various speeches that have been made, that some of the insured people have been unfortunate enough to believe it, and have rather paid than exercise their rights. As to the question whether the Ministry limit the drugs, both the Insurance Commissioners and the Ministry have taken the view throughout that the question whether a particular order for drugs did or did not exceed what was reasonably necessary for adequate treatment was a question of fact to be determined entirely by medical evidence. Neither the Commissioners nor the Ministry at any time have attempted to dictate to doctors what they should or should not order. The question has always been referred, in the first instance, to the local Panel Committee, and it is they who have considered as a medical question whether

the things ordered in a particular case did or did not exceed what was reasonably necessary for treatment. If the doctor was not satisfied with the decision of the Insurance Committee based on that expression of opinion by the Panel Committee, he had a right of appeal to the Ministry. Under previous arrangements, whenever such appeals have been heard, medical evidence has been heard on both sides, the medical evidence of the doctor as to the necessity, in his opinion, for these orders, and the evidence of doctors called by the Panel Committee, or by the Insurance Committee, to state the other point of view; and the decision has been given in accordance with the evidence thus placed before those who heard the case.

1335. Are there doctors on the body which gives the decision?—Yes, there usually are doctors on the body that gives the decision.

1336. (*Chairman*): Have there been many such cases for reference?—Quite a large number, Sir, included in the Volume of Appeals. May I take a very clear illustration of the kind of issue that arises? This was a case which I heard with two of my colleagues of the Insurance Commission. It was a case of a doctor in a Lancashire town who was found, on examination of his prescriptions, to have included some preparation of morphia in 75 per cent. of all his prescriptions. The Panel Committee took the view that, in their experience, the number of cases in which it was necessary to order morphia was nothing like 75 per cent. of the people treated. The doctor appealed against the surcharge which the Insurance Committee proposed to make. My colleagues and I on hearing the case, were satisfied by the evidence that there was not ordinarily need for people to have morphia in 75 per cent. of all medicines that they took, and that this doctor afforded no evidence of any peculiarities in his practice which would justify his departure from the ordinary requirements of prescribing.

1337. You have already told us that the doctors have now no financial interest in the question of the supply of drugs. May we understand that this procedure as to excessive prescribing is approved of by the general body of doctors practising?—I think, on the whole, they assent to the procedure which we have recently initiated, though they were not quite comfortable at first: they thought it was another extension of bureaucratic interference. They did not appreciate at first that the Panel Committee remains in the position it has always been in; in fact, it is now in a stronger position. Any investigations that the Department makes will be merely preliminary investigations to ascertain the cases which the Panel Committee should be asked to investigate, and our only reason for undertaking that work is that it is work of a routine detailed kind which we found the Panel Committees had not really time to do satisfactorily themselves.

1338. (*Sir John Anderson*): Sir Alfred Watson has put some questions to you with regard to the protection of the insured person against the supply of inferior drugs and medicines at the instance of the doctor. Does no question arise in this connection of the possible action of the chemist which might lead to the detriment of the insured person?—Yes, there does.

1339. How is the standard of the supply of drugs by the chemist maintained under your system?—By means usually of test investigations made by the Insurance Committee. The procedure which has been adopted by several committees has been that they have asked the Panel Committee to supply them with a number of test prescriptions. Those prescriptions have been given to insured persons to take to the shops of various chemists; the prescription has been dispensed by the chemist, sealed up, and subsequently analysed—or if it is the case of an appliance, the appliance has been weighed, measured, and so forth—and on the result of that investigation the committee have in many cases decided to censure the

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chemist or to recommend the Department to withhold remuneration.

1340. Is that kind of inspection carried out systematically by Insurance Committees all over the country?—Not all over the country. A good many committees have done it. But we have now, as Mr. Brock has said, under consideration with the Retail Pharmacists' Union a uniform system of investigation throughout the country.

1341. So that we are to understand that Insurance Committees do not rest content with the ordinary investigations carried out under the Food and Drugs Act by the appropriate officers?—No. It was thought at one time that perhaps the most convenient procedure for dealing with these cases would be under the Food and Drugs Act and the Regulations were amended so as to make a supply of medicine a sale under the Food and Drugs Act. But on the whole I think it is the opinion of chemists as well as of the Department that the better method is to proceed under the Medical Benefit Regulations.

1342. There was some technical difficulty, was there not, as to whether a supply of drugs under a panel prescription constituted a sale?—Yes. That was overcome. That does not stand in the way. The reason given is that we think, and chemists think, that the procedure under our own Regulations is better than the procedure contemplated by the Food and Drugs Act for this particular purpose.

1343. You told us that in a substantial proportion of cases the results of those tests carried out in the way you have explained by Insurance Committees were unsatisfactory?—An appreciable proportion. I do not remember the figures.

1344. I think your actual words were "many cases"?—Yes, that is in the aggregate, of course.

1345. I do not want the evidence as printed to convey a false impression. I was going to ask you whether you could express your answer, if not now, perhaps later, in terms of figures?—(Mr. Brock): I think the greatest weakness hitherto has been that the tests have been primarily tests of the accuracy with which the prescription has been dispensed. It is very difficult in the analysis of a mixture that contains a good many substances to arrive at a fair estimate of the purity of a particular ingredient. That was one of the main reasons that led us to suggest to the Retail Pharmacists' Union an alternative system under which we hope to get the right to test ingredients in stock instead of having to work almost entirely on actual prescriptions.

1346. Can you give us anything more precise than Dr. Smith Whitaker's "many cases"?—No, only by having the reports got out and examined in detail.

1347. Did the "many cases" in the aggregate constitute a large percentage of the tests made?—(Dr. Smith Whitaker): My impression would be no.—(Mr. Brock): No. I think the tests have not been either as systematic or as widespread as they should have been. Some committees have been very good; others have been rather indifferent. (Dr. Smith Whitaker): I do not think the proportion of chemists who were found to be at fault would be any higher than the proportion of doctors found to be at fault on the other side of the work. I do not remember the exact figures. We can have those got out.

1348. There is this substantial difference to be recognised, is there not, that the insured person himself in a large proportion of cases is in a position to say whether his doctor's treatment of him gives him cause for complaint?—Yes.

1349. But if the chemist makes up a prescription carelessly or deliberately omits ingredients the insured person is absolutely at his mercy?—In the case of the chemist, where a committee have carried out this enquiry thoroughly they have tested the work of every chemist in the town, and the figure they arrive at is the proportion of cases in which, when all the chemists in the town were put to a test, particular chemists were found wanting.

1350. I know, but you have told us that those tests are not carried out in all committees' areas?—No.

1351. Do you remember some years ago there was a certain amount of controversy about what were called stock mixtures?—Yes.

1352. The practice of certain chemists of keeping ready made in stock bulk supplies of certain commonly prescribed mixtures?—Yes.

1353. Has that died away?—Most Panel Committees now draw up formulæ of preparations that they believe the doctors will frequently want to supply and which are not likely to deteriorate with keeping if made up in bulk; and chemists are encouraged to keep those ready made up in stock for reasons of economy.

1354. In the opinion of the Ministry that practice, safeguarded as you have indicated, is free from objection?—Yes, it is advantageous.

1355. It affords no ground for suggesting that the insured person is less well treated than a person going privately to obtain medicine?—None whatever. It is the practice adopted, I should say, in every hospital in the country, and I should imagine by all private practitioners who dispense. Provided you take care that the mixture you keep in stock is one that will not deteriorate with keeping, and if it is a thing that has to be used frequently, there is every advantage in having it made up.

1356. Are not the chemists' shop windows full of stock mixtures with fancy labels on them?—Yes.

1357. (Sir Arthur Worley): Would you describe what you do in a better way if it was put "in a number of cases" rather than "in many cases"?—Yes. Perhaps I may correct my evidence in that way. I did not wish to create the impression that there was a large proportion of them.

1358. "Many" can be stressed to mean a good deal?—Yes.

1359. (Miss Tuckwell): You said, Dr. Smith Whitaker, in answer to Sir John Anderson, that people were able to get surgical appliances as an additional benefit from Approved Societies. Would they in all cases be able to avail themselves of that additional benefit?—No, I believe not in all societies.

1360. In those societies they could only depend on such outside help as the Surgical Aid Society?—Yes.

1361. Is not the procedure for getting help from the Surgical Aid Society troublesome? There is much machinery, is there not?—What strikes me particularly on the question of trusses is that every time we have discussed this question with the doctors and said "Now, from your experience and practice do you think your patients are being handicapped by not having trusses provided as part of medical benefit?" the answer is that they did not think it was necessary. We have no evidence that people find it difficult to get trusses when they need them.

1362. I am told by one of my own working friends that they have found difficulty in many cases, and that it means the writing of many letters. You know nothing at all to corroborate that?—I cannot believe there would be a large number of cases without the matter being pressed on our notice more than it has been. It may be many of these cases go to the hospital and the hospital help them, or it may be that their doctor helps them to get it.

1363. People are insured from 16 to 70, are they not?—Yes.

1364. I noticed in Sir John Anderson's questions on compensation for physical defects he dealt with what he fortunately can know nothing about, the troubles of approaching age. Under National Health Insurance age has to be taken into account.

1365. (Mr. Evans): In paragraph 87 of Section C1 there is a reference to a higher capitation rate being paid to private doctors—"In some industrial areas where the liability to treat accident cases, etc., is greater a higher rate of payment is allowed." What is the higher rate of payment, and does that higher rate vary at all?—(Mr. Brock): Yes. I do not think there

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[Continued.]

are many of those areas. It is to meet the extra demand, particularly in the mining areas, where you get a great many accidents and the doctor has to supply at once a good deal more in the way of dressings than the average general practitioner would have to.

1366. It applies to mining areas?—Not only to mining areas, but they are the commonest case I can think of. It is really to meet the areas in which accidents are frequent.

1367. Reference has been made to chemists. Are chemists at all represented on the various Insurance Committees?—Yes, there is a pharmacist on every committee, and in every Insurance Committee area there is a local Pharmaceutical Committee of the chemists themselves who represent the interests of the chemists in that area.

1368. (*Mr. Jones*): In the course of these tests that were made to which you have referred, was there any evidence, or much evidence, of inferior quality of drugs as against inaccurate prescribing?—(*Dr. Smith Whitaker*): No. The test would not bring that out. The analyst would not be able to detect that as a rule. In analysing a complicated mixture all he would do would be to see whether the active ingredients were present in proper proportion as prescribed.

1369. Without discrimination as to the quality of each?—Yes. (*Mr. Brock*): You get discrimination of quality when you come to appliances and dressings.

1370. (*Professor Gray*): You have explained that any drug, however expensive, can be obtained. Are you aware that the impression to the contrary is so universal that statements to this effect are made by panel doctors and have got into books on the subject written by experts?—(*Dr. Smith Whitaker*): It is quite possible, but I am interested to find two letters quite recently which, if I may, I will put in; one from the Chairman of a Panel Committee in relation to the attitude of the Ministry on this matter. That appeared in the "Times" about 10 days ago. Also, I see in yesterday's "Times" a letter from "General Practitioner," who has recently been visited by the regional medical officer. I have not the faintest idea who they are, but they state the position quite frankly and fairly. I think perhaps I may draw the attention of the Commission to these as very fair statements of the case. (*Documents handed in.*)

Letter in "Times" of 30th October, 1924.

TO THE EDITOR OF "THE TIMES."

SIR,—The writer, while holding no brief for the Ministry of Health or its methods, considers it only just that a fair statement of the method of conducting the investigation regarding "excessive prescribing" should be published. He has been present recently, in the interest of the panel practitioner, during the inquiries into a number of cases of apparent "excessive prescribing." The inquiries were purely investigatory. Attention was drawn to the apparent excesses and the doctor's explanation thereof obtained and noted. In no case was it even hinted that the doctor should do other than prescribe for his patients just what drugs, regardless of cost, he is of opinion will best expedite their recovery to health. There is no "schedule of drugs approved for use"; any drug, official or proprietary, may be prescribed at the practitioner's discretion. There is, however, an official "Tariff of Prices for Drugs and Scheduled Appliances," which is a list of prices of drugs and appliances in common use, on the basis of which the chemists are paid. The tariff is comprehensive, but by no means complete, and indicates the method by which drugs not mentioned in the list will be paid for.

Panel practitioners are not being reprimanded for prescribing Aqua Chloroformi. This is a flavoured

water in which the "active" drugs in a prescription are administered; its "healing" value is nil, and its cost in very many prescriptions exceeds the cost of the actual drugs. The flavoured waters are listed in the tariff in two forms; the second of these is a concentrated form which dilutes to the equivalent of the non-concentrated, and is much cheaper. The writer investigated a sample 10,000 prescriptions written in his area, and found that a saving of £15 would have been effected had concentrated Aq. Chlorof. and Aq. Camph. been prescribed in these instead of the non-concentrated. The total prescriptions written in the area last year numbered nearly 900,000, representing a possible saving of £1,350, without the slightest detriment to patient or doctor. It is being indicated to practitioners that by prescribing these two waters in the concentrated form they can effect this saving. Various other methods of effecting economies are being indicated, none of which in any way affects the interests of either patient or doctor. A study of the Statistics of Prescribing in the various areas, compiled by the Pricing Bureaux, would convince the most sceptical that there is reason for the inquiry in process. What the findings of the investigation will be is for the future; in the meantime the indication of obvious methods of economy can do nothing but good.

I am, Sir, yours obediently,

CHAIRMAN OF THE PANEL COMMITTEE.

Letter in "Times" of 5th November, 1924.

TO THE EDITOR OF "THE TIMES."

SIR,—I have read with interest the correspondence in *The Times* headed "Trial by Whitehall." There is a deal of misunderstanding about the investigation of excessive prescribing, and in common fairness to the Ministry of Health and its officials I should like to describe a personal experience.

I am a general practitioner, with a moderate number of panel patients. This week I was visited by a Regional Medical Officer, carrying out an inquiry into excessive prescribing. I had received previously an analysis of my prescriptions for a quarter, showing that I had greatly exceeded the average for the district in the cost of my panel medicines, with an intimation that the Regional Medical Officer would call at a specified time to interview me about the matter. The R.M.O. was accompanied by a member of the local Panel Committee, who acted as a species of referee. I was treated with the greatest courtesy by the R.M.O., who took pains to explain that the investigation was not directed to criticism of my methods, but to find out the reasons for the use of certain drugs, &c. I was able to explain the high cost of my prescriptions to the R.M.O.'s satisfaction, who was careful to point out that anything, no matter how costly, could be prescribed on the Panel provided that a good reason existed for failure to order a cheaper substitute. At the same time, I found the investigation very instructive, as I learnt in many instances how, by slight alterations in method, considerable saving in cost of prescription can be obtained without detriment to the patient under treatment. If the experience of every panel practitioner be the same as my own, the investigation will serve a very useful purpose.

I enclose my card, and am, Sir,

Yours faithfully,

November 1.

G. P.

It is unfortunate that there should be such misunderstanding amongst people, medical men and others, who profess to speak with authority and write to the Press as though they had thoroughly examined the whole subject.

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[Continued.]

1371. (*Sir Humphry Rolleston*): With regard to the extension of medicines and appliances, I notice you have insulin. Insulin was a very expensive drug?—Yes.

1372. Yet you were able to provide it?—Yes.

1373. Insulin may be used as a remedy in an emergency, but is it not analogous to a truss or artificial limb inasmuch as once it is started the person has to continue with it?—Yes. But Parliament gave no discretion as regards medicines. We have to provide all medicines that are required. With regard to appliances we had to exercise a discretion.

1374. No principle such as Sir John was drawing between different forms of appliances can be applied to different medicines, some of which may have to be taken over a number of years?—Perhaps the point is that we were not allowed to apply any discrimination in the case of medicines, but the Department were required to exercise a discrimination in the case of appliances.

1375. (*Chairman*): Taking Chapter V of Section C, has there been any considerable demand by insured persons to be allowed to make their own arrangements for medical benefit, and, if not, do you think that it may be inferred from this that insured persons as a whole are satisfied with the present panel system?—(*Mr. Brock*): There is no considerable demand at the present time by insured persons to be allowed to make their own arrangements. I should hesitate to infer from that that they were necessarily satisfied with the attendance that they are getting now. I think the main deterrent from "own arrangements" is the fact that it involves the insured person is paying something more. Of course, in the early days of insurance there were some applications to make own arrangements, and at that time, on grounds of policy, the Insurance Committees restricted the making of own arrangements within very narrow limits.

1376. Can you tell us the number of approved medical institutions now existing?—The number in England is 52.

1377. Are these medical institutions in any cases carried on for profit, or must the whole of their income be applied in the provision of medical treatment and the cost of administration?—So far as payments from insurance funds are concerned, we have no power under the section to pay the institution more than the amount expended by them in the actual provision of medical attendance and treatment for their insured members. They cannot make a profit on their insured side, and, in fact, they do not make any profit on their private side. Most of them have rules requiring the investment of any surplus that there may be in any particular year.

1378. The answer is that there is no profit then. Have you any information as to the expenditure of these medical institutions on administration?—It varies a good deal, and in most cases the expenditure on administration cannot be separately determined, because they are in the habit of including the salaries of medical and other officers in a single item in their accounts. The expenses of administration vary in other cases between 13 per cent. up to as much as 35 per cent. of their total expenditure; but that would include certain items such as rent of surgery, which would form part of the practice expenses of a doctor practising independently. In the most expensive case—the 35 per cent. case—the percentage comes down to about 20 if the whole charge for rent is put as rent of surgery and dispensaries.

1379. (*Professor Gray*): In elaboration of what has been said, what kind of control have you over the institutions? Suppose there is a complaint against an institution, does the procedure follow the analogy of that for the ordinary panel doctor?—It would, in the first instance, be investigated by the committee of management of the institution. But, in point of fact, the arrangements for the investigation of complaints by institutions have not been generally satisfactory. Some institutions have been very lax in inquiring into complaints.

1380. How do you ensure a certain standard of treatment? In the case of a panel practice it is obvious what measures you can take; but these institutions appear to be a kind of remnant of a state of things before the Act was passed?—It would still be open to any insured person who elected to get his benefit through an institution to make a complaint to the Insurance Committee if, in fact, he thought he was not getting satisfactory attendance and treatment, and such cases have been investigated. (*Dr. Smith Whitaker*): And we have withheld grants from institutions exactly as from doctors.

1381. (*Chairman*): As regards Chapter VI, do you feel that there is much force in the argument that a capitation fee induces the doctors to keep their patients well and so is on preventive lines, while an attendance fee would not operate in this way?—I know that about 11 or 12 years ago there was a great deal of discussion in the medical profession as to the relative merits of the capitation and the attendance system, and this argument was used by those who thought a capitation system preferable. But I should find it very difficult to say that a motive of that kind would operate on a doctor's mind. Perhaps when the medical profession give evidence they may be able to help you.

1382. Was there any demand when the Act was originally framed or since (apart from the Manchester and Salford case) to adopt the attendance method?—(*Mr. Brock*): In the first quarter of 1913 there were 11 other areas which adopted an attendance basis. By the end of 1913 there were only two other areas, and at the present time there are only Manchester and Salford. I think one can safely say that the overwhelming feeling of practitioners is in favour of the capitation basis.

1383. On the experience of the Manchester scheme for the attendance of patients compared with the rest of the country on capitation, what are your conclusions?—What has happened both in Manchester and Salford has been that the doctors themselves had to devise so many checks and safeguards against the result of unnecessary attendance that by now, both in Manchester and Salford, the result differs very little from capitation. It has probably survived hitherto because of the strong feeling in both those cities in favour of free choice at any time. Now that free choice at any time is allowable anywhere, I should think it is only a question of time for payment by attendance to disappear both in Manchester and Salford. The only thing that was urged in Manchester in its favour by outside critics was that it did provide some extra payment for the men who had a C3 population in an area in which it would otherwise be difficult to attract a sufficient number of practitioners.

1384. You regard free choice of panel doctor by the insured person and free acceptance as cardinal features of the scheme, do you not?—Certainly, with the caveat that free acceptance must be subject to the right of the Insurance Committee to allocate to the doctor if the patient cannot get himself voluntarily accepted by someone.

1385. I gather that you have recently allowed greater freedom in changing the doctor? It can now be done at any time instead of at six-monthly intervals. Was this in response to any popular demand and has it in fact made much difference?—The suggestion really came from the doctors themselves; but there was a growing feeling amongst societies in favour of free choice at any time. Naturally it has led to some increase in the number of changes. It is, however, too early yet, I think, to say how far that may go, or how great the effect may be. On the only figures that I have, I find that in Liverpool the percentage of transfers, apart from removals to other areas, has increased from 1.8 to 3.7. The Middlesex Committee state that the percentage has increased in their area from 2.6 in 1923 to 3.9 in 1924; so that it does not appear on the information available at present that free choice at any time has led so far to any considerable increase in the number of changes.

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M.R.C.S., L.R.C.P.

[Continued.]

1386. Have you any information as to the grounds on which insured persons change their doctors?—No, I do not think I have.

1387. Can you tell us in broad outline the exact present position of the finance of medical benefit and what will be the situation after the end of 1926 in the absence of further legislation?—The position broadly is that at the end of 1926 there will require to be found a sum of between 2s. 6d. and 3s. more than will then be available under the Statute. Actually the 1924 Act provided for 2s. 4½d.; but that will not fully cover the expenditure on drugs, and at the moment the cost is a little more than is provided by the 1924 Act.

1388. Could you indicate to us what is the equivalent of the 9s. per insured person expressed in terms of number of sick persons attended per year or number of attendances?—As nearly as we can estimate it, on the average the doctor sees 50 per cent. of the people on his list during the year, so that, with a capitation fee of 9s., the case value would be 18s. As to payment for service, he has to render at the present time an average of 3·5 services per patient, which gives him a payment of just under 2s. 7d. a service; or if you assume that a domiciliary visit is worth one and a half times a surgery attendance, he is getting 2s. 3d. per surgery attendance and 3s. 4½d. for each domiciliary visit. I think that those figures would compare very favourably with the return from private practice among comparable classes, when you allow for the fact that, in the case of the insurance payment, it is a net payment. There is no cost of collection and there are no bad debts. There is also the important difference that the doctor does not dispense for his insurance patient, whereas in industrial practice he ordinarily has to provide medicine for his private patient, and his fee in the case of the private patient, therefore, covers that as well as the attendance.

1389. I see that there have been differences about the capitation fee right from the start. Under the 1911 Bill 4s. 6d. was proposed. The Act started with 7s. and the share of the floating sixpence; the amount was raised to 11s. in 1920, fell to 9s. 6d. in 1922, and is now 9s. Do you feel, now that money values are fairly steady, that you have got to finality in this matter, I mean apart from the sources from which the money is to be found?—Assuming that the content of the doctor's obligation is not materially extended, then I think that, so long as the variation in prices does not exceed the degree of variation that we have had during the last year or so, a further detailed inquiry, such as was made at the Court of Inquiry at the beginning of this year, is not likely to lead to any different result. An elaborate investigation was made in 1920, and another very elaborate investigation was made at the beginning of this year. So long as there is no marked fluctuation in prices and in the value of money, I do not think any further inquiry would materially vary those results.

1390. Under present arrangements for medical benefit we have 9s. 6d. under the Act and, in addition, temporary moneys to the amount of 2s. 4½d., the total being 11s. 10½d. Only 9s. goes to the doctor as capitation fee. Will you tell us about the balance of 2s. 10½d.?—Out of that figure 2s. 3½d. was provided for the cost of drugs, 4½d. for mileage, ¾d. for the Central Index Committee, and 1½d. for the Medical Referee Consultant Service.

1391. Is the sum of 11s. 10½d. per insured person per annum which is now available to meet the cost of medical benefit sufficient to cover the whole of the charges in connection with the provision of that benefit?—No, I do not say that it will be, because the expenditure on drugs has exceeded the estimate. But it is very difficult at this stage to say how far the rise in the expenditure on drugs is due to the epidemic at the beginning of this year and how far it is due to other causes. I think by the beginning of next year, or, at any rate, by the spring of next

year, we shall be able to form a fairly safe estimate of what the expenditure on drugs is likely to be.

1392. (Sir John Anderson): I have nothing on this chapter, but may I put a further question relating to the earlier chapter dealing with the supply of drugs. I think that to complete our record we ought to put this question: What authority is there in the National Insurance Acts for the system under which excessive prescribing is regulated under regulations made by the Ministry of Health?—(Dr. Smith Whitaker): The Department have considered the authority to be contained in the definition of the content of medical benefit: that it includes medical treatment and attendance, including the provision of proper and sufficient medicines. It appeared to the Department that if, for example, a doctor ordered something which, either in its nature or in the quantity in which it was supplied, exceeded what was necessary for the provision of proper and sufficient medicine, he was ordering something that the Department had no authority to pay out of the Insurance funds. The point I should say was, perhaps fortunately, brought to the test in the Courts because some doctors have from the beginning questioned the right of the Department to interfere with the doctor's freedom. The case of *O'Neil v. the Middlesex Insurance Committee* was heard by Mr. Justice Rowlatt on the 20th December, 1915. In the course of his judgment, Mr. Justice Rowlatt said on this point: "Sub-section (3) gives the insured person the right to have adequate medical assistance, and to choose his own doctor; but it does not mean that the doctor is to exercise his uncontrolled will over the matter. The Act is worked upon a scheme that there is to be a fund to provide these drugs as well as to pay the doctors, and it is perfectly obvious that there must be a limit to the amount available. But apart altogether from that, the duty of prescribing for any patient involves this, that you prescribe for him according to the resources available." Then I read on: "Experience shows that to carry out the Act you must have some check on extravagance, and that is what this rule was made for. In effect it says that if a doctor prescribes what is extravagant he must pay for it himself. That is within the power to make rules for carrying the Act into effect. An Act of this kind ought to be construed liberally. The difficulties which emerge in the administration of an Act of this character are exceptionally great, and I ought to look at it in a practical way and construe the power with liberality. The making of this regulation, which certainly is a most beneficial one if properly administered, is well within the powers conferred by the Act."

1393. (Sir Alfred Watson): Is what is said in paragraph 107 as to the medical benefit being fixed at 6s. for each member, and as to that being the amount allowed in the estimate prepared by the actuaries, quite a correct statement?—(Mr. Brock): I think, perhaps, it is not quite fair to the actuaries.

1394. Is it not more accurate to say that it is the amount which the Government of the day instructed the actuaries to include in their estimates?—That is so.

1395. (Mr. Besant): You state the 6s. was the amount of the medical benefit in 1913. How much out of that 6s. did the doctors then get? Was it 4s. 6d.?—(Dr. Smith Whitaker): It never was 6s. That is what was proposed; but the first contracts were made on the basis of 8s. 6d. It was 9s. in all: 7s. for the doctor and a maximum of 2s. for the drugs.

1396. If I may put my question in another way would you explain to me the closing words of paragraph 107 of Section C, in which 6s. seems to be mentioned as being fixed? Could you tell me how much out of that the doctors got?—It was 6s. from the society and 2s. 6d. from the Exchequer grant.

1397. It was 8s. 6d. in all?—Then there was the 6d. from the sanatorium benefit money for the domiciliary treatment of tuberculous insured persons, making a total of 9s.

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[Continued.]

1398. The doctors got how much?—7s., with a share of the floating 6d. in respect of drugs.

1399. Passing on to paragraph 132 where 9s. is mentioned, 6s. a head was stated there to be inadequate; but I gather from you that 6s. never was in operation at all?—Except as the charge on the funds of societies.

1400. The 6s. was the cost of the medical benefit. That section seems to me a little confusing, because it seems to indicate that 6s. per head had been estimated, whereas it appears it never came into operation. I do not know whether it is quite fair to say that the 6s. was not regarded by the medical profession as being adequate, but in fact they got, I understand from you, 7s. from the beginning, or it may have been a little more?—No, because between the date when the 6s. was talked about and the date when the actual medical benefit was brought into operation, there was a long process of negotiation. Under the Act as it was passed by Parliament there was left available, out of the funds of approved societies, 6s. per insured person per annum for the provision of medical benefit. The doctors said 6s. would certainly not suffice to meet their charges and the cost of drugs.

1401. As I understood from you just now, at that stage the doctors in effect were getting 6s. or a little more?—No, no contract had begun. The Act came into operation in July, 1912, but medical benefit did not come into operation until January, 1913. In the year 1912 there was a long process of bargaining and the doctors said in effect: "We gather that you have only got 6s. per head left, out of which you have got both to pay us and pay for drugs. That is not going to be enough." There was the Plender Inquiry and various information was collected by the Government. Eventually it was decided to supplement the 6s., which was available from the funds for the cost of medical benefit, by 2s. 6d. from the Exchequer. Moreover, it was clear that we had to provide for the treatment by the insurance doctor of the insured person when suffering from tuberculosis. The sanatorium benefit section of the Act said that sanatorium benefit was to be provided for the treatment of the insured person suffering from tuberculosis, in institutions or otherwise, which included the domiciliary treatment. Therefore 6d. per head was taken from the Sanatorium Benefit Fund, 2s. 6d. from the Exchequer, and 6s. as a charge for medical benefit on the funds of Approved Societies, making up the 9s. Out of that 9s. the doctor got 7s., 2s. was reserved for drugs, the doctor having a chance of 6d.—the floating 6d. out of that 2s.

1402. Then I get away from the 6s., which I got from paragraph 132, and come to the 9s., which seems to have been paid up to 1920 as far as I can gather?—Certain war bonuses were added in 1918 and 1919.

1403. There were complications due to passing circumstances?—Yes.

1404. But in the main that figure of 9s. was more or less maintained, was it not, up to 1920?—Yes.

1405. Then under the Act of 1922—that brings us to paragraph 138—the 9s. turned into 9s. 6d.?—There had been a period between, when the rate paid to the doctors was 11s. (*Mr. Brock*): It went up to 11s.; it subsequently came down to 9s. 6d., and it has now come down to 9s.

1406. That is for the doctors only?—(*Dr. Smith Whitaker*): For the doctors only.

1407. What I rather wanted to get was a complete picture of what had been available for the doctors from time to time. I am not quite certain from Sections 132 to 138 that we get this complete picture, because I had in my own mind a rather vague feeling that there had been intermittent changes, probably of a purely passing character. I wondered whether the witnesses would give us in the form of a tabular statement, as far as they could, what the doctors had in effect had for panel patients as capitation fees from year to year?—We shall be glad to supply a table if necessary; but, broadly, the

picture is 7s. for the doctors at the beginning, with their share of the floating 6d., which we have taken as equivalent to about 7s. 3d. That went on, with the addition of certain war bonuses in 1918 and 1919, till 1920, when, as the result of arbitration, the rate for the doctor was raised to 11s.

1408. That is the 11s. mentioned in paragraph 135?—Yes. The British Medical Association asked for 13s. 6d. The Government offered 11s. The matter went to arbitration, and the arbitrators said that the rate should be 11s.

1409. Then we pass on to paragraph 139, dealing with the Act of 1922?—The sum of 9s. 6d. in paragraph 138 is the payment from insurance funds. The 11s. paid as from the beginning of 1920 included a substantial sum from the Exchequer. The special Exchequer contribution towards the cost of medical benefit did not disappear until 1922.

1410. What I wanted to get at is, what did the doctor get in his pocket in 1920 and in 1922?—In 1920 he got 11s. In 1922 he got 9s. 6d.

1411. Then, under the conditions of 1924 (this comes under paragraph 141), has the 9s. 6d. become 9s.?—Yes, for the doctor.

1412. So we have 7s. or a little more at the beginning, going up to maximum of 11s. under some special conditions?—Yes, in 1920.

1413. Falling back to 9s. 6d.?—In 1922.

1414. Then in 1924 it turned into 9s.?—That is so.

1415. With regard to the figure of 2s. 4½d. in paragraph 142, is that figure merely a matter of expediency, or is it a matter of legislation, or is there a maximum under which those odds and ends of expenses can go upwards or downwards?—(*Mr. Brock*): We cannot get more than that, and the problem of how we are going to meet the deficit on the drug account still remains to be solved.

1416. Is there anything in the way of legislation since the Act of 1920 in which 9s. 6d. was fixed as the maximum?—There is the Act of 1922. Under the Act of 1920 there was provided a sort of normal maximum amount for medical benefit of 9s. 6d. Under the Act of 1922 that was increased by moneys taken from the societies' funds. Under the Act of 1924 extra moneys over and above the 9s. 6d. have been provided as set out in paragraph 142. These are temporary powers that will expire at the end of 1926.

1417. What I want to make clear is that suppose next year you want some more money, can you get it, or are you tied up till 1926 not to exceed 2s. 4½d.?—We could not get any more money without going to Parliament. I cannot say that there is any finality to legislation.

1418. I see that under the Act of 1924 you have got 2s. 4½d. Then at the end I see that that is fixed till 1926. But I want to ask categorically whether 2s. 4½d. is the most that can be got until 1926?—The Act of 1924 made a temporary addition for three years to the amount made available under the Act of 1920. Before that temporary addition runs out we hope we shall have had the recommendations of the Commission.

1419. At the beginning of paragraph 142 you speak of the Act of 1920. At the end of it you say that the provisions of that Act will remain in force until 1926; but something does seem to have occurred in the interval?—(*Dr. Smith Whitaker*): Is there not a misunderstanding? May we look at paragraph 142? The money necessary to give effect to this decision was provided by the National Health Insurance (Cost of Medical Benefit) Act of 1924, not of 1920. The amount required, in addition to the sum of 9s. 6d. provided by the Act of 1920, is 2s. 4½d., and the Act of 1924 has given that additional money in order to enable the expenses to be met.

1420. Yes; but only up to the extent of 2s. 4½d.?—(*Mr. Brock*): That is so.

1421. (*Mr. Besant*): I want to know, if in 1925 more money is required to fulfil the requirements of the Act, what you are going to do?

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(Chairman): I think Sir Alfred could put it very clearly to you.

1422. (Sir Alfred Watson): (To the Witness): The position is this, is it not, that right up to 1920 the charge upon insurance funds—that is to say, the funds of Approved Societies and the Deposit Contributors—for medical benefit, including both the doctor and drugs, was 6s. per insured person per annum?—(Mr. Brock): Yes.

1423. But from the very earliest date at which medical benefit began the doctors alone were getting 7s., to which the cost of drugs had to be added, so that there was always a deficiency in the amount required so far as the money was chargeable upon Approved Societies?—That is so. It was made up by the Exchequer grant, and the 6d. from the sanatorium benefit fund.

1424. That deficiency was made good by the Exchequer under the authority of Section 1 of the Act of 1913?—That is so.

1425. The Exchequer, instead of bearing two-ninths of that particular item, bore the whole charge of the deficiency in addition to the two-ninths of the 6s. 6d.—That is so.

1426. From time to time, as the value of the sovereign fell, the capitation allowance to the doctors was increased, first of all by way of a rather complicated war bonus, but finally, in 1920, it was raised to the sum of 11s. Subsequently it was reduced, first of all to 9s. 6d., and then to 9s.—Yes.

1427. In each case by arbitration proceedings?—The reduction to 9s. 6d. was a matter of negotiation between the Insurance Acts Committee of the British Medical Association and Sir Alfred Mond.

1428. Yes, the Minister put it to the doctors that it was a matter in which they ought to help in the circumstances of national distress?—It was put to them on grounds of patriotism; though, in fact, it might have been defended on figures.

1429. But all this time, up to 1920, whatever the amount the doctor got, the insurance funds were paying a level 6s. and the Exchequer was paying the difference?—That is so.

1430. In 1920, when there was a complete revision of the benefits and contributions, the opportunity was taken to make the charge on the Approved Society for medical benefit 9s. 6d.—Yes.

1431. That 9s. 6d. was still far below the cost of attendance and drugs?—Yes.

1432. And in 1922 the Geddes Committee drew attention to the fact that a large sum was falling on the Exchequer, and raised the question whether the whole charge should not be transferred to the Approved societies. The matter was then put, was it not, to the Approved Societies, that the Exchequer was no longer in a position to bear this extraneous charge, and that, presumably, the contributions of the insured persons must be increased to enable the whole thing to be borne out of insurance funds. The Approved Societies said: "The proposition that the contributions of our members should be increased is so distasteful to us that we will bear this charge out of our funds for the period up to the 31st December, 1923." That, I think, was the position, was it not?—Yes, that being the date when the then current agreement with the doctors terminated.

1433. And an Act of Parliament was passed in 1922 to give effect to that arrangement?—Yes.

1434. Now, what happened as from the expiry of that Act?—The first thing that happened was the Court of Inquiry at the beginning of 1924, the appointment of which was necessitated by the failure to reach an agreement with the doctors as to what the capitation rate should be in future. The Court awarded 9s. To that had to be added the cost of drugs, mileage, Medical Referee services and the Central Index Committee. It was necessary to seek Parliamentary powers to secure further funds to cover that excess over the 9s. 6d. At that time we were anticipating that 2s. 3d. would be sufficient to cover the cost of drugs. That is how those figures

were arrived at. Unfortunately, in the negotiations with the Approved Societies that led up to the introduction of the Bill it was difficult to secure any margin; that is the difficulty. We are working now without a margin, and I hope we shall never have to do so again.

1435. You have no more than the standard 9s. 6d. plus 2s. 4d. provided under a temporary Act and obtained from three different sources, as set out in paragraph 142?—Yes, that is so.

1436. At the 31st December, 1926, that Act comes to an end and, failing anything else being done, the only money available will then be 9s. 6d. a year instead of 11s. 10d.?—Yes.

1437. And during the three years, failing another Act of Parliament, it cannot be more at any time than 11s. 10d. a year?—That is so.

1438. (Mr. Jones): On the question of changes of doctor, the number has practically doubled under the new system. There is the administrative advantage that the mechanical labour of arranging transfers is spread over the whole year instead of being crushed into two parts at the end of the half-years. Is there any suggestion that insured persons may be demonstrating their complaints or dissatisfaction, by this greater number of transfers?—(Dr. Smith Whitaker): Yes. We are told that if they are cross with a doctor for not giving them a certificate or medicine, or if they are cross with a doctor for not attending them frequently enough, they go off to another doctor. In former times, when they could only change once a year or once in six months they had often forgotten their vexation when the time for a change came.

1439. (Sir Arthur Worley): But that is what they would do if they were being treated privately?—Yes; they have the same liberty now as they have under private practice.

1440. (Professor Gray): Can you tell us a little more about the Distribution Committee which is mentioned from time to time? What is the Distribution Committee and what are its functions?—(Mr. Brock): The Distribution Committee is a Committee made up half of officials and half of doctors with a neutral chairman, who is in fact a distinguished chartered accountant. Its functions are to determine the division of the total pool available for the doctors between the different areas.

1441. And its decisions are accepted by the various areas?—Yes.

1442. With regard to the attendance system of payments of doctors as contrasted with the capitation basis the same amount of money is distributed?—Yes, on a rather different basis.

1443. So that ultimately they come to pretty much the same, because in the case of an attendance basis any figure you choose is merely a counter?—Yes, that is all. In fact, in Manchester so many safeguards have had to be devised to check the tendency to over-attendance that the result now is extraordinarily close to capitation. It is much more expensive to work out; it costs the doctors a considerable amount of extra money to have all these accounts examined and checked, but the final result is almost indistinguishable from capitation.

1444. (Sir Arthur Worley): That is on the total; but the effect would not be the same where the sickness experience was less in a given district. You might have the same number of men on the panel belonging to a doctor—say, if you like, 2,000—but owing to the sickness in that district being very much less the doctor would possibly have very much less to do for the same money?—(Dr. Smith Whitaker): If you can conceive an attendance basis operating over a very wide area that might be possible, but then the doctors do not agree to that. What you have is a fixed sum for Manchester for the year and that has to be spent in Manchester. The Manchester doctors are going to divide it between them, however it is divided. Theoretically they thought they would pay more to the man who gave more attendances; but when they tried it for the first year they found that

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the total number of attendances for which claims were made was so great that the dividend, so to speak, per attendance was very low, and that gave rise to great dissatisfaction amongst those who thought they had only put in fair claims and not attended unreasonably. Then they provided a limit to the number of attendances in respect of which a man could claim for his share of the total pool; so that as between a very healthy part of Manchester in which there are very few attendances, and an unhealthy part of Manchester in which there are many attendances, there is not, in point of fact, much difference. It is said that if a doctor is in an area where there is a good deal of attendance he may take it that from about October to the end of the year he is working for nothing.

1445. (*Professor Gray*): In any case, the Department's view, I take it, is that so long as the doctors are satisfied, it does not matter very much which system is adopted. It is for them to decide?—Mainly.

1446. There is a question which I would like to ask, which is perhaps outside the present chapter. It is on the subject of doctors' remuneration. We shall possibly hear a good deal about this in the course of the next month or two. Would you care at the outset to give us any general indication as to any standard by which we might be guided in considering the question of what would be a fair rate of remuneration? There cannot be in regard to any profession an ideal rate; you can only arrive at what is a fair rate to pay with regard to a number of outside circumstances, such as remuneration of people of the same sort of training, of a similar social position, and of a similar responsibility, and things of that sort. It is a question I do not want to press, but it is one on which I thought, before the details come along, we might get from you some statement which would help us in considering what is a fair rate of remuneration?—(*Mr. Brock*): I should say that the present figure is a very fair figure. It is quite true that when we were negotiating with the doctors at the end of 1923 we offered them 8s. 6d.; but at that time we were contemplating, as I think most people were contemplating, a continued fall in the index figure of the cost of living. There was the element of a gamble in it, but at any rate it looked as though the index figure would fall, and on that assumption 8s. 6d. would have been quite a liberal figure. In fact, the fall in the index figure ceased, and on the level of prices this year I should be inclined to say—I am only expressing a personal opinion—that 9s. was a very fair figure as long as the index does not go either very much up or very much down.

1447. That figure would be based very largely, would it not, on the amount of remuneration the doctors got in pre-war days, with a reasonable loading for the rise in the cost of living?—(*Dr. Smith Whitaker*): Is the question not really this, what does the general practitioner as a class consider the value of his time and skill? Our service has to compete with other sources of income that are open to him, and in the result it is a kind of balance of the inducements to different doctors throughout the country.

1448. Can you make comparisons with other professions?—It is very difficult to say. You have to take into account the difference in training and the difference in the various kinds of opportunities that are open to men. Some professions have many more prizes than others, and some professions have a higher level of average income than others. (*Mr. Brock*): It is very difficult in fact to say what is the average remuneration in other professions. You have the variations in the scale, where people are paid by scale; but then, of course, those charges so often include payment for clerical services and cost of upkeep of offices and items of that sort. We found it very difficult to find any profession in which you got a figure which represented the reward of the personal exertions of the individual alone.

1449. In fact, the point is to examine what a doctor would make in practice outside the panel work?

—(*Dr. Smith Whitaker*): Yes, and I think the Commission would derive great assistance from examining the documents put forward by the two parties in the arbitrations that have taken place.

1450. I suppose Sir William Plender's Report is out of date now?—Yes.

1451. (*Miss Tuckwell*): Does that give what the private general practitioner is earning?—The only specific information on that is in evidence given in the 1924 Inquiry. Some intricate calculations were put forward both by the doctors and ourselves in the 1920 arbitration. As regards the actual earnings of doctors, the only direct information that has ever been brought forward was that of Sir William Plender in 1911, and I think to translate that into the conditions of to-day would be a very difficult operation.

1452. (*Chairman*): Have you any figures as to the number of insured persons who have not selected any panel doctor?—It is very difficult to arrive at anything like a reliable figure for that because of the inflation which we know exists in the doctors' lists. There are on the doctors' lists in the aggregate a quarter of a million less than the number of persons estimated by the Government Actuary to be entitled to medical benefit; but the real number of persons who have not selected a doctor must be considerably more than a quarter of a million. I should be disposed to put it at three-quarters of a million. That sounds rather an alarming figure unless one remembers that there are roughly 500,000 persons entering insurance in England every year on the commencement of their employment, and in addition to that a quite appreciable but less certain number of persons entering insurance for the first time at later ages. Therefore, put only quite roughly, I think you can say that the number of persons who have not chosen a doctor is fairly near to the number of persons who enter insurance in each year. In the case of younger entrants particularly there is a tendency not to take any steps in the direction of getting a doctor until his services are needed. That is the trouble: so many people put it off until they are ill; but I do not attach any great importance to the figure, because whether insured people are on the list of a doctor or not, the doctors in the aggregate are at risk in respect of them. They have to give the insured person any attendance that he requires as soon as he comes along to them, whether he has in fact attached himself to a doctor or not.

1453. I gather that the problem of keeping correct lists of the persons in each Insurance Committee area who are entitled to medical benefit, continues to present great difficulties, and that in addition to providing a very large proportion of the whole work of the Insurance Committees it necessitates the maintenance of a special Central Clearance Office for keeping the lists correct. Can you indicate what feature of the present system of National Health Insurance is responsible for this?—I think it is because Insurance Committees have to work and organise medical benefit on a geographical basis, while insured persons join societies which are not organised on a geographical basis. The society's only point of contact with their member ordinarily is when he sends his card in at the end of the half-year. Except in the case of the quite small local society which really has a personal knowledge of its member, the society normally comes in contact with its members only at that half-yearly interval. The society is the only channel through which the Insurance Committee can receive any information as to the movement of people into or out of their area.

1454. Are you satisfied that it is not now possible for a person to obtain free medical treatment from a panel doctor when he is no longer entitled to it by reason of having ceased to be insured?—That certainly happens; but as a set-off against it I think there are a good many people who do not get medical benefit for as long as they are entitled to it. Not all insured people, or people just going out of insurance, realise the full extent of their rights under what is called the "free year."

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1455. (*Sir Arthur Worley*): In connection with the contribution card which is sent in, or should be, at the end of the half-year, does not that contain any place where the name of the doctor could be inserted by the man sending in the card? Suppose there was a space there, and in sending in the card he was required to insert the name of the doctor, would not that reduce your work?—I doubt very much whether anything would be gained by having a doctor's name on the contribution card. I agree you must have some document which the doctor signs as evidence that he accepts responsibility for the patient; but the contribution card during its six months of currency is generally in the custody of the employer, and as soon as it has gone in to the society the society's first business is to get credit for those contributions.

1456. I was thinking it was one means by which you could get in contact with the Approved Society and impress on the insured person that it was necessary to choose a doctor?—(*Dr. Smith Whitaker*): One difficulty is that an insured person could change his doctor the next day. The name entered would only be the name of the doctor at the time the card is sent in.

1457. (*Mr. Besant*): Taking paragraphs 143 and 144 I suppose in a large city if a doctor said he would not take a particular patient, it would be quite simple to find another doctor who would, and that the panel in some way or another could work it. But what happens in country places if a doctor says: "I will not take this man," where he might be the only doctor available?—(*Dr. Smith Whitaker*): There is a power of allocation under the Act.

1458. But if you have only that one doctor to whom to allocate, and he will not take a man, what could you do?—He is bound to take him. (*Mr. Brock*): If the patient is allocated to him he has no alternative; he must take the patient.

1459. You do find that you can get each insured person allocated to somebody?—(*Dr. Smith Whitaker*): Yes; the doctor is bound under the regulations to take a patient allocated to him.

1460. As I understand, the doctor in a small place where there is only one doctor can say first of all: "I will not take this patient," and then he gets his orders from another body and he takes him?—Yes, that is so.

1461. There is no permanent hardship on any insured person in this respect?—That is so.

1462. (*Miss Tuckwell*): There is also no hardship, is there, really, on any doctor, because, except in these small places where there is only one doctor, I gather the doctor can reject just as the patient can change?—Yes. (*Mr. Brock*): But if there is no alternative then the Insurance Committee may have to allocate.

1463. (*Chairman*): I see that the mileage grants have increased from £26,000 for England in 1913 to £250,000 in 1924, though apparently the latter figure covers Wales also. Can you indicate why such a large increase was made?—Because the whole basis on which mileage was calculated had to be revised. We started on the assumption that it was only necessary to make provision for areas of very special sparsity and difficulties of locomotion. It was assumed that in general the rural practitioner would be compensated for the extra distances that he had to travel partly by the fact that he would not have to give so many services as a practitioner in a town, and partly by the fact that he had got the whole 2s. for drugs and was expected to make a certain profit on that. Experience showed that those assumptions were really not justified. After considerable negotiations with the representatives of the doctors in 1919 it was agreed, as a part of the new arrangements which came into force at the beginning of 1920, that a mileage fund should be set up in order to pay the rural practitioner both for his expense in getting to the patient and also for the time spent in travelling over and above the time that would on the average be spent by the town doctor. The mileage fund,

as from the beginning of 1920, had therefore to provide additional payments for all rural practitioners, and not only, as in 1913, for those practising in exceptionally difficult districts.

1464. The effect of these mileage grants is to increase very substantially the sum payable to certain doctors over and above the 9s. capitation rate. Can you indicate a few typical increases in terms of capitation fee?—I have taken out two cases in Westmorland, a county in which a great deal of mileage has to be paid. I find that in 1923 Dr. A. was paid £225 capitation and £68 for mileage, equivalent to a total capitation fee of 12s. Dr. B. had £330 capitation and £57 mileage, equivalent to 11s. 2d., which indicates that he had not such a large proportion of his patients living at a distance as Dr. A. had. Then, taking some Devonshire figures, I find Dr. C. had £445 for capitation and £216 for mileage, bringing his capitation up to 14s. Dr. D. had £259 for capitation and £86 for mileage, equivalent to 12s. 8d. Dr. E. drew £720 for capitation and £139 for mileage, equivalent to 11s. 4d. For 1923 the ordinary capitation rate was 9s. 6d.

1465. The calculation of the amounts for each committee area and for each doctor in the area must be a matter of considerable difficulty, since you have to take account of the geographical conditions of each doctor in relation to his group of patients. Are you satisfied that you have adequate data for this, and that an equitable scheme of a fairly permanent nature has now been devised?—I do not think that you can hope to get at an absolutely scientific figure, but the Distribution Committee have at present under their consideration the possibility of devising a more equitable basis of distribution. I do not think it will ever be possible for any central body to have before them the precise data required to estimate the relative difficulties of locomotion or the relative amount of travelling required in different areas. In practice, the distribution is based mainly on returns showing the number of persons on the lists of the doctors who claim mileage, and their distances from those doctors. We do not take into account in ordinary circumstances patients who live less than two miles away from the doctor. They would only come into the reckoning if there was some special difficulty of access; for example, if a man lived in the middle of a moor and you had to approach him by a field path because you could not get the car to him. The revised basis of distribution which is being considered by the Distribution Committee will work on the same returns and will merely modify the method of calculation. I think, as time goes on, we shall continue to improve the distribution in matters of detail, but I do not think it is likely to be changed in broad outline, and there is no indication that the doctors wish for anything more than minor adjustments.

1466. Am I right in thinking that while the cost of these special mileage grants was met from the Exchequer up to 1921 it now comes entirely from Insurance Funds (including the normal two-ninths State grant)?—That is so. No part of the Mileage Fund, apart from the statutory two-ninths, is now derived from the Exchequer.

1467. What part of the 2s. 4½d. per insured person per annum, referred to in paragraph 142, is required for the mileage grants?—Just under 4½d.

1468. Is it the case that the view of the regional medical officer as to an insured person's fitness or unfitness for work is ordinarily accepted both by the Approved Society and the insured person without further question?—(*Dr. Smith Whitaker*): That is so. I know of no cases, I think, in which an Approved Society does not go on paying benefit to a person who is declared by a regional officer to be incapable of work. As regards those who are declared not to be incapable of work, we find that the number of cases that go to appeal before the Ministry is not more than one per thousand.

1469. We should like to know something more of the scheme or schemes for the provision of nursing

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services, to which reference is made in paragraph 178. Can you supply this or tell us from what source we could obtain it?—(Mr. Brock): Several Insurance Committees have provided schemes for the provision of a nursing service in their areas, but we have not in the Department any very definite information with regard to them. They are financed partly by contributions from Approved Societies, either out of moneys available for additional benefits, or by way of donations under section 26 of the 1924 Act. Insurance Committees can contribute from their General Purposes Fund, and I think that in most cases the county borough council has made some contribution, too. The scheme is generally administered by a joint council, on which the contributing societies are represented, as well as the Insurance Committee, the Panel Committee, the county borough council and the district nursing associations, the clerical work generally being done for them by the Insurance Committee. Arrangements are made with the local district nursing association for the supply of nurses, and the Panel Committee. I think, generally undertake the responsibility for seeing that no unnecessary demands are made for nurses. Schemes on those lines are now in operation in Manchester, Liverpool and Reading. If the Commission desire, I can get further details, but perhaps they could get fuller information when the representatives of the National Association of Insurance Committees give evidence before them. So far as the Insurance Committee can contribute from its General Purposes Fund it does not require the specific sanction of the Ministry, and we really might only hear of these things if there was some question arising on audit. It is not a thing that they are bound to notify to us.

1470. Would you amplify for us the reasons which have made Section 63 of the 1911 Act a dead letter so far as Insurance Committees are concerned. As committees are organised on a geographical basis, it seems to me that their difficulties in this matter cannot be so great as those of Approved Societies?—The Insurance Committee could only itself take action under Section 63 if it was going to make statements in relation to the sickness experience either of deposit contributors or of members of the Navy and Army Fund. It can only act on behalf of persons for the administration of whose benefits it is responsible. These are, first, members of the Navy and Army Fund, who are people who could not get into an Approved Society on account of their health, and are clearly not a class whom you could take as representative of the community; and, secondly, the deposit contributors, who also cannot be taken as representative as they are not sufficiently numerous. So that the Insurance Committee could do nothing of its own motion, because it has not the necessary data. Apart from that, I doubt whether anybody could ever have worked Section 63 as long as societies are not organised on a geographical basis. The Section assumes that you can collect exact statistics as to the amount paid in sickness benefit to persons living within particular geographical limits, so that you could say that people employed at such and such a place, or living in such and such a village, have cost their societies so much more than the average for the district. If the people living in that district are insured in 100 different societies which have no interest whatever in co-operating to provide the necessary information, you are never going to get the data upon which it would be possible to proceed under Section 63. Further than that, if it had been possible for societies to provide comparative statements showing how the sickness experience varied in different areas it would still, I think, have been very difficult to proceed to the collection of any monetary penalty or the recovery of damages, such as Section 63 contemplates, because of the difficulty of distinguishing between what was due to the particular causes set out in the Section and to other causes which did not come within the Section at all. Take, for example, as an illustration, the sickness

experience of people living in a block of alum buildings. You would expect to find there excessive sickness; but it would be very difficult to say to what extent that excessive sickness was due to the conditions under which the people were living and how far it was due to irregular employment, because, after all, the people who live in the worst buildings are the people who cannot afford to live anywhere else—the people who suffer most from discontinuous employment, and from under-payment, and who have got the lowest power of resistance. I think in practice it would have been impossible to attempt to arrive at any precise figure of the amount of extra sickness due to one cause or to the other causes. You cannot isolate one or two out of a number of factors all contributing in varying degree to produce your total result.

1471. (Sir Alfred Watson): We saw this morning from the form you were good enough to circulate that the sum paid by an Approved Society for an examination by a regional medical officer is 1s. 8d. Is that the entire charge that falls upon insurance funds in respect of the cost of the service of regional medical officers?—No; that is only in the nature of an appropriation in aid.

1472. I understand that the whole cost of the staff of regional medical officers is very much more than those fees would produce; but the regional medical officers are established civil servants and their salaries are borne on the Vote for the Department. My question is, do the Insurance Funds contribute towards the cost of these regional medical officers anything more than the product of the 1s. 8d. fees charged for examination?—(Dr. Smith Whitaker): Yes, considerably more. In the first place it is true that the salaries of the whole-time established regional officers, like the salaries of the clerks, are borne on the Votes of the Ministry; but there are various other expenses, such as the cost of premises and the cost of travelling expenses of insured persons. Then we employ a large number of part-time referees who are employed on a sessional basis. The arrangement is that the funds of the Approved Societies, quite apart from the 1s. 8d., bear the total cost of the part-time referees and other expenses which are specially attributable to the reference side of the work. That includes the cost of travelling expenses of insured persons, the cost of fees of nurses and the rent of premises used exclusively for examination. Then the Ministry pay the whole of the cost of the divisional medical officers, who are the supervisors, and the remaining costs are divided between the societies and the Ministry according to the proportion of time devoted to Ministry work and society work respectively.

1473. How is that part of the charge which is borne by the funds of Approved Societies distributed among the societies?—Per capita.

1474. So that those societies, say, in rural districts which have no reason to believe that any insurance doctors attending their members are giving doubtful certificates, and never send cases to the referees, do, nevertheless, pay a proportionate share of the cost of the service?—Yes, if there was such a society it would be so. But I find very few societies now do not avail themselves of the service.

1475. Do the small branches?—Yes, very much more than they did.

1476. That is very interesting, because I think I am right in saying that in the old Friendly Society days they scarcely ever troubled to avail themselves of the services of the medical referees?—When I get a return of societies I always look particularly to see what societies are referring cases. I am always interested to see to what extent the old Friendly Societies are beginning to refer.

1477. I notice in paragraph 175 that the duties of the regional medical officers are gradually being expanded, so that they are becoming, in effect, a medical service for all Government requirements?—For all requirements of the Ministry of Health.

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1478. The Ministry of Labour resort to their services, and so does the Home Office?—With regard to the Home Office, we do the medical side of the administration of the Drugs Act.

1479. There are, no doubt, other Departments that might with advantage avail themselves of those services, and probably will?—I can express no opinion on that.

1480. May we take it that an extremely careful apportionment of expenditure is made so that the accuracy of the charge falling upon Approved Societies in respect of the service of regional medical officers, other than the 1s. 8d. per case which the societies pay directly, is fully established and societies are not called upon to bear more than their proper share?—The proper proportion has been the subject of very careful and sometimes prolonged discussion.

1481. No doubt; but, having regard to paragraph 175, may we take it, for the assurance of the Approved Societies, that the Government is satisfied that the Approved Societies are not bearing any part of the cost of the service other than that which is applied to their advantage?—I think in the light of experience that the original bargain was possibly too favourable to the societies, and it is now being reviewed.

1482. At any rate, there is no reason to fear that hitherto the societies have paid more than their share, or that they are likely to do so in the future?—I do not think so.

1483. (Mr. Besant): With regard to mileage and mileage conditions, are there any limits to the distance which a doctor has to go to see an insured person who falls ill away from home; I mean, set down in black and white?—There is no statutory limit and there is no limit fixed by the regulations. The radius of a doctor's practice in a rural area is a matter of agreement between himself and the Insurance Committee. It would be the business of the Insurance Committee to see that the combined spheres of activity of all the doctors covered the whole area for which the committee was responsible; so that if any insured person away from home came into any particular part, say of Devonshire, the Devonshire Committee ought to be able to say what doctors had accepted responsibility. That would make them liable to have to attend if sent for to that particular place.

1484. Apply that to London or any big city. Could you give me some sort of limit as to what you would expect a doctor to do?—About two miles, usually, I think is the limit for London.

1485. (Chairman): Is it the same in the country?—No; it is much longer in the country.

1486. What distance is it in the country?—There is no fixed limit.

1487. (Mr. Besant): I take it that if a doctor was willing to go, there would be no obstacle?—No; but the limit would operate in this way. If a doctor in London chose to accept liability for attendance on an insured person living four or five miles away, I do not think he would be able to make any charge for the extra travelling. I think that is so, Mr. Brock, is it not? (Mr. Brock): There is no mileage in London; there is no mileage allowed in any urban area. (Dr. Smith Whitaker): I do not know whether he could make a contract with a patient and say: "I will attend a distance of six miles provided you pay me extra." (Mr. Brock): A doctor could not charge for time spent in travelling. I think it is arguable in such a case that he could charge the actual cost of locomotion if the patient was willing to pay it.

1488. Is a patient living, say, 2½ miles away entitled to ask his doctor to come, and if the doctor consented to come, is he entitled to have the services of that doctor without charge?—If the patient is beyond his radius, the doctor can refuse to go; but if he decides to go, he cannot make any charge. If he will not go to the patient, then the patient is entitled to apply to another panel doctor.

1489. Suppose this doctor does go to a patient two and a half miles away, is he entitled to make a

mileage charge on the Insurance Committee?—He cannot make any mileage charge in London at all. Mileage is a thing which only exists in a rural area.

1490. (Miss Tuckwell): Do payments which at one time were borne by the Exchequer, and which I understand, owing to economy, now come upon the Insurance Funds, diminish the amount available for additional benefits?—Of course, the transfer to the funds of Approved Societies of burdens previously met out of the Exchequer supplementary grants must to some extent reduce the margin available for additional benefits.

1491. I noticed some questions on Section 63 of the old Act, which, I think, is now 107 in the new Act. I had noticed that section, and thought it looked as if it might be extraordinarily useful. Do I understand rightly from you that it is practically inoperative because of the number of societies?—No case has ever occurred in which any society has recovered any moneys under that section. There have been one or two cases in which it was possible for the Department to call the attention of the local authority to things that might be done. Once or twice it has served as a useful pointer; I cannot put it higher than that. For practical purposes it is inoperative now.

1492. Because of the number of societies?—Yes; you cannot get the information which the section presupposes as the basis of any action.

1493. So that if you had one national society including everybody, that difficulty would disappear and the section could be operated?—Yes. If changes took place of such a nature as to make it a simple matter to get the information from all the people of any locality it might be possible to do something under Section 63. But even then, of course, there is the difficulty to which I called attention before, of separating out the results of the various contributing factors.

1494. (Sir Alfred Watson): There would still remain, would there not, the difficulty of ascertaining the precise number of insured people in each locality, and the added difficulty of ascertaining their age distribution?—I think a good many difficulties would remain.

1495. You cannot get the excess of sickness until you have ascertained the expected quantity of sickness, of which a factor is numbers and ages; that is so, is it not?—Yes. I suppose that the framers of the Act took it for granted that any sickness in a particular area in excess of the average of the adjoining districts must be taken as excessive.

1496. And you cannot get that excess without very elaborate statistics as to numbers and ages, and these statistics are really not available?—I see opportunities for endless controversy, and if it ever got to the point of a money claim being made big enough to make it worth while to bring in Counsel, I think the thing might be argued indefinitely.

1497. And if the excess itself could be established, there still remains behind it the great difficulty of disentangling all its probable causes one from another?—You get into the realm of hypothesis at once.

1498. May I suggest that the abolition of the Approved Society system and the establishment of a central body to administer the whole of the National Health Insurance scheme would really lead you a very little along the way to putting Section 63 into operation?—It gets you over the first bunker; that is all.

1499. (Sir Arthur Worley): I understood Miss Tuckwell to ask you whether the 2s. 4d. that had previously been paid by the Exchequer, on being paid by the Approved Societies, had the effect of diminishing the additional benefits. I think that is how Miss Tuckwell put it. Is it correct that the answer is "Yes"? If the Approved Societies had not had to pay that 2s. 4d. would they have been paying more additional benefits to-day?—If societies have to find money which was previously provided by the Exchequer that must reduce the margin from which they are going to provide ultimately their additional benefits. Exactly at what

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[Continued.]

stage that would happen I do not pretend to say, and I prefer that the question should be put to the Accountant-General.

1500. (*Sir Alfred Watson*): Any question as to this discount of additional benefits of Approved Societies could only arise, I think, in the long future if the Central Fund should be found too great for its purpose, and if Parliament decided to give the excess in the fund to Approved Societies generally, whatever their financial position?—Yes.

1501. That would require an Act of Parliament?—Societies can only spend their money on benefits or on administration. There is a limit to what they can spend on administration. In so far as the doctors and the chemists and the medical benefit generally take more from the funds of the society in one form or another, the amount available for other benefits must *pro tanto* be diminished.

1502. That is so; but the machinery laid down by the Act provides that the unclaimed stamp money shall go into the Central Fund which is available for the sole purpose of making good deficiencies in societies' funds on valuation; it is very remotely the case that that money would be available for additional benefits, so remotely that it is hardly a practical suggestion, is it, that the use of this particular money in the way that is laid down by the Act of 1924 diminishes the sum available for additional benefits?—I take your point.

1503. (*Mr. Evans*): With regard to the mileage fund, I should like to know how that fund is being allocated. I notice that the fund in 1923 was £224,456, and that was to be divided, I think, between England and Wales. How would it be allocated to Wales? Would it be through the Insurance Committees?—No; by the Distribution Committee.

1504. It would be a bulk amount paid to Wales and then distributed?—No; they work out the figures for each of the counties in which mileage is payable.

1505. The Welsh Board of Health would not have this money to distribute?—I think not. I would not like to say for certain, but I think the whole of the allocation is done by the Distribution Committee to-day.

1506. (*Mr. Jones*): In paragraphs 174 and 175 you give a general *résumé* of the duties of the Regional Medical Officers. Have you any complaints from medical practitioners that the interference, even to the extent that there is any by these Regional Medical Officers, is at all irksome?—(*Dr. Smith Whitaker*): No. I do not say that we do not get occasional criticisms, but there is no substantial body of complaint. Broadly, their services are welcomed.

1507. I ask that because in the beginning of things the question of supervision was rather one of the burning questions, and I think the profession also objected to the introduction of referees because of the probable interference with the work of the doctors?—No, the profession always, from 1914 onwards, asked for the assistance of referees.

1508. For second opinions?—Yes, and for references on incapacity.

1509. May I put it in this way: the original objections to the appointment of a supervisory staff have entirely, or nearly, disappeared?—I would rather put it that they have seen that those objections were founded on an entire misapprehension, and that they thought we had something in mind that we never had in mind.

1510. (*Professor Gray*): With regard to mileage, can you tell me whether the country doctor and the town doctor are sharply distinguished?—They are not.

1511. What I mean is whether there is any transference from one to the other, or whether one man is a country doctor and remains a country doctor?—You mean does he change his career, one part of his life being spent in the country and another in the town?

1512. Yes?—I do not know. I should have thought a man occasionally would go from town to country

and from country to town. I have known such cases, but I do not know how many there may be.

1513. You have people who prefer to be country doctors and people who prefer to be town doctors?—Yes, there are such people.

1514. How did this work out before the Insurance Act? I presume the same difficulties existed then. Would you say that a country doctor then was not so well paid as the town doctor?—(*Mr. Brock*): I should say that the town doctor has profited much more by the Insurance Act than the country doctor has. But one cannot argue *post hoc, ergo propter hoc*. There are other causes which have contributed to make the country doctor less well off now than he was 12 or 15 years ago.

1515. You think he is definitely less well off. It is not merely that the town doctor has made more?—I think on the whole he is less well off, partly because now he only gets the insurance capitation rate in respect of a number of people, indoor and outdoor servants of the squire, for instance, for whom before the Insurance Act he used to be paid at a pretty liberal rate. It is difficult to say how far that is due to the Act or how far the doctor is suffering from the impoverishment of the class that used to keep up big country places.

1516. What I should like to know is whether in return for the mileage grants you are getting doctors in places where you otherwise would not have doctors. Can you say that that is so?—I would not go quite as far as that. I would say that if it were not for the expenditure on mileage it would become increasingly difficult to fill up vacancies that arise in the more difficult rural areas.

1517. More difficult than before the Insurance Act?—I think it is becoming increasingly difficult to get men to take up country practice in the sparsely populated areas. For one reason, we do not seem to get the entry into the schools of the same number of men who have a certain amount of money and who like to practice in a country district as providing them with an occupation but not such an absorbing occupation as to leave them no time for any sport. But also the country doctor is suffering from the increased mobility of the town doctor. Where the squire used to rely on the local doctor, the consultant from the nearest big town will now come out in his car. The radius of the town consultant is very much wider than it used to be.

1518. When you are estimating mileage is it the distance of the patient from the doctor or the distance of the patient from the nearest doctor?—The distance of the patient from the doctor. There is a great deal to be said, of course, for making it the distance from the nearest doctor, but it has always been felt that that was too great an infraction of the principle of free choice.

1519. Take a case which I imagine must be a fairly common one—I have no doubt cases will occur to you—of a small village with a doctor in it, which is within, let us say, about five miles of the market town, and there are doctors in that market town who include that village in their practice and are practising there every day. The people in that village either take their local doctor, who is perhaps getting old, or they get a doctor from the market town. If they take a doctor from the market town mileage would be paid?—(*Dr. Smith Whitaker*): The question you are coming to is a question of distribution between the doctors, and the doctors are tending now to load the system of mileage distribution so as to give the town doctor who goes out into the country a smaller share.

1520. But the doctor in the case I have supposed would get mileage in respect of a patient who was living next door to a panel doctor?—It would depend on the local system of distribution of the mileage. He might or he might not.

1521. You cannot say more than that?—We do not settle that; that is settled by the Insurance Committee and the doctors of the area.

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[Continued.]

1522. (*Mr. Cook*): What happens if the regional medical officer and panel doctor disagree with regard to the man's condition?—You mean where the panel doctor says the man is not fit for work and the regional medical officer says he is?

1523. Precisely.—A variety of things happen. Usually the Approved Society goes on the opinion of the regional medical officer and discontinues payment of benefit, which is a matter for them to decide, not for the regional medical officer. The society decides not to go on paying benefit and the man accepts the position. That occurs in the majority of cases. Occasionally the man, being dissatisfied, goes to appeal under the rules of his society and the case goes to arbitration.

1524. (*Chairman*): That he has a right to do?—He has a right. He appeals under the rules of the society to arbitration, and the matter is adjudicated under the rules of the society. If the arbitrator of the society says he is entitled to benefit the society may appeal to the Ministry: if the arbitrator says he is not entitled to benefit the man may appeal to the Ministry. As I said, the cases that actually come to us are about one per thousand of the cases in which the panel doctor has said the man was not fit for work and the regional medical officer has said he was fit for work.

1525. (*Mr. Cook*): That is the point I wanted to elucidate: whether the man has an effective appeal from the regional medical officer?—Yes.

1526. With regard to the work of the regional medical officer, I take it very frequently the regional medical officer will have to examine a good many patients at one centre?—Yes.

1527. Is there usually good and adequate provision made for waiting-room accommodation?—We do our best.

1528. I am sure you do, but possibly your best may not always be satisfactory. Are there any complaints about the accommodation being unsatisfactory? You have various mixed communities I suppose, you will have men and women being examined at the same time, and some of them perhaps not physically in a very good condition?—Yes.

1529. Is any provision made for a nurse being in attendance in case her services may be needed?—There is always a nurse in attendance.

1530. You have no complaints about the waiting-room accommodation?—I will not say we have never had complaints, but when we have had complaints we have looked into the matter and if it needed to be put right we have put it right.

1531. (*Chairman*): I have only one question in the next section. Do you think insured persons who were formerly entitled to receive sanatorium benefit on the recommendation of the Insurance Committee as one of their benefits under National Health Insurance

are equally satisfied with the present arrangements under which the matter is entirely in the hands of the Public Health Authorities? Is there any important difference so far as payment by the recipient of the treatment is concerned?—(*Mr. Brock*): I think the most important difference is that where treatment is provided by the Public Health Authority they can, and in some instances do, require the person treated to make some contribution towards the cost, so that persons who formerly might have had sanatorium treatment out of insurance funds may now find that they are required to make some contribution towards the same thing provided through the local authority.

1532. (*Miss Tuckwell*): Among all these services is there any overlapping?—Between insurance services and services provided by the Public Health Authority?

1533. Yes.—There are always possibilities of overlapping. I do not think any particular harm results.

1534. Would it be possible to give the cost of all medical services provided from public funds, local and national?—I will see if figures can be obtained.

1535. (*Mr. Jones*): Have local authorities in England a statutory right to recover these charges against insured persons? Supposing an insured person refuses to pay, can they recover in Court?—I should not like to say for certain. Of course, if he does not undertake to pay, they can send him home.

1536. I ask the question because in Scotland we have no right whatever to recover, but it makes no difference in the treatment provided?—I cannot say what the legal position is in England without inquiry.

1537. (*Professor Gray*): One general question arising out of the whole of Dr. Smith Whitaker's evidence. You have been telling us about the attitude of doctors. You were a member of the Schuster Committee 11 years ago, and you may remember one sentence of their Report: "The profession has now become one of the essential elements in working the Act and is called upon to play its part in a great National Scheme. It is evident, however, that in many cases this wider responsibility has not yet been realised." I think I may take it from what you have said in the last two days that that sentence would not be applicable now?—(*Dr. Smith Whitaker*): Yes. I think the representative bodies of the profession, national representative bodies and local representative bodies, the Panel and Medical Committees, do very definitely recognise the collective responsibility of the profession for the efficiency of the service. They do recognise that they are part of a great public service. The old-time prejudice against this as a form of contract practice, and that kind of thing, I think, only lingers amongst comparatively few.

1538. (*Chairman*): That completes the evidence. We are much obliged to you, gentlemen.

(*The Witnesses withdrew.*)

FIFTH DAY.

Thursday, 13th November, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B.,
M.D., P.R.C.P.
SIR ALFRED WATSON, K.C.B.
SIR ARTHUR WORLEY, C.B.E.
SIR ANDREW DUNCAN.
MR. A. D. BESANT, F.I.A.
MR. JAMES COOK, J.P.

MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
MR. J. W. PECK, C.B. (*Assistant Secretary*).

SIR JAMES LEISHMAN, MR. J. JEFFREY and MR. G. W. WIGHT, called and examined. (*See Appendix II.*)

1539. (*Chairman*): I understand, Sir James, that you were Chairman of the National Health Insurance Commission (Scotland) from 1912 until the institution of the Scottish Board of Health in 1919,

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and Mr. G. W. WIGHT.

[Continued.]

that you are now Chairman of the Board's Divisional Committee which deals with National Health Insurance, and that you are the Deputy of the Secretary for Scotland on the Joint Committee?—(Sir James Leishman): That is so, my Lord.

1540. And you, Mr. Jeffrey, were Secretary of the Scottish Commission from 1912 and are now Secretary of the Scottish Board of Health?—(Mr. Jeffrey): That is so.

1541. And you, Mr. Wight, have also been in the Insurance administration from the start, and are now an Assistant Secretary to the Board?—(Mr. Wight): That is so.

1542. In both your positions, Sir James, you have been intimately concerned with the administration of the Scheme of National Health Insurance in Scotland in all its aspects?—(Sir James Leishman): Yes.

1543. We have read the Statement which you have submitted. At this stage we do not propose to invite from you any criticisms of the Scheme or proposals for its amendment. These we shall hope to have later; but at the moment we merely wish to get a clear view of the system as it exists in Scotland, and particularly of any important variations from the English system. At a later stage we shall probably hear you again on points of criticism and suggestions for amendment. I hope you agree that this is the most suitable course?—Fully.

1544. I see the central authority for the administration of the Scheme in Scotland is the Scottish Board of Health, and that it is under an independent Ministerial control—that of the Secretary for Scotland. Will you tell us to what extent and in what ways you co-operate with the Ministry of Health in common insurance problems?—I may say generally that there is constant communication by letter, by telephone, by wire even, with the English Ministry; practically all documents are exchanged between the two Departments; and there is a considerable measure of co-operation through the operations of the Joint Committee.

1545. Can you tell us, generally, why a separate central administrative body for Scotland is considered necessary—I should have thought this separation must necessitate a good deal of machinery for the purposes of co-ordination and a certain amount of difficulty resulting from movements of population

—especially in matters of statistics, accounts and valuation?—I think originally it was anticipated that there would be separate offices in Scotland, probably under one Commission for the United Kingdom. That idea was departed from. It was never, I understand, contemplated that the whole insurance machinery of the country should be run from Whitehall without sub-offices. That being so, it apparently occurred to Parliament, including the Scottish Members, that it would be better to charge Scotland with direct responsibility, and as a concession to that feeling a separate National Commission was set up.

1546. I see from paragraph 2 of Section A of your statement that the staff of the Board engaged solely on National Health Insurance work numbers about 170. Does this include the audit and actuarial staff and the valuers operating in Scotland?—No. The figures as to cost of central administration include the charge for this staff, but the numbers of the staff are not included; and I might say in addition, as there are a number of departments now used in common for the various portions of the work of the Board, that 170 does not include the proportion of typists, for example; the cost, however, includes the charge for the typists. If we load on the numbers which would be necessary if Health Insurance work were entirely separate in every particular, then the number would be round about 225. I think it is only fair to state that.

1547. Does the number of 170 include your inspectorate?—Yes, in so far as it deals with Health Insurance work.

1548. You give the expenditure on central administration in 1923 as £115,500, which is 2·8 per cent. of the income of the Scottish National Health Insurance Fund, or 1s. 4d. per insured person. Can you give us the corresponding figures for the two previous years, 1921 and 1922?—Yes, we will hand in tables for the whole of the previous years if it is the wish of the Commission. (Tables handed in.) That figure of £115,000 we may reduce by including the credit which is made in respect of the cost of the work relating to deposit contributors and exempt persons. If we do that the net cost in 1923 was round about 1s. 3d.

Statement showing for each year from 1912 to 1923, inclusive, particulars as to Cost of Central Administration of National Health Insurance in Scotland.

Year.	Number of Insured Persons.	Expenditure.				Receipts from Scottish National Health Insurance Fund in respect of Administration.	Net Expenditure.		Average Number of Staff of Central Department.
		Board's Vote (Actual expenditure).	Other Votes. Office accommodation, postages, etc., and share of cost of National Insurance Audit Department (mainly estimate figures).	Total.	Per head of Insured Persons.		Total.	Per head of Insured Persons.	
1912	1,535,700	£ 18,566	£ 9,036	£ 27,602	s. d.	£ —	£ 27,602	s. d.	—
1913		50,035	37,836	87,871	1 6	—	87,871	1 6	—
1914	1,551,500	54,135	46,068	100,203	1 3½	—	100,203	1 3½	334
1915	1,586,300	52,700	41,189	93,889	1 2½	—	93,889	1 2½	349
1916	1,633,900	46,928	35,355	82,283	1 0	108	82,175	1 0	310
1917	1,665,000	47,861	35,092	82,953	1 0	574	82,379	1 0	294
1918	1,559,600	53,961	34,893	88,854	1 0½	237	88,617	1 0½	277
1919	1,672,200	67,273	46,058	113,331	1 4½	290	113,041	1 4½	330
1920	1,699,600	80,422	47,000	127,422	1 6	1,931	125,491	1 5½	259
1921	1,730,500	88,000	52,565	140,565	1 7½	1,306	139,259	1 7½	303
1922	1,740,400	74,100	48,600	122,700	1 5	17,700†	105,000	1 2½	250
1923	1,683,900	71,000	52,000*	123,000	1 5½	17,000‡	106,000	1 3	225

* Includes £1,900 for Government Actuary's Department not previously included.

† Includes £5,300 applicable to previous years.

‡ Includes £9,500 being credit for charge made in respect of Central Administration of Deposit Contributors' and Exempt Persons' Funds.

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and Mr. G. W. WIGHT.

[Continued.]

EXPENDITURE ON ADMINISTRATION IN SCOTLAND IN THE YEARS 1913-1923.

A.—Approved Societies.

Year.	Expenditure.	Per Cap on Society Membership.	Percentage of Total Income of Scheme.
	£	s. d.	
1912-13...	351,000	4 8.35	9.1
1914 ...	232,000	3 0.82	8.6
1915 ...	251,000	3 2.91	8.8
1916 ...	241,000	3 0.29	9.0
1917 ...	242,000	2 11.96	8.3
1918 ...	249,000	3 0.82	8.2
1919 ...	289,000	3 6.32	8.9
1920 ...	362,000	4 4.09	8.4
1921 ...	396,000	4 7.84	9.1
1922 ...	380,000	4 5.21	9.4
1923 ...	384,000	4 7.58	9.2

B.—Insurance Committees.

Year.	Expenditure.	Per Cap on Total Numbers.	Percentage of Total Income of Scheme.
	£	d.	
1912-13...	43,400	6.77	1.1
1914 ...	35,900	5.54	1.3
1915 ...	33,800	5.11	1.2
1916 ...	29,700	4.37	1.1
1917 ...	29,400	4.25	1.0
1918 ...	31,400	4.54	1.0
1919 ...	36,000	5.17	1.1
1920 ...	48,700	6.57	1.1
1921 ...	55,500	7.50	1.3
1922 ...	45,000	6.19	1.1
1923 ...	46,000	6.47	1.1

C.—Central Administration.

Year.	Gross Expenditure.	Per Cap on Total Numbers.	Net Expenditure.	Net Expenditure per Cap on Total Numbers.	Percentage of Gross Expenditure to Total Income of Scheme.
	£	s. d.	£	s. d.	
1912-13 ...	115,473	1 6	115,473	1 6	3.0
1914 ...	100,203	1 3½	100,203	1 3½	3.7
1915 ...	93,889	1 2½	93,889	1 2½	3.3
1916 ...	82,283	1 0	82,175	1 0	3.1
1917 ...	82,953	1 0	82,379	1 0	2.8
1918 ...	88,854	1 0½	88,617	1 0½	2.9
1919 ...	113,331	1 4½	113,041	1 4½	3.5
1920 ...	127,422	1 6	125,491	1 5½	3.0
1921 ...	140,565	1 7½	139,259	1 7½	3.2
1922 ...	122,700	1 5	105,000	1 2½	3.0
1923 ...	123,000	1 5½	106,000	1 3	2.9

D.—Total Administration.

Year.	Gross Expenditure.	Percentage of the Total Income of the Scheme.
1912-13 ...	509,873	13.2
1914 ...	368,103	13.6
1915 ...	378,689	13.3
1916 ...	352,983	13.2
1917 ...	354,353	12.1
1918 ...	369,254	12.1
1919 ...	438,331	13.5
1920 ...	538,122	12.5
1921 ...	592,065	13.6
1922 ...	547,700	13.5
1923 ...	553,000	13.2

Statement of the Expenditure in Scotland on all Benefits in the Years 1913-1923 (inclusive), and 1924 (first 30 weeks).

Year.	Sickness Benefit.	Disablement Benefit.	Maternity Benefit.	Medical Benefit.	Sanatorium Benefit.	Other non-cash Benefits.	Total Benefits.
	£	£	£	£	£	£	£
July, 1912-1913 ...	630,000	—	146,000	438,000	52,000	—	1,266,000
1914 ...	688,000	22,000	162,000	694,000	65,000	—	1,631,000
1915 ...	557,000	105,000	150,000	569,000	64,000	—	1,445,000
1916 ...	477,000	141,000	142,000	595,000	54,000	—	1,409,000
1917 ...	435,000	155,000	126,000	533,000	64,000	—	1,313,000
1918 ...	531,000	165,000	127,000	662,000	72,000	—	1,557,000
1919 ...	592,000	176,000	146,000	763,000	77,000	—	1,754,000
1920 ...	714,000	253,000	230,000	1,061,000	113,000	—	2,371,000
1921 ...	899,000	360,000	240,000	1,293,000	39,000	1,000	2,832,000
1922 ...	993,000	451,000	231,000	1,137,000	11,000	12,000	2,835,000
1923 ...	893,000	504,000	228,000	1,008,000	24,000	37,000	2,694,000
1924* (30 weeks)...	598,000	293,000	138,000	705,000	4,000	23,000	1,761,000

With the exception of the figures for Medical and Sanatorium Benefits for the years 1922 and 1923 (which are revised figures), the figures are extracted from the Board's Annual Reports.

* These figures are an estimate based on the experience during the period of representative societies.

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1549. I see that you have a Consultative Council. Do you find that this body gives you valuable assistance in your administration?—It has always given us all the help in its power.

1550. Chapter I. of Section A of your Statement is headed "Scope of National Health Insurance" and relates to the persons who fall within the provisions of the Acts. Has there been any demand in Scotland that any particular class or classes of persons who are subject to compulsory insurance should be excluded from the Scheme, or that any class at present excluded should be brought in?—No, except that generally one has a feeling that there is a greater desire to get inside the Scheme now than formerly.

1551. With reference to the exclusion of non-manual workers over the £250 limit, I assume that the rate of remuneration test can be fairly readily applied, but can you tell us whether you have had any great difficulty in applying the manual labour test?—Very little. There may have been some difficulty in determining the question in particular cases, but I think most of the cases have now been worked out.

1552. The change in the rate of remuneration test from £160 to £250 was, I gather, made in order to meet the decline in the purchasing power of money after the War and did not greatly affect the number of insured persons. But apart from this, there must be numerous people at all times passing across the £250 limit. Does this cause administrative difficulty?—I think that some difficulty arises there, but I would not say there is very great difficulty.

1553. I gather that voluntary insurance is a relatively small thing and almost entirely a continuation of those who have been compulsorily insured. You have only 2,350 such contributors. Was not voluntary insurance originally expected to be something bigger than this, and have these expectations been disappointed?—Yes, it was expected to be bigger, and it is now a very small proposition indeed.

1554. I come now to the exempt persons. I gather that the reason the employer's share of the contribution is required in this case, is to prevent an employer giving preference in engagement to persons with independent incomes or dependent on some other person or some other occupation. Do you think there is much in this argument, and has it justified the maintenance of this special class? Presumably the retention of a special class means some increase in cost of administration?—I do not think there is very much in the argument, and I do not think the special class can be justified.

1555. You appear to have about 4,700 of these exempt persons. Do they as a class take advantage of and appreciate the benefit which they get but to which they do not at all contribute themselves?—They appear to value medical benefit.

1556. (Sir Arthur Worley): The Chairman was asking you why there should be a separate central administrative body for Scotland, and you gave a reply, but I do not think you quite enlightened us on the point he raised as to whether a good deal of machinery was required for the purposes of co-ordination and a certain amount of difficulty did not result from movements of the population, especially with regard to statistics, accounts, and valuation?—Yes, there is some, but it is part of the price you have to pay for separate administration, and in my judgment the price is fully justified.

1557. With regard to exempt persons who get medical benefit and do not pay anything for it, you appear to think that they value medical benefit because they get it for nothing?—Yes.

1558. You think that the argument put forward as to possible preference in giving employment if there was no contribution from the employer in the case of an exempt person does not affect the position to any great extent?—I do not think it affects it much. I think it might affect it to some slight extent.

1559. It would not affect it if the employer still paid the contribution but you kept the money for

some other purpose which would be fair and equitable from some points of view?—I do not think the exempt person has much claim for consideration when he has deliberately taken himself outside of the scheme.

1560. (Sir Alfred Watson): Is it not a fact that when the Act of 1911 was passed there was no benefit for exempt persons?—That is so.

1561. I think it was in 1913 that Parliament deliberately introduced the medical benefit which the exempt person now receives?—Yes.

1562. That was the outcome of a good deal of comment, was it not, on the fact that a contribution was being collected from the employer and accumulated in the hands of the Insurance Department without any definite purpose?—Something had to be done with the money.

1563. On the whole do not you think that the provision of medical benefit for the exempt person out of the contribution of the employer in respect of that person is a desirable method of spending the money?—Money spent on medical benefit, if it is well spent, is of advantage to all.

1564. (Mr. Evans): On the Central Authority there are six appointed members—a legal member, two medical men, and one woman. What about the other two?—The other two have dropped out. There are only four now.

1565. So that the general body of members of Approved Societies have no representation on the Central Authority?—No direct representation as such, except that one of the members was formerly the secretary of an Approved Society.

1566. From the statistics given in paragraph 19 I see that the number of insured persons has been practically stationary since 1914, except that in 1922 there was a drop of nearly 50,000 as compared with 1921. Is there some explanation of that?—I think it would be the industrial situation. The real burden of unemployment did not begin till about 1921.

1567. (Professor Gray): Who is responsible for you in Parliament?—The Secretary for Scotland.

1568. Is not the Parliamentary Under-Secretary in a sense responsible for Health Insurance in Scotland?—Only in so far as that is delegated to him by the Secretary for Scotland.

1569. To begin with, there was only one Minister in Parliament responsible for National Health Insurance for the whole kingdom, was there not?—Yes.

1570. But under the changes made when the Ministry of Health was established there are now two Ministers responsible for Insurance in Parliament?—Yes.

1571. Does that work quite satisfactorily?—As far as I have seen, quite.

1572. There is no danger of any conflict?—There might be a conflict. If two people have quite different views there is bound to be a conflict of opinion which has to be settled by somebody else. I presume the Cabinet would settle it.

1573. Apart from the question of national susceptibility, do you think on the ground of efficiency alone there is a case for separate administration in Scotland?—I think so, but I may be prejudiced.

1574. With regard to the difference between societies approved for Scotland and those approved by the Joint Committee, if you look at Table 2 (page 133) you will find a number of societies which are approved by the Joint Committee with head offices in Scotland. Some of these are quite small societies, with 200 members. On the other hand, amongst the societies approved by the Joint Committee with head offices elsewhere there are quite a number which have got two, three, five, and six members in Scotland?—Yes.

1575. What is implied in that? Do I understand the position to be this, that if a society applies for approval by the Scottish Commission it can only recruit members in Scotland?—That is so.

1576. But if these members go elsewhere to England or Wales the society can retain them?—Yes.

1577. On the other hand, if a society applies for approval by the Joint Committee it can recruit

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members in each country for which it receives approval?—That is so.

1578. So that the position with regard to these rather anomalous cases is this, that the Westminster Catholic Insurance Society, for instance, may recruit members in Scotland, it being approved by the Joint Committee, but as a matter of fact it has only three members in Scotland. The same applies with regard to others; for instance, the National Advertising Society can recruit members in Scotland, but, it has only two. I suppose there is more complication in the administration of a society which is approved by the Joint Committee?—(Mr. Wight): Separate accounts in the ledgers have to be kept.

1579. Does not it give rise to some unnecessary trouble when you have a society approved for a country and in that country it has only got two, three or four members?—(Sir James Leishman): We have been trying to get that reduced, but societies are not always very willing to relinquish approval even when they have very small numbers.

1580. Take a concrete case. Supposing you wished to put the thing in order, what steps would you take?—Probably write to them and point out that they have a very small number of members in Scotland, or probably ask the English Ministry to write.

1581. What would happen to those members? You would have to find a home for them somewhere else?—Yes, it would be quite easy; transfer them to another society.

1582. Unless you can get those members transferred to another society you must retain them and keep separate ledgers?—Yes.

1583. So that in many cases, for the sake of a mere handful of members you have this special work to carry on?—Yes. (Mr. Jeffrey): That is referred to in paragraph 8 of Section B of our statement:—“Representations were made from time to time by the Central Department to a number of societies which had less than 20 members in Scotland that the time and trouble entailed both on the societies and on the Central Department by the maintenance of the relations with it in respect of so small a number of members were not justifiable. Up to the present time 10 of these societies have transferred their engagements in respect of their few Scottish members to other societies operating in Scotland and have relinquished Scottish approval.”

1584. You would welcome some additional powers?—We should.

1585. (Chairman): Chapter II of Section A. Have you had much trouble with the present scheme for outworkers? Do you consider that this special class justifies the machinery involved?—(Sir James Leishman): It is very doubtful. We have only 63 employers in Scotland who employ outworkers, and the total number employed is round about 1,600.

1586. I note from paragraph 23 of Section A that you have in Scotland a statutory power under which your Board can recover unpaid contributions from employers by civil action. England does not appear to have a corresponding power. Have you found this a useful section of the Act?—Yes. (Mr. Jeffrey): It has been a very useful section. We have had six to eight cases per annum under it.

1587. Have you found in Scotland that the stamp system lends itself to much in the way of pilfering and trafficking in stamps?—(Sir James Leishman): There is a little, especially among certain classes of people who have to be watched. (Mr. Jeffrey): We have had about 37 prosecutions since the Act started in 1912.

1588. Does the employee on the whole appreciate his duty of securing his card properly stamped and sending it to his society? Is he, as a class, so interested in his insurance benefits that he carries on this important part of the business satisfactorily?—(Sir James Leishman): Yes, as a general rule, but there are a considerable number of people who take very little interest in their insurance. Interest usually emerges when a claim is pending.

1589. Do you consider that your inspection staff is adequate to the work of securing compliance with the provisions of the Act relating to the payment of contributions? How long does it take the inspection staff to get round all the employers?—I think on the whole it is adequate. If they started to make a round of all employers consecutively it would take probably five years, but of course they never do that: they take samples here and there and frighten people and come back at intervals. It must not be thought that if they go to one place they will not be back for five years: they might be back in five weeks or five months.

1590. On the whole you think your inspection staff is adequate for the work?—Yes. If we put on more people we would gather a little more money, but there is a point in inspection when people are apt to curl up and you lose more than you gain. There is a limit to drumming people and regulating them and inspecting them, and in Scotland there are a large number of people who think they are inspected too much.

1591. Do you think that there is any considerable non-compliance with the statutory requirements as to the payment of contributions?—I do not think there is very much. I think it is within very narrow limits: the gap is a very small one.

1592. (Sir Arthur Worley): With regard to prosecutions, you stated that you had six to eight per annum. I suppose the effect of publicity of that nature acts as a deterrent?—(Mr. Jeffrey): That statement referred not to prosecutions but to civil actions raised for the recovery of contributions.

1593. Whatever they are, the effect is that they act as a deterrent and you get the benefit of it?—Yes, in point of money penalty. Under this civil procedure we have power to recover contributions back to 1912. In a prosecution you can only recover contributions within a year preceding the date when information as to the offence was laid. (Sir James Leishman): The number of prosecutions is much greater than six to eight per annum.

1594. I thought that was the answer given. At any rate the chief benefit you get is publicity which acts as a deterrent?—(Mr. Jeffrey): These civil cases do not have the same publicity, but they do act as a deterrent in that the person in default has to pay a large sum. It is also easier to recover money under civil procedure than under criminal procedure, because under the latter as a rule you require two witnesses whereas in a civil action, at any rate in Scotland, only one witness is necessary. (Sir James Leishman): The whole point is that the prosecution procedure has helped in the collection of contributions by the publicity attached to it.

1595. To get the number correct, can you tell me approximately how many prosecutions you have had and how many civil cases you have had?—(Mr. Jeffrey): Since 1912 there have been 645 prosecutions. The number of civil actions for the recovery of contributions, power for which was obtained in 1913, has been from six to eight per annum. These are in addition to the prosecutions.

1596. (Sir John Anderson): Should we be right in taking it from you that as far as it is necessary to discipline those who ought to pay, prosecution is the natural process that you would employ, that the civil procedure is a useful supplement, and has the special advantage that it enables you to get back all the unpaid contributions for the benefit of the particular insured person?—That is so.

1597. But as a deterrent, prosecution and not civil action would be the natural course?—That is so. The procedure in civil cases has this advantage, that frequently you have a case which is not a suitable one for a prosecution; for instance, a charitable institution, or a case where there may be a genuine doubt as to whether employees are under contract of service, and where naturally you would proceed by civil action.

1598. Do you ever find that by taking criminal proceedings or by threatening to take criminal proceedings you sometimes can secure the same result

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as you would secure by civil process; that the employer, when his liability is forcibly brought home to him in that way, pays up?—Yes.

1599. With regard to the enforcement of the Act, you have told us, Sir James, that you do not think there is very much evasion. Do Approved Societies give you any help in that direction?—(Sir James Leishman): Yes, valuable help. We also find in cases where no stamping is the result of something like collusion, chiefly in the case of domestic servants, what happens fairly frequently is that when the servant leaves, usually owing to some disagreement with her mistress, she then writes a letter informing us that there has not been any stamping.

1600. With regard to outworkers, you say you have very few of them in Scotland, and you doubt whether the continuance of a separate scheme for the payment of contributions for outworkers is really justified. Are these outworkers in Scotland fairly fully employed?—No.

1601. Is their work seasonal?—In the main I think they get work when the employer is very busy, though in certain cases they would be employed on outwork, even when the employer is not busy. Trade has not been booming this last year or two.

1602. These outworkers represent to some extent the margin of surplus labour?—To some extent. In some special cases they have special knowledge and skill.

1603. Is the unit system of payment of contributions largely used?—Yes.

1604. So that these workers in this particular class would always be in arrear; that would be their normal condition?—Yes, it would be in a very great number of cases.

1605. Would they be less in arrear if you abolished the unit system?—I doubt it. I have not looked into that point.

1606. The answer to that question depends on whether when they are at work they do a full week's work normally or only a bit of a week's work?—Yes.

1607. You cannot say?—I could not say offhand. The average annual contributions in Scotland are 16 per outworker.

1608. Can you say what number of weeks' work on the average the 16 contributions represent?—(Mr. Wight): Yes: at least, from inquiry made about the year 1920 to 1921, about 50 per cent. of the outworkers have below 13 contributions.

1609. You told us that the average was 16 paid, I suppose, on the unit system. My question was whether you could tell us how many weeks of actual work on the average that represented?—No.

1610. (Professor Gray): In the case of non-compliance you have the option between civil procedure and criminal procedure. I suppose you have to make up your mind in advance which you are going to adopt?—(Mr. Jeffrey): Yes, as a rule, but the one does not necessarily exclude the other. For instance, where we have a prosecution and recover contributions under it for a year preceding the date when information is laid, that does not necessarily cancel any other arrears that may be due in respect of a previous period. These we can recover by civil action.

1611. You can take criminal proceedings in the case of a bad offender, but that does not prevent you taking civil proceedings either simultaneously or subsequently in order to recover the contributions for the preceding years?—That is so. (Mr. Wight): The one is a punishment, the other is a collection of previous contributions.

1612. (Sir Andrew Duncan): Who are these outworkers?—There are quite a number who work at hosiery, for example.

1613. There are only 1,675 all together?—Yes, about that.

1614. Is a large proportion of these hosiery workers?—About 70 per cent. are in knitting and crocheting; 13 per cent. in sewing, embroidering and tasselling, and things of that kind; about 10 per cent.

in the rope and twine and net manufacture; and about 7 per cent. in weaving tweeds.

1615. (Chairman): Chapter III of Section A. Sickness benefit is payable from the fourth day of incapacity. Has there been any pressure in Scotland to make the benefit payable from the beginning of illness?—(Sir James Leishman): No, none at all. The feeling would be against that, as far as I know and learn.

1616. Disablement benefit may run for many years. I suppose that this is closely watched by your Board as it must constitute a great drain on the funds, especially of small societies?—That is so.

1617. Have you had occasion, during the last 12 years, ever to go specially into this matter in Scotland, and are you satisfied now that malingering or over-generous certification is not a substantial financial danger?—It is a serious part of the administration, but, as far as I see, there is not a substantial financial danger.

1618. What are your conclusions as to the value of the District Medical Officers' Scheme?—Very valuable and necessary.

1619. Is there, in your opinion, any considerable delay by societies in the payment of benefit to their members who are sick, and, if so, do the different types of society vary much in this respect?—I do not think we could say there is any considerable delay. We have from time to time endeavoured to gather information on that point, and we have particularly investigated a block of cases of a substantial amount, round about 8,000. 8,000 of these were first claims in which the difficulty is probably greater than it is later on, and we found that of that number of 8,000 about two-thirds are paid within four days, that is to say, the insured person gets the cash into his hand within four days of making his claim. Of the other one-third more than half get the cash within another three days, that is within a week of making their claim. So that more than five-sixths of the total claims are actually paid within one week. I think it is to be presumed that that is fairly satisfactory. Of the remainder, about 14 per cent. or thereby would be paid within another week, that is within 14 days in all, leaving a small proportion that go over the two weeks, possibly about 4 per cent. or thereby. It is only right to say that of that number there may be quite a substantial proportion where the insured person's claim is not in order; there is something wrong, it is in fact the fault of the insured person. And on that point I would just say this, that when complaints come in, as they do from time to time, the insured person does not seem to realise that he has got a duty and that it is only business for him to have his papers in order. So that taking the whole position, while there is some tightening-up required, and while some societies are probably not so good as others, we could hardly say, viewing the position as a whole, and having regard to the fact that societies are spread all over the country, and to the fact that members are often in inaccessible places, that there could be any serious charge made of undue delay in paying benefits.

1620. Chapter IV of Section A. Of the special classes of insured persons I will ask you first about the married women. The original arrangements were modified radically by the 1918 Act, but it still seems to be rather a troublesome and complicated business. Do you find that is so?—Yes, married women are always a trouble.

1621. The Scheme appears to provide for the married woman who has been insured and gives up work, something for a limited period at the outset of her married life out of her previous insurance contributions. In normal cases where a man or woman ceases to be a contributor they receive only the ordinary free year benefits. Can you say why this distinction was made?—I think it is recognised that the married woman in insurance is a special problem, and that quite a large number go out of insurance to get married.

1622. I see it is stated in Table I at the end of Section A that the number of deposit contributors

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in Scotland was originally 36,600, rose to 38,200 in 1917, and fell to 21,000 in 1923. Can you give us reasons for these fluctuations?—I think the rise was mainly due to the War situation, when a number of people who entered employment, only meaning to be in for a limited time.

1623. Do you consider that something of the nature of the Deposit Contributors' Fund is required as a clearing-house for people on their way to societies and as a reservoir for those who cannot get into any society?—No, I do not consider so myself.

1624. As to the people who are suitable for admission to a society but who delay unduly or do not bother about becoming members, is it not their own fault that they do not get the advantage of complete insurance? Do you consider that special provision is merited in these cases?—No, I do not think any special provision is necessary.

1625. Have you any idea what proportion of the 21,000 form a permanent or quasi-permanent element in the fund, that is, are the type of people who could not get into societies even if they tried?—We shall put in a table showing that, but speaking generally our information from time to time is that there are very few deposit contributors who could not get into some society or another, and as a matter of fact various societies have offered to take them over *en bloc*. (Table handed in.)

ANALYSIS, under years of becoming deposit contributors, of the deposit contributors (under 70) for whom accounts are at present open. (Nov., 1924.)

Year of becoming Deposit Contributors.	Men.		Women.	
	Number.	Percentage of total.	Number.	Percentage of total.
1912 ...	1,191	9.5	438	6.6
1913 ...	193	1.5	96	1.5
1914 ...	164	1.3	74	1.2
1915 ...	255	2.0	167	2.5
1916 ...	244	1.9	262	3.9
1917 ...	325	2.6	342	5.1
1918 ...	353	2.8	286	4.1
1919 ...	1,641	12.9	360	5.4
1920 ...	1,136	9.0	624	9.4
1921 ...	1,108	8.8	710	10.6
1922 ...	1,712	13.5	1,092	16.4
1923 ...	2,859	22.6	1,578	23.6
1924 ...	1,466	11.6	649	9.7
	12,647	100	6,678	100

1626. Is not the deposit contributors' scheme a costly thing to run with its individual accounts and special administration? And how does the cost per head in Scotland compare with the corresponding figures for Approved Society and Insurance Committee administration taken together?—It is fairly costly. Approved Societies administration at the maximum would cost 4s. 11d.; deposit contributors in Scotland at present cost about 5s. 10d.

1627. (Sir Arthur Worley): With regard to the married women, there is a difference in the treatment of a married woman who becomes insured and a woman who becomes insured and afterwards becomes married. Do you consider that equitable?—I would rather not express an opinion.

1628. But you agree there is a substantial difference?—Yes.

1629. With regard to the Deposit Contributors' Fund, you do not consider that it is necessary to have one and, therefore, you would have some alternative scheme at some time or other to put forward?—Yes.

1630. Speaking generally, is it your opinion that it would be to the financial benefit of the deposit contributor as an individual to become a member of

an Approved Society?—Absolutely. Figures show it very conclusively.

1631. (Sir John Anderson): Have you any evidence of deposit contributors deliberately assuming that status in order to get some advantage or supposed advantage from it?—It is very difficult to see the advantages.

1632. People who contemplate going abroad could perhaps get a little bit of money?—Yes, but there is a very small number who have ever taken anything out in that way.

1633. Is that so?—Very small. (Mr. Jeffrey): We give in Table 2, page 121, figures which show the payments made on emigration. Since 1912 the total payments have amounted to £917 15s. 10d. The figures in 1918 and 1919 were rather high, but these were due to our having had a large number of Belgians in Scotland who were members of a special Belgian Approved Society, and who when they went back to Belgium were transferred to the Deposit Contributors' Fund. (Mr. Wight): There were in fact only 12 people last year who transferred from approved societies to the Deposit Contributors' Fund on emigration.

1634. (Professor Gray): Can you explain why in 1923 there is a sudden rise of payments. It goes up to £141 from £59 in 1922?—(Sir James Leishman): I think that is probably because of a discovery by some people of a method of getting round things.

1635. Will that discovery be lost sight of?—I hope if there is a leakage it will be stopped. (Mr. Jeffrey): Emigration in 1923 was much higher than in previous years, so it is conceivable that more deposit contributors emigrated in 1923 than in previous years.

1636. The amount paid is three times as much?—(Mr. Wight): The total payments would depend to some extent on the amount to the credit of the deposit contributor.

1637. It would tend to rise?—Yes.

1638. (Sir John Anderson): Do you get many people into the Deposit Contributors' Fund as a result of expulsion from societies in Scotland?—(Sir James Leishman): Expulsion is relatively small. Last year we had only 142 in all, a mere nothing, and they could not, even if they all went in—which they do not—feed the Deposit Contributors' Fund.

1639. You are going to put in a statement showing the composition of the Deposit Contributors' Fund?—(Mr. Jeffrey): We have done so. (Sir James Leishman): We will put in anything that is wanted.

1640. Does that statement show how the membership of the Deposit Contributors' Fund is constituted? Does it show the extent of permanent membership?—(Mr. Jeffrey): It shows the number of deposit contributors at present who have been deposit contributors since 1912 and each succeeding year divided as between men and women—a complete analysis of deposit contributors as at the present day showing the time they have been in. The number given in the statement for 1923 was 21,000; the present day number is rather less—about 19,000.

1641. Have you got any figures showing the proportion of deposit contributors who cease to be members of the Deposit Contributors' Fund by reason of their transfer to societies as compared with the proportion who cease to be members by going out of insurance?—(Sir James Leishman): Yes. More than half have transferred directly. There may be quite a considerable number beyond that, but we do know that at least half of the total number of those who have been deposit contributors from the very start have in fact transferred to societies, and probably more than that.

1642. How many in comparison have ceased to be members of the Deposit Contributors' Fund because they have gone out of insurance?—The total number of deposit contributors in Scotland from the very start is round about 140,000, and of that number 120,000 have ceased to be deposit contributors for one reason or another. (Mr. Jeffrey): And of these, 63,000 have transferred to societies.

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1643. In regard to the married woman, Sir James, it is true, is it not, that *prima facie* you would expect the economic position of a woman to change on marriage?—(Sir James Leishman): Yes.

1644. Her position as a worker might be expected in the normal case to change materially on marriage?—Yes.

1645. To that extent, therefore, there is a case, is there not, for reviewing her position as an insured person when she marries?—Yes.

1646. And for distinguishing, therefore, between the woman employed before marriage who marries, and the married woman who takes up employment after marriage?—Yes.

1647. For what it is worth, therefore, there is some substantial basis of common sense for the existing arrangement which allows a woman who has become employed after marriage to go on under the ordinary conditions of the Act without periodical review but which places a barrier in front of an insured woman at the point of her marriage?—Yes. I am not criticising the distinction. I would only like to say that a very large number of people think that the married woman is not really an insurable proposition at all.

1648. A married woman if she is going to be intermittently employed, can, I suppose, become exempt?—She can, yes.

1649. Does she in fact?—No. We have less than a dozen intermittent exemption certificates altogether in Scotland.

1650. She could also claim, could she not, under another head as being a dependant?—Yes.

1651. Have you many married women under that head in the exempt persons class?—Some.

1652. Does not the fact that you do give some benefit and a benefit that is valued, as you have told us, to the exempt person, help to relieve you, as far as it goes, of a number of troublesome cases?—Yes, and puts us into more trouble.

1653. Does it?—I think so.

1654. Is the administration of medical benefit to the exempt person more troublesome from an insurance point of view than the administration of ordinary benefits to a married woman?—No, not ordinary benefit, but we have a wholly special procedure to go through for these exempt persons. They have to apply for the benefit.

1655. I know. Does it present serious difficulty?—Not serious difficulty, but it is an additional cog in the wheel that has already too many cogs in it.

1656. Are the difficulties in your judgment comparable with the difficulties that arise in the case of married women?—Oh, no. The exempt person is much less difficult in that respect than the married woman.

1657. Then what you said in regard to the absence of a sufficient case, in your opinion, for giving benefit to exempt persons ought really to be qualified to that extent, ought it not?—Except this, I myself do not see that any special claim can be set up for a person who deliberately wants to get outside of the Act.

1658. Here is a class of employed persons, married women, who you say are not an insurable proposition. Are you not going to prejudice them?—As far as married women are concerned, I may briefly state that I think there is a good deal to be said for the view formerly taken that there should be something equivalent to a surrender value given to insured women on marriage and that that would get quit of the whole difficulty. I agree with that myself.

1659. You could not compel the married woman to take a surrender value?—No. We do not require much compulsion in Scotland to get people to take money.

1660. (Sir Alfred Watson): Do I understand with regard to the deposit contributor that you intend to put proposals before the Royal Commission?—We shall put any proposals before the Commission that we are asked for. If they want a further statement about deposit contributors we shall be very pleased to submit it.

1661. You indicated to us that there is a good deal of doubt in your own mind as to the deposit contributor system. You realise that a change of that system involves many controversial points. I do not want to take the points up with you now if you are going to put something concrete before us later on?—Yes. I have found very little opinion in Scotland in favour of retaining the deposit contributor system.

1662. I am still in doubt as to whether now is the proper time to go fully into the deposit contributor question with you or whether I shall wait till you put something before us?—With all deference to the Commission, I think possibly it might be better to defer it, but I am in the hands of the Commission, of course.

1663. With regard to insured married women you tell us that there is an opinion that married women are not an insurable proposition?—That is the opinion I hear from time to time expressed by people who have considered the question and who are in fact administering the benefits in Scotland.

1664. On what ground do they arrive at that opinion?—On the general ground that there is always a conflict or great danger of a conflict between the duties of a wife and mother and the call of employment in the case of a person who has to go out to work and to some extent is not able to look after her home and children.

1665. I am sorry, I do not quite see where that leads us?—It leads to this, that some people seem to think that if a married woman can get a certain sum of money when remaining at home where she ought to be looking after her home and her children there is a great temptation for her to do so.

1666. Does not that rather beg the question?—That is a strong opinion. I can only retail it from what I have heard.

1667. You say "where she ought to be." Does not that introduce a little prejudice into a question that we are trying to explore?—If any exception is taken to that, of course I withdraw it. In the ordinary way I think the usual acceptance of society is that the place for a wife and mother is at home.

1668. It is quite an admirable doctrine. If I felt it was within our province I might be tempted to discuss that with you in a sympathetic spirit, but we are dealing with the case of a woman who is for good or ill at work, normally working for an employer. Why is she not an insurable proposition?—Because of the tendencies which appear to be in the minds of those people who have that dread.

1669. What dread?—The dread of a woman coming on to the funds and the difficulty of administering and looking after a woman in that position.

1670. It is more difficult to administer sickness benefit to a married woman than it is to an unmarried woman?—It is difficult to go into a home and actually supervise the work of a woman there.

1671. (Sir Arthur Worley): Is it not what you might call a moral hazard that a married woman is apt to go on the funds and draw money when she is not really fully incapacitated because she can do things at home?—I am not putting it too high. I am expressing other people's opinions at the moment.

1672. (Sir Alfred Watson): In a Scheme of National Insurance applicable to persons who are employed, whether it is good or ill that they should be employed, are we not bound to face that difficulty and administer it in the best way possible?—Yes, we are bound to make the best of the present Acts.

1673. There may be, I do not know how many, perhaps 600,000 or 700,000, married women who are in employment and in insurance in Great Britain. Do you suggest that those women should be taken out of insurance?—If you were wanting any considered views I would rather have time to present them than argue the question across the table just now.

1674. Your proposition, if it is a proposition, is so far-reaching that I feel sure the Chairman would be glad to receive any memorandum you may care to give us on the point. The next question is that of

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the woman who marries and leaves employment. Do I gather that in your view a surrender value should be given to that woman rather than her present benefits?—That was my view when the Bill of 1918 was under consideration. I think it was the general view, and I myself would rather favour it because of the simplicity of the arrangement.

1675. I think I am right in saying there was a definite proposal to that effect in the report of what is commonly known as the Ryan Committee?—I think so.

1676. To pay a small sum by way of surrender value on the woman leaving her employment within a certain period after marriage?—Yes.

1677. Is it within your knowledge that when that proposal was laid before Parliament it was stoutly opposed by the representatives of women's societies?—It was opposed, yes.

1678. And it was in fact deleted from the Bill, was it not?—It was.

1679. There was substituted for it the present arrangement under which a woman gets something equivalent to that surrender value in the shape of maternity benefit and a small weekly allowance for a short period of sickness?—Yes, and also medical benefit.

1680. Would it not be a serious and perhaps a difficult matter to go back on the arrangement of 1918 and destroy the right which these women have to receive maternity benefit?—I do not think it would be serious myself, but I speak with great reluctance and great deference to other people who may have other views.

1681. Is it within your knowledge that the amount paid in maternity benefit to this class of woman is very large indeed?—Yes. I should say a very considerable number draw maternity benefit within the time allowed.

1682. Probably well over £100,000 a year on the average?—Yes, I think so.

1683. Would it be a judicious proposal for this Commission to put forward that the right to receive that benefit, which is certainly in the nature of an insurance benefit, at a time when the money presumably is really needed, should be withdrawn and that there should be substituted for it merely the payment of a small sum as surrender value on the marriage of the woman?—I do not know that the sum would be so very small. I never had, with all respect, any great sympathy with the argument that a woman could not be trusted to spend a sum of 50s., or whatever the sum was.

1684. It was £2, was it not?—Whatever the sum is.

1685. And now presumably it would be £3?—I did not say that.

1686. It was £2, and I suggest presumably it would now be £3?—Assuming it is £3 for the sake of argument, I myself have no sympathy with the view that a woman cannot be trusted to spend £2 or £3 in one sum when as a rule that woman is spending far more than that every week in the whole course of her life.

1687. I am not aware that it was ever suggested that a woman could not be trusted to spend that trifling amount of money wisely. I think the point taken by the objectors to the Bill of 1918 was that to spend the money in other than provision for disablement and maternity was a misuse of moneys contributed by the insured and by the employer for expenditure on those very purposes?—In this case I would trust the woman.

1688. I am sorry, that does not answer my question. The point is do you think the Royal Commission could, after the deliberate decision of Parliament in 1918, now put forward a proposal to revive the old proposal to divert Health Insurance moneys from Health Insurance purposes to other purposes?—It is not for me to say what the Royal Commission ought to do. I can only express my opinion. If I was on the Royal Commission I should not be frightened to recommend it. (Mr. Wight): Might I suggest that opinion may have moved on in six years. I rather fancy in Scotland from our Con-

sultative Council side there have been these views, and the Consultative Council contains members of women's societies.

1689. Are those views expressed by the representatives of the women's societies or by the gentlemen who are managing societies composed of men and women who want to be relieved of a certain amount of trouble?—I would not go so far as to say that that is expressed by the Consultative Council, but in meeting them from time to time I know pretty strongly what their view on that subject is, and that has been expressed, I think, by Sir James.

1690. As the view of the Council?—Individual members of it, and it does include representatives of purely women's societies.

1691. How many people are there on the Council?—15.

1692. How many women are there?—Four.

1693. Four out of 15?—Yes.

1694. (Sir John Anderson): I should like to carry that point a little further. What is the difference from the point of view of insurance administration between paying a woman a lump sum when she marries and giving her the equivalent of that lump sum in the form of insurance benefits? What is the difference from the point of view of the insurance administrator?—(Sir James Leishman): There is one transaction in the first case, and then they have finished with it.

1695. Is the administration of these particular benefits to the married woman—the payment for medical benefit for a time, the payment of maternity benefit, and the payment of sickness benefit during a limited time—a matter of difficulty?—There is general complaint about it. The societies have to ascertain the position of the woman and the dates and all the rest of it before they can do anything. They have to carry that in mind the whole time.

1696. Would not they have to do that if they were paying the surrender value?—No, they would just pay the sum and have done with it.

1697. They would have to have proof of marriage and date of marriage?—Yes.

1698. Are not those the dates they want in administering these other benefits?—No, I do not think so.

1699. What else do they require?—They require the sickness certificate. There is a differential rate of benefits.

1700. The sickness certificates come along automatically?—(Mr. Wight): There are the questions of arrears and the last date of employment, &c.

1701. Those are all questions that they have to deal with every day in the administration of benefits?—(Sir James Leishman): It is a new class coming in for these special benefits for a limited time.

1702. Is it really the considered view of Approved Societies responsible for administering the Insurance Scheme that rather than have the trouble, the administrative bother, of administering these benefits they would offer the woman a bribe to get out?—I would not put it in that way, not so bluntly as that. So far as I know the mind of Approved Societies—and I would rather this question was pressed home with them—and so far as I have met representatives from time to time stating their opinion quite fairly, they would prefer that. I have discussed it frequently with secretaries and others and that is what they say.

1703. And you are disposed from the point of view of the Scottish Insurance Department to sympathise with that point of view?—I am all for simplicity if it can be gained at all.

1704. At all costs?—Not at all costs, but when reason and fair play obtain.

1705. (Mr. Besant): With regard to the deposit contributor, did I gather from your evidence that you would like to abolish that class altogether?—Yes.

1706. (Miss Tuckwell): Unmarried women are a better proposition from the point of view of risks than married women, are they not?—I think so clearly.

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1707. Do you think it is unfair that single women should be paying for the extra risks of married women?—I think in an Insurance Scheme you cannot have absolute justice all through. Someone has to pay.

1708. I am right, am I not, in believing that married women are now being refused admission by societies?—I could not say that definitely.

1709. What has been put to me very often is that a woman marries and a baby comes and she leaves employment, and then later on she goes back to employment, and when she tries to join an Approved Society she is refused?—Yes. I think generally—though I think this point might possibly be put to Approved Societies—some societies are not very keen about taking any married women as members. I would not like to put it any higher than that.

1710. If one society refuses I suppose the tendency would be for all to refuse?—No. I should not say that.

1711. The difficulty of producing additional benefits with that class of membership would be the same for all societies, so would not the incentive to refuse admission be the same?—Yes, but some societies make a point of taking in members with reference to the nature of their work, whether they are good lives or not.

1712. I am under the impression that a good many of these women who are refused go into the Deposit Contributors' Fund. Would it be possible to give us the numbers in Scotland who so go?—We could try and ascertain that. I should not say it is very large.

1713. It would be very interesting I think to have it?—Yes. I should say it is small.

(The statement promised in answer to Q. 1712 is inserted here for convenience of reference.)

SCOTTISH BOARD OF HEALTH.

Particulars of women who entered deposit insurance in 1923, and for whom accounts have been opened in the Deposit Contributors' Fund up to 17th November, 1924.

(In this table widows are classed as married women.)

Area selected.	Number of women entering deposit insurance in 1923.	Married women entering deposit insurance.					No mention of previous insurance.
		Married women entering deposit insurance in 1923.		Previously members of societies (Membership now lapsed).			
		Number.	Relation to number of women entrants.	Number.	Relation to number of married women entrants.	Relation to number of women entrants.	
1. AGRICULTURAL.							
County of Aberdeen	36	15	—	6	—	—	9
„ Dumfries	29	16	—	5	—	—	11
„ Perth	44	15	—	2	—	—	13
„ Roxburgh	14	5	—	—	—	—	5
Totals for these areas ...	123	51	41	13	25	11	38
2. INDUSTRIAL.							
Burgh of Dundee	98	58	59	18	31	18	40
„ Glasgow (sample only)...	355	64	18	8	13	2	56
Totals for these areas ...	453	122	27	26	21	6	96
3. GRAND TOTALS ...							
	576	173	30	39	23	7	131

N.B.—Out of a sample bundle of 307 women transfers from the Deposit Contributors Fund to Approved Societies, 202 were in respect of spinsters, 77 were in respect of married women, and 28 were in respect of widows.

1714. (Mr. Evans): In paragraph 28 you divide up the number of deposit contributors for the year ending 31st December, 1923, into men and women. Could you give us how many men and how many women there would be in the number 38,000 which was the peak during the whole period?—(Mr. Jeffrey): This was for the year 1917; 25,300 men, 12,900 women; 2 to 1 roughly.

1715. (Professor Gray): With regard to the deposit contributor, will you tell us what is the status of an insured person on his entry into insurance? What is he? Take the case of a person who reaches 16 or a person who takes up employment at a later age, what is he from the point of view of the Act on the date on which the first stamp is put on his card?—(Sir James Leishman): He is a free agent. He can join or not join a society as he thinks fit or be a deposit contributor.

1716. Quite so. If he falls ill where is he?—If he falls ill he would be entitled to medical benefit, but of course otherwise there would be the waiting period.

1717. He would be entitled to medical benefit as what?—As an insured person; as a member of a

society if he has joined one, but of course he has six months in which to join a society, but if he applies for benefit before joining a society he becomes a deposit contributor at once.

1718. So that he has six months to make up his mind?—Yes.

1719. I presume some such provision as that is essential. You cannot call upon a man the day he is first insured to decide what he is going to join?—No, I do not think we can.

1720. So that under any system you are bound to have a period when the insured person is not a member of any particular society?—Yes, but I do not think it is advisable to encourage him to dilly-dally. He is too much apt to do that already.

1721. Apart from dilly-dallying there must be some period of indeterminate membership under the Insurance Scheme?—Yes.

1722. Passing to another point, I presume you cannot imagine any scheme under which an Approved Society will give up its right of expulsion?—I could imagine it. I do not say they will do it, but I can imagine it.

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1723. Can you imagine the Sons of Temperance retaining a confirmed drunkard?—No, I cannot, though he might easily be a confirmed drunkard and they know nothing of it.

1724. If it was notorious, if he was convicted of being drunk and disorderly?—He would have to go, I am afraid, but there might be another society not with the same views as the Sons of Temperance.

1725. Turning to another point, when you say married women are not an insurable proposition?—I was rather indicating a general view than coming down definitely. I rather share that view; I am inclined to agree.

1726. Is that anything more than a picturesque and vivid way of expressing two things; first, that a married woman is subject to a good deal of illness, especially in the early years of marriage; in a normal case there is a period of pregnancy followed by a period of nursing the baby. Women employed in a normal way have much interruption in their work after marriage?—For whatever cause, there is a feeling of doubt and difficulty with regard to the insurance of married women.

1727. It is beyond dispute that a newly married woman might possibly in the first four or five years have much time when she cannot work?—Yes.

1728. Secondly, with regard to married women it is very difficult, is it not, to apply the ordinary checks which you apply elsewhere?—Yes.

1729. If you take an able-bodied young man, if he is at home you assume something is wrong, but in the case of a married woman you would not know whether it was anything more than spring cleaning. Does it come to anything more than those two propositions?—I think you have stated the case very well, if I may say so.

1730. There is a class of special people about whom we have not heard very much. Can you tell us anything about the soldier who gets a total disability pension. He is subject to reduction of benefit, is he not, until certain things have happened?—Yes.

1731. Can you say whether there is any complaint about the operation of that section?—I think he does not understand why he is subject to the reduction.

1732. In certain cases I imagine he never will satisfy these conditions?—Probably.

1733. He has to work for 26 weeks, has he not, before he gets full sickness benefit, and for 104 weeks before he gets disablement benefit?—Yes.

1734. Is it not the case that a great many men who have come back from the war with these pensions may not recover sufficiently to take up insurable employment continuously?—Yes. That number is diminishing, though.

1735. As time goes on?—Yes.

1736. You have not heard much criticism of that section?—No.

1737. (Sir Humphry Rolleston): In reply to Mr. Bosant you said you were in favour of abolishing the deposit contributor. Does that mean, in other words, that every person who insures is going to an Approved Society?—Yes.

1738. (Chairman): Chapter V of Section A, Sir James, do you consider that some arrears system is essential if insurance principles are to be maintained?—I think, on the whole, yes. It would be a serious thing not to have an arrears scheme. On the other hand, it would be a great thing if we could simplify the scheme, provided we could be assured that contributions were being fully paid and there was no difficulty about the person with few contributions. It would probably mean an extension of the inspectorial staff.

1739. Have you received any complaints from societies in Scotland as to the complexity of the present scheme and the difficulties in its working?—Not a very great deal. There are generally growls about the complexity of the whole Scheme and the Acts and the Regulations. It is a thing we get very frequently, one way or another.

1740. But they are not important?—On that point not very important.

1741. Is not the present arrears scheme somewhat generous to the insured person in arrears at the expense of the general body of members?—Yes.

1742. Chapter VI of Section A. Are you satisfied that the arrangements under which a member may appeal against the decision of a society on such questions as withholding of benefit, and the like, are satisfactory and fair to the insured persons?—Yes, generally I think they are.

1743. The emergency provisions for abnormal unemployment have been in existence for three years, and were specially devised to meet the continued industrial depression, which has been very acute in the West of Scotland. Is this so?—Yes.

1744. Have these arrangements put a substantial or undue strain on the funds over these three years, or are they likely to do so if continued much longer?—I am not quite sure that I am definitely aware of the exact weight of the burden, but there has been in Scotland, especially since 1921 up to date, very heavy unemployment; I should say considerably more than was expected by the Actuary.

1745. I take it that you would desire to discontinue these arrangements as soon as the state of employment will allow?—I think so, although I have considerable sympathy with the man in arrears.

1746. The Ministry of Labour gives the number of unemployed at about 1,200,000, of whom there are about 180,000 in Scotland, mostly in the engineering and shipbuilding and allied trades. Have you any suggestion as to what reduction in this figure would justify the Departments in terminating the emergency arrangements and reverting to the normal arrangements of the Consolidation Act?—I am afraid I would not care to answer that. I have such an immense respect for the Government Actuary that I would not say very much on that point.

1747. Before we leave Section A, have you any further remarks to make upon any important differences in law, administration or procedure between the Scottish and English systems in the matters dealt with in that section?—I think the ground has been fairly well covered.

1748. (Sir Arthur Worley): With regard to the matter of appeals, have you had complaints to any extent from insured persons about appeal procedure, that it is cumbrous, laborious or difficult?—I think there might be such complaints in the cases which exist where there are three stages in a society's procedure. Otherwise, when there is only one step I do not think there is any real complaint if an insured person cares to take up his case and press it.

1749. Would it be an advantage if all Approved Societies had to conform to the same sort of procedure for appeals?—I think so.

1750. (Sir Alfred Watson): You just now expressed considerable sympathy with the unfortunate man who has a long spell of unemployment?—Yes.

1751. Do you think at any stage of reduction in the numbers of unemployed we should be warranted in going back to what I will call the normal procedure? Those persons who may be genuinely unemployed for very long periods ultimately lose the right for the time being to sickness and disablement benefits?—That question is really so difficult that I would rather like you to ask it at a later stage than the present.

1752. May I put it in this way? As far as the individual is concerned, his misfortune is not the less acute because he is only one here and there instead of being one of a very large number. At the present time the normal procedure is that if a person has the misfortune to suffer unemployment for more than 26 weeks in the year he is totally suspended from the money benefits of the Act unless he makes a certain cash payment at the beginning?—Yes.

1753. He having been out of employment for many months, the presumption is he cannot afford to make a cash payment?—Yes.

1754. I think you would agree that in the early days of the Act it was very important indeed that

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contributions and benefits should be closely linked up with one another?—Yes.

1755. Circumstances may have changed to a small extent, perhaps to a material extent, by the extension of unemployment insurance to something like 11,000,000 of people?—Yes.

1756. If either by the machinery of unemployment insurance or in some other way the fact of genuine unemployment is established in respect of each week for which a card did not bear a stamp, should not we be justified in reviewing the whole system of penalty arrears and seeing whether we cannot do something better for these unfortunate people when they are out of employment for so long?—I personally should be very happy if we could.

1757. You would yourself be inclined to favour the revision of the arrears scheme for the benefit of that unfortunate class?—Yes, if at all possible.

1758. (*Professor Gray*): I suppose Approved Societies write to you and ask you for advice on all manner of questions?—Yes, frequently.

1759. You try to help them as far as possible?—Always.

1760. Is there no conflict of interest, shall I say, between your position as adviser and the position you ultimately may hold as giving a kind of decision?—Not much. In theory there is, but as a matter of fact we have a large number of very sensible officials in Scotland. If a man comes in he would be told "This may come before the Board on appeal and we really cannot express an opinion," but he might be referred to an analogous case which has been already decided, or he might be given a very careful, cautious, guarded, and qualified opinion that so-and-so might be the best way, but that it is not to be taken as official—not as coming from the Board, but from the particular person he sees.

1761. Take the kind of case which I imagine must happen not infrequently where you are asked to interpret one of your own regulations. Supposing somebody writes and says: What does Section 48, or whatever the section is, mean?—We always try to interpret it.

1762. Do not they write back and ask for a plain answer to a plain question, and do not you say: "In view of the fact that this may come before us in our judicial capacity"?—Personally I have always discouraged that kind of reply, even at a risk.

1763. I am not criticising your administration of the Insurance Act at all. It is a much more general point. It is a point of difficulty that arises from entrusting judicial powers to an administrative body?—There is much more a look of difficulty in it in theory than in actual practice. That is my opinion.

1764. (*Chairman*): Section B, Chapter I. The reasons for instituting in England the Approved Society system were partly, at least, historical, that is to say, that the Friendly Societies and Trade Union Societies were already in the field giving sick pay and in many cases medical benefit. Can you indicate to what extent this was true of Scotland?—I think, briefly and roughly, the Friendly Society movement had not got such a firm grip in Scotland as it had in England, and particularly in the purely country districts.

1765. I notice from paragraph 4 of Section B of your statement that out of 102 societies approved by the Scottish Insurance Commissioners 51 were specially formed for the purposes of the Acts?—We had comparatively few societies, small or otherwise, or even branches, and to that extent Scotland was not quite so well covered as England, and the small society did not come in to the same extent.

1766. In the same paragraph it is stated that a great majority of the smaller Friendly Societies in Scotland took no action in regard to State Insurance. Can you explain the reasons for this?—I think possibly they were frightened by the look of things. The situation was dark and gloomy and the prophets of woe were many.

1767. The Trade Union societies are very often largely composed of members of a particular trade. Have you much of this trade segregation amongst your Scottish societies? And what is your feeling about the insurance aspects of this as compared with the society open to members of all trades and occupations?—About one-fifth of the membership in Scotland might be called occupational membership. As far as I have got a feeling as an insurance man, I would not trouble about a man's religion or politics or views at all. I think the point of view ought to be: Is he a proper member, desirable, from the point of view of physique and character? I think from that point of view a mixed society is better than a purely sectional one.

1768. I suppose that even with the provisions for self-government contained in the rules, the control of societies, especially larger societies, must necessarily in practice fall very largely into the hands of the officers. Is this so?—I think so.

1769. We should like to know something as to the manner in which your Department satisfies itself that societies are carrying on their work in a satisfactory manner and in the interests of their members?—We always have information from the inspectorate and from the auditors, and especially when benefits are payable the Scottish insured person is as a rule very much alive to his position. And I may say further, the Department now knows fairly well the class of society that requires a little looking after. The great majority of societies are what we call good propositions.

1770. Have you had much complaint during the last 12 years from the societies in Scotland to the effect that this control by your Board is too strict or too detailed?—We do not use the word "control" in Scotland.

1771. (*Sir Arthur Worley*): What word do you use to signify the same thing?—Advice and encouragement.

1772. Have the societies intimated that you give them too much advice?—It is extraordinarily difficult exactly to get the point of view of societies with regard to a Department. Generally speaking we find in Scotland that no Government or Government Department or Government official, if competent and useful, is very much in favour; but societies as a whole now are, I think, fairly friendly to the Board and do recognise that they fulfil a useful and necessary purpose.

1773. Does the reverse happen? If the Department is incompetent would they be popular?—To some extent that would be the case.

1774. I will not ask you if you are popular?—I am not popular.

1775. (*Sir John Anderson*): On the whole the societies do co-operate with the Department in your opinion in a satisfactory way?—I think they are now coming much more frequently to have a friendly talk. Even when they have no special business they look in and say, "Well, I was just passing, I happened to be in town and I would like to have a little talk about so-and-so," and we often have a heart-to-heart talk and usually they go away quite good humouredly and shake hands and there is no ill-feeling about it.

1776. Is there much exchange of views among societies themselves in Scotland? Is there a lively corporate interest in the administration of the Act?—To some extent. Unity is not too obnoxiously apparent. What I mean by that is this. Certain societies have definite objects and different points of view from others, and I think they have really a little difficulty in all getting together and uniting on some common object or common policy. I do not want to put it any higher than that.

1777. Have the old complaints of poaching members by one society from another ceased or diminished greatly in number?—I do not think there is much poaching amongst society members now, and not a great deal of canvassing. We have only, roughly speaking, about 7,000 transfers in all in a

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year, and as quite a number of these are proper transfers for one reason or another it leaves a very small number who could be said to be influenced by canvassing. In my judgment the suggestion has been very much overrated.

1778. I only wanted to know whether it existed as a source of friction between one society and another?—There is a little of it, one is bound to say that, but it is not very much.

1779. (*Miss Tuckwell*): I think you have at present societies representing Scottish women members only?—Yes.

1780. Are they satisfactory societies?—Very.

1781. Do the members take an interest in the affairs of their organisation?—I should not say they take a very great deal of interest in their own affairs. I think that is a weak spot, not only there but in practically all societies. I am quite prepared to admit that.

1782. On the whole you would not find that their government was less democratic than the men's?—No, they are not any worse than other societies.

1783. (*Professor Gray*): You told us that in Scotland there were possibly fewer friendly societies before the Act came into operation. Would that have as a consequence that there would be less double insurance in Scotland than in England?—I think there would be fewer cases of concurrent insurance on the private and State sides of societies.

1784. Therefore possibly, as far as Scotland is concerned, the question of the adequacy of the present benefits might be more of a problem?—It might be.

1785. With regard to occupational societies, have you in Scotland any societies based on an occupation which is such that most of the members would possibly go out of insurance in a few years?—Yes, we have one or two where that might be the case; a large number might go out or might not be insured through being constantly in arrear.

1786. Do they cause any trouble in any way from the point of view of insurance?—No, they are a very good proposition.

1787. Do they make any serious difficulty?—No, they have too much money possibly.

1788. That is a difficulty, is it not?—It is a difficulty with some people, never a difficulty with me.

1789. (*Chairman*): Chapter II of Section B. Is it the case in Scotland that many societies, wherever their head office may be, may have members in any town or village throughout the land?—Yes, it is the case. (*Mr. Jeffrey*): If I might be permitted I should like to hand in a table showing in respect of each Insurance Committee area in Scotland, county and burgh, the number of Approved Societies operating in the area and the classification of membership according to numbers; that is to say, the number of societies with membership over 50,000 and so on down to 10 members and under. (*Table handed in.*)

Membership of Approved Societies on Index Registers of Insurance Committees at 1st July, 1924.

Burghs.

Insurance Committee.	Total No. of Approved Societies.	Total Members in Area.	No. of Societies with Membership of—							
			50,001 and over.	10,001 to 50,000.	1,001 to 10,000.	101 to 1,000.	51 to 100.	11 to 50.	10 and under.	
Aberdeen	209	70,360	—	1	13	35	10	38	112	
Airdrie	121	11,060	—	—	3	18	8	20	72	
Arbroath	116	8,910	—	—	3	12	8	23	70	
Ayr	156	13,970	—	—	4	16	14	25	97	
Clydebank	207	23,327	—	—	5	23	13	32	134	
Coatbridge	171	21,039	—	—	6	19	10	29	107	
Dumbarton	137	10,646	—	—	—	23	6	25	83	
Dumfries and Maxwelltown	151	11,325	—	—	4	13	12	18	104	
Dundee	209	89,446	—	—	16	40	20	36	97	
Dunfermline	202	17,921	—	—	6	24	14	28	130	
Edinburgh	303	189,939	—	4	33	53	21	45	147	
Falkirk	135	15,705	—	—	5	22	7	31	70	
Glasgow	391	492,578	2	12	43	101	25	46	162	
Greenock	196	34,168	—	—	7	31	14	32	112	
Hamilton	135	17,051	—	—	5	20	7	28	75	
Inverness	115	9,330	—	—	2	13	14	19	67	
Kilmarnock	146	16,966	—	—	6	19	11	5	85	
Kirkcaldy	157	18,618	—	—	6	17	11	25	98	
Motherwell	173	33,148	—	—	12	23	14	26	98	
Paisley	178	44,652	—	—	12	32	15	29	90	
Perth	154	15,245	—	—	4	24	9	23	94	
Rutherglen	129	11,600	—	—	—	20	13	27	69	
Stirling	136	9,708	—	—	1	19	10	23	83	
		1,186,712								

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[Continued.]

Counties.

Insurance Committee.	Total No. of Approved Societies.	Total Members 1st July, 1924.	No. of Societies with Membership of—						
			50,001 and over.	10,001 to 50,000.	1,001 to 10,000.	101 to 1,000.	51 to 100.	11 to 50.	10 and under.
Aberdeen	154	45,867	—	—	12	12	12	24	94
Argyll	161	19,486	—	—	6	17	10	32	96
Ayr	224	84,849	—	1	15	30	22	41	115
Banff	111	16,236	—	—	5	13	8	20	65
Berwick	123	10,746	—	—	3	11	3	17	89
Bute	107	4,798	—	—	1	8	3	24	71
Caithness	75	6,850	—	—	2	6	5	18	44
Clackmannan and Kinross	157	18,337	—	—	7	12	9	96	93
Dumfries	203	23,127	—	—	7	19	8	25	144
Dunbarton	208	32,887	—	—	10	22	19	40	117
East Lothian	156	19,711	—	—	6	18	11	20	101
Fife	221	82,732	—	2	12	39	11	37	120
Forfar	175	32,201	—	—	9	16	15	37	98
Inverness	127	14,023	—	—	5	17	6	27	72
Kincardine	112	9,836	—	—	2	13	5	19	73
Kirkcudbright	121	11,442	—	—	3	10	3	28	77
Lanark	230	125,650	—	3	19	31	14	53	110
Midlothian	169	39,085	—	—	9	37	7	26	91
Moray and Nairn	126	17,160	—	—	5	15	6	25	75
Orkney	74	4,335	—	—	1	6	1	9	57
Peebles	117	6,767	—	—	—	13	5	24	75
Perth	192	31,986	—	—	6	22	16	41	107
Renfrew	244	58,368	—	—	16	37	15	43	133
Ross and Cromarty	160	17,551	—	—	6	14	12	26	102
Roxburgh	144	22,721	—	—	8	13	6	25	92
Selkirk	122	11,400	—	—	5	9	4	21	83
Stirling	189	48,890	—	—	11	30	15	35	98
Sutherland	75	4,002	—	—	—	7	2	17	49
West Lothian	164	34,550	—	—	11	19	8	32	94
Wigtown	116	9,473	—	—	4	10	4	23	75
Zetland	70	4,997	—	—	1	7	1	7	54
		870,063							

1790. Does this not tend to overlapping in activities amongst the competing agents and officers with consequent increase of administrative costs?—(Sir James Leishman): It does tend in that direction.

1791. Seriously?—I would not put it as very serious.

1792. (Mr. Evans): With regard to these occupational societies, could we have some information as to the cost of administration and the amount paid in benefits? Would it be higher in an occupational society than in a mixed society?—In some cases that would be so; in others it would be less. If you group together a large number of comparatively poor lives—using the term in an insurance sense—you are bound to have a worse experience. If you put a large

number of good lives together you are bound to have a better experience.

1793. I was referring to occupational societies. Take, for instance, the miners. You might have a society embracing only the mining community?—Yes.

1794. Would you find the cost of administration there higher than in a society composed of mixed membership?—The cost of administration I do not think is necessarily higher, but the cost of benefits probably would be higher than the average.

1795. Could we have figures, do you think, showing that?—We can give you figures, for example, regarding a large miners' society, if the Commission think it desirable.

(The Statement promised in answer to Q. 1795 is here inserted for convenience of reference).

SCOTTISH BOARD OF HEALTH.

Table showing Benefit Expenditure Rates in pence per member per week of the Scottish Miners' Federation A.S. 23 Sc., as compared with the figures for all Scotland.

Year.	Membership.		Men.				Women.				Average Expenditure in respect of all Scottish Membership of Approved Societies.							
	Men.	Women.	Sick Benefit.	Disab. Benefit.	Mat. Benefit.	Total	Sick Benefit.	Disab. Benefit.	Mat. Benefit.	Total.	(Men).				(Women).			
											Sick Benefit.	Disab. Benefit.	Mat. Benefit.	Total.	Sick Benefit.	Disab. Benefit.	Mat. Benefit.	Total.
1913	...	...	Sickness & Maternity			3.35	Sickness & Maternity			2.24	1.90	—	0.62	2.52	2.13	—	0.08	2.21
1914	...	...	2.92	0.15	0.92	3.99	1.87	0.09	0.19	2.15	2.26	0.08	0.64	2.98	2.17	0.07	0.18	2.42
1915	Civ. ...	...	2.82			3.65	2.10			2.54	2.13	0.31	0.58	3.02	1.76	0.36	0.15	2.27
1916	Cl. B ...	...	2.82			3.65	2.10			2.54	2.13	0.31	0.58	3.02	1.76	0.36	0.15	2.27
1916	Civ. ...	...	2.916			3.49	1.69			2.18	1.99	0.40	0.57	2.96	1.49	0.49	0.13	2.11
1916	Cl. B ...	...	2.916			3.49	1.69			2.18	1.99	0.40	0.57	2.96	1.49	0.49	0.13	2.11
1917	...	...	1.99	0.57	0.67	3.23	1.37	0.35	0.13	1.85	1.84	0.45	0.49	2.78	1.35	0.51	0.14	2.00
1918	...	...	2.46	0.61	0.68	3.75	1.86	0.30	0.19	2.35	2.13	0.46	0.48	3.07	1.59	0.50	0.15	2.24
1919	...	...	2.62	0.75	0.76	4.13	1.56	0.41	0.39	2.36	2.15	0.50	0.51	3.16	1.45	0.54	0.23	2.22
1920	...	...	2.71	1.06	1.04	4.81	1.93	0.38	0.87	3.14	2.13*	0.66*	0.72*	3.51*	1.85*	0.78*	0.45*	3.08*
1921	...	...	3.83	1.56	1.11	6.50	3.09	0.58	1.00	4.67	†2.70*	†0.99*	†0.78*	†4.47*	†2.28*	†1.06*	†0.46*	†3.80*
1922	...	...	3.31	1.80	.92	6.03	2.76	0.53	0.65	3.94	†2.90*	†1.26*	†0.77*	†4.93*	†2.56*	†1.26*	†0.39*	†4.21*
1923	...	...	2.78	1.92	.90	5.60	2.99	0.61	0.60	4.20	†2.45*	†1.39*	†0.75*	†4.59*	†2.50*	†1.43*	†0.38*	†4.31*
1st Jan. to 29th Nov. 1924	...	...	3.54	2.04	.90	6.48	3.64	0.67	0.66	4.97								

* The increase of benefits under the 1920 Act as from July 1920 affects these figures
 † These figures are affected by additional benefits payable as from July 1921.
 N.B. A.S. 23 Sc. had no disposable surplus at the 1918 Valuation.

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[Continued.]

1796. (*Chairman*): Chapter III of Section B. Have you had anything substantial in the way of complaint from members as to their position when their society has disappeared owing to dissolution, amalgamation, transfer of engagements, or withdrawal of approval?—No complaint at all, as far as I know.

1797. I gather that amalgamation and transfer of engagements are the principal causes of the disappearance of societies and branches?—Yes.

1798. Have you ever had difficulty in finding a society willing to take over what might be regarded as a derelict concern?—Never, but we have had very few derelict concerns.

1799. I notice from paragraphs 5 to 8 of Section B that there has been a remarkable decline in the number of societies and branches in Scotland since 1912, and that in the result you have now no society with membership under 100, and only three with less than 200. Do you expect the present tendency towards reduction to continue, or do you think you have now come to something like stability?—It may continue, but probably at a very slow rate.

1800. Has it been at all the policy of your Board to press for the abolition of small societies and branches, or has the reduction come about spontaneously?—I think on the whole it has been the policy of the Board and its predecessor the Commission, to press for the transfer of very small societies and branches.

1801. Do you consider that the consolidation of separate branches into larger units has, on the whole, resulted in greater efficiency?—On the whole, I think, yes.

1802. Chapter IV of Section B. I observe from paragraph 11 of Section B that between 1912 and 1923 the Industrial and Collecting Societies have increased in membership at the expense of the Friendly Societies with branches, and that the centralised Friendly Societies have remained fairly stationary. Do you make any inferences from these movements?—Yes, I do, but I would rather not state them just now.

1803. Do you think that much canvassing to induce members to transfer from one society to another goes on in Scotland?—No, not so very much with regard to transfer from one society to another. I think there is a good deal of canvassing for new members, which is a totally different thing.

1804. Insured persons may transfer from one society to another subject to consent of the former and the payment of the transfer fee of 2s., but such transfer involves the loss of the title to additional benefits for a considerable period. Does not this work out hardly in some cases? Has there been much complaint about this?—There is a hardship to some extent. I do not think that we have had much complaint on the point.

1805. (*Sir Arthur Worley*): With regard to transfer, it is undoubtedly a hardship for a man who may be in one society which gives certain additional benefits to transfer to another society and be out of additional benefits for so long?—Yes.

1806. Is it not possible for something to be done to eradicate that hardship?—It may be possible, but if I may say so with respect, I hope we are not going to complicate things too much again.

1807. I have very great sympathy with your plea for simplicity. It is a fact that there is a hardship, and I will leave it at that.

1808. (*Sir John Anderson*): Have you had to make much use in Scotland of your disciplinary powers over Approved Societies? I know you do not use the word "control." In the process of giving advice and encouragement have you ever had to go to extreme lengths?—We have never had to withdraw approval.

1809. Have you ever had to put in a manager?—No.

1810. Have you ever had to threaten to withdraw approval?—Once.

1811. What form did your advice take in that case?—We told them if they did not go in out of the wet somewhere they would have to go out of business.

1812. With that encouragement they improved?—With that gentle encouragement they did.

1813. (*Sir Alfred Watson*): Paragraph 6. You have a number of cases where all the branches in a district have amalgamated for the purposes of National Health Insurance?—Yes.

1814. Although they preserve their separate entity on their independent side?—Yes.

1815. Do you find that central management of branches in a district secures really effective control over the payment and supervision of claims in those cases, or does a good deal of the control still remain with the original branches?—I think they have fairly effective control, though I am not answering with any great certainty in my own mind. (*Mr. Jeffrey*): The branches pay benefit of course under the direction of the district committee.

1816. That is the first point. Taking a district branch that extends over quite a large area of country, do all the local branches refer all the claims of their members to the central district branch?—Yes.

1817. And the authority to pay comes from the centre?—Yes, the local branch acts as the agent of the district in that case.

1818. Simply as the agent?—Yes. They collect and distribute the contribution cards and record cards, and they pay the benefit under the direction of the district committee.

1819. Who provides the supervision, the sick visiting?—I take it the district would make arrangements with the branch to do that on its behalf.

1820. You have no personal knowledge as to how far the district does enter into effective arrangements with the branches?—No. (*Sir James Leishman*): I think the societies might be questioned on that point.

1821. Has the Board had any occasion to examine the working of these district branches to satisfy itself as to whether the new form of constitution is working satisfactorily from the point of view of claims?—We did in one case, and found it very satisfactory.

1822. (*Professor Gray*): In Scotland you have reduced the number of small societies much more than has been the case in England. Have you adopted the same policy with regard to branches, because, if so, you have not been so successful there?—Yes, there have been over 1,100 branches transferred.

1823. I am thinking of very small societies with under 100 members. If you compare your figures with those of England, the small societies have almost entirely disappeared in Scotland?—Yes.

1824. But in the case of branches there is still a certain number with under 60 members?—None under 50, I think, now.

1825. Your statement gives six?—Two of those have gone out.

1826. So far as insurance purposes are concerned, these branches stand in the same position as an independent society?—Yes, they are independent units. We are taking up that matter just now, trying to get them to transfer.

1827. (*Chairman*): On Chapters V and VI of Section B, I have no question to ask. Chapter VII. I see from paragraph 20 of Section B that a large proportion of societies had surpluses on their administration account, but very few had deficiencies. I suppose we may infer from this that the present allowance is ample for the great majority of societies?—Yes.

1828. Do you consider that it is possible to find people willing and competent to do the work for the very small remuneration which can be provided by a small society?—Yes.

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[Continued.]

1829. A society of 200 members would only have about £40 a year for administration?—Yes. As a matter of fact I do not think any society or branch has had any very great difficulty in getting officials, even for the comparatively small amount of remuneration that is available.

1830. Competent officials?—Well, there are a small number that are on the doubtful side with regard to competency, but on the whole those that remain now I should be prepared, with very few exceptions, to regard as extraordinarily competent.

1831. Do you consider that, generally speaking, the larger the society the lower will be the cost per head for administration? Is this so in practice?—No, it is not so in practice.

1832. Do you rely more on control by the members or control by your Board in the matter of keeping the management expenses as low as is reasonable? In other words, does your Board concern itself at all beyond seeing that the limit of 4s. 5d. per member is not exceeded in any one year?—If a society were managing its affairs correctly in every respect, and the auditors were satisfied, and the inspectors were satisfied, and the members were satisfied, and nothing was heard to the contrary, we would simply say: "Good luck to you!"

1833. Chapter VIII of Section B. Has there been much complaint on the part of societies in Scotland about the complexity of the book-keeping or the meticulousness of the audit control?—Generally speaking, I think most societies would welcome simplicity. On the whole I think they regard the audit as being necessary and useful and helpful. Some have objected to the audit position without fully understanding it, I think.

1834. (Sir Arthur Worley): You infer that the present administration allowance is quite adequate?—Yes.

1835. I do not suppose you wish to pass an opinion that it is more than adequate?—I have already expressed elsewhere fairly strong views on that point which I am afraid did not add to my popularity among Approved Society officials in Scotland. I think the present amount is quite ample.

1836. Would you be in a position to offer any suggestions as to how labour could be eliminated so as to reduce the on-cost?—Yes. Of course some of the recommendations might mean alterations in the Act.

1837. Even so it might be of interest and value to us to know them?—We have to remember that there is a large number of people concerned, and questions are sometimes political as well as administrative.

1838. (Sir John Anderson): You would recognise, Sir James, that as there are all kinds of societies operating under the Acts with very different systems of administration, the cost of administration might reasonably be expected to vary within fairly wide limits?—Yes, to some extent.

1839. Do you find in fact any considerable variation as between one society and another of the same class having a comparable membership?—There is variation within fairly narrow limits.

1840. It is confined within narrow limits, is it?—Fairly narrow. It is the man behind the gun that counts after all. You have a very competent man who is dead keen; he reduces his cost. If he is not so keen or if he is influenced otherwise, he does not.

1841. Is that necessarily so? It is possible to be economical at the expense of efficiency, is it not? After all, reduction of administrative cost is not the be-all and end-all of Approved Society administration?—That is possible, but it is also possible to be very efficient with economy.

1842. Of course one must agree there; but if the members are to be properly looked after and if benefit claims are to be properly scrutinised and benefit is to be properly administered, a certain amount of cost must be incurred?—Yes, necessarily.

1843. Which in a more carelessly managed society might be avoided to the disadvantage of the members?—Yes. If you want to put the point, a society

might have a fairly high administration expenditure and a comparatively low claims experience.

1844. And might give very general satisfaction to its members?—Yes.

1845. But you have just told us that, taking the thing as a whole, the administrative costs do not vary very widely?—Not very widely; they do vary.

1846. Have you had in your experience in Scotland outstanding cases of, in your opinion, excessive administrative costs with which you have had to deal?—I think so, but it has been after all within a comparatively small range. We are getting down to pence really.

1847. Have you had many cases where a levy has been necessary to make good a deficiency in administration?—We have had some, not very many.

1848. Have the Regulations as to the imposition of a levy been carried out?—Yes; mostly by a reduction of benefit, not by an actual cash levy on the members, which they do not like.

1849. Do they not mind having their benefit reduced?—They do not seem to mind so much. As a rule nobody expects to be ill; he thinks it is the other man who is going to be ill.

1850. (Sir Alfred Watson): What is the percentage of contributions spent in expenses of administration?—About 2 per cent., I think.

1851. Taking this 4s. 5d. and adding to that your own central administration, what about does it represent of the total contribution income?—(Mr. Jeffrey): In 1923 the administrative expenditure of Approved Societies in relation to the income of the scheme was 9·2 per cent.

1852. To which you have to add central administration?—Yes, roughly about 2·9 per cent., and then insurance committees, 1·1 per cent. (Sir James Leishman): 13 per cent. in all.

1853. Apart from insurance committees—which is rather a different subject—the expenditure of Approved Societies plus the expenditure which the Board has to incur, represents about 12 per cent. of the contribution?—Yes.

1854. Or about 13 per cent. if insurance committees are included?—(Mr. Jeffrey): Yes.

1855. Is that so high a percentage that it is necessary to contemplate the adoption of measures of simplicity that might detrimentally affect insured persons' rights in order to get it down lower?—(Sir James Leishman): I think that is debatable. I personally am in favour of a simple system wherever it can be got. When you are dealing with this large mass of people, the great difficulty in administration, I think, has been complexity.

1856. You would not say that the expense is high?—I would not say the expense of administration is high, considering the scheme we have to administer, and the vast number of people concerned and the various types of societies concerned.

1857. I suppose it is not materially higher than the Friendly Societies pay in managing their independent affairs?—It may be a little higher. I have no recent information on that point.

1858. It is certainly very much below the cost of industrial insurance?—I am not here to defend that.

1859. That is a fact, is it not?—I think it is.

1860. We have to try to discover whether this 12 or 13 per cent. represents reasonable or unreasonable expenditure, and I think we can only do it by comparing it with other forms of insurance, other types of commercial insurance where the expenditure is frequently as much as 12 or 13 per cent.?—Yes, and even more. Even in some good companies it is higher than that.

1861. May we take it that in your opinion the expenditure, though probably a little higher than you would like to see it, is not at a level that suggests extravagance or undue expense?—I should not say a fair critic could label the scheme as extravagant or that very much could be cut off, looking to the situation with which we have to deal.

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[Continued.]

1862. (Sir Arthur Worley): To clear up that point, what was in my mind was not that there should be any economy that would affect detrimentally the insured; it was whether you might simplify something that would give the same advantages to the insured but possibly would effect a real saving?—Yes.

1863. (Mr. Evans): There is a big area in the North of Scotland where you have a very sparse population?—Yes.

1864. Have you Approved Societies there almost limited to those areas, and how do they manage? Would they have to levy their members in order to meet administrative cost?—No, I do not think so. They have to get along on the same amount. The maximum at present is 4s. 5d.

1865. Are they helped in any way?—I do not know that one of them is helped from any extraneous source whatever.

1866. (Chairman): On Chapters IX and X of Section B I have no question. Now we come to Chapter XI, page 128. On the first valuation the financial results were, I gather, better than were expected. What in your view were the main causes of this?—(Sir James Leishman): The causes have been described by the Government Actuary. The main cause is that for one reason or another the expenditure on benefits, particularly on sickness benefit, was

less than was expected. I think, probably, it is not unfair to say that the machine, central and local, was possibly a little better than most people expected, and therefore the administration and control contributed to that result.

1867. I see from paragraph 31 of Section B, that in Scotland there are no Associations of small societies for valuation purposes. Does this indicate that the small societies in Scotland were all sufficiently strong to stand on their own feet?—I think so.

1868. Has the system under which each society makes its own arrangements for the "treatment" additional benefits, resulted in a very wide variation in the standard and cost as between different societies? Do you consider that it would be preferable for your Board to negotiate with the persons or bodies in a position to provide treatment, e.g., with the hospitals or dentists, with a view to securing a greater uniformity of standard between the several societies giving a particular treatment benefit?—There has been some degree of variation in cost and extent of assistance. I think it would be preferable to have some body making arrangements to get the best possible for the insured persons. In this connection, we should like to submit tables showing the expenditure on non-cash additional benefits in Scotland during 1922 and 1923. (Tables handed in.)

Statement of Expenditure on Non-Cash Benefits during 1922 of Centralised Societies with Head Office in Scotland or with separate Valuation for Scotland.

Add. Ben. No.	Amount available.			Payments 1922.	Receipts from members 1922.	Net Total Payments 1922.	Add relative % for Administration Expenses 1922.	Total Expenditure 1922. (Cols. 7 & 8).	% of Col. 9 to Col. 4.
	1922. Appropriation.	Balance brought forward from 1921.	Total amount available for 1922.						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2	6,484	3,041	9,525	1,122	—	1,122	93	1,215	12·8
11	134	50	184	125	—	125	22	147	79·9
15	12,942	6,369	19,311	4,521	—	4,521	452	4,973	25·7
16	2,972	1,486	4,458	7	—	7	1	8	0·2
17	1,751	838	2,589	124	1	123	9	132	5·1
18	3,450	1,725	5,175	336	—	336	34	370	7·1

Statement of Expenditure on Non-Cash Benefits during 1923 of Centralised Societies with Head Office in Scotland or with separate Valuation for Scotland.

Add. Ben. No.	Amount available.			Payments 1923.	Receipts from members 1923.	Net Total Payments 1923.	Add relative % for Administration Expenses 1923.	Total Expenditure 1923. (Cols. 7 & 8).	% of Col. 9 to Col. 4.
	1923. Appropriation.	Balance brought forward from 1922.	Total amount available for 1923.						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2	12,264	8,314	20,578	16,695	5	16,690	828	17,518	85·1
11	262	38	300	347	—	347	12	359	119·7
15	12,989	14,350	27,339	10,026	—	10,026	501	10,527	38·5
16	1,548	4,461	6,009	66	—	66	3	69	1·1
17	1,698	2,458	4,156	538	1	537	25	562	13·5
18	1,625	4,805	6,430	777	—	777	39	816	12·7

1869. When an insured person changes from one society to another he does not carry an immediate right to additional benefits. Do you consider that this difficulty could, or should, have been met by the member carrying an additional transfer value corresponding to the additional benefits which his old society was providing?—There would be considerable difficulty in carrying it out, I think, whatever may be the arguments in equity for it. But I think it could be done all the same.

1870. What is your feeling about the operation of section 26 (section 21 of the 1911 Act)? I gather from paragraph 42, on page 130, that societies in

Scotland have taken considerable advantage of the power in question?—There is an unrestricted power to societies to contribute to hospitals and infirmaries, etc. The section was put in, giving societies that power and, so far as our experience in Scotland is concerned, we do not see sufficient reason either to abolish or even to amend that section.

1871. What about contributions to charitable institutions?—We say in our Statement that the section has been on the whole cautiously and carefully used. As far as my own opinion goes, I have no reason to advocate that that power should be taken away from societies.

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[Continued.]

1872. Will you tell us a little more about the Inverness County Benefit Society referred to in paragraph 43 of Section B? Do you consider that that society is fundamentally different in character from an ordinary society by reason of its geographical basis, and do you think that it offers any instructive object-lessons as to the organisation of societies on a local basis?—No, I cannot say that the Inverness County Society offers any real lesson whatsoever for dealing with societies on any new or territorial basis. It is the same as any other society, with the single exception that it contains four members on the committee of management who are appointed by the local authority.

1873. (*Mr. Besant*): With regard to the valuation of the Approved Societies, could you tell me whether in your view a small society stands at any disadvantage in valuation?—A very small society would possibly be subject to the risk of a certain number of heavy claims emerging.

1874. If a society had only 50 members one heavy claim would have so great an effect that if there was a small surplus I have no doubt the Government Actuary would hesitate to divide it, but if you had 10,000 members and there was a surplus many times larger, but exactly the same in proportion, the Government Actuary would say: "Well, here are enough in numbers to justify taking that surplus as being not accidental, but a certainty," and therefore at any rate a certain part of it could be justifiably divided?—Yes.

1875. From that point of view my own instinctive feeling is that any small society at a valuation time is put into a position of difficulty with regard to the allotment of additional benefits?—Yes.

1876. And that if the small society could be eliminated it would most likely be an advantage to the individual members when it came to the allotment of the additional benefits. I have gone a little further, perhaps, than my question, but I wondered whether you could tell us, perhaps not in the form of question and answer, what your view is on that question?—That is the general position. It is only fair to say that a number of quite small societies, as far as one has been able to see during the last dozen years or so, have done quite well from the point of view of risk. One is bound to state that. I think probably the Scottish Insurance Commissioners and the Board were impressed to a considerable extent with certain dangers which in actual fact emerged, but only to a very small degree.

1877. But is it not the case that if you have a number of individual twigs, and you could put them together into a bundle, you would be in a much more favourable position?—Yes, I agree.

1878. There may be one or two specialist societies which under any circumstances would most likely have a surplus, but taking not the specialist ones, but the normal societies, a lot of small societies at a valuation time must, I think, be exposed to special difficulties and handicaps?—Yes; very small societies, of course. It all depends on the numbers when you get down to a certain point.

1879. (*Mr. Besant*): I agree there would be a point at which you would begin to see that the law of averages would count. I was waiting for the Government Actuary to put questions of that kind in a more technical form, and I think, perhaps, he will pursue those questions now.

1880. (*Sir Alfred Watson*): Would not you say that a very important factor, if not the dominating factor in the success of an Approved Society is the administration of the benefits?—Yes, except that if it has got an undue proportion of bad lives no administration can alter that. If the claims emerge they have got to pay them.

1881. I agree that where a society consists, say, very largely of persons whose occupations are such that normally the society has very heavy sickness

claims, you cannot expect that society to succeed. But eliminating that cause and taking societies which are otherwise normal, administration is a very important factor in the success or the failure of the society, is it not?—Yes.

1882. The very large extent to which Friendly Societies, and, lately, Approved Societies, have carried on successfully with a membership of, we will say, 100 to 200 is strong presumptive evidence that a membership of about that size is sufficient in practical working for the operation of a society?—It is a remarkable fact to find so many of these small units successful. On the other hand, getting a really efficient secretary is undoubtedly a difficulty in these cases.

1883. That is another matter, is it not?—Yes.

1884. The scope for efficiency among the officers is naturally limited where there are only a few people to draw upon. But where you have got decent administration it really turns out, I think you will probably agree, to be almost more important than the chance of the risks moving from one side to the other, because the membership is small?—Yes. Of course, I do not pose as any great authority on actuarial matters.

1885. In point of fact, you have not found, I take it, in National Health Insurance, except in the case of very small societies, that the societies have either been greatly injured in their finances, or have secured great prosperity in the financial sense, because of fluctuations of risk due to narrowness of numbers?—That is so. I think we were perhaps unduly impressed by the danger of fluctuation of risk in small numbers. I will say that quite frankly.

1886. But events have scarcely warranted that feeling?—I do not know that they have quite; but we were very much oppressed with the danger.

1887. I think I am right in saying that this point was submitted to the Actuarial Advisory Committee in 1912, who were invited by the Joint Committee to recommend as to the smallest sized society that might safely be approved. Was not that so?—I cannot charge my memory with that at this date.

1888. I think the advice there given was that there should be a minimum of 80 members, or something like that. Do you remember that?—I cannot charge my memory at this date as to that.

1889. (*Sir Arthur Worley*): Is it not a fact that a great deal of the advantage of the small society would be derived from the comparative strictness of the supervision? The smaller the society, the more they draw their members from a particular lot of friends or from people allied in some work, and consequently you would have a strict supervision?—There is something in that. On the other hand, I think it is extraordinarily difficult in a very small society for a secretary to exercise very strict supervision amongst his own friends and neighbours, who are in the same works, or the same small village, or the same church, or the same bowling club, or something of that kind. It wants a man of real courage to come down on his next door neighbour and friend, whom he has known all his life.

1890. That answer militates against the efficiency of administration. When a man gets a claim and possibly one society would say he ought to go back to work, he would have a difficulty in a small society?—Some men may have a difficulty in turning down a member whom they know extremely well.

1891. I am only trying to get the balance of view in the sense of what a small society's handicap is. That would apply in the case of a small society more than with a large one?—Yes.

1892. (*Sir Alfred Watson*): I think we may say generally that except in the case of very tiny societies the question of the number of members has not been a serious factor in respect of financial progress?—No; I am bound to say that up to now it has not.

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[Continued.]

1893. (*Mr. Besant*): Turning to paragraph 30, page 128, could you tell me why under the Act of 1913 Scotland insisted on having a separate valuation for the Scottish members of certain societies?—I think it was just an indication, as far as one knows it, of what one might call very broadly and roughly the "Home Rule" position.

1894. But has anything been gained in these International Societies by having a dual system of valuation?—It is very difficult to answer that question. What we do know is that, putting the objection to uniformity on the highest plane, Scotland, on the whole, stands fairly well, and that, at all events, we have not lost anything while we have gained a certain element in our own self-respect and in the feeling that, after all, in this matter, we are able to get along fairly well and do almost as well as our dear friends the Englishmen.

1895. I was coming to that in my next question. I was going to ask whether, as the effect of the dual valuation system, the Scottish insured member had gained?—I say he has not lost, anyway—I will put it that way.

1896. (*Miss Tuckwell*): Is a complete and extensive audit of societies necessary?—I think so, absolutely.

1897. When I had to do with a very small society, I found that the secretary could never really cope with the books, and that when the auditor came—a kind and friendly person—he really, to a great extent, made up the books, as well as balanced them. Do you ever find that happens in little societies?—Not now. It possibly happened at the beginning of the Act; and while in theory it is rather doubtful whether any auditor should make up the books which he himself has got to audit, after all, the auditors were very anxious to set things going and they did the best they could by embarking on a course which, while doubtful theoretically, worked out very well in practice.

1898. So that you do not think now much help is needed by the societies?—I do not think much help is needed even by the small societies. I am talking, of course, with regard to Scotland. I am not talking with regard to England.

1899. I am talking with regard to Scotland. If you had an all-in society—one great society—would not you have more protection of economy necessarily in the audit?—Are you referring to one single society for the whole country?

1900. Yes?—Including Scotland and Wales?

1901. No, I was thinking of Scotland?—I am afraid that even the most courageous person that I know would hesitate to set up such a system in Scotland. I am afraid his life would not be worth living, whatever might be said for it in theory. We can only go, if I may say so, as fast as the country will allow us, and I doubt very greatly whether the country would contemplate that at all.

1902. Do not you think it might do away with some difficulties if it could be arrived at?—Yes. I will put this position. I can conceive of administration by carefully selected and most efficient and highly competent and trained men who would do all the work and provide a mechanical efficiency of a higher grade than we have at present; but I believe very greatly in educating the people even at the cost of some expenditure or at the cost of less efficiency, and I would doubt whether this high-grade efficiency would not be secured at too big a price.

1903. (*Mr. Jones*): Did I understand you aright to say that you were in favour of standardisation of the additional benefits?—No, not quite that. I understood the question to be whether better arrangements could not be made if some central arrangements were possible.

1904. In the hands of another authority rather than in the hands of the individual societies?—It is possible. For example, dental benefit.

1905. Have you any suggestion to make as to how that might be arranged?—I really have not gone into that point yet; but I could conceive situations arising

in a particular town where good arrangements could be made for dental work or optical work, for example, if you are going to allow them to be made.

1906. Then as regards payment to hospitals, and so on, under Section 26, you say that that is a statutory power which has been exercised with considerable caution?—Yes.

1907. Can you exercise any control in the event of any society being extravagant in that direction?—No. We have had no Scottish society extravagant, and I never expect to find one. We can only intervene, if at all, by advice when we are asked, and, although they are not bound to do so, societies have come along and asked if they could give certain sums—say £100—to an infirmary, and knowing the position of the funds we have said: "Yes, ten times that if you feel inclined."

1908. (*Professor Gray*): I think in Scotland you have had the same marked predominance of cash benefits under the additional benefit schemes?—Yes.

1909. I suppose that that was partly due to the fact that cash benefits were easily administered?—I think so.

1910. At the outset a society faced with the different schemes for nursing and so on did not know how to proceed, and it was a difficult matter to visualise a scheme?—Yes. They are rather taking a different view now.

1911. Because now the thing is working and you have had experience?—They are rather more inclined to look at treatment benefits.

1912. Will you tell me a little more about Section 26? There is no restriction whatever on the amount of money a society may give, is there?—None.

1913. And also they do it of their own volition and require to consult no authority?—That is so.

1914. There is a good deal of competition between societies, is there not?—In a limited way. Not the fierce cut-throat competition you have in the big cold world.

1915. No, but they do like to show that they are a better society than another?—Yes, within limits.

1916. They like to put additional benefits in the window?—To some extent that is true.

1917. Take a scheme of additional benefits under the normal system. What is there which restrains a society from carrying this competition to an excessive extent?—Nothing restrains it except that they administer the ordinary benefit and the knowledge of their own position.

1918. May I suggest also the fact that the insured person does not come to be entitled to additional benefits until a period of five years has run?—Yes.

1919. So that the competition between Approved Societies arising out of additional benefits is restrained by the fact that an insured person if he transfers will not get the benefit of the new schemes?—Yes.

1920. Coming back to Section 26, is there any corresponding restriction there?—No.

1921. So that if a society adopts a scheme under Section 26, devoting its money to these benefits, it can in fact tell an insured person that the moment he joins the society he will get the additional benefit?—Yes.

1922. And it can advertise that an insured person transferring to them would become entitled to treatment benefit the moment he joined?—Yes.

1923. Would it be right to say that these schemes have increased in number since the valuation? Has this question of Section 26 become much more acute since the valuation than it was before?—Yes; that is, within strict limits.

1924. But there are more payments now under Section 26 than there were before the valuation?—Yes; but they are still small.

1925. We will come to that presently. To what do you suggest that is due?—The societies did not know

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how they stood until fairly recently. They had not been valued and, as a matter of fact, hardly any societies in Scotland—with one or two exceptions—did give any subscriptions under section 26 until they actually knew how they stood.

1926. And now they know, they feel they are in a position to give more money?—They do, some of them.

1927. That is to say, is it not, they are using Section 26 to get funds which the actuaries said were not disposable?—That is probably putting it a little high. They say they are using the section to give contributions as Parliament gave them authority to do without in any way endangering the administration of their ordinary benefits.

1928. To the extent to which a society gives benefits under Section 26 it must reduce the additional benefits available at the next valuation?—To that extent, yes.

1929. So that what is given now under Section 26 is in a way an anticipation of the additional benefits which would normally be declared at the end of the period?—Yes.

1930. The Act lays down various ways of disposing of money when there has been a surplus?—Yes.

1931. Either a society has a surplus or it has not, and on that I think we are bound to accept the Actuary as being right. Is it not the case that if a society has a surplus there is the procedure in the Act whereby a scheme can be drawn up laying down who is to be entitled to the benefit?—Yes.

1932.—If they adopt that scheme then the scheme is subject to supervision?—Yes.

1933. If they do not, if they have not a surplus, clearly they ought not to give away money for the additional benefits?—Well, but we have got the section as it is there, and societies are exercising a discretion which the Legislature conferred on them.

1934. One can never see into the mind of the Legislature?—No, I know one cannot; but the section is there.

1935. But it may not have been intended to have been used in this way?—I could not say.

1936. As a matter of fact it is actually being used at the present moment, is it not, just as an alternative to additional benefits?—I would not put it in that way. The societies are using it in the full knowledge that they are in a very comfortable position with money to spare, and I do not know one myself that would in the slightest way endanger its ordinary benefits by any subscription that it might give under Section 26.

1937. As a matter of historical fact, when the section was discovered, if I mistake not, it was advertised as being the first additional benefit, which indicates the close relation between Section 26 and additional benefit?—I could not say that.

1938. You have put in certain figures. The highest one is, I see, 65d. per member per week. That works out at about 2s. 9d. a year per member. (Mr. Jeffrey): The Scottish Domestic Servants' Society's payment is equal to 65d. per member per week.

1939. And the Western Mutual is 71d. per week?—Yes. The Scottish Domestic Servants expended a total sum of £1,277, and the Western Mutual £401 for a smaller membership.

1940. That works out at about 3s. per member per year?—(Sir James Leishman): Yes.

1941. Do you regard that as a fairly substantial sum under the circumstances?—Yes. Neither of these societies in my judgment is ever likely to put itself wrong.

1942. (Mr. Jones): I suppose if you found a society going wrong you would give it advice but not encouragement?—We might not have a chance either to give it advice or encouragement, because they can act without coming to us at all.

1943. (Professor Gray): Do they come to you at all?—They do.

1944. So that a certain number you know of in advance?—We do not tell them to do it, but they come and they say: "Do you think it is safe for us to do so and so?" So far as "bunkers" are concerned, we say "Yes." One society, I may say, which was not in a very strong financial position, proposed to give some subscriptions which we did not think were justified, and we advised them that they should not do it. They dropped the proposal. That is the opposite side of the story.

1945. (Mr. Besant): But if they had not asked your advice they could have done it?—Yes.

1946. You could not have stopped them?—No.

1947. (Professor Gray): And they might have given the additional benefits which they ought to give five years hence?—I do not think they had any additional benefits to give away in this case.

1948. So that they would have lauded in a deficiency?—A small deficiency.

1949. (Mr. Cook): I see that your Statement explains what is embraced under different heads; but I do not think there is anything about what is included under the head of "Optical, medical and surgical appliances"?—"Optical" would usually be spectacles and eye-glasses.

1950. What appliances would come under "surgical"?—(Mr. Wight): Trusses and things that are not in the ordinary prescribed appliances of medical benefit. Trusses are probably the things that are most in favour, I should think.

1951. A question was put to you somewhat to the effect that a dominating factor of success of Approved Societies was efficient administration. Am I right in saying that in Scotland, at any rate, you have societies against whom there is no charge of maladministration, and yet these societies, while fairly successful, have no surplus to provide additional benefits with?—(Sir James Leishman): Yes, there are some in the position which you describe.

1952. Not small societies either?—That is so.

1953. Miss Tuckwell asked whether it might be better if you had one society for Scotland instead of the various societies that we have in Scotland to-day. If that were to be considered practicable, at any rate, it would bring about some uniformity of additional benefits, would it not? Each member would obtain the same insurance benefits as are now being enjoyed by members of one or two favoured societies?—Yes, provided the same rate of expenditure went on.

(Sir Alfred Watson): That is a big question.

(Mr. Cook): It is a very big question, but it is a point on which I am very much interested.

1954. (Sir Andrew Duncan): Is Scottish sentiment on this question of Scottish Home Rule getting less intense?—No. I should say on the whole it is getting stronger. It is not a mighty rushing stream, but it is there.

1955. How do you detect it?—By people speaking about it.

1956. Are they still talking about it?—Yes. They are talking about it so much that they assume it is going to take place all round before very long, Home Rule all round. I mean for all the different kinds of administration.

1957. (Sir Humphry Rolleston): When you were asked a question about one central society managing the whole business of Scotland you rather hinted that there were strong reasons against it and that the life of the individual who proposed it would not be worth living?—Yes.

1958. What is at the back of that?—I think there would be very strong objection by societies who are on the ground. There is no administrator who can ignore the fact that the slate is not clean just now and that he cannot go over it like a sponge and wipe people out. People are there with their views and their sentiments and their prejudices, if you like, and any administrator has got to take that into account.

1959. Would not the present officials be utilised?—I do not know whether they would or not.

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1960. If they were, would the objection continue?—Then they would be State officials with the rights of State officials and pensions and holidays and Civil Service scales, and they would be another increase to the huge army of officials.

1961. But you would not express an opinion as to whether the eventual advantage to Scotland would lie in that direction?—That would only be an opinion. If it was a society of that sort it would get to a position, in my judgment, of having to be guaranteed by the Government. That would mean that the insured person would think he had a right to fall back on the funds and, as far as I have known, in most of these kinds of State movements all rigid economy goes by the board. Whenever the people think there is something to get hold of belonging to the country they have a go for it.

1962. (*Sir Arthur Worley*): In other words, in your view it would destroy what has been the main protection of the societies, especially the small societies, that is, the personal interest taken in the administration by men who, while they get paid something, do not get enough to do it merely as a business proposition?—I have said that I can conceive a more efficient machine constructed.

1963. (*Mr. Besant*): Could you tell us as between the limit of, say, one society for the whole country and an exceedingly large number of fairly small societies, whether there is a sort of mean point at which you could get a membership which would give you the maximum of efficiency both from the point of view of the insured members and from the point of view of administrative supervision?—I can conceive a theoretical position being arrived at; but we are getting, if you will excuse my saying so, on to that very thin ice on which we were before.

1964. I understand that; but I think the Commission feel that we have had the two views and that mathematically there ought to be some point at which you could get the maximum efficiency, say in an urban district. I do not know whether it is a membership of 2,000 or 5,000 or 10,000?—If I were asked that question again at a later stage I would feel more at liberty to answer it than I am at the moment.

1965. I think it is important to get the maximum of efficiency?—Might I say that on the question of administration I would like to be permitted to put in one or two extracts from our Reports? With regard to the first—the extract from our Official Report for the years 1917-1919—I would say that it sums up our view of the administration of the Insurance Acts in Scotland up to that time. I would also say that it was done with extraordinary care. It was not only the opinion of the Commissioners, but it was the opinions which they could gather from every source, which they considered and on which they formed a concise view of the situation. We therefore think it is advisable to put that in, and also our views as expressed in the year 1923 of the position of medical benefit and society administration. (*Documents handed in.*)

EXTRACT FROM REPORT ON THE ADMINISTRATION OF
NATIONAL HEALTH INSURANCE IN SCOTLAND DURING
THE YEARS 1917-19.

General Summary and Review.

“The Commissioners wish to place on record their conclusions on the following matters.

The collection of contributions by the affixing of stamps on contribution cards has in practice been found simple, inexpensive and satisfactory in its working.

During the war the money benefits to insured persons have, considering the difficulties of the times, been paid with commendable promptitude.

Bad claims have in general been resisted and there has been reasonable examination of doubtful claims.

As time has passed, there have been developed greater appreciation of insurance and a better understanding of the nature and value of participation in a common fund set up to provide for sickness and ill-health. The feeling evinced in some quarters against compulsory insurance has greatly diminished or has almost disappeared. The desire to remain outside the Insurance Acts has been replaced by a desire to come within their scope and thus profit by their benefits. Apart from doubts expressed as to the sufficiency of the money benefits, which became stronger as the actual cost of living increased and the value of money decreased, no sustained general criticism of the compulsory system exists, except perhaps as to methods of raising the funds required.

There is little doubt that the money benefits have been very helpful to sick persons and have been appreciated accordingly.

Maternity benefit has been highly popular. Positive evidence is abundant that it has greatly helped mother and child, and there has been very little misapplication of this benefit. Complaints, however, have been received that in many cases too much of the money has gone to the doctor or midwife, but, even so, the mother and child have benefited by the skill and care thus obtained.

Medical benefit has under the Insurance system been found to work well, even under the severe difficulties and the restricted service made necessary by the War, and very little reliable evidence has emerged of neglect of duty on the part of insurance practitioners, or of any real ground for loose general charges of inefficiency.

Dissatisfaction with a limited service and agitation for an extended and complete medical and institutional service must not be founded on as a condemnation of the working of the present Insurance scheme, but rather as an indication that it has resulted in increased appreciation of the importance of a further great development of medical services in the interests of national welfare. An American critic has alleged that insurance doctors are mainly occupied in dealing with trivial ailments. In so far as that is the case it is testimony to the worth of the present scheme. The facilities for treatment which the Act presents to the insured have resulted in the insurance practitioner seeing disease in its earliest and most curable stages, when there is frequent opportunity to inhibit the onset of disabling or fatal illness. As medical education becomes more and more directed to the prevention of disease, the profession will become increasingly fitted to take advantage of the openings for such work which are afforded under the Insurance Acts.

The Commissioners have, however, been impressed with the prevalence of a feeling that certification of illness has not been equally carefully performed by all practitioners. They think there is reason for uneasiness and they share the general opinion that medical referees should be appointed, to whom doubtful claimants on the Fund could be sent. They believe that such appointments would be welcomed by insurance practitioners generally.

The prominence which tuberculosis has received during recent years, the attention devoted to it by special Commissions and Committees, by Parliament, and by the medical profession, and its special place under the Insurance Acts, are well known and are referred to in the previous reports of the Commissioners, in official and other documents and in medical literature. The Insurance Acts stimulated public interest in the question, spurred on public health authorities to tackle it, and by reason of the financial assistance afforded, made greater provision than heretofore for dealing with this national scourge, alike in the home, at the dispensary and in hospitals, sanatoria and farm or village colonies. But the Great War has fundamentally interfered with the whole

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social organisation of the country, and with all the numerous and diverse influences which affect the problem of tuberculosis as respects both the individual and the community. It has limited domiciliary and dispensary treatment, has temporarily put a stop to the provision of new institutions for reception of cases, and has restricted valuable voluntary services such as those of after-care committees. It has prevented also the provision of houses with more living and sleeping room and better ventilation which constitute so essential a factor in the control of tuberculosis. It has profoundly affected the health of many who served in the Army and Navy. It has seriously interfered with the food supply of the whole country, and with action towards purifying the contaminated milk supply which is so largely a cause of tuberculosis of young children.

In these circumstances, whatever be the merits or demerits of the methods of control and prevention which were already to some degree in operation before the Insurance Act, and which were followed in the administration of that Act, the fact is that these methods under the conditions of the War have had no chance of showing what their value really is. But as already pointed out, the Insurance Act has greatly stimulated the activities of the local authorities responsible for dealing with tuberculosis as an infectious disease, and the changes which, subsequent to the period covered by this Report, have taken place in respect of the control and supervision of local bodies by the central authorities, afford a new opening for action on approved lines. If there also comes into existence a better organisation of local authorities themselves, many present difficulties will be removed, and the outlook will be all the more hopeful in respect of every well devised effort towards the prevention of disease."

EXTRACTS FROM THE FIFTH ANNUAL REPORT OF THE
SCOTTISH BOARD OF HEALTH, 1923.

*Summary of general conclusions respecting the
Administration of National Health Insurance by
Approved Societies.*

"Societies have again successfully surmounted the difficulties presented by continuance throughout the year of abnormal industrial conditions and remain in relatively the same satisfactory administrative and financial position.

Improvement in book and record-keeping has been less marked than in the years immediately succeeding the war, but as time goes on this slowing down of progress is only what is to be expected.

As before, defalcations have been trifling in number and amount having regard to the great sums handled.

In complement of what is said in the Report as to complaints and enquiries, the fact should never be lost sight of that claims made and paid without question or complaint on either side represent the overwhelming majority. The complaints received are numerous, but when it is recollected that millions of transactions occur between societies and their members, the difficulties and misunderstandings are seen to be only what may be regarded as the normal, inevitable and proportionately unimportant incidents of administering so huge a machine.

The district medical officers continue to do work which is appreciated by all the interests concerned. The number of cases submitted to them is steadily increasing."

"The following general inferences may be drawn from the combined experiences of our district medical officers during the year:—

"(1) The standard of certification by insurance practitioners is improving, but numerous

cases of laxity still come under notice. Some practitioners do not realise, for example, that where hospital treatment is necessary but admission to the institution is likely to be delayed, the patient should not be certified during the waiting period as incapable of work if in fact he is not so incapable.

"(2) There is a great diversity in the range of treatment given to their insurance patients by practitioners. The work done by many practitioners is of the very highest quality, sometimes comparing not unfavourably with that of specialists attached to hospitals. In few cases are special fees demanded for exceptional services. In some isolated instances, however, it would seem that the care and attention given to their patients by certain doctors is definitely below the average of the insurance service.

"There is an urgent need for increased hospital accommodation for the insured. The fullest advantage is not always taken by practitioners of the availability of specialist advice at these institutions."

1966. (*Chairman*): I now come to Section C of your Statement which deals with medical benefit questions. What is the present average cost per head for Insurance Committees' administration and what proportion does this bear to the expenditure on medical benefit?—It was 6½d. last year and is about 6d. this year. It would be round about 4 per cent.

1967. Can you give us a brief summary of the duties of Insurance Committees in Scotland and how they compare with the anticipations at the inception of the scheme?—(*Mr. Jeffrey*): The primary duty of Insurance Committees, is to administer medical benefit, and in the administration of medical benefit the committee maintain an Index Register of insured persons. It maintains the Medical List and the List of Chemists who have undertaken to supply drugs and medicines. It distributes the medical benefit money due to doctors and chemists, and in Scotland it distributes the mileage payments to doctors in rural areas in consultation with the Panel Committee. I may add in passing that the Central Department do not interfere with the discretion of the Insurance Committee in the local distribution of the mileage money. Then the Committee issues medical cards to insured persons and it deals with complaints as to medical benefit after they have been inquired into and reported on by the Medical Service Sub-Committee or by the Pharmaceutical Service Sub-Committee or by the Joint Services Sub-Committee. Then, secondly, the Insurance Committee administers the cash benefits of deposit contributors. These are briefly the duties of the Committees. In addition to these duties the Insurance Committee has certain powers; for instance, to make reports as to the health of insured persons as may be prescribed, and to furnish statistical returns as to the health of insured persons. Then it may make provision for the giving of lectures and the publishing of information as to the health of the people, and for that purpose it may make arrangements with Local Education Authorities, universities and other institutions. In one or two cases our Insurance Committees have actually exercised that power. The Insurance Committee may also make representations to the Central Department as to excessive sickness in its area. That is a power which has not been exercised. Then the Insurance Committee may also make subscriptions to hospitals and charitable institutions under Section 21 of the 1911 Act. You have just been discussing that with reference to Approved Societies. Insurance Committees have a similar power, and in one or two

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cases they have exercised that power in Scotland. Necessarily, the Insurance Committees' exercise of the various powers that I have mentioned are very much restricted, because the only fund from which they can defray the expenditure is the General Purposes Fund, and the revenue of that fund is rather exiguous. These briefly are the powers and duties of the Insurance Committees. It was probably contemplated in the early days of the Act that the Insurance Committees would arrange with doctors and chemists as to the terms and conditions of the service; but from the outset the negotiations have taken place centrally, and probably no other course was really practicable. To that extent the duties of Insurance Committees are less than were contemplated. Then again sanatorium benefit was at one time administered by Insurance Committees, but that was transferred to the Local Authorities. Then with regard to the administration of the cash benefits of deposit contributors, the Insurance Committees are helped very largely by the Central Department. Naturally, the Central Department do part of the work—the book-keeping work—and they receive the claims and pay out the benefits. The Insurance Committee really acts as local agent in paying the benefit. They receive the claim; they examine it and certify it as being correct. In some cases the money is paid direct from the Central Department to the deposit contributor, but in other cases the money goes through the medium of the Insurance Committee and they pay it.

1968. How often on the average does an Insurance Committee meet?—They must meet at least quarterly. Some committees meet two-monthly, and in about three cases they have been allowed to meet less often than quarterly, the reason for that being that the amount of business did not justify the expense of meeting more frequently.

1969. Have you any information as to the attendance of members at meetings of Insurance Committees?—We have not complete returns for Scotland, but generally speaking I should say about 60 per cent. of the members attend. It probably ranges from 50 to 65 per cent., the average being about 60 per cent.

1970. Can you say why Scotland did not follow England when the maximum membership of Insurance Committees was reduced in the latter by one half?—(Sir James Leishman): To begin with, we had quite a number of small committees, which could not have been reduced, and, secondly, some of the other committees are in very difficult areas where it is very difficult to get full attendance. In some cases there would have been very little saving in expenditure, and it was so small that it was not worth doing.

1971. You never had any demand, had you, for the setting up of District Insurance Committees even in your most widespread and sparsely populated counties?—No.

1972. I see from paragraph 7 of Section C that out of 2,175 general practitioners in Scotland 1,790 are panel doctors. Can you indicate at all the relative proportion in a few typical towns, such as Edinburgh and Glasgow?—(Mr. Jeffrey): We have information with respect to particular areas, but not complete returns for every area. If you take the county of Fife all the general practitioners are on the panel. In Dundee Burgh 95 per cent. of the general practitioners are on the panel. In the county of Peebles there is only one general practitioner not on the panel. In the county of Berwick they are all on. In Dunfermline Burgh they are all on. In Glasgow 269 out of 401 are on the panel. Then in the Burgh of Perth two doctors are not on. In the county of Perth they are all on. In Forfar county they are all on. Speaking generally, with regard to rural areas, I think it may be assumed that most of the doctors are on the panel, and indeed in a single practice area it is almost inevitable that the

doctor should go on the panel. (Mr. Wight): In Edinburgh the figures are 160 doctors on the Medical List out of about 230 in general practice. (Sir James Leishman): Edinburgh was the place where the reaction in connection with the agitation was felt most keenly in the medical profession owing to the number of consultants who were there.

1973. Have you had much criticism in Scotland of the limitation of medical benefit to general practitioner treatment?—There has been some—from time to time a good deal. But I think on the whole it has been by those who do not fully understand the position. So far as our information goes in the absolutely rural districts of Scotland there is no limitation at all. The practitioner gives all the services he is accustomed to give and all that he can give. In the large towns I do not know that that is quite true. I think there is a considerable number of insured persons who would get the specialist services from hospitals and infirmaries.

1974. Are you prepared to express an opinion upon the statement sometimes made that the service given by doctors to their panel patients is inferior in character to that given to private paying patients?—Yes, most emphatically. We say from a very careful investigation and from every source of information that we can tap, that taking the service as a whole there is absolutely no justification in that statement now, as we have stated in our Annual Reports, which were carefully written without any reference to this Commission. If there is any discrimination at all it is against the private patient, and the panel patient gets possibly a little the better of it.

1975. Has there been, do you think, an improvement in the quality of the service since the inception of the scheme in 1912—making allowances for War period difficulties? If so, to what causes do you attribute it?—I think there is an improvement. I think the doctor is much more friendly. He realises the situation now. He is not so suspicious; he is more friendly to the administration, and he has now grasped the fact that insurance practice is really a good monetary proposition for him.

1976. I see from paragraph 8, Section C, that in only two cases has it been necessary to submit to referees question as to the scope of medical benefit. What happened as to payment of the doctor's fee in the second case, do you know?—(Mr. Jeffrey): With regard to the last part of the question, the doctor relinquished his claim to the fee, so the matter dropped. With regard to the other case, it was a question of re-vaccination against small-pox. It was submitted to referees, of whom the chairman was Sir Donald MacAlister, the President of the General Medical Council. They went into the question of whether prophylactic treatment was included in the scope of general practitioner treatment. If you wish, I can briefly summarise the views they expressed on the subject. It was submitted to them in argument that the treatment which the insurance doctor was bound to give was limited to curative treatment and did not extend to preventive treatment. The referees unanimously came to the conclusion that such a restricted meaning of the term "treatment" was not justifiable and that it should "cover all treatment of every kind which a person is entitled to receive from any general practitioner attending him in the ordinary way; that in the ordinary general practice of the profession prophylactic treatment for the prevention of sickness is given, and that the only change effected by the Act is that the practitioner instead of being recompensed by fees is recompensed by the capitation grant." They however added this caveat to that opinion. They said: "We desire to guard ourselves against a suggestion that was made in argument that the treatment which the practitioner must give in respect of his capitation grant is to be measured by the rapid advance in medical science. The words of the section are treatment such as can 'be properly undertaken by a general practitioner of ordinary professional competence and skill.' In

* See note in answer to Q. 1997.

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our opinion he is not bound to undertake prophylactic treatment of any kind which has not yet become a matter of ordinary treatment by competent general practitioners." With regard to the particular case that was submitted to them, they had no hesitation in holding that any general practitioner was able to re-vaccinate against small-pox.

1977. I see from paragraph 11, Section C, that in Scotland since medical benefit began, three doctors and three chemists have been removed from the lists after investigation by Inquiry Committees. Without mentioning names, can you give us brief particulars of these cases?—Yes. One doctor was removed for irregular certification. It was found on inquiry that his clerkess had been issuing the medical certificates and forging his signature, and she was also issuing prescriptions. Another case was a doctor who failed to provide attendance and treatment that he should have done. The third case was negligent conduct of the practice. Then there was a fourth case where the name of the doctor was removed from the Medical Register by the General Medical Council, and, of course, automatically that person was removed from the Medical List. (Sir James Leishman): It had nothing to do with insurance practice. (Mr. Jeffrey): Then with regard to the three chemists, one was removed for wrongful dispensing, the second was removed for a criminal offence, and the third was removed because he was running the business entirely with unqualified assistants. In all these cases removal took place after full inquiry by an Inquiry Committee under the procedure defined in the Medical Benefit Regulations.

1978. Is it your experience that the doctors and chemists are satisfied with the arrangements for the Courts of Inquiry and with the procedure in individual cases?—(Sir James Leishman): So far as we can express an opinion, they are satisfied.

1979. (Sir Arthur Worley): With regard to the Insurance Committees in Scotland, you were good enough to give us a fairly complete summary of what their duties are; but you did not say how what they are now doing conforms with your anticipations at the inception of the Scheme and whether they are fulfilling their functions as you thought they would?—(Mr. Jeffrey): As regards medical benefit, the scope of their administration is less than was probably anticipated when the Bill was going through Parliament. They do not negotiate with doctors or with chemists as to the terms and conditions of service. That negotiation is done centrally. But for the rest they maintain a register of insured persons; they receive complaints; they distribute the money to the doctors; they discipline the doctors; and generally speaking, so far as medical benefit is concerned, with the exception of these negotiations, I think probably the Insurance Committee is doing as much as was originally contemplated. Comparatively little use has been made of their general powers of giving lectures and publishing information as to the health of the people, &c., but to a large extent that is probably due to lack of funds for the purpose.

1980. (Mr. Besant): With regard to paragraph 10 of Section C of your statement, we had some figures put before us for England in connection with the corresponding paragraph of their Statement (paragraph 54 of Section C). I gather that in England in 1923 the complaints against panel doctors which were heard amounted to 34 per 1,000 doctors on the panel. Could you tell us what percentage of complaints there has been in Scotland? We have the figures for England, I think, from 1920 onwards?—(Sir James Leishman): Are they complaints which come before the Medical Service Sub-Committee?

1981. I am not quite sure, but I think that would be more or less what corresponds?—Yes, I think we can give you those.

1982. I wanted to know whether the number of complaints against the doctors in Scotland was larger or smaller?—It is very small indeed. So far

as they come before the Medical Service Sub-Committee in Scotland they are very small in number and really quite negligible. (Mr. Jeffrey): We will put them in.

1983. The figures put before us were a little startling—34 per 1,000?—We will put them in for Scotland.

1984. (Sir Arthur Worley): But I would like it to be quite clear that it is a real comparison between the two; that is to say, a corresponding investigation in England to that which takes place in Scotland?—Yes, we will do that.

1985. (Mr. Besant): Your general impression is that the number of complaints is small?—(Sir James Leishman): The number of cases notified to us of formal complaints against the doctors has been very small indeed. There have been quite a lot of grumbles, but the number of formal complaints which are made and pressed is very small.

1986. (Miss Tuckwell): Is the experience of the Board of Health that disablement benefit in Glasgow is very high, and if so, to what do you attribute it?—I think the disablement benefit is possibly a little higher than was perhaps anticipated. I am not aware at the moment that it is higher in Glasgow than other places, and I do not know whether we can very readily get actual figures because we would have to extract the experience, if possible, of all the societies operating in Glasgow. That would be a task more for the Government Actuary, I think, than for the Board.

1987. To your knowledge there is no difference; it has not been noticeable. I have been told by several people that it was, and I wanted to clear it up?—I do not know that anybody could really give you an opinion that was very reliable, because it would be necessary to know the whole rate of disablement benefit in Glasgow, and I do not see how any one person could know that.

1988. (Sir Alfred Watson): I think you said that you thought that the rate of disablement benefit was now a little higher than had been anticipated?—Yes.

1989. Is it not rather the fact that so far as men are concerned the cost of disablement benefit is still very much below what was anticipated, and that with regard to the women it is a little higher?—Yes. I misunderstood Miss Tuckwell. I thought she was referring to women.

1990. It is only in regard to women that that is so?—Yes.

1991. (Miss Tuckwell): My question was with regard to everybody.—It would not apply to men.

1992. But it does apply to women?—I think it does apply to women.

1993. (Mr. Jones): Did I catch you aright, Mr. Jeffrey, when you said that 269 out of 401 doctors were on the panel in Glasgow?—(Mr. Jeffrey): Yes; that is the figure we have.

1994. It appears to be a very considerable reduction from past years?—(Mr. Wight): That is the figure given by the Clerk to the Glasgow Insurance Committee. It is a question on which it is extraordinarily difficult to get the facts. You have got to pick the names out usually from the Medical Directory in which a number of doctors are given as living nominally in the area who may in fact be elsewhere. Their home address is in the area. I understand these figures were got at the time of the recent panel election and that was the only means by which they could be obtained.

1995. The figure does not correspond at all with my own impression of the facts?—These are general practitioners in ordinary practice. There are also consultants and others.

1996. My point is that, comparing these figures given for Glasgow and those given for Edinburgh, and the statement of the trouble that was experienced at Edinburgh, Glasgow did not experience any such trouble?—I would like to say in reply to that that in considering the matter recently

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I find that some of the medical men who did not in the past come on the Medical List have either died or retired, and their patients are now coming on the lists of panel doctors.

1997. My own recollection was that at the beginning of insurance, at any rate, there were not half a dozen practitioners in Glasgow who might have been on the panel but were not on, and these figures are far removed from that idea?—I will have the figures revised in the evidence if necessary. [Note.—It was subsequently ascertained and submitted that there are 401 insurance doctors on the Glasgow panel, and that there are in Glasgow about 50 general practitioners who are not on the panel. Of the 401 insurance practitioners 39 are resident outside the City.]

1998. You stated the exceptions to the work that the Insurance Committees were intended to undertake by the original Act. Is it not really the case that these exceptions were much more important and greater than the things which are in fact undertaken?—(Mr. Jeffrey): They were certainly much more important, and as things turned out they have been greater, because there have been frequent changes in the rate of remuneration of practitioners. But so far as the details of what one might describe as the day-to-day administration of medical benefit are concerned, I think the Insurance Committees are doing substantially what was intended.

1999. Is not all that largely of a clerical and routine nature?—To a large extent it is.

2000. And to that extent the Insurance Committees have not functioned in the manner that was intended?—I do not know. I would not say so.

2001. (Sir Arthur Worley): You do not quite know how they were meant to function?—One can only infer from what the Act says is to be their duty.

2002 (Professor Gray): I do not know whether it is irrelevant, but on this subject it is of some interest to look at the original memorandum which covered the Act. There the duties of Insurance Committees are defined in these words: To consider the needs of the district from the point of view of public health; to demand inquiries as to the enforcement of the Public Health Acts, the Factory Acts and the Mines Acts, and to make recommendations. That was in the covering memorandum?—Yes; but I drew a distinction between powers and duties. The Act says that the Insurance Committee shall do so and so; it shall administer medical benefit; it may also make inquiry into health and publish information as to health, and so on.

2003. What is the reason, Sir James, in local government, that in Scotland you have Insurance Committees in such small areas as you have?—(Sir James Leishman): I think the historical reason would be that the burgh in Scotland has very often a very long history, and even in modern times an important history. There is no limit in the sense that a county burgh must be 50,000 or 40,000. I think the number taken in Scotland—20,000—was just a rough figure to bring in the burgh as a fairly workable unit and to leave out the very small burgh.

2004. The result is that you have got Insurance Committees for quite small towns which in England would be merged in the county?—Yes, we have.

2005. Do you think, perhaps, that from the point of view of efficiency certain of these burghs might well be administered by the county? Take the case of a burgh like Stirling in Stirlingshire, or Arbroath in Forfarshire. Neither are towns of any size?—No; they are not; but at the same time it is only fair to say that the average cost of 27 small burgh Committees in Scotland is round about £382 per annum. That is the entire cost, and it includes an office, heating, cleaning, lighting, postage, paper, staff and everything else. So that if you are going to have an office at all it is hardly conceivable that you are going to get that amount of work done for much less than £382. If the work is going to be done at all it is only fair to say that whoever is going to do it is not going to do it at much less than that cost.

2006. (Miss Tuckwell): If it were twice as big would it not cost proportionately less?—It would, no doubt, cost a little less per head. If you are going to have a smaller area, you have an office, you have certain on-costs in that office and you cannot get away from it. I submit that on the cost in Scotland, where the small burgh is more evident than in England, the cost of administration is very economical.

2007. (Prof. Gray): To take a concrete example, suppose a Local Insurance Committee office was run for £380 a year?—I do not think you would save.

2008. The point is what you would save on the one would result in an increase on the other?—It would not increase to the extent of £380, but it might be £360 or £350. Is not the broad answer that in England, where they have large committees, the cost of the Insurance Committee's system is the same per head as in Scotland.

2009. (Mr. Besant): Is it due mainly to local feeling that a small town wants to have its own committee?—Yes. You get quite small burghs in Scotland with a thousand people or even less. A burgh is a burgh. It has its Town Council; it has its Provost, with his chain and all the rest of it, and it has really a great pride in its independence. It is not really a subject for taking otherwise than seriously.

2010. (Prof. Gray): Have you anything to tell us about the audit of Insurance Committee's accounts? Is there not some difference between England and Scotland with regard to the power to surcharge?—(Mr. Jeffrey): Yes. In England the auditor has the power of surcharge vested in him. In Scotland, although he is the Government Auditor, he cannot surcharge. All he can do is to submit an interim report to the Board of Health and the Board decide whether or not there should be a surcharge. That is the difference between the practice in the two countries.

2011. (Sir Humphry Rolleston): In reply to the Chairman's question as to the efficiency of the medical service in Scotland generally at the present time as compared with the service before the advent of national insurance, you said you thought on the whole there was an improvement?—(Sir James Leishman): Yes.

2012. In regard to special districts such as the Highlands and Islands is there any difference in the two periods?—I think the arrangements in the Highlands and Islands are now better. We are getting a better range of service by means of the Highlands and Islands Medical Service Fund. We are getting possibly better men. Recently two surgeons were appointed, and they are going to take office immediately; one at Lerwick and one at Stornoway. They are surgeons of very high repute who will be there in the position of consultants and surgeons and operative men to aid in advanced work. I think on the whole the service is on a higher grade to-day than it has ever been.

2013. What is the payment made to those special men?—We pay most of them out of the Highlands and Islands special fund. They get a special salary. They can supplement their salaries by special services for which they will charge. But the great bulk of their income will be guaranteed by this fund. I find I have got the figures which Mr. Besant wanted as to the number of complaints against panel doctors. The proportion is 13 per 1,000 doctors per annum.

2014. (Mr. Besant): That is only about one-third of the figure we had put before us for England?—That is the number of complaints that have been made before the Medical Service Sub-Committees. In four years there is a number of 93 for the whole of Scotland. That is an average of 23 per annum.

2015. (Sir Humphry Rolleston): Are those complaints on account of negligence or failure of efficiency, or do they include in addition the question of charging fees for services which really come within the Act?—(Mr. Wight): I will summarise them, if I may. There are 30 out of 93—one-third I will say—

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for failure to attend. Fifty-one are for breaches of the Certification Rules. Three of them are for charging fees, and there are nine miscellaneous cases of one kind and another not under these heads.

2016. (Sir Arthur Worley): That is 23 complaints per annum out of how many practitioners?—1,780 or 1,790. I will hand in a Statement giving full particulars. (Document handed in.)

COMPLAINTS WHICH HAVE COME BEFORE MEDICAL SERVICE SUB-COMMITTEES DURING PERIOD
1920-1923 INCLUSIVE.

Total Number in each is as follows :—

	Total.	Penalties imposed.	Failure to attend.	Wrongful Certification.	Charging Fees.	Miscellaneous.
1920 ...	8	2 = £15	5 (1 at £10)	3 (1 at £5)	—	—
1921 ...	25	5 = £59 1s.	7 (1 at £50)	13 (3 = £4 1s.)	1 (£5)	4 (—)
1922 ...	40	13 = £152 14s. 6d.	12 (4 = £107 2s.)	26 (8 = £35 2s. 6d.)	1 (£10 10s.)	1 (—)
1923 ...	20	7 = £277 7s.	6 (1 at £100)	9 (4 = £22 7s.)	1 (—)	4 (2 = £155)

Total No. of Complaints in whole period from 1920-1923 was 93 and the fines amounted to £504 2s. 6d. (27 fines).

The Number of Insurance Practitioners = 1790.

Therefore Number of Complaints is 5.2 per 100 doctors in 4 years, or 1.3 per 100 doctors per annum.

Under 3 heads complaints are on the decrease, viz., (1) Failure to attend, (2) Wrongful Certification, (3) Charging Fees.

Under heading (4)—(Miscellaneous)—there has been an increase comprising mainly doctors exceeding the limit of number of patients allowed on lists per Allocation Scheme.

2017. (Chairman): Are you of opinion that the present arrangements for the supply of medical certificates by panel doctors are working satisfactorily in Scotland?—(Sir James Leishman): Fairly satisfactorily, but we get grumbles about this all the same. There is an underlying current of doubt and dissatisfaction with regard to lax certificates, and we have made the reservation in our statement that we find that there is yet—at the time we wrote it—some cause for perturbation with regard to lax certification. But it must not be over-rated; it is a minority of the whole.

2018. You do not now receive many complaints from Approved Societies that medical certificates of incapacity are too easily obtainable or that they afford insufficient information as to the cause of incapacity?—No, we do not receive many formal complaints, but when societies come in front of us they have a habit of grumbling about certification, and we almost invariably ask them if they have reported the matter and brought it before the proper authority, i.e., the Insurance Committee. We point out that on that authority societies have deliberately been given three-fifths of the representation for the express purpose of safeguarding them, amongst other things. We do find grumbling, but I think, as we say in our Statement, all these complaints have to be taken in relation to the enormous number of transactions that take place.

2019. I see that in paragraph 14 you give some figures as to the maximum size of doctors' lists in Scotland. Is the figure of 2,500 now accepted by the Scottish doctors as a reasonable limit?—(Mr. Jeffrey): I think so. It was a figure arrived at by negotiation. It is the same figure as in England.

2020. It may be assumed that a practitioner will also attend the dependants of the insured persons on

his list. Have you any idea how much work this represents?—The insured, taken all round, are about one-third of the population. I do not know whether you would multiply the practitioners' work by three in order to get the total amount of work that he does. Probably the actual figure would be rather less, because, of course, the insured person calls in a doctor without hesitation. The private patient calls in a doctor, knowing that he has to pay a fee. There is a slight deterrence there, and then in addition the insurance practitioner has to do a certain amount of routine work in treating an insured person. By routine work I mean going back and examining the patient and certifying his illness, which he would not normally do in a private case. But it is very difficult to say how much extra work would be represented by the dependants of an insured person. (Sir James Leishman): It is only fair to say that the two-thirds represent all the children, nearly all the women and all the well-off people, and it is extremely difficult for us to reconcile the figures we get. If they are correct it shows that the insured persons, who are the workers of the country, are getting far more attention than others.

2021. (Mr. Jones): It is difficult to estimate what attention the dependants are getting from the infirmaries?—In the country districts there are none of these places.

2022. (Miss Tuckwell): When you say "called in," does that include the visits of the insured person to the doctor at his house?—Yes, attendances and visits.

2023. (Chairman): Could you give us in figures the number or proportion of panel doctors who have lists of, say, under 500, 500 to 1,000, 1,000 to 2,000 and over 2,000 respectively?—(Mr. Jeffrey): Yes I will hand in a table showing that for the year 1922. (Table handed in.)

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MEDICAL LISTS—YEAR 1922.

(1.) Counties.

Insurance Committees.	Number of Practitioners on Medical List.	Number with less than 500 Insured Persons.	From 500-1,000 Insured Persons.	From 1,000-2,000 Insured Persons.	From 2,000-3,000* Insured Persons.	With more than 3,000* Insured Persons.
	(1)	(2)	(3)	(4)	(5)	(6)
Aberdeen	102	65	30	7	—	—
Argyll	48	39	6	3	—	—
Ayr	95	44	19	30	2	—
Banff	34	24	6	3	1	—
Berwick	27	18	8	1	—	—
Bute	10	7	3	—	—	—
Caithness	11	7	4	—	—	—
Clackmannan and Kinross	30	16	8	6	—	—
Dunbarton	62	42	7	12	—	1
Dumfries	43	27	13	3	—	—
Moray and Nairn... ..	33	22	7	4	—	—
Fife	93	37	30	23	2	1
Forfar	58	41	7	9	1	—
East Lothian	27	11	9	5	2	—
Inverness	45	38	7	—	—	—
Kincardine	33	27	2	4	—	—
Kirkcudbright	32	25	5	2	—	—
Lanark	234	169	29	33	3	—
West Lothian	31	9	9	11	2	—
Midlothian	57	33	11	11	1	1
Orkney	20	18	2	—	—	—
Peebles	17	13	—	4	—	—
Perth	82	63	13	5	1	—
Renfrew	142	108	16	12	6	—
Ross and Cromarty	33	24	7	2	—	—
Roxburgh	35	20	4	10	1	—
Selkirk	21	13	3	5	—	—
Stirling	63	39	9	11	3	1
Sutherland	13	10	3	—	—	—
Wigtown	19	9	10	—	—	—
Zetland	15	12	3	—	—	—
Totals	1,565	1,030	290	216	25	4
Percentages	—	65·9	18·5	13·8	1·6	0·2

(2.) Burghs.

Aberdeen	56	18	11	20	6	1
Airdrie	19	12	3	4	—	—
Arbroath	7	—	4	1	2	—
Ayr	18	9	3	5	1	—
Clydebank... ..	16	5	3	2	6	—
Coatbridge	19	10	3	4	1	1
Dunbarton	11	4	2	4	1	—
Dumfries and Maxwelltown	11	4	5	—	2	—
Dundee	52	12	5	24	10	1
Dunfermline	19	8	3	6	2	—
Edinburgh	141	45	30	44	22	—
Falkirk	13	5	2	4	1	1
Glasgow	380	117	59	149	49	6
Greenock	33	15	4	14	—	—
Hamilton	22	12	2	8	—	—
Inverness	10	5	3	—	2	—
Kilmarnock	12	6	1	3	1	1
Kirkcaldy	17	5	4	6	2	—
Motherwell and Wishaw...	36	18	4	12	2	—
Paisley	27	6	2	10	8	1
Perth	11	1	3	6	1	—
Rutherglen	32	25	2	5	—	—
Stirling	14	8	3	3	—	—
Totals	976	350	161	334	119	12
Percentages	—	35·9	16·4	34·2	12·2	1·2

* Note.—The maximum number is now 2,500.

2024. Has it been found that the expenditure on drugs has increased since the device of the "floating sixpence" was abandoned, making allowances for the market rise in prices?—(Sir James Leishman): I do not think that we could say that the abandonment

of the "floating sixpence" had much effect on the expenditure on drugs.

2025. Are the chemists in Scotland on the whole satisfied with the scale of the drug tariff and the operation of your Pricing Bureau?—They are satisfied

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with the operation of the Pricing Bureau, but I never expect to hear the chemists, or any other body in Scotland, say they are satisfied with any given amount of remuneration.

2026. Are the prices of similar drugs at all different in Scotland from England as a result of this separate negotiation? Do you get better terms?—I think we get the same terms.

2027. Central negotiations on questions affecting insurance chemists in Scotland are conducted quite separately from those in England and with a body representative of the Scottish chemists only. This is in contrast with the arrangements for negotiations with the doctors. Do you find that this separate treatment raises any difficulties?—No, on the whole that has helped us very much. The Scottish chemists would not accept either the English position or the English system. They are possibly stronger for Home Rule for Scotland than any other body connected with the organisation.

2028. Has it been your experience that the Scottish Central Checking Bureau has fulfilled a useful and necessary purpose?—It is an extremely useful organisation. It is one of the best bits of work that was ever organised in connection with the National Insurance system.

2029. Was there any resistance on the part of individual Insurance Committees to the removal of these functions from them?—Yes, there was some.

2030. (Sir Arthur Worley): Can we assume that the panel doctor is usually the medical practitioner for the dependants?—I think so; he probably is.

2031. I think you stated that in your opinion the panel doctor gives a better service to his insured patients than he does to the paying patient?—On balance. If there is any discrimination it is a discrimination in favour of the insured person.

2032. I was taking it at the face value of the words, and I was thinking that the father of a family would get much better treatment than his children would from the same doctor. But I accept your correction from that point of view. Usually, however, it is the same doctor?—I think so. In some cases I think it would be, but not always so.

2033. It would be so, generally speaking?—Yes. (Mr. Wight): It must be so very largely because the same body of general practitioners, except in certain towns, is on the panel.

2034. Take a suppositions case and say that the dependants were also entitled to panel service. Do you not think they would get better service—not so much because of the difference between a private fee and a capitation fee—but by reason of the fact that they would send their children to a panel doctor at an earlier stage of illness?—(Sir James Leishman): I think probably there is something in that so far as we can gather, and we are constantly hearing it stated. The insured person tends to go to the doctor now earlier than he used to go. In that way the doctor is able to pick up incipient illnesses and check them, and I think possibly the general health is inclined to improve as a result.

2035. Therefore, following that argument through, it is perhaps more important in the case of the young children to check illness in its early stage than in the case of a grown man. That is the advantage?—I am not a medical man, and I speak on these questions with fear and trembling.

2036. You say, I think, very definitely, that if you do not get better terms for drugs in Scotland than is the case in England, you get at least as good?—From the wholesale people. So far as I know the prices are taken from the same list. (Mr. Jeffrey): It is only fair to say that the Scottish chemist may get rather more out of each prescription than the English chemist does. The tariff is built up on a different basis altogether. That is a different question, of course. But so far as the wholesale price of the drugs is concerned, it is the same in both countries.

2037. You think that probably as the result of the Scottish methods of prescription the Scottish chemist

may make more money than the English chemist?—(Sir James Leishman): I do not know that he is prepared to admit that he does.

2038. (Sir Arthur Worley): I am rather surprised at that in view of the general economy practised in Scotland?—Yes, but economy is in the abstract. It is difficult to demonstrate it in the concrete case, and I should say it is a very small difference. (Mr. Jeffrey): We are spending proportionately less on drugs in Scotland than they are in England, because of the prescribing habits of the doctor. The English doctor gives a larger quantity of medicine with bigger doses, and the bottle has to be renewed much more frequently than in Scotland. Each renewal, of course, carries an extra dispensing fee and establishment charges, and therefore the aggregate cost may be greater in the one country than in the other.

2039. (Sir John Anderson): It is the case, is it not, that the Scottish chemist, when the new system was adopted, refused to accept the English terms?—(Sir James Leishman): They did, most firmly.

2040. Was their main objection to those terms the idea that they would not prove sufficiently remunerative?—I think probably it was.

2041. When you said that the same terms were obtained in Scotland as in England, so far as the cost of the drugs themselves is concerned, you meant, did you not, that that item in the remuneration paid to the chemists for making up a particular prescription which represents the actual drugs contained in the prescription, was the same?—Yes. I did not mean they got the same terms. They were bought at the same price from the wholesale people.

2042. The amount allowed for drugs is based, is it not, on the current wholesale lists?—Yes.

2043. The fee paid to the chemist for a prescription consists of several components?—Yes.

2044. Drugs form one component. In addition there is a thing called a dispensing fee?—Yes.

2045. Which is different in Scotland, and on the whole higher than in England?—Yes.

2046. The plain truth is, is it not, that traditionally the practice in Scotland with regard to the dispensing and the supply of drugs is quite different from what we have in England?—Yes.

2047. The history of the whole matter is entirely different?—Entirely.

2048. The medical system in Scotland was evolved on different lines?—Yes.

2049. The practice of the doctor making up his own prescriptions was not nearly so widely followed in Scotland as it was in England?—That is so.

2050. The chemist had acquired a more independent and a more responsible position in Scotland?—Yes. The doctor prescribed, and the chemist in general dispensed.

2051. And the chemist's sense of professional worth in Scotland, if I may put it like that, was more highly developed than it was in England?—Yes.

2052. The chemist in England was more in the nature of a shopkeeper and less a professional man. He dealt more in proprietary articles and things that are displayed in the shop window, and dispensing formed a less important part of his general business in England than it did in Scotland?—I think you have stated the case very well indeed. The Scottish chemist, as I understand, stands rigorously and relentlessly on the position that he is a commercial man but also a professional man at the same time. As a commercial man he wants to make some profit on his goods; as a professional man he wants to be remunerated for his knowledge and skill.

2053. But you have told us that as the thing actually works out in Scotland the cost per insured person for drugs is not higher than it is in England?—It is much less.

2054. Is it much less?—Well, it is substantially less. This year we are not having a good year in insurance in Scotland, but even this year I think the expenditure on drugs will be 3d. or 3½d. per insured person less than in England.

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2055. (*Sir Arthur Worley*): Out of how much?—The maximum sum we have got down is 1s. 10d. I do not know this year that we will be able to run it on 1s. 10d. (*Mr. Jeffrey*): To supplement Sir James's answer on the question of the frequency of renewal of prescriptions, which of course is the dominating factor in running up the cost because of the establishment charge and dispensing fee in the case of each prescription, if you take mixtures, for every time that a mixture has to be renewed in Scotland the English mixture has to be renewed 1.25 times. If you take powders, for every time the Scottish prescription has to be renewed the English prescription has to be renewed 1.55 times. If you take pills, for every time the Scottish prescription is renewed the English prescription is renewed 1.65 times. With regard to tablets, for every time the Scottish prescription is renewed the English prescription is renewed 1.30 times. These are the main medicaments that are dispensed. The broad effect of this greater frequency is that approximately three prescriptions are issued per insured person in England per annum as against 1.8 in Scotland and the effect of this is to keep down the expenditure on drugs.

2056. That may be climatic. They may need more medicine?—I do not know. Then in England there is a good deal of stock mixture given under the Insurance Act, whereas in Scotland every prescription is separately compounded. Perhaps I might say in conclusion on this subject that the whole question of the difference in the prescribing and dispensing habits of the two countries was gone into very minutely by a Departmental Committee in 1920. The Commission might get the Report of that Committee where they will find the matter fully explained.

2057. (*Mr. Jones*): When certain Insurance Committees in Scotland objected to the regulations about the formation of the Drug Bureau it was not because they objected to the checking and pricing of prescriptions, was it?—(*Sir James Leishman*): I only know they objected very strongly and even took it into Court.

2058. Was it not a protest, not against the machinery but rather a protest against a further diminution of responsibility under the Act?—It is an old story now, and if I may say so with great respect, I think we should let that go now.

2059. I do not wish to open it up except for that point. The point has been raised about the diminution of the Insurance Committee's responsibility?—(*Mr. Jeffrey*): The institution of the Checking Bureau did not diminish the duties and responsibilities of Insurance Committees, because the Checking Bureau is administered by a Joint Committee representing the whole of the Insurance Committees in Scotland. There was no question of taking away the Insurance Committees' duties and putting them under the central Department. The central Department have no say whatever in the administration of the Bureau. It is entirely in the hands of the Insurance Committees collectively.

2060. Was the point not that the Insurance Committees concerned—not all in Scotland, but a considerable number of them—felt that this was another inroad into their statutory responsibilities and they objected?—(*Sir James Leishman*): I could not say.

2061. I am not criticising the institution; it is a good institution?—I only know we put the thing through. (*Mr. Wight*): There is power for a combination in the Act itself. How could that be an inroad on their powers?

2062. (*Sir John Anderson*): Is it not a case of Scotsmen sticking to their local autonomy?—(*Mr. Jeffrey*): Yes. Scotland was a country with comparatively few big committees and a large number of very small committees. Each of the big committees might perhaps have been able to run economically a Bureau for itself, but the Scottish Insurance Commissioners, viewing the administration of the Act from a wider outlook, came to the conclusion that the smaller committees could not possibly establish

Bureaux of their own, and that in the circumstances the most expedient way was to combine the whole of the Insurance Committees in Scotland for the establishment of a single Bureau. The Commissioners have power to compel committees to combine, and in this case they did so.

2063. (*Professor Gray*): I should like you to elaborate two things you said. Firstly, you said that there was as much trouble with certification as with anything, and that you had as many growls about that as on any subject. What form did these growls take?—(*Sir James Leishman*): It is a general growl that keeps making a noise as it were. I think part of it was due to a real doubt as to whether some doctors, at all events, did not give certificates too readily. Some gave them in breach of some of the rules and some gave them without seeing the patient at all, for example.

2064. There are two questions that might arise. There might be an accusation against a doctor for not complying with the rules. There might also be the other kind of complaint against the Board of Health for drawing up bad certificates. Now which of these did you have most trouble with?—The second has been minor.

2065. Are there any complaints now about certificates which have got to be filled up with regard to the future to show what is to happen in two or three days' time?—There are one or two complaints.

2066. And convalescent certificates?—Yes.

2067. And chronic illnesses?—Yes.

2068. With regard to that type of thing, are these certificates accepted by societies or do they still complain about them?—They are accepted.

2069. Then the other statement you made, which I should like you to elaborate, was in regard to complaints made by societies. You said when societies complained you told them: "Why do not you take those complaints to the Insurance Committee?" What was the answer?—The answer we got—and I do not know that it is justified, because the Commission must remember that the number of complaints is very few—but the answer we got, for what it is worth, was that they think it is no use complaining to the Insurance Committee.

2070. That is, the Medical Service Sub-Committee has not their confidence?—Yes, it has, having regard to the limited operation of the whole volume of complaints.

2071. But they feel, or they say they feel, that they cannot prove their case there?—They simply say that they cannot make much of a complaint. That is what it comes to. That feeling may be quite unjust and quite wrong and quite indefensible, but that is what they say. (*Mr. Wight*): They prove their case but they say the appropriate action does not follow.

2072. Their attitude is that they can prove their case before the Medical Service Sub-Committee, but, having done so, the Medical Service Sub-Committee does not take appropriate action?—That is so, or what they consider appropriate action. (*Sir James Leishman*): I want to say, however, that while there has been that continued fairly general complaint, I think even that is being much diminished, and I think at present if the societies were asked, the majority of them would say that they are fairly satisfied with the certification procedure and with the way in which doctors are in fact giving certificates.

2073. (*Sir Humphry Rolleston*): With regard to the Medical Record, after 1920 the attendances are no longer marked, are they?—That is so.

2074. Has that worked satisfactorily? Does the Board of Health have any difficulty in making out now whether a doctor attends properly to his patients?—(*Mr. Wight*): The position in Scotland now is that since 1921 there is not a full record of everything happening to a patient. Attendances and visits are not recorded as such; only certifiable illnesses and such other clinical notes as the doctors choose to make. What you may call the casual illness or

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accident—the bruise, the cut finger, or odd things like that—which are perhaps more matters of book-keeping than of actual bearing upon future illnesses or medical progress, need no longer be recorded in Scotland.

2075. So that if a complaint was made against the doctor for want of attendance you have not a very complete record to go upon?—Not of the actual visits.

2076. In practice that does not appear to be very material?—It does not.

2077. (*Chairman*): Chapter VI of Section C. Has there been in Scotland any considerable demand by insured persons to be allowed to make their own arrangements for medical benefit, and, if not, do you think it may be inferred from this that insured persons as a whole are satisfied with the present panel system and the capitation fee arrangement which, I understand, is universal in Scotland?—(*Mr. Jeffrey*): The number who have been allowed to make their own arrangements for the whole of Scotland is 6,240.

2078. What percentage is that?—37 per cent. of the whole number of insured persons. But it is only right to add that the great majority of persons who have been allowed to make their own arrangements are in the big towns, and these of course include infirmaries and similar institutions which have resident doctors who treat the insured persons working in the institutions. They do not go to an insurance doctor, and consequently it is a convenience that they should get the certificate from, and be treated by, the doctor of the institution, and they have been allowed to make their own arrangements. About three-fourths of the whole 6,000 that I have quoted are in institutions. From the figures it is difficult to deduce any conclusion as to how far the panel system is universal and accepted as satisfactory.

2079. (*Mr. Jones*): And there is the other little group of exempt persons of over £160 whom you compel to make their own arrangements even with the panel doctor?—They are comparatively few in relation to the whole.

2080. (*Chairman*): Do you feel that there is much force in the argument that a capitation fee induces the doctors to keep their patients well and so is on preventive lines, while an attendance fee would not operate in this way?—(*Sir James Leishman*): To keep them well? I do not know that there is very much examination of well persons just now. In the majority of cases I think a doctor does not see a man until he is suffering from some complaint and calls for him or goes to the doctor. I think when the doctor is called in, the capitation fee does work that way, and it keeps the doctor from the very difficult position of being doubtful as to whether he should go on or not.

2081. Can you tell us in broad outline the exact present position of the finance of medical benefit in Scotland and in what respects it differs from the position in England?—There is 9s. 6d. per insured person per annum provided under the Act towards the cost of medical benefit plus a further sum of 2s. 1d. until the end of 1926, and 6d. for the administration expenses of Insurance Committees. There is therefore 12s. 1d. in all for the cost and administration of medical benefit, including drugs and mileage, and the payment of doctors. The capitation fee in Scotland and England is the same. The mileage may vary a little. Drugs vary to the extent that we have already explained.

2082. I note from paragraph 22 that the sum additional to the 9s. 6d. is in Scotland 2s. 1d. as contrasted with 2s. 4d. in England. Can you give us the reasons why the required sum is less in Scotland, particularly having regard to the probably greater mileage difficulties there?—It is the drug position. We spend less on drugs in Scotland than is spent in England.

2083. You have no Central Index Office in Scotland. Do you find that the transmission of index slips to the proper quarter and the proper linking-up of the insured persons to their medical benefit is effectively done in Scotland without this central arrangement? Why should an arrangement that is found valuable in England be unnecessary in Scotland?—(*Mr. Wight*): The transmission of slips by societies to Insurance Committees and the linking-up of insured persons to medical benefit by the issue of medical cards is, in general, effectively done in Scotland without an index clearance. It is true that some societies do send insurance slips to the wrong Insurance Committees, sometimes in bulk; but ordinarily these can be redistributed without any great trouble or delay. On that aspect of the work, the value of a central clearing-house to the society is that it is sending in its slips to one central body, and it is saving a certain amount of labour and postage in doing that. It comes to be a question in the long run of whether that value to the society, and other values to be mentioned just now, are worth the price that you are going to pay for your central index both in cost and in convenience. (*Sir James Leishman*): I may say that we experimented with central clearance in Scotland twice, and after a prolonged test we deliberately came to the conclusion that it was not worth the money, and we stopped it. If the inflation exists, as it does exist to some extent, it exists to the same extent all over. We do not see that it matters very much when you make allowances for that inflation whether the inflation is one figure or another, provided you make allowance for it.

2084. What is the machinery in Scotland for clearing the Index Registers of Insurance Committees and the doctors' lists of the names of persons who are no longer entitled to medical benefit, or who have left the area of a particular Insurance Committee?—(*Mr. Wight*): Perhaps I may take the last part of that question first. As regards persons who have left the area, the slip, as in England, simply rests with the Insurance Committee until the insured person has chosen a doctor in the new area. When he does choose, the Index Slip is passed on direct in Scotland to the new area, whereas in England it goes to the Central Index Committee and then to the Insurance Committee. So that on the Scottish side there is a little bit of short-circuiting there and possibly some little advantage. So far as clearing the registers is concerned, and of course by consequence the doctors' lists—because if you get a notice of removal the insured person's name is removed from the doctors' list by the committee—the societies forward notifications in the form of a card called the Orange Slip, not in bulk in Scotland to one central body, but to each Insurance Committee. Here, of course, there has been some saving in sending these notifications of change to one central body and not to each of the separate committees as in Scotland. There is a possibility at the same time, of course, in the Scottish system of the failure to connect the notification which is sent to the Committee with the original Index Slip, because that slip may be lying in some altogether different area and if it is not associated it tends to inflate the Register. In Scotland, of course, as we have indicated, our Register is nominally inflated about 20 per cent., whereas probably in the case of England it is only about 10 per cent. As Sir James has said, long before the central index clearance was started in England the Scottish Commissioners had had a clearance system and they found that instead of clearing the Register it really added to it a little—about 4 per cent. I think it was. It was useful, I think, in eliminating duplication within a society, but it was useless in eliminating duplicate membership in societies generally, and for various reasons the experiment was dropped. The Commissioners also centralised the notifications of cessation of benefit in the form of orange slips, and in that case they only associated 30 per cent. of them; they could not associate all of them. However, the

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point I wanted to make was that while the Index Register is necessary as a means of letting the Committee know the people in its area approximately and allowing them to choose their doctor, it has another function and that is the distribution of funds. An Insurance Committee gets its medical money and its administration money in proportion to the number of slips it holds—its proportion of the slips to all the slips held by all the committees. The consequence is that if you have inflation irregularly through the whole of the committees you may get an uneven distribution of money. That is one possible advantage of the English system of clearance. But in Scotland we had in 1921 a special indication which I want to speak about for a moment, because we were able to get inserted in the 1921 Census schedule a statement asking the person enumerated whether he was entitled to medical benefit. The return, no doubt, has faults. Probably some people who were entitled to benefit said they were not because they had passed out of insurance. They were in their free year and they did not think they were entitled to benefit. At the same time probably some persons who were not entitled to benefit stated that they were entitled. But with all its faults there it was, and if we look at the division of funds on the basis of that statement made by the insured persons themselves compared with the one made on the Index Register, the results are practically identical, and it indicates to us that inflation is general and that this 20 per cent. inflation does not produce results inequitable to any committee. The result therefore is that we have got to decide whether an index clearance which duplicates all the local registers, and costs in England £30,000 as I understand, with a corresponding proportion—perhaps £5,000—in Scotland, is not too dear at the price, because, after all, under any system of this kind you are bound to have inflation. The pivot of the thing is the insured person who does not intimate when he goes away. He dies or emigrates, and nobody knows anything about it till long afterwards. So that if you have a central system correct to-day it is obviously wrong to-morrow, and it comes to be a question whether, having a central clearance and checking your inflation to some extent, you are going to have any greater efficiency at a greater cost.

2085. (*Sir John Anderson*): I suppose on the question of the central clearance of the Index Registers the fact that your problem in Scotland is very much smaller than in England is an additional argument for dispensing with a central clearance?—(*Sir James Leishman*): It has its weight.

2086. You have not found that the inflation of the Registers has led to extravagant claims, by doctors for example, based on a misapprehension as to the number of insured persons for whom they are liable?—No. Once the position is explained to them, and

once they are satisfied that their proper claims are being met, they are fairly satisfied. It requires a good deal of explanation, and they are now more and more coming to have confidence that they are getting all they are entitled to both from the central Department and the local committee.

2087. And they are prepared to accept your conclusion that the inflation is to all intents and purposes uniform between one area and another?—So far as I know, they are prepared to admit the validity of the proportion.

2088. Is there going to be any limit to the amount of the inflation as time goes on? You say you are relying on natural processes to give you a sufficiently accurate record, and you say now that the index registers show an inflation on the whole of about 20 per cent?—Yes.

2089. Is that going to increase? Can you mention any tendencies at work which would lead to the conclusion that the amount of inflation will reach a limit?—I do not know that we could. Our keen young men were most anxious to try and get rid of what appeared to be a rather indefensible position and have pressed me very strongly now to be allowed to try and remedy it; but as a matter of fact it became clearly evident that the game was not worth the candle—at least we thought that—and after a double trial of the system we dropped it.

2090. I am told that the first effect of the institution of the central clearance organisation in England was to reduce the inflation from 17 per cent. to 7 per cent.?—Yes, but I do not know that they will ever get it below that.

2091. At any rate, they will be able to keep it about stationary by a constant process of overhaul. You are exposed to the danger, are you not, of a continual increase until the inflation becomes such that with all the ingenuity that you can exercise and with all the explanations you put forward you cannot really defend it?—But you will never get away from the fact that no steps under the present system will rid you of inflation, in England or elsewhere.

2092. I know, but there is a good difference between 20 per cent. which may increase and 7 per cent. which will be stationary?—(*Mr. Jeffrey*): So long as the inflation is uniform as between areas it really does not matter.

2093. (*Professor Gray*): How do you know the inflation is uniform?—(*Sir James Leishman*): By these returns. (*Mr. Wight*): I will hand in the return. It is not mentioned, I think, in our printed Statement. There is the proportion on the register calculated on the Census figure and the proportion on the actual register. You will see they often vary within only one-hundredth to two-hundredths per cent. (*Document handed in.*)

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Statement showing (a) 1921 Mean Count; (b) Insured Population according to Census Returns and Committees' percentage of total in each case.

COUNTIES. Name.	Mean Count. 1921.	Census Figure.	Per- centage of (2) to total Count.	Per- centage of (3) to total Census Figure.	BURGHES. Name.	Mean Count, 1921.	Census Figure.	Per- centage of (2) to total Count.	Per- centage of (3) to total Census Figure.
(1)	(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	(5)
Aberdeen ...	44,142	36,446	2·17	2·25	Aberdeen ...	72,080	54,898	3·55	3·39
Argyll ...	18,673	19,195	·92	1·19	Airdrie ...	11,225	8,579	·55	·53
Ayr ...	81,162	70,680	4·00	4·37	Arbroath ...	9,371	7,312	·46	·45
Banff ...	14,379	10,751	·71	·66	Ayr ...	13,433	11,492	·66	·71
Berwick ...	10,267	8,806	·51	·54	Clydebank ...	23,582	17,532	1·16	1·08
Bute ...	4,352	7,496	·21	·46	Coatbridge ...	21,287	15,810	1·05	·98
Caithness ...	6,746	5,372	·33	·33	Dumbarton ...	10,776	8,394	·53	·52
Clackmannan and Kinross.	18,285	14,255	·90	·88	Dumfries and Maxwelltown	10,763	7,672	·53	·47
Dunbarton ...	34,135	25,962	1·68	1·60	Dundee ...	91,612	72,800	4·51	4·49
Dumfries ...	23,289	17,233	1·15	1·06	Dunfermline ...	17,214	13,879	·85	·86
Elgin and Nairn	16,093	12,544	·79	·71	Edinburgh ...	187,139	146,746	9·22	9·06
Fife ...	80,313	68,400	3·96	4·23	Falsirk ...	15,275	12,000	·75	·74
Forfar ...	29,730	26,200	1·46	1·62	Glasgow ...	502,596	388,283	24·77	23·98
East Lothian ...	18,093	15,816	·89	·98	Greenock ...	35,676	28,441	1·76	1·76
Inverness ...	13,232	11,614	·66	·72	Hamilton ...	16,966	13,245	·84	·82
Kincardine ...	9,246	7,684	·45	·47	Inverness ...	9,031	6,208	·44	·38
Kirkcudbright...	10,981	8,839	·54	·55	Kilmarnock ...	16,736	13,030	·82	·80
Lanark ...	117,876	95,289	5·81	5·89	Kirkcaldy ...	18,609	14,873	·92	·92
West Lothian ...	32,928	27,891	1·62	1·72	Motherwell and Wishaw.	31,449	23,948	1·55	1·48
Midlothian ...	36,410	29,038	1·79	1·79	Paisley ...	46,239	33,990	2·28	2·10
Orkney ...	4,580	3,487	·23	·22	Perth ...	15,011	11,947	·74	·74
Peebles ...	6,608	5,649	·33	·35	Rutherglen ...	11,231	8,693	·55	·54
Perth ...	30,507	28,130	1·50	1·74	Stirling... ..	9,213	7,268	·45	·45
Renfrew ...	59,304	45,774	2·92	2·83	Total ...	1,196,514	927,030	58·95	57·25
Ross and Cro- marty.	16,533	13,246	·81	·82	Total Burghs ...	1,196,514	927,030	58·95	57·25
Roxburgh ...	22,232	16,595	1·10	1·03	Total Counties	833,020	692,172	41·04	42·75
Selkirk ...	11,384	9,155	·56	·57	Grand Total ...	2,029,534	1,619,202	99·99	100·00
Stirling ...	43,374	34,443	2·14	2·13					
Sutherland ...	3,770	3,254	·19	·20					
Wigtown ...	8,978	7,891	·44	·49					
Zetland... ..	5,418	5,037	·27	·31					
Total ...	833,020	692,172	41·04	42·75					

2094. It used to be argued that the amount of inflation was partly the result of incompetence, and certain Insurance Committee clerks used to say that they, being competent, had not so much inflation as other people, and suffered in consequence. There is nothing in that, you think?—There is something in that, but I do not know how far it is appreciable when it comes to the actual distribution of funds. I do not know that the small amount of inflation due to lax administration has vital effects. (Sir James Leishman): I once went into a small area with one of our officials to test the actual distribution of the funds, and the difference involved in a county area was round about £50. That £50 was possibly spread amongst 12 doctors, and when they had the matter demonstrated to them, that in this fund was £50 between 12 doctors for a year, they threw up their hands and said: "Cut it up how you like."

2095. (Sir Alfred Watson): You have handed to us a table headed: "Statement showing (a) 1921 Mean Count; (b) Insured people according to Census returns and Committees' percentage of total in each case." The total of the Mean Count for the whole of Scotland is just over two millions, and the total census figure is just over 1,600,000. Now what is meant by the phrase "Mean Count, 1921"?—(Mr. Wight): It is the average of four quarters.

2096. Four quarters of what?—A count of the Register is taken on the 1st January, the 1st April, the 1st July and the 1st October.

2097. Not the Approved Societies' returns?—The slips held by the Insurance Committee in its register are counted at four periods of the year. The average of these four periods is that figure of 2,000,000 odd.

2098. Will the lists of the individual doctors in the area add up to the total of the Index Register

of the Insurance Committee?—Not exactly, because all the insured persons have not chosen doctors.

2099. And the doctors also have names on their lists of persons who are no longer insured, I take it?—They may, but they will be represented by slips in the Insurance Committee's register. They cannot have a name on their list which the Insurance Committee has not got a note for.

2100. Then the Insurance Committee's register contains certainly every name that a doctor has got?—Yes.

2101. And the names of some persons resident in the area who have never chosen a doctor?—Or presumed to be resident.

2102. What are the Census figures?—They were taken, I think, in June, 1921.

2103. As no such question appeared on the schedule of the Census for England and Wales, it would be as well for you to explain precisely what was on the schedule in this connection for the Scottish Census?—The Board through the Registrar-General were able to get on the Census schedule a question to the person enumerated: "Are you entitled to medical benefit?" That is to say: do you hold a medical card from the Insurance Committee? And 1,619,000 people said they were entitled.

2104. Is it the opinion of the Scottish Board of Health that 1,619,000 persons is the correct number of persons entitled to medical benefit?—As I have explained, no. There were some of these people, no doubt, who claimed to be entitled when they were not. There were others again very probably running the free year who were entitled and did not know it or did not state it. That figure probably should be higher. (Sir James Leishman): On that question, of course, it is extremely difficult to say

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[Continued.]

that a question of that sort will be accurately answered by a million and three-quarters of people. It is doubtful whether they will not make mistakes, and whether they will not think they are entitled when they are not, and will think they are not entitled when they are. But the opinion of the Board after having gone into it was that, while it might not be strictly accurate, it was approaching an approximation within a comparatively few thousand of the count.

2105. Well, within 5 per cent., I take it?—It was difficult to come down to a figure, but it was not so far out that you had to reject it as evidence, and as substantial evidence, of the number of people who were entitled to medical benefit in the year 1921.

2106. And the conclusion, therefore, to be drawn from this table is that the committees' lists are inflated to an extent that approaches 25 per cent.?—(Mr. Wight): 20 per cent.

2107. More probably about 20 per cent.?—Yes. But looking to these figures, that inflation, great as it is, does not appear to be inequitable, because, as you see, in a number of cases the two comparisons of distribution are almost identical, and in fact are identical in some cases. Stirling Burgh has '45 in both cases.

2108. (Mr. Jones): Is it not the case that the inflation has stood at round about 20 per cent. for a considerable number of years?—(Mr. Jeffrey): Yes; it has not increased very rapidly.

2109. (Sir Andrew Duncan): No difficulty arises from the fact that Scotland is on a different basis from England in this respect?—(Sir James Leishman): No. There is no great difference. If the administration think a certain method is not desirable, and give reasons for it, I think it must be left. It is not desirable, in my judgment, that two bodies should be drilled into this deadly uniformity for which some people have such a craze.

2110. There is no serious prejudice to England?—(Mr. Jeffrey): It does not affect England at all. This index register is used for a local distribution in Scotland.

2111. (Sir Arthur Worley): The only means of checking which you really have is the Census?—(Sir James Leishman): Except that from other information and other documents we have a fairly good idea of the total number of insured persons in Scotland, and we can make certain deductions as to the number entitled to medical benefit. (Mr. Jeffrey): We know the number of Approved Society members and the number of deposit contributors. Add these two together and we get the total number of insured persons. In Scotland we can compare that with the index register, and we know the inflation as a whole, but we do not know its extent in particular areas.

2112. But you are putting forward here some basis on which you check the thing. It is only every five years, except that you have the Government Actuary's figure of 1,600,000?—(Mr. Wight): That is the figure which is used for the constitution of the central medical pool. The index register figures govern the distribution of it. (Sir James Leishman): There was one figure put forward originally, I think, by the Actuaries which has come out generally extraordinarily well in every discussion, and that is that they estimated, taking one year with another, that there would be, roughly, one-third of the population insurable. While that does not hold good with regard to every area, it has come out extraordinarily well, taking it all round.

2113. (Sir Alfred Watson): On this form which you have given to us, would you care to give us an opinion as to why the county of Argyll seems to be different from every other county and burgh in having a smaller number on the committee's register than the Census figure?—(Mr. Jeffrey): The reason for that is probably this. The Census for 1921 was taken in the month of June. The count is usually taken about March or April. Now June is a holiday month, and the population of the various seaside resorts on the Clyde was inflated by reason of holiday-makers, insured persons having gone there

for a holiday. You will find the same difference in the County of Bute.

2114. (Sir John Anderson): There is a greater difference there?—Yes. But we have a Distribution Committee which has power to give the Board advice in making adjustments in respect of local circumstances.

2115. (Chairman): I have no questions on Chapter VIII of Section C. Taking Chapter IX, I see that the Lowlands Mileage Fund has increased from £16,000 in 1913 to £55,000 in each of the last three years. Can you give us broadly the reasons for this remarkable increase?—(Mr. Jeffrey): Mainly because the cost of locomotion went up very materially. The grant was increased roughly by £11,000 in 1917 and that increase was continued up to 1919. In 1920 there was a complete revision of the conditions of service of practitioners, and in addition to paying the cost of locomotion the doctors were also paid for the extra time in visiting rural patients as compared with the time occupied in visiting the urban patients. A further change was that they were to be allowed mileage for a distance of two miles from the house of the doctor of the insured person's choice instead of, as before, three miles from the house of the nearest insurance practitioner. These circumstances account for the remarkable increase.

2116. The calculation of the amount for each committee or for each doctor in the area must be a matter of considerable difficulty since you have to take into account the geographical conditions of each doctor in relation to his group of patients. Are you satisfied that you have adequate data for this and that an equitable scheme of a fairly permanent nature has now been devised?—It is a difficult matter to make the distribution. It was done on data supplied in the first instance by the insurance practitioners, revised by the Panel Committee and by the Insurance Committee. The Central Department allocated the money as between the Insurance Committees' areas on these data. But having allocated the money among the Insurance Committee areas the Central Department left the local distribution as between the doctors in each area to the Insurance Committee. It is true that the Central Department gave the Insurance Committee the data which they had used in distributing the money as between Committees, but the local distribution was left to the local Insurance Committee, who had power to take into account any special geographical conditions affecting a particular doctor in relation to his group of patients, as you have just said. That factor, of course, could also be dealt with centrally by the Department under the Necessitous Districts Grant, to which we refer later. On the whole the data were as complete as one could expect. Of course they had got to be brought up to date from time to time in order to record movements of insured people as between areas and as between doctors. (Sir James Leishman): It is difficult to use the word "finality" in any insurance problem. (Mr. Jeffrey): Yes, you could not regard it as a permanent scheme of distribution. Indeed this year we have obtained a fresh return. It was felt that the previous returns were out of date.

2117. What part of the 2s. 1d. per insured person referred to in paragraph 22 is required for the mileage grants?—6½d. per insured person.

2118. These mileage grants are for that part of Scotland which is outside the Highlands and Islands area, are they not?—Yes.

2119. The Highlands and Islands grants result in a very substantial addition to the mileage total for Scotland? I suppose you consider that the circumstances in the North and West of Scotland fully justify this?—Clearly. There exists in the Highlands and Islands of Scotland a combination of social, economic and geographical difficulties which are not to be found in any other part of the country, and, but for this grant, it would have been impossible for the Central Department to have maintained anything like an adequate insurance service. By means of the grant, as Sir James indicated earlier in the day, the Board

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[Continued.]

have been able to make considerable improvements in the medical service, not merely in supplying surgeons and specialists, but also in raising the status of the ordinary practitioner, for example, by providing him with a living wage and helping him with a motor-car to reach his patients, and thus enabling the patients to get attention more quickly. The total of the grant is about £42,000 a year, but of course that covers payments for services rendered to other classes in the Highlands besides insured persons. The grant for the combined services has never been divided as between insured and non-insured, but if we were to make a rough estimate of the equivalent amount for mileage it might be put at approximately £10,000. But we think it would only be fair to add to that a sum in respect of subsidies to the doctors in the poorer practices, where they could not live without special assistance from the Fund. To that £10,000 for mileage proper we should probably add another £10,000 for the subsidies, which would give a total addition of about £20,000. That £20,000 expressed in terms of a rate per insured person in the Highlands and Islands areas would amount to about 6s 1'4d. The capitation rate that we mentioned for the Lowlands I think was 6s.

2120. On Chapter XI of Section C, would you amplify for us the reasons that have made Section 63 of the 1911 Act a dead letter in Scotland? Perhaps you might cover the question both in relation to Approved Societies and Insurance Committees?—(Sir James Leishman): I do not know that Section 63 was ever really workable from a practical point of view.

2121. At any time?—At any time. A combination of difficulties, actuarial, administrative, legal, local and political, would submerge it under a sea of difficulties, and I do not know that any Insurance Committee or Approved Society could be charged with laxity if they could not work a section which in its very essence and nature is really unworkable.

(The Witnesses withdrew.)

SIXTH DAY.

Thursday, 20th November, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.O.B., M.D.,
P.R.C.P.
SIR ALFRED WATSON, K.C.B.
SIR ARTHUR WORLEY, C.B.E.
SIR ANDREW DUNCAN,
MR. A. D. BESANT, F.I.A.
MR. JAMES COOK, J.P.

MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MRS. HARRISON BELL.
MISS GERTRUDE TUOKWELL.

MR. E. HACKFORTH (Secretary).
MR. J. W. PECK, C.B. (Assistant Secretary).

Mr. E. J. STROHMENGER, C.B., called and examined. (See Appendix I, Section D, and the two plates at the end of this Volume.)

2127. (Chairman): I understand, Mr. Strohmenger, that you are the Accountant-General of the Ministry of Health?—I am.

2128. In that capacity you are responsible, are you not, for the control and supervision of the central financial and accounting arrangements of National Health Insurance?—Yes.

2129. Those arrangements are described in detail in Section D of the Departmental Statement which was submitted by the Ministry. To one coming to the subject from outside, the arrangements appear, if I may say so, to be highly technical and complicated, and I will, therefore, ask Sir Alfred Watson to conduct your examination-in-chief in order that

2122. Do you think insured persons who were formerly entitled to receive sanatorium benefit on the recommendation of the Insurance Committee as one of their benefits under National Health Insurance are equally satisfied with the present arrangements under which the matter is entirely in the hands of the Public Health Authorities? Is there any important difference, so far as payment by the recipient of the treatment is concerned?—So far as we know they are satisfied. There is no payment, and we have only had complaints from one area in Scotland. (Mr. Jeffrey): Local Authorities in Scotland are not empowered to ask for payments for treatment. The Public Health Act of 1897 says the Local Authority may, and if required by the Central Department shall, provide an infectious diseases hospital for the use of the inhabitants, and in practice there is no payment.

2123. (Professor Gray): Can you tell us whether the work of the Medical Referees is regarded now as an integral part of the scheme?—Yes.

2124. And they are accepted by the Panel Practitioner?—Yes.

2125. Do you find your efficiency at the head office impaired in any way by a difficulty which used to affect England; I mean the fact that you are scattered about in different buildings?—(Sir James Leishman): I think that is a real difficulty we have. For one reason or another we have never been able to get offices that could be considered sufficient for all our needs. They are scattered all over the town. Our staffs are housed in different buildings. There is time lost in going from one building to another, and it certainly would be a very great convenience, apart from the efficiency of the work, to have better housing of our Department in Edinburgh.

2126. (Chairman): Sir James and gentlemen, we are very much obliged to you for your extremely valuable and interesting information. Thank you very much.

the members of the Commission may get a picture of the whole financial structure and resources of the Scheme. I will, therefore, confine myself to a few questions of a preliminary and general character. It is the case, is it not, that there are separate and distinct National Health Insurance Funds for England, Scotland and Wales?—Yes.

2130. Are there any differences between the arrangements in the several countries with regard to the finance of National Health Insurance?—The financial schemes in the three countries are identical, but there are, of course, slight differences in detail in some of the financial provisions.

2131. On broad lines they are identical?—Yes, identical.

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[Continued.]

2132. We may take it then, that, generally speaking, all that you tell us will apply equally to Scotland and to Wales, except, of course, so far as the figures are concerned?—That is so.

2133. I gather from your statement that the English National Health Insurance Fund is under the control of the Minister of Health and is, in effect, a bank in which the various Approved Societies have current accounts. Is this a correct view?—Yes, the National Health Insurance Fund acts as banker for the societies, and also acts as a general clearing house for all financial transactions involved in the Scheme.

2134. Is the whole of the money in the National Health Insurance Fund the property of the various Approved Societies, Insurance Committees, deposit contributors, and so on, or is there any unallocated money which might be regarded as being at the disposal of the Ministry of Health, to be used for any necessary purposes in connection with the Scheme of National Health Insurance?—The disposal of all moneys in the National Health Insurance Fund is fixed by Statute, and there are no funds which are available for other purposes.

2135. They are all ear-marked for specific purposes?—Yes. The only money which can be said to be at the disposal of the Minister is a small sum represented by one-tenth of the unclaimed contributions which Parliament has provided shall be disposed of under regulations made by the Minister. That is the only exception.

2136. Is that entirely in the hands of the Ministry of Health, or do they deal with those sums, whatever they may be, by mutual agreement with the various societies?—The Ministry of Health consults the societies where necessary. The sums in question must be used for Insurance purposes under regulations made by the Minister.

2137. (*Sir Alfred Watson*): Mr. Strohmenger, a number of interesting questions arise out of your Statement, but I think we had better take them not in the order of the paragraphs, but in the order of the questions as they seem to arise; and as far as possible I will give the reference numbers of the paragraphs in respect of each question that I ask. To begin with, I will ask you to tell us how the rate of contribution of 10d. a week in the case of a man and 9d. a week in the case of a woman was fixed?—The flat rate of contribution is the rate required for the ordinary benefits in the case of a boy or girl under the age of 17 entering into insurance. That is the weekly rate representing the value of the ordinary benefits.

2138. As fixed by actuarial calculation?—As fixed by actuarial calculation.

2139. And it represents the value of the full amount of the ordinary benefits?—The full amount of the ordinary benefits.

2140. (*Miss Tuckwell*): What do you mean by "ordinary"?—The statutory benefits other than additional benefits.

2141. (*Sir Alfred Watson*): Contributions are collected by means of stamps affixed to cards. Is that a statutory arrangement?—The Statute provides for the making of regulations prescribing the method of paying contributions, either by way of stamps or otherwise. The regulations provide that the stamp and card method shall be adopted.

2142. If, therefore, any evidence should be tendered to the Commission suggesting any better way of collecting contributions it is quite open to us to consider it without any amendment of the Statute being involved?—That is so.

2143. In paragraphs 11 and 53 you deal with the method of treating the contributions paid. I gather the aggregate of the contributions paid in respect of the members of a particular society is ascertained by the society through its collection of cards and the tabulation of stamps on them; the statement of the society is verified by the Department; and the total contributions represented by the society's cards up to a fixed date, namely, the end of the contribution half-year, are credited to the society by the Department at some later date?—That is so.

2144. I want to know what arrangement, if any, there is to ensure that a society gets credit for those contributions approximately from the date on which they are paid. I suppose the society does not merely get credit for interest on the contributions from the date on which the contributions themselves are credited in the accounts?—The contributions in respect of any period of account are credited to the society as at a date in that period, and interest runs from that date. The method adopted by the Department in crediting interest ensures that the society gets the full interest from the date from which the contributions earn interest.

2145. You say, "the date from which the contributions earn interest." I gather that in effect the contributions are treated as paid on a particular date. Is that date the date from which they are supposed to earn interest?—No. The contributions in fact earn interest from about the beginning of the third week after which they are paid. The Post Office pays over the money to the Department in the week following the payment of the contributions and the money is then paid over, in so far as it is not wanted for benefits, to the National Debt Commissioners for investment, and it starts to earn interest, of course, almost immediately. So that at the beginning of the third week after payment of a contribution one can say it earns interest. The method adopted by the Department is to attach to each item of credit in the current account of the society the proper time factor for interest and, in fact, the whole of the contributions paid in the year earn interest on average for very nearly six months of the year.

2146. It has been suggested to us in the evidence tendered by certain witnesses that there is a defect in the method of the Department in sending out the returns for contributions in the second half of the year; that whilst the returns sent out after the beginning of the year reach the societies very quickly, the returns that are sent out for contributions received up to June are sent out a good many weeks after the end of the period. Apparently there is some difference of arrangement in the Department between the returns relating to contributions up to December and contributions up to June. No doubt you have seen the complaint on this point. I think we should value any explanation you can give us if such a difference does exist?—The forms of returns for the second half of the contribution year are sent out in time for the societies to render those returns immediately they finish their work. At the end of the contribution year the society has to marshal the contributions of the year and determine how much an insured person is in arrear. Then there is a period of grace during which the insured person can pay arrears, and, therefore, in most cases the society does the whole work in one. It sends to the Department the contribution cards for the second half-year and the arrears cards for the year at one and the same time. In this last year certain of the larger societies—one or two—did represent to the Department that their methods were such that they could send to the Department returns and cards before they had finished the whole of their work on arrears, and we shall for the next year make arrangements so that they will be able to do this.

2147. The present arrangement is entirely for the convenience of societies?—Entirely.

2148. In order to enable them to include in the same return the contribution cards that run up to June and the arrears cards which may have been stamped in October?—That is so.

2149. In paragraph 13 you refer to the amounts deducted from the contributions and retained by the Commissioners for the Reserve Values and Contingencies Fund. The apportionment, I gather, is that in respect of men the societies are credited with seven-ninths of the contributions, and in respect of women with rather a higher proportion. Will you tell us why it is that societies only receive seven-ninths of the contributions into their Benefit Fund although the contributions that the members pay are

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[Continued.]

the equivalent at the age of 16 of the full amount of the benefits?—A deduction from each contribution is made for two purposes. Part of the deduction is retained by the Department and paid into the Reserve Values Apportionment Account for the purpose of crediting interest on the reserve values given to societies, and for redeeming those reserve values by cash. The other part of the deduction is credited to the society and by them credited to the Contingencies Fund of the society which has been set up under Statute.

2150. Yes, but the society, in the first instance at any rate, pays the whole of the benefits and only gets seven-ninths of the contributions into its Benefit Fund paid in respect of those benefits. How does it meet the difference in the benefits?—Every payment, of course, paid out of the National Health Insurance Fund is made up of seven-ninths from contributions and two-ninths from the Exchequer.

2151. The liability of the society, therefore, is to pay seven-ninths of the benefits out of its own funds and, therefore, it gets as contributions seven-ninths of what the insured person is paying?—That is so.

2152. Two-ninths of the benefits are provided by the State and two-ninths of the contributions are released for certain purposes?—That is so.

2153. I understand from you that the first of those purposes is to provide interest on the reserve values, secondly, to provide something for redemption of reserve values, and, thirdly, a part of the two-ninths is applied to what is called the society's Contingencies Fund?—That is so.

2154. I think, therefore, at this stage it would be well if you told us what is the intention of the reserve values?—Reserve values are paper credits to societies to meet the losses which societies would otherwise incur in accepting members over the age of 16. Under the Insurance Acts generally all employed people are compulsorily insured at a flat rate of contribution, and with a uniform scale of benefits. As I explained in answer to a previous question, the rate of contribution is fixed at the value of the full benefits which a boy or girl of 16 is entitled to, and, therefore, when societies admit to membership insured people over the age of 16 they incur a liability which is not covered by the contribution, and to meet this excess liability the reserve value is given. It represents exactly that excess liability.

2155. On an actuarial basis?—On an actuarial basis

2156. What was the original total of reserve values created under the Act of 1911?—The amount of reserve values originally created was roughly £65,000,000.

2157. According to the explanation you have just given us some part of this is being written off every year out of the two-ninths of the contributions. What percentage has been written off up to the present date?—Approximately £8,000,000 had been converted into cash by the end of 1922; that is roughly 12 per cent.

2158. Therefore of the original reserve values some £57,000,000 is still outstanding?—Yes, £57,000,000 That figure is shown in the Statement of Balances which I now hand in. (*Documents handed in.*)

NATIONAL HEALTH INSURANCE FUNDS.—ENGLAND, SCOTLAND AND WALES.

Statement of Balances at 31st December, 1922.

Liabilities.		Assets.	
	£		£
Approved Societies Account :—		National Debt Commissioners	
Investment Account	34,727,000	for Investment	60,974,000
Current Account	9,245,000	Cash at Bank	563,000
Reserve Values Account*	57,433,000	Reserve Values*	57,431,000
		Sundry Debit Balances :—	
	101,405,000	Insurance Committees	7,345,000
Navy and Army Insurance Fund :—		Exchequer (Sundry Grants)	267,000
Investment Account	2,082,000	Postmaster General	143,000
Current Account	63,000	Other Government Depart-	
Reserve Values Account	1,205,000	ments	13,000
		Central Fund	22,000
	3,350,000		7,790,000
Deposit Contributors Fund :—			
Investment Account	1,313,000		
Current Account	153,000		
	1,466,000		
Exempt Persons Fund :—			
Investment Account	213,000		
Current Account	14,000		
	227,000		
Reserve Values (Apportionment)			
Account... ..	3,934,000		
Stamps Sold	5,592,000		
Reserve Suspense Fund	24,000		
Sundry Credit Balances :—			
Medical etc. Funds	8,352,000		
Navy and Army Contributions	870,000		
Employers' Deposits... ..	296,000		
Deposits for Postal Drafts	9,000		
Special Grant (Medical Ben.)	720,000		
Women's Equalisation Fund... ..	470,000		
Special Fund (Section 27 of			
1918 Act)	27,000		
Income Tax (recoverable)	9,000		
N.H.I. Fund ; Ireland	6,000		
Miscellaneous	1,000		
	10,760,000		
	126,758,000		126,758,000

* Supplementary (1920) Reserve Values not yet credited to societies are estimated at £48,000,000.

At 31st December, 1922, the sums issued to Approved Societies for investment under sub-sections (2) and (3) of section 56 of N.I. Act, 1911 (Section 71 of N.H.I. Act, 1924), were as follows, viz. :—

	£
(i) Sums paid to societies for investment by them	27,322,000
(ii) Sums invested on behalf of societies in securities selected by them	9,472,000
	36,794,000

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[Continued.]

NATIONAL HEALTH INSURANCE FUNDS.—ENGLAND, SCOTLAND AND WALES.

Statement of Balances at 31st December, 1923.

Liabilities.		Assets.	
	£		£
Approved Societies Account :—		National Debt Commissioners	
Investment Account ...	38,043,000	for Investment ...	66,849,000
Current Account ...	9,717,000	Cash at Bank ...	395,000
Reserve Values Account*	57,228,000	Reserve Values*	57,800,000
		Sundry Debit Balances :—	
	104,988,000	Insurance Committees ...	713,000
Navy and Army Insurance Fund :—		Exchequer (Sundry Grants)	233,000
Investment Account ...	3,050,000	Postmaster General ...	118,000
Current Account ...	68,000	Other Government Depart-	
Reserve Values Account ...	1,193,000	ments ...	32,000
		Central Fund ...	15,000
	4,311,000		1,111,000
Deposit Contributors Fund :—			
Investment Account ...	1,425,000		
Current Account ...	171,000		
	1,596,000		
Exempt Persons Fund :—			
Investment Account ...	223,000		
Current Account ...	17,000		
	240,000		
Reserve Values (Apportionment)			
Account ...			5,834,000
Stamps sold ...			5,431,000
Reserve Suspense Fund ...			254,000
Sundry Credit Balances :—			
Medical, etc. Funds ...	1,890,000		
Employers' Deposits ...	431,000		
Deposits for Postal Drafts ...	8,000		
Special Grant (Medical Benefit)	602,000		
Special Fund (Section 27 of			
1918 Act) ...	31,000		
Income Tax (recoverable) ...	8,000		
N.H.I. Fund; Ireland ...	29,000		
Miscellaneous ...	2,000		
	3,001,000		
	£125,655,000		£125,655,000

* Supplementary (1920) Reserve Values not yet credited to societies are estimated at £48,000,000.

At 31st December, 1923, the sums issued to Approved Societies for investment under sub-sections (2) and (3) of section 56 of N.I. Act, 1911 (Section 71 of N.H.I. Act, 1924), were as follows, viz. :—

	£
(i) Sums paid to societies for investment by them ...	29,949,000
(ii) Sums invested on behalf of societies in securities selected by them ...	10,096,000
	<u>£40,045,000</u>

2159. Under the Act of 1920 the benefits were increased and the contributions were increased also?—Yes.

2160. I take it it was necessary further that additional reserve values should be created?—Yes.

2161. Have those reserve values been in fact credited to societies?—Not yet fully. The full returns are not yet in from societies, but the additional reserve values to be created under the Act of 1920 are estimated to amount to about £48,000,000.

2162. In so far as societies have been valued as at 31st December, 1922, have those additional reserve values been brought to their credit in their assets?—Yes, but they are not included in the accounts which I have just handed in. They have been created and will be credited in the accounts for 1924. The accounts now before you are the accounts for 1922 and 1923.

2163. Yes, but is there any return made of the amount due to each society as at 31st December, 1922, if that society has to be valued at that date?—Yes.

2164. A special return is made up and submitted to the Treasury Valuer, I suppose?—That is so.

2165. What is the total annual income provided for reserve value purposes out of the two-ninths money?—Under normal conditions the total annual income of the Reserve Values Apportionment Account is about £4,500,000. Actually in 1922 the income was only £3,800,000.

2166. When you say £4,500,000 are you referring to the old reserve values, or to the new reserve values, i.e., to the position as enlarged by the Act of 1920?—The total deduction now being made.

2167. If we have £105,000,000 of reserve values at present outstanding, of the £4,500,000 I take it something over £3,000,000 is required for interest on those reserve values?—Yes, rather more than £3,000,000.

2168. That would leave rather less under normal conditions than £1,500,000 to be applied to redemption?—That is so.

2169. That would give us a rate of redemption at the present time of something between 1½ and 1¼ per cent.?—About 1¼ per cent.

2170. You have said that is the position under normal conditions of employment. What is the effect upon these Sinking Fund arrangements of a state of heavy and prolonged unemployment such as that through which we have been passing for the last two or three years?—The reduction in the Sinking Fund income which results from the shortage of contributions owing to unemployment falls wholly, of course, on the money available for redemption. Interest is a first charge. If it were not for expected windfalls from the Reserve Suspense Fund, I think the position would be really serious. I estimate that in 1922, instead of writing off 1½ per cent. of the outstanding reserve

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values, we were only able to write off $\frac{1}{2}$ per cent. This would mean a very serious prolongation of the period of redemption if the present rate of unemployment continued, and, of course, if it were to get worse the position would be really alarming. We are working on a very narrow margin.

2171. Assuming normal conditions to prevail, is it possible to predict the length of the Sinking Fund operations?—So far as the Reserve Values Apportionment Account itself is concerned, with the normal income from contributions it is estimated that the period may be something about 35 years.

2172. Not from the present time?—No, not from the present time; from the time of creation of the further reserve values in 1920.

2173. If the windfalls through the Reserve Suspense Fund, to which we will refer later, continue to come in substantial amounts, that period may be shortened, I take it?—Yes, it may be shortened. It is quite impossible to say by how much. The amount of any windfall is quite conjectural.

2174. If prolonged unemployment continues, that will off-set the windfalls and possibly further prolong the period?—Yes.

2175. As I said, reserve values when converted into cash are as much a necessity of the societies as are the contributions themselves to enable the societies to pay their claims?—Clearly.

2176. The reserve value is, I think, a paper credit, and is only of use to the society when it is converted into cash?—That is so.

2177. An insured person, when he wants a week's sickness benefit, wants money; he does not want a piece of paper that will be redeemed in 35 years. What is the position in regard to societies with an abnormal age distribution, having a preponderance perhaps of old members, a society whose contributions cannot be expected normally to meet its claims?—When a society has a debit balance in its current account, and has exhausted all its cash resources, then under regulations made by the Minister, the Department cashes the reserve values of the society so far as they are required for cash purposes.

2178. That is to say, that society by stress of circumstances is given an advantage over other societies by an acceleration of the pace at which its reserve values are redeemed?—Yes.

2179. You mentioned to us just now that a part of the two-ninths of the contributions retained by the Department was applied to the Contingencies Funds of the societies. I think perhaps you might explain to us what these Contingencies Funds are?—The Contingencies Fund is a fund maintained by each Approved Society for meeting a deficiency on valuation. It is built up, as I explained, by the fractional amount deducted from each contribution. The amounts set aside for the Contingencies Funds are credited by the Department, as contributions are paid, to the current account of the society in the National Health Insurance Fund, and by the society they are credited and held in the Contingencies Fund kept by each society. If at valuation there is a deficiency, the Contingencies Fund is drawn upon; if there is no deficiency, or if there is a balance after the deficiency is met, then the net amount to the credit of the Contingencies Fund is, after valuation, transferred to the Benefit Fund of the society.

2180. In either case, whether deficiency or surplus, the Contingencies Fund is really nothing more than a sub-account of the Benefit Fund?—That is so, but held up for a period.

2181. Am I right in thinking that if a society has a surplus the Contingencies Fund of one five years cannot be spent in the next five years, but must be retained until after the next succeeding valuation?—That is so.

2182. Evidently in one way or another, whether it be by way of preventing a reduction of benefits that otherwise would accrue in the case of a deficiency or whether it be by way of increasing additional benefits granted in the case of a surplus, the Contingencies

Fund money is used to provide benefits for the members that they would not otherwise receive?—That is so.

2183. You said that the contribution of tenpence was estimated to be worth the normal benefits at the age of sixteen. It seems to me what the member receives who enters at sixteen is something worth tenpence plus the Contingencies Fund money?—That was not so originally, but it is so now owing to the provision of the Contingencies Funds.

2184. The Contingencies Fund contribution in the case of a man is, I think, five-ninths of a penny?—Yes.

2185. And when that is expended it carries the State grant?—Yes.

2186. It is converted into five-sevenths of a penny by means of the State grant?—That is so.

2187. Therefore, it would seem to me that the person who enters at the age of sixteen, paying a contribution of tenpence, gets, in fact, benefits that are worth ten and five-sevenths pence?—Yes, I agree.

2188. The position is somewhat similar, but I suppose, as usual, a little more complicated in the case of women?—Yes, practically similar.

2189. In paragraphs 14 and 28 you give us a good deal of information as to the credits to societies and to other quarters in respect of stamps sold. I gather the total of the stamp sales in any half-year is brought into relation with the credits to societies and to the Sinking Fund for redemption of Reserve Values, and to the Deposit Contributors Fund, and to the Exempt Persons Fund. After those items have been provided for, I assume that a balance arises, and I take it that that balance is represented in the document you have just handed in by the item "Stamps sold, £5,431,000." I think you might explain to us exactly how the balance arises, and normally how it is dealt with. The amount is very large, and we should like to have a full explanation?—The produce of the stamps sold in any year of account, that is, from 1st January to 31st December, is credited to the Stamp Sales Account, and credits out of that Account are given to Approved Societies, the Deposit Contributors Fund, the Navy and Army Fund, and the other subsidiary funds entitled to credits. There is always some balance left over after these credits have been given. This balance arises in many ways. In the first place there is the value of the stamps held by the public and not yet affixed to cards; there is the value of the stamps on cards which have not yet found their way to Approved Societies, but will eventually find their way; there is the value of stamps on cards which will never find their way to Approved Societies or to the Deposit Contributors Fund, that is to say, cards lost, or cards destroyed; and, lastly, there are the stamps which are bought and are themselves destroyed or lost and not attached to cards, in respect of which proof of loss or destruction cannot be given. All these things together have year by year mounted up to a figure, as you see, of nearly £5,500,000 in the three countries. But, of course, on that £5,500,000 there is a direct liability so far as the stamps held by the public are concerned, and so far as the stamps on cards which will eventually find their way to societies are concerned; and it is possible to estimate very approximately the amount of these two items. The balance is disposable money which Parliament has provided is to be paid into the Central Fund, subject to certain credits being given to societies in respect of people in arrears owing to unemployment.

2190. To keep our minds clear, the Central Fund is a fund applied exclusively, I think, to the relief of societies in deficiency?—That is so.

2191. That is the normal way of dealing with the excess of stamps sold over the amounts that have either to be held for or to be credited to specific objects. Are there any special conditions at the present time with reference to this excess of stamps sold?—This very large windfall to the Central Fund has, of course, increased the total of the Central Fund beyond what was ever expected and beyond what is required; and under the Insurance (Cost of Medical Benefit) Act, 1924, there is a charge on the

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Central Fund for certain liabilities in respect of the cost of medical benefit. Part of the excess cost of medical benefit in the years 1924, 1925, and 1926 will be charged to the Central Fund.

2192. Do I gather that that charge has not had the effect of reducing unduly the balance in the Central Fund?—That is so. The balance in the Central Fund at the end of 1923, after providing for these charges, will be £1,500,000, so that at the end of 1926, when all these charges have been liquidated, the Fund will stand at £1,500,000 with, in addition, interest from the end of 1923, and is certainly adequate to meet its liabilities.

2193. Then if this special liability for medical benefit had not arisen and been thrown on the Central Fund, a problem as to the amount of that Fund would have arisen later on, with which, I suppose, Parliament would have had to deal?—That is so. This large sum of money is wholly a windfall in any case. Parliament decided, before the full extent of it was known, to transfer it to the Central Fund, and Parliament would have to decide what should happen to it if the Central Fund did not want it.

2194. In your view, have Approved Societies any proper claim upon it?—Practically none whatever.

2195. It is absolutely a windfall?—It is absolutely a windfall.

2196. Some question possibly might arise connected with the fact that at least half of it has been paid by employers?—That is so, and perhaps much of it paid improperly by employers. During the War period so-called contributions were paid which were probably not due to be paid because the persons concerned were not really in insurable employment.

2197. A misunderstanding on the part of persons and their employers as to whether they were insurable or not?—That is so. But quite clearly a very large part of it is not due to societies, because the people in respect of whom the contributions were paid were never in insurance.

2198. However that may be, the special emergency that lately arose in respect of medical benefit has provided for the disposal of the money?—That is so.

2199. If the question arises again it will only be at a very much later date?—Yes.

2200. It has been suggested to us that certain contributions are improperly paid by insured persons, and that societies might be given the right to retain those moneys. I should like to ask you whether a person who has paid a contribution when he is sick or unemployed in a mistaken belief as to his rights under the law and a mistaken belief of the advantage that that contribution would bring him, can claim a refund?—Yes, a refund is made if he can give the necessary proof.

2201. If no refund is claimed, is it a reasonable argument that the Approved Societies concerned are entitled to those contributions?—I do not think so. The contributions are not properly payable, and the societies under the existing regulations are not allowed to retain them, I think it might be wrong to give societies a financial interest contrary to the interest of the insured person.

2202. I take it that so far as the insured person can be made to understand the law he can only be made to do so by the education given to him by his society?—Exactly.

2203. Your point is that it would be wrong to give the society a financial interest in its members remaining ignorant of the law in regard to the payment of contributions?—Yes.

2204. In fact, how does the Department or anybody discover when contributions have been improperly paid if the insured person does not proceed to claim a refund?—Societies are supposed to separate the improperly paid contributions from the others. They should know when contributions are being paid during periods of sickness, and they would in the ordinary course not give credit in their contribution register for these contributions, but would send the stamped cards to the Department independently of their claim for credit. Information would also come to them as regards periods of unemployment, and

there they ought to do the same. But if cards come to us without a return by societies that they have been improperly paid, societies may get credit for them.

2205. It is rather difficult to conceive the idea of a society checking off every week the sickness of a member against his contribution card so as to see whether a stamp was affixed for a week in respect of which he drew benefit. Do you think they do it?—I should not like to say.

2206. Do you think they really know the weeks during which their members are out of work?—Probably not.

2207. It is a question, is it not, of the constitution of the particular society?—Yes.

2208. A little branch whose secretary is in close contact with most of his members will know a great deal about them that a great centralised society would not know. Is not that the position?—That is so.

2209. Societies may, in fact, get a certain amount of credit for contributions that should never have been paid?—I am sure they do.

2210. Are the refunds of contributions either claimed or granted—there may be a difference—very large in number or amount?—I am afraid I have not that information. It is rather outside my province. I could certainly send to the Commission a statement of the total sums refunded.

2211. It would be interesting to have it.

2212. (*Professor Gray*): In paragraphs 44 and 45 of Chapter I of Section A of the Departmental Statement, page 13, the amount is stated to have been £14,000 in 1923.

2213. (*Sir Alfred Watson*): £14,000. That would probably include refunds of contributions to employers?—It would certainly.

2214. It is not wholly the item of which I am speaking, which is refund to the insured person of contributions improperly paid by himself. Could that be separated?—We could analyze roughly this figure of £14,000, but as far as the societies are concerned they would have no knowledge whether the contributions were paid by the employed person or by his employer.

2215. Quite, but you could analyze the £14,000 and tell us how much was actually refunded to insured persons in respect of contributions improperly paid by themselves?—Yes, I submit a statement which I think gives what you desire. (*Document handed in.*)

Refund of National Health Insurance Contributions.

Of the amount of £14,520 refunded in 1923, approximately £8,250 (including £7,250 in respect of persons over 70) was paid to employers, subject to an undertaking by them to repay to the employees concerned the share of the contributions deducted from wages, and approximately £6,270 was paid to insured persons. The amounts refunded to insured persons consisted of approximately £4,740 in respect of arrears penalties irregularly paid by them, and £1,530 the value of stamps affixed to contribution cards by the insured persons themselves for periods of sickness or unemployment, or for periods after they had ceased insurable employment.

2216. I understand from paragraph 15 of Section D that the contributions credited to a society go to its current account in the National Health Insurance Fund. You have explained to us the arrangements that are made to credit interest as from the date, approximately three weeks after the contributions are paid, on which the money is invested?—Yes.

2217. What is the position as to late cards, that is to say, cards sent in with a bundle of cards for a particular half-year but which relate to earlier half-years, possibly to two or three years previously?—These cards are treated as if they were cards in respect of the year of account, and the society certainly does not get interest before the year of account. On merits the society is not entitled to any interest. Most of these cards are surrendered to the

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society at one time, probably on admission to membership, and although the money has earned interest the interest has gone into the Stamp Sales Account for the years prior to the year of account.

2218. The position then is that the late cards, practically speaking, receive interest as from approximately the middle of the half-year preceding the half-year in which they are surrendered?—That is so.

2219. From the explanation that you have given us I take it the position is this, that an insured person frequently joins a society some considerable time after he becomes insured. He has taken no steps to become a deposit contributor: he has merely hoarded his cards in his own possession: and on joining a society the society makes inquiries as to when he became insured, and he then disgorges all his back cards and hands them to the society. The society, I take it, gets credit for the whole of the contributions on the stamps but has not paid any benefit during the back period?—That is so.

2220. The society therefore makes a profit out of the arrangement, and you do not allow interest for the period during which those contributions have been accumulating?—That is so. For accounting reasons it would be quite impracticable to separate these cards. In any case I do not think on merits there is any case for doing so.

2221. Reverting to that part of two-ninths of the contributions which is applied to reserve values—paragraph 18—on what basis is the aggregate amount of money received under that head allocated between societies?—The first charge on this money retained by the Department for Sinking Fund purposes is the interest on the outstanding reserve values. The balance, that is the amount available for redemption of reserve values, is credited to societies in proportion to their outstanding reserve values.

2222. Then both interest and redemption are credited to societies at a level rate?—That is so.

2223. The rate for redemption being ascertained by dividing the balance available for that purpose by the whole outstanding reserve values?—Yes.

2224. It appears to me that when that credit is made to a society, careful book-keeping entries must be made to ensure that a part of it, that is to say, the interest portion is treated as income, and the redemption portion is not treated as income. Is that so?—No. All cash credits given to a society are given in the current account kept by the Department with the society. The society keeps no separate account for payments which may be regarded as capital payments. It is not necessary for them to do so.

2225. Surely operations have to be made on the society's Investment Account?—Clearly. That is another operation. When money is made available for investment one-half of it is paid over to the society for investment.

2226. I am not on that point for the moment, I am on this point, that when out of the two-ninths money a certain sum is given to a society a portion of that is interest on its reserve values and is real income, and the other portion is not real income, it is merely the substitution of one form of investment for another?—The reserve values originally created are credited by Approved Societies to their Benefit Fund. As far as those reserve values are turned into cash by the redemption money, the paper credit is reduced and the cash credit is increased. It is simply a transfer of credit from paper to cash.

2227. That is an important distinction between that part of the money and that which is credited by way of interest?—Yes, but it all forms part of the Benefit Fund of the society.

2228. That I quite understand. Issues of money for benefits and cost of administration are presumably made to the societies from time to time by the Department. How often is money issued to societies?—Issues of funds to meet cost of benefits and administration are made every four or five weeks.

2229. In advance of expenditure or subsequent to it?—Before expenditure.

2230. In all cases?—Not in all cases: in all cases in which the society gives security. If the society does not give security then they get repayment of the moneys used for the payment of benefits and administration at the end of the month or period.

2231. If they go on that second system and get repayment, somebody has to finance them apparently when the benefit becomes due?—That is so.

2232. How do they manage that?—They finance themselves from other resources. The Department does not inquire.

2233. What kind of societies work on the repayment system?—A few Trade Unions.

2234. They finance themselves from their Trade Union funds?—Presumably.

2235. Are they permitted by your regulations to pay interest to the Trade Unions which have lent them the money for the time being?—There is nothing in the regulations governing this matter, but there is not the slightest doubt that proper interest charged to the society's account would be admitted on audit.

2236. How is a society debited in regard to medical benefit which it does not pay directly itself?—The sums payable by societies for the cost of medical benefit and administration of medical benefit by Insurance Committees are debited by the Department in the current account kept with societies.

2237. Under existing conditions the charge for medical benefit is apparently not a matter which immediately concerns the societies; that is to say, neither the societies nor the Insurance Committees on their behalf bargain with the doctors and the chemists for payment in respect of doctoring and the supply of drugs?—That is so.

2238. What is the position of the societies in that respect in view of the fact that some definite charge for medical benefit must exist in that contribution of tenpence which you told us at the beginning was exactly worth the benefits, including medical benefit, to an entrant at the age of sixteen?—The amount payable in respect of medical benefit out of the funds of societies is fixed by Statute at 9s. 6d. for each insured person. The balance of the sum required for the cost of medical benefit is found, and has always been found, from other sources. Under the Insurance (Cost of Medical Benefit) Act, 1924, in addition to the 9s. 6d. a further 2d. is charged on the funds of Approved Societies. As I explained in answer to a previous question, part of the balance comes from the Central Fund and a further sum is charged on another account, to which I shall have to refer later; but the maximum provision is limited by Statute. These financial provisions as regards medical benefit are, so far as the Ministry are concerned, extremely unsatisfactory. They constitute a serious defect in the general financial arrangements. Here you have what is really a limited provision for the payment of medical benefit and an unlimited liability. It is true that the payment to the doctors is fixed for a period of years from time to time, but there is always the risk that the time may come to review the bargain with the doctors, and to have a further liability for which you have no provision. The liability for drugs is, of course, unlimited from day to day. The contract so far as drugs are concerned is to pay the actual cost of the drugs. In the years 1922 and 1923 the cost of drugs was really more than the provision, and the Minister had to have recourse to the one-tenth of the unclaimed contributions to which I have referred in order to meet this excess cost. For the years 1924, 1925 and 1926, the Department made what they considered to be a very full estimate of the cost of drugs, but owing to the epidemic this spring the cost exceeded that estimate, and although I hope that, during the three years for which the Act of 1924 will run, the cost will be within the provision, at the same time it may not be, and it will be an acute embarrassment to the Department if it is not.

2239. Am I right in saying that in 1913 when this question first arose a large liability in excess of the

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sum available in the funds of the Approved Societies for meeting the cost of medical benefit was charged upon the Exchequer?—That is so.

2240. And failing recourse to further burdens on the Exchequer and in the absence of further wind-falls, as I think you have described them (excess contributions and that sort of thing), it would almost seem as though that part of the contribution which provides for medical benefit ought to fluctuate with the current cost of medical benefit—

2241. I am not asking you to agree to that proposition. That seems to be the conclusion to which your observations on the present position lead?—I do not want to suggest what the solution is. If necessary that can be done later. I point out the unsatisfactory position in which the Department now is in regard to this matter.

2242. You have told us that certain contributions and other income are credited to the current accounts of societies and certain charges for benefits, and so forth, are placed on those current accounts. I take it that from time to time the balance at the credit of the current account is struck to see what money is available for investment?—That is so.

2243. How often is that done?—The balance of the account is struck when the account is made up once a year, but interim rough ascertainment are made once during the year; so that societies get money for investment twice a year, in January and July.

2244. We will say that in July of a particular year the balance is struck in regard to a particular society, and it is discovered that £100,000 is available for investment. Will you tell us how that £100,000 is dealt with?—The Insurance Acts provide that of all moneys of societies available for investment one-half is retained by the National Health Insurance Fund Investment Account. The other half is dealt with in one of three ways in which it is open to the societies to deal with their half of the investable sums. Societies may leave the money—their half—in the National Health Insurance Fund Investment Account, or they may have the money paid over to them for investment by their own trustees in trustee investments, or, thirdly, they may ask the Minister himself to make investments for them in such securities as they may choose.

2245. From the statement you have given to us, am I right in drawing this inference, that £38,000,000 has been invested on behalf of societies by the National Debt Commissioners; that £30,000,000 has been paid to the societies for investment by them, the investments being held in the names of their own trustees; and £10,000,000 has been invested by the Minister on behalf of the societies in securities selected by themselves?—That is so.

2246. And in the last case the Minister holds the securities?—Either the Minister or the Bank of England.

2247. We have just learned that the societies have £38,000,000 in the Investment Account. What arrangements are made as to giving the societies interest on that money?—From time to time the National Health Insurance Joint Committee with the approval of the Treasury determine the rate of interest to be credited to societies in respect of their credits in the Investment Account. The moneys are invested by the National Debt Commissioners in securities in which Savings Bank funds may be invested. The yield of these investments is paid into the Income Account kept by the National Debt Commissioners, and on a survey of the whole position the National Health Insurance Joint Committee fix the rate of interest. Only one rate of interest can be fixed, and it is very desirable that you should have fluctuations in that rate as seldom as possible. The balance in the Income Account is, therefore, partly an Equalisation of Interest Fund and partly a Depreciation Fund. The present prescribed rate of interest is $4\frac{1}{2}$ per cent.

2248. How long has that rate been in force?—Since 1922.

2249. What was it previously?—It was previously 4 per cent.

2250. What was it originally?— $3\frac{1}{2}$ per cent.

2251. The rate has, therefore, gone up in sympathy with the change in the rate of interest at which the National Debt Commissioners can invest the funds placed in their hands?—That is so. $3\frac{1}{2}$ per cent. to December, 1917, 4 per cent. to December, 1922, and $4\frac{1}{2}$ per cent. since.

2252. You told us that the National Debt Commissioners select investments in which Savings Bank funds can be placed. That, I take it, would include such investments as War Loan?—Yes; generally all Government securities.

2253. Have any premiums been realised on the maturity of investments, or is it anticipated that any premiums will be realised?—No premiums have been realised so far, but there are holdings in the National War Bonds on which premiums will be paid.

2254. (Chairman): If there were depreciation, who is responsible?—The depreciation is met by this reserve in the Income Account. There is no guarantee of the credit.

2255. You keep certain sums earmarked for possibilities of depreciation?—The Department fix the prescribed rate, so that there shall be a real reserve to meet depreciation as well as equalisation of rate.

2256. (Sir Alfred Watson): Am I right in supposing that at one stage of the position of the Fund there was a serious depreciation?—Yes, and on the conversion of pre-war investments a considerable loss was incurred.

2257. Going back into history, is it correct to say that Consols were bought on the average at about 74 before the war, and were then converted into a new stock at a price of about 87?—That is so.

2258. And immediately, therefore, a considerable depreciation was realised?—Yes.

2259. All that time the prescribed rate was $3\frac{1}{2}$ per cent., and a substantial balance was being built up as a reserve against that depreciation?—That is so.

2260. Ultimately I think the depreciation worked itself off by the improvement in the value of Government securities?—Yes.

2261. And then the prescribed rate was raised?—Yes.

2262. The present position is that you look forward to the realisation of premiums on National War Bonds, and possibly to the redemption of War Loan at par, and under both of those headings whatever reserve exists in the Interest Account to-day will be substantially augmented?—Yes, any realised profit will be credited to the Income Account.

2263. In so far as it is not required to make good depreciation, it will in some form of other accrue to the funds of societies and other funds concerned in that Investment Account?—That is so.

2264. This question is rather important, because it has been suggested to us that if societies, instead of having one half of their accumulations for investment, received the whole of those accumulations they would do a great deal better for themselves than the National Debt Commissioners are doing for them, that is to say, that if they invested the whole themselves they would get at least 5 per cent., whereas now they are only getting on half their funds $4\frac{1}{2}$ per cent. Is it fair to suggest, as the thing is arranged at present, that a reserve is growing up in the hands of the National Debt Commissioners that will enable the Joint Committee to maintain the prescribed rate of $4\frac{1}{2}$ per cent. for perhaps a considerable period after new investments can only be made at a rate which may be 4 per cent. or $4\frac{1}{2}$ per cent.?—Yes. If there is no new catastrophe, I certainly look forward to $4\frac{1}{2}$ per cent. for a fairly long period.

2265. (Sir Arthur Worley): How?—Owing to the reserve we have for equalisation purposes.

2266. (Sir Alfred Watson): It may, therefore, be that you will be allowing societies $4\frac{1}{2}$ per cent. on the whole of the moneys in the Investment Account at a time when they are only able to invest at 4 per cent., or perhaps less, the new moneys you are issuing to them for investment by themselves?—That is so.

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2267. Therefore it would seem to be a short-sighted view on the part of societies to suggest that you are doing badly by them because they can get perhaps a half per cent. more at the present moment on their own investments than is given to them by the investments made by the National Debt Commissioners?—Yes. I do not, of course, know what representations the societies are going to make, but I should like the Commission to bear this in mind, that at the outset of the Insurance Scheme for a year or two societies had very little money to invest and the National Debt Commissioners were investing money much earlier than the societies were. The National Debt Commissioners, therefore, had relatively a much bigger holding in pre-war stocks than societies had. If societies are now coming along and saying that over the whole period they have earned more than the National Debt Commissioners have earned, the Commission ought to bear in mind that they were not saddled with these big losses that the National Debt Commissioners inevitably were saddled with. At the outset of the Insurance Scheme reserve values had to be created and big sums, as I have explained, were retained each year in order to meet the interest and redemption of reserve values. Reserve values could not be created on the day the Scheme started. You had to get information and it took a long time to make the necessary calculations to give credit to the societies. During this time, until the Department knew what credits should be given to the societies, they could not distribute to the societies the sums held up for reserve value purposes; and, therefore, the societies did not have an opportunity of investing their money as early as the National Debt Commissioners did. The money had to be invested and was paid over to the National Debt Commissioners for investment, and the National Debt Commissioners had large holdings in pre-war investments and the societies had not.

2268. The National Debt Commissioners are, therefore, criticised, or the Department perhaps is criticised, for a depreciation which was inevitable whoever held the money?—Yes.

2269. But which fell on the National Debt Commissioners because circumstances had made them for the first few years hold the whole of the money?—That is so.

2270. If you could have handed out to societies the money as it accrued they would have invested it in ordinary trustee securities, I take it?—Yes. They would have invested a good part of it, I have no doubt, in Government securities.

2271. They are bound to invest in trustee securities?—Yes. The scope of investment of societies is a little wider than that of the National Debt Commissioners. Societies may invest in trustee securities and in local authority mortgages, whereas the National Debt Commissioners are restricted to securities in which Savings Bank funds may be invested.

2272. It is a reasonable assumption that if the societies had themselves invested the money, or their share of the money, they would have suffered a substantial depreciation on their own investments?—I think so.

2273. As every financial institution did?—Clearly.

2274. We have dealt sufficiently, I think, with the Investment Account. What is the position of societies' current account balances (paragraph 19). Do they carry interest?—Yes. All moneys received by the Department after allowing for the necessary working balance to finance societies, Insurance Committees, and so on, are paid over to the National Debt Commissioners week by week as the money is available and this money is invested by the National Debt Commissioners, some of it in temporary securities, the balance in permanent securities. As far as the current account moneys earn interest, that interest is credited to the current account. What happens in practice is this. To every item of credit and debit in the society's current account is attached a time factor for interest purposes. That time factor is

multiplied by the debit or credit and a resultant equated period for interest is ascertained. The money earned by the National Debt Commissioners on the current account total moneys is distributed to the societies on that basis.

2275. That money is earned, I take it, by temporary investment?—Not wholly earned by temporary investment. As I have said, half of all available moneys is retained by the National Debt Commissioners for investment on behalf of the Investment Account and, therefore, it is always known that part of the moneys that are paid over to the National Debt Commissioners will be available for permanent investment; and at this time of very small return on temporary securities the National Debt Commissioners do, and do properly, invest in permanent securities.

2276. That tends to help the rate of interest on current account balances?—Very much indeed.

2277. We have seen how practically all receipts of those kinds go into the current account of the societies with the Ministry. But there is one item that needs explanation. You have told us that £30,000,000 is in the hands of societies, represented by investments made by themselves on which presumably they collect the interest. What happens to that interest? Does that go to the current account?—No. Money paid over to societies for investment by themselves goes out of the National Health Insurance Fund and does not come back again. Societies hold it, and as far as they receive interest on it they use that for the ordinary payment of benefits and administration, and so the sums which are issued by the Fund to them for current purposes are reduced.

2278. The money in question is treated as though it was money handed to them by the Minister to pay benefits?—Exactly.

2279. You have just told us that investments made by the societies represent moneys taken out of the National Health Insurance Fund?—Yes.

2280. Am I right in saying that the money which is invested by the Minister on behalf of societies in securities selected by them is also taken out of the National Health Insurance Fund?—The interest remains in the Fund.

2281. I am not on interest at the moment, but on the actual sums invested by the Minister on behalf of societies?—They are taken out of the National Health Insurance Fund.

2282. What happens to the interest earned by those particular securities which the Minister holds?—That interest is received by the Department and credited to the society in current account.

2283. Just as though it were interest received from the National Debt Commissioners?—Yes.

2284. It very often is, I suppose?—Not on securities held by the Minister for societies.

2285. Those are entirely separate investments made by the Minister?—Entirely separate.

2286. If we look at the National Health Insurance Fund we see that although the National Debt Commissioners have £67,000,000 in cash which belongs to the Approved Societies, the Army and Navy Fund, the Deposit Contributors Fund, and all the other funds, that £67,000,000 is not the whole total of cash resources of National Health Insurance at 31st December, 1923?—No.

2287. We must add to that the sum of nearly £30,000,000 handed to societies for investment by them and the £10,000,000 represented by securities held by the Minister on behalf of societies?—That is so.

2288. We come to the conclusion, therefore, that the total cash resources of the Scheme for England, Scotland and Wales as existing on 31st December, 1923, were £107,000,000. That is so, is it not?—I agree.

2289. Of which a matter of £78,000,000 was the immediate property of Approved Societies?—£88,700,000—made up of £38,000,000 Investment Account, £40,000,000 their own investments, £9,700,000 in their current account, and there is also

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about £1,000,000 working balance in societies' own hands.

2290. Very nearly £89,000,000 out of a total of £107,000,000 was the property of Approved Societies?—That is so.

2291. And the whole £107,000,000 represents actual accumulations out of contributions paid since the beginning of the Scheme?—That is so.

2292. You mentioned at an earlier stage the Reserve Suspense Fund which is dealt with in paragraph 21 of the Statement. Will you tell us shortly what is the constitution and purpose of that Fund?—The Reserve Suspense Fund, as the name implies, is not a permanent fund; it is essentially a subsidiary account to the Reserve Values Account and to the Reserve Values Apportionment Account; but for various reasons it is expedient to keep the transactions separate in a subsidiary account. The credits to the Reserve Suspense Fund are these: the transfer values of all persons ceasing to be members of societies, the transfer values of women who cease to be employed and are only entitled to special benefits, the transfer values for medical benefit purposes of members of societies who attain the age of 70, the balances standing to the credit of persons who cease to be deposit contributors, and the transfer values of members of societies who leave one society and join another. The debits to the Fund are these: the reserve values required for new entrants joining Approved Societies, the increase in the reserve values of women insured persons who continue in employment after marriage, the reserve values for the women who resume employment within a year from the date of unemployment, the transfer values of members transferring from other societies, the value of contributions carried to the Deposit Contributors Fund on members of a society becoming deposit contributors, and finally the cost of medical benefit of persons over the age of 70. These are the various debits and credits of the Reserve Suspense Fund, and it is essentially, as I have said, a subsidiary account to the two main accounts, the Reserve Values Account and the Reserve Values Apportionment Account.

2293. I think at this stage we had better have in a short sentence an explanation of what a transfer value is?—A transfer value is the reserve held by the society at the date of transfer for a person leaving the society, a person not sick at the moment he leaves the society.

2294. When you say "a person not sick" you mean that as no society would accept a sick person, the transfer value has to be carefully regulated, so that it is in effect a reserve held for a person whose health is above the average?—That is so, the reserve held for a person not sick at the time.

2295. It is clear from your explanation of what transfer value is that it is inclusive of what remains in the society's hands of the original reserve value granted when he entered into Insurance?—Yes.

2296. Therefore the transfer value consists partly of paper credit and partly of cash which has accumulated during his membership?—Yes.

2297. When you make a payment of the transfer value into the Reserve Suspense Fund, and when you make a payment of a reserve value out of the Reserve Suspense Fund, do you divide those payments into paper credits and cash?—Yes. Every debit and credit in the Reserve Suspense Fund is partly paper and partly cash. The Department have taken the view that it is necessary and equitable to societies to look at all the Reserve Suspense Fund transactions for this purpose as one. It is necessary to divide the transactions between paper and cash, because paper credits get 3 per cent. interest only, and cash, of course, earns considerably more, and, further, societies themselves are entitled to invest half their cash. What the Department has done is to take the proportion of the funds held by societies generally as between paper and cash and to apportion the Reserve Suspense Fund transactions in that proportion, that is, the average proportion from time to time. During the last two years we have worked on a ratio of 60

paper and 40 cash, that being about the average of paper and cash in all societies' funds. The proportion now is perhaps as 5 is to 4, 5 paper and 4 cash; and for the next period the ratio will be altered so as roughly to correspond with the proportions in societies' funds as a whole on the average for the period.

2298. Setting aside such things as special items of deposit contributor balances, we can say, speaking broadly, that if the people coming into insurance and those going out balanced one another exactly, the Reserve Suspense Fund would have no balance of money on either side of the account at the end of each accounting period?—If the ins and outs were the same ages.

2299. If there was an equilibrium?—Yes.

2300. It is known, of course, in fact, that the number of people who go out at the higher ages is considerably greater than the number of people who come in at those ages?—Clearly.

2301. With the result that the Reserve Suspense Fund will accumulate in the course of years perhaps a considerable balance both of paper and of cash, and ultimately of cash only when the reserve values have been redeemed?—I expect so.

2302. In so far as the Reserve Suspense Fund accumulates a balance of superfluous reserve values in paper, I take it you will use that balance to write down the reserve values shown in this Statement of Balances as £57,000,000?—Clearly.

2303. And in so far as the Reserve Suspense Fund shows a balance of cash, you will apply that balance to redeeming the reserve values?—Yes.

2304. That is the way in which through the operation of this Fund the redemption of reserve values will be accelerated?—That is so.

2305. Now as to the deposit contributor. We know that you have a Deposit Contributors Fund consisting of perhaps a quarter of a million individual balances of individual deposit contributors. The Deposit Contributors Fund amounts, we see, to about £1,600,000. What are the arrangements for dealing with the interest earned by that large fund?—Parliament provided in 1911 that the interest earned on the balance in the Deposit Contributors Fund should be credited to the fund. They did not provide for the further disposal of that interest; that is to say, they did not go on to say that the interest should be credited to the individual deposit contributor. In fact, an amendment to that effect was moved when the Bill was in Parliament and was ruled out of order as it would have increased the charge on the Exchequer. So that it is quite clear that Parliament proposed to deal with the disposal of interest when they came, as they intended, to deal with the Deposit Contributors Fund as a whole at the end of three years.

2306. (Chairman): What is the rate of interest on the balance in the Fund?—So far as it is in the Investment Account the rate is 4½ per cent.; so far as it is in temporary securities the rate is what the money actually earns.

2307. (Sir Alfred Watson): How much interest stands now to the credit of the Deposit Contributors Fund?—£359,000.

2308. To a substantial part of that £359,000 the deposit contributors have an equitable claim, but it has never been made nor has any part of it ever been apportioned among deposit contributors?—No, there is no provision for dealing with it.

2309. That would seem to be one of the subjects that the Commission should consider in some detail?—Quite clearly.

2310. I take it you may be bringing forward proposals to us later for dealing with that question?—At a later stage probably.

2311. This is, if I may say so, really the concrete representative of those hidden millions of which we have heard a good deal?—It may be.

2312. £359,000 really does exist without purpose?—Yes. It is not available money. Parliament has not overlooked its existence, but has not said how it is to be finally disposed of. It is of course not available in any sense.

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2313. It is not even provisionally disposed of?—No, but Parliament has said what is to happen to it in the meantime. It is to be held up and accumulate.

2314. If that can be said to be directing what is to be done with it I agree with you.—It is to be credited to the Deposit Contributors Fund.

2315. There is a fund called the Navy, Army and Air Force Insurance Fund. I gather that discharged men whose state of health is such that they cannot get admission to Approved Societies are entitled to benefit out of that Fund, and their contributions for any periods for which they are in employment are paid into that Fund?—That is the position.

2316. What is the number of those men at the present time?—In January, 1924, it was 30,000 in round figures.

2317. That seems a large number, but I suppose it is large because of the war?—That is so.

2318. There is another class of men who are serving with the Colours, who were not members of Approved Societies at the time of their enlistment, and whose contributions, therefore, go into this Fund, and the maternity benefits paid to the wives of such of them as are married are charged on the Fund. What is the number of those men?—145,000.

2319. The contributions paid by them are, I think, at the serving rate of 4½d. a week?—Yes.

2320. And they are paid entirely by the War Office, the Admiralty, or the Air Ministry?—Paid in cash.

2321. No charge being made on the serving man himself?—No.

2322. There are two blocks of men, 30,000 and 145,000. I suppose the 145,000 are exceptionally healthy men; they are serving men?—Yes.

2323. The presumption is that a very large proportion of them on leaving the Forces will go into Approved Societies if they go into employment or will drop out of the Scheme altogether if they do not go into employment?—That is so.

2324. So that in the long run the prospective beneficiaries in this Fund are probably not much more numerous than the 30,000 of invalided men who are at present entitled to draw benefits from it?—That is so.

2325. I notice that, quite apart from reserve values, this Fund is credited with over £3,000,000. Considering the extent of its obligations, that seems to me to be a very large sum. How do you explain it?—These people, of course, are disabled people very largely. What the liability of the Fund is I do not know, whether it amounts to £3,000,000 or is less than £3,000,000. But whether the liabilities are less than this sum or not, the contributions paid by the Fighting Departments in respect of men serving with the Forces are supposed to be such as will keep the Fund solvent. There is no statutory contribution. The contribution is fixed from time to time. From each contribution a very considerable deduction is made, of course, for sinking fund purposes, and whatever happens to the contribution that will have to be maintained. So that this £3,000,000 balance in the Fund, so far as it is not required to meet the liabilities of the Fund, is really at the disposal of the Fighting Departments in that they can reduce their contributions if it can be shown they are too much.

2326. I think there must be something more behind it than the equation of a contribution from time to time to what looks like the liability of the Fund. Why is there such an enormous Fund?—The reason for the very large balance is the heavy contributions paid during the war for serving soldiers and sailors who have not continued as insured persons. They were insured while they were in the Service. When they were discharged from the Army or Navy they simply went back to their ordinary occupation which was not insurable employment and left the balance of their contributions in the Navy and Army Fund.

2327. Is this the position, that as the war progressed and the young male population was brought under survey for military purposes, great numbers of men who were normally not in employment at all in

civil life, were brought into the Army or Navy or Air Force, and were compelled to become contributors at the time when soldiers and sailors were charged with contributions for National Health Insurance?—They could elect not to be.

2328. But shall we say they never understood the position?—It was very difficult.

2329. Either they and the War Office or Admiralty, as the case may be, or the Fighting Department alone, paid contributions for great numbers of men who were not in Approved Societies. These men did not realise that they were insured at all, had no desire to be insured, and simply melted away at the end of the war, never having been identified by the management of the Fund. They left behind them this great mass of contributions?—That is so.

2330. Supposing there was a surplus in this Fund, I take it we could only ascertain the position by making a valuation that would have regard to the very special health conditions of the 30,000 discharged men who are at the present time entitled to benefit?—Clearly.

2331. Supposing we could make a valuation and discovered a large surplus in that Fund, is that another hidden reserve which is available for general purposes of National Health Insurance or for medical benefit or for Approved Societies in particular?—Certainly not. As I have just explained, it belongs wholly to the Fighting Departments.

2332. The Fighting Departments guarantee the solvency of that Fund, and any surplus in the Fund you would say must therefore be dealt with at their direction?—Certainly.

2333. (Sir John Anderson): Mr. Strohmenger, you said the interest earned by societies on moneys issued to them for investment which they have invested on their own account is used for the ordinary purpose of payment of benefits and cost of administration. The Act contains a provision which I do not understand. By section 71 (4) it is provided that such moneys shall be applied towards the cost of benefits and expenses of administration, as you have said, "or otherwise, as may be prescribed." What does "or otherwise, as may be prescribed" mean?—I am afraid I cannot give a very satisfactory answer to that question. I have never clearly understood the purpose of the section myself. All I can say is that the Minister has prescribed the use of this money towards the cost of benefits and the expenses of administration.

2334. There is no "otherwise" about it?—I do not know of any "otherwise," except the prescribed alternative of paying the interest into the National Health Insurance Fund.

2335. Would it be possible to argue that the words "or otherwise" contemplate the possibility of the interest being used to supplement the moneys ordinarily available for administration, the prescribed allowance for administration?—No. In my view that would be quite out of the question. I cannot conceive that the words can mean that.

2336. There is no expenditure incurred by societies which is not under the scheme of the Act capable of being allocated either to benefits or to expenses of administration?—That is so.

2337. There is no other head under which the thing could come?—No.

2338. Yet this provision has survived through the changes of the law into the final consolidation?—Yes, it has.

2339. Does anybody attach any importance to it? Has anyone sought to claim advantage under it?—Yes, societies have sought to claim advantage under it. I am afraid I am not conversant with what the claim is. I should like you to hear the Controller on that. He knows more about it than I do.

2340. Ingenious people have tried to find a meaning of the words "or otherwise"?—Yes, to increase the amount available for their administration.

2341. So far they have not persuaded the Ministry that any meaning can be attached to those words?—Not in the sense of additional expenditure.

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2342. Can you tell us generally how far the arrangements which you have been describing in reply to Sir Alfred Watson and which, I think you realise, give the impression of considerable complication to Members of the Commission who have heard the story for the first time, are imposed upon you by Statute and how far they are the result of administrative elaboration?—I should say that all of them are either imposed by the Statute or are essential to sound administration.

2343. Taking the Reserve Suspense Fund, for example, has that got a statutory basis?—Yes, the Reserve Suspense Fund is a statutory fund.

2344. Are all the operations on that Fund prescribed by Statute?—Practically.

2345. For example, does the Statute require you to take from the Approved Society the transfer value of a man aged 70 and put it into that Fund?—No. I think that is a matter of convenience.

2346. Why did you do that?—Because the Department can so much more easily look after the medical benefit of these people over 70 than societies can.

2347. Were the considerations actuarial or were they administrative?—I think they were administrative entirely.

2348. That was really what suggested the enquiry to me. That is a little feature of the finance of the Scheme which has been suggested by considerations of administrative convenience?—Yes.

2349. But you tell us that is exceptional?—It is exceptional.

2350. That substantially these complex arrangements which you have been describing are an essential part of the machinery which has been prescribed by Parliament?—Yes, or arise from statutory requirements.

2351. They are necessitated by definite statutory requirements?—Yes. Some of them, I should say, are there in the interests of sound financial administration, but the whole Scheme, as I have described it this morning, is really the Scheme which Parliament has itself laid down.

2352. The finance of the Scheme as embodied in the Act of 1911 was somewhat complex?—It was.

2353. When the Scheme had to be translated into practical action, complications perhaps emerged which were not obvious on a first reading of the Statute?—That is so, undoubtedly.

2354. Should we be right in assuming that so far as finance is concerned you and others in your Department for whom you are responsible, have constantly done your best to secure simplicity consistent with good administration?—I think I can say that undoubtedly.

2355. It has been realised that this is a Scheme in which the Department of State has got to co-operate with a very large number of agencies of all kinds up and down the country; that, so far as possible, the Scheme has to be made intelligible, even in regard to the central working which does not necessarily concern the administration of Approved Societies, in order that misunderstandings may be avoided; and that you have striven from that point of view for simplicity?—Undoubtedly.

2356. Do you consider that the financial Scheme as it is working to-day is sufficiently understood by the people who are called upon to take a part in its administration?—Do you mean are the central arrangements understood by all societies? I should say no.

2357. I do not mean the highly complicated central arrangements, which are more complicated in description than they are now in actual working. When you have the thing organised in the Department it goes smoothly and each man understands his bit, and there is no trouble at all. But do societies understand, for example, the working of the Investment Account? Do they understand sufficiently the alternatives that are open to them of taking the money themselves, so far as it is available, and investing it; of asking the Commissioners, now the Ministry of Health, to invest the money on their

behalf so that they will get the interest actually earned by the investments made for their account; or, on the other hand, leaving the money in the Investment Account so that they may get their share of the interest earned by the account as a whole? Do they understand that sort of thing?—I should say that societies, speaking generally, understand as much of the Scheme as they need to understand in the interests of their members.

2358. Do they understand the essential features of the reserve value system?—Undoubtedly.

2359. They understand why they get 8 per cent. on reserve values and some other figure on their investments?—I should not like to say that.

2360. Ought they not to understand that in the interests of their members?—No, I do not think it is really necessary that they should understand that in the interests of their members. What I meant to say to the Commission was, I think they know all things that they need know in the interests of their members. I should not like to say that every society really understands the whole of the financial structure of National Health Insurance. I have had opportunities from time to time of explaining the thing generally to them. I have on occasions discussed the central machine at length, almost account by account, and explained the whole of the financial structure, the reasons for it, and the necessity for keeping this and that reserve, and so on. The officials of the large societies of course have understood it perfectly, but I do not suppose the great bulk of Approved Society officials have a very intimate knowledge of all these mysteries, and I do not think they need have. The ordinary working Approved Society secretary who looks after his insured people and protects his funds knows, I think, quite as much as he need know.

2361. And no great degree of simplification in the central finance of the Scheme could be said to be necessary for the proper and intelligent administration of benefits by the agencies concerned?—I say that quite clearly.

2362. (Mr. Besant): I should like to go back, if I may, to the first question which Sir Alfred Watson asked relating to the contribution of 10d. I understood you to say that that 10d. is the actuarial calculation of the value of the statutory benefits in the case of a boy who enters between the ages of 16 and 17?—That is so.

2363. Does that include administration expenses?—Yes.

2364. In other words, it is the total cost of those benefits and of their administration?—Yes.

2365. Section 4 of the Act says that the contribution paid by the insured person and by the employer is to represent seven-ninths of the cost of the benefits: "the cost of the benefits under this Act and the expenses of administration of these benefits shall be derived as to seven-ninths from contributions made," and so on?—The section provides that the expenses of benefits and of administration shall be paid out of a fund made up as to seven-ninths from contributions and two-ninths from the Exchequer.

2366. If in the case of a lad of 16 or 17, seven-ninths of those benefits is to be paid by the lad and his employer, does not it follow that the value of those benefits must be twelve and six-sevenths pence?—The value to him?

2367. That 10d., in other words, represents seven-ninths?—If everybody was 16 that would be so.

2368. Then the lad of 16 is in effect paying too much?—He is paying for the benefits he gets.

2369. If he is paying 10d. he is paying the whole value of the benefits?—Clearly.

2370. Under the Act he ought to pay seven-ninths of the cost of the benefits?—It does not say so.

2371. I thought seven-ninths of the cost of the benefits had to be contributed by the employer and by the man and two-ninths by the State?—The sums required for defraying the cost of benefits shall be derived as to seven-ninths from contributions. That is exactly what happens.

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2372. Take the boy, if he pays 10d.—?—The boy who pays 10d. throughout his life may receive very much more than 10d. worth of benefits.

2373. I admit that; I am taking it from the actuarial side. Supposing you have 1,000,000 boys paying 10d. a week would not they be paying too much?—But that is inevitable in insurance at a flat rate of contribution.

2374. If you had a lot of people all coming in at 16 and all paying 10d., and the State paying something as well, the total contribution made by those people at 16 and by the State exceeds the value of the statutory benefits. Does not the value of the 10d. paid by the boy of 16 and by his employer together with the contribution of the State exceed the value of his benefits?—With the State contribution, yes.

2375. In other words, if you had a society in which each person as he came in was 16, and it did not take in a lot of people at older ages who brought up the liability, that society would have more money than was needed, would it not, to meet the statutory benefits?—No, because the members of that society would be contributing towards the redemption of the reserve values set up for everybody over 16 throughout insurance.

2376. That would be the case if you had a lot of older people?—Not in that society, but in every other society. The Sinking Fund is a central fund.

2377. What will happen at the end of 35 years when all these things have been swept away?—The Act provides that Parliament is then to look at the whole thing again.

2378. In other words, I am justified in thinking that each lad of 16 who comes in is paying more than the value of his own benefits, and he is really doing something for the benefit of older people who are either in that society or in some other?—I think you can put it in that way. That is one of the features of insurance at a flat rate. That is the Act.

2379. I want to make it perfectly clear that that is the position?—The Act put everybody on a flat rate of contribution and a uniform scale of benefits, and required a boy of 16 to pay for the whole of his benefits himself, he and his employer.

2380. Without the help of the State?—Without the help of the State.

2381. And, therefore, the help of the State can be used for other purposes?—It is used in order to make everybody 16. I would like to make this one point (I think Sir Alfred Watson mentioned it in one of his questions to me) that the Contingencies Fund which each society now keeps also helps the boy of 16. He does get part of that. That is part of the two-ninths which is deducted from his contribution; so that you may say the boy of 16 does get more than 10d.

2382. He gets something back in that way?—Yes.

2383. Turning to the way in which the finance is arranged, I see in paragraph 9 you say you have a monthly issue of funds to Approved Societies?—Yes.

2384. You send them a cheque, I take it, once a month?—Yes.

2385. What do they do with it? Am I right in saying they use that to pay the cash payments for sickness to their insured members?—Yes.

2386. And the disablement benefit?—Yes.

2387. Are there any other payments which are made by Approved Societies either to their members or to other people?—Maternity benefit.

2388. The administration expenses are paid by the Insurance Committees, are they not?—No, the administration expenses of Approved Societies are paid by the Approved Societies.

2389. What happens in the case of additional benefits? If they take the form of cash then I suppose they are paid by the Approved Society?—Yes.

2390. What happens if they take the form of dental treatment? Would that be paid by the Insurance Committee?—No; by the Approved Society.

2391. And they would pay for spectacles or anything like that which might be given by way of additional benefit?—Yes.

2392. So they do pay for something over and above the cash payments which they make to their members?—Yes, as far as additional benefits are concerned.

2393. They do not pay the doctors?—No.

2394. The doctors are paid by the Insurance Committees?—Yes.

2395. And the chemists are paid by the Committees?—Yes.

2396. But if there is an additional benefit and an oculist or optician supplies something that is paid for by the Approved Society?—The administration of all additional benefits is in the hands of Approved Societies.

2397. And the payments?—Yes.

2398. Who pays the mileage which the doctors get?—That is paid by the Insurance Committees.

2399. I wonder if we could have a schedule put in setting out what is paid by the Approved Societies and what is paid by the Insurance Committees?—I have a chart here explaining more or less pictorially the National Health Insurance Fund, and I have also a chart illustrating this very point which you have put to me. (*Charts handed in.*)

2400. Do you know why it is that only one moiety of the money available for permanent investment is allowed to be invested by the Approved Society. The Act has fixed a moiety?—That is roughly the share of the contributions paid by the insured person.

2401. Is that why it was done?—Yes. In 1911 the proportions were four-sevenths and three-sevenths for men, half and half for women. That was how the contribution in those days was distributed between the employer and the employed person.

2402. In other words, the line of demarcation is the amount paid by the employer and the amount paid by the insured person?—Yes.

2403. The employer's moiety is invested by the National Debt Commissioners?—Yes.

2404. But what the man himself pays, his own society may invest?—Yes. In the first draft of the original Insurance Act I think the whole of the money was to be paid over to the National Debt Commissioners. The societies then made representations to the Government with this result, that they were allowed to have four-sevenths for investment and three-sevenths remained with the National Debt Commissioners (in the case of women's contributions, half and half).

2405. And now it is half?—Yes, now it is half in both cases.

2406. The Approved Societies, I take it, select their own investments if they decide to use their powers as regards that moiety?—Yes.

2407. They do not, I think, take over the whole moiety, judging by the figures which you have given us?—Yes, I think so.

2408. Is £38,000,000 a full moiety?—The reason for the figures which you have before you not being in that proportion is that at one time, in the early days of the Act, the amount left with the National Debt Commissioners was three-sevenths and not one-half. On the other hand, a very small amount of societies' share of the money is left in the Investment Account.

2409. Taking it as a whole the Approved Societies do value the power of investing their moiety and avail themselves of it nearly to the full?—Undoubtedly. While most of the smaller societies ask the Minister to make the investments for them, the total membership of such societies is relatively small.

2410. As far as that moiety is concerned, the societies themselves have the advantages of appreciation and bear the loss of depreciation?—Yes.

2411. I take it that when a valuation is made the assets and liabilities are brought into account and a balance is struck, and so the surplus is ascertained?—That is so.

2412. Of which a certain amount is divided under the procedure settled by the Government Actuary?—No, under the scheme made by the society.

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2413. The society then has to bear all the loss of depreciation, if any?—Yes.

2414. As regards the other moiety which is invested by the National Debt Commissioners, that, I take it, is in effect money on deposit bearing 4½ per cent. interest?—No, not at all. There is no guarantee of the investment; but owing to the arrangements which the National Health Insurance Joint Committee and the National Debt Commissioners have made the valuers are able to take this part of the invested money at its credit value.

2415. At its par value?—At its par value. But that is wholly owing to the arrangements that have been made to build up and to retain a reserve to meet all depreciation.

2416. In effect it does mean that. It is like money on deposit, that you can take your capital as being intact at 100 for the purposes of the valuation, and whether you get 4½ per cent. for it or some other rate of interest will depend on what balance you have somewhere behind the scenes. So long as you have a margin and are allowing this 4½ per cent., the capital is unchanged and can be taken for valuation purposes at par?—It is so taken. The valuers need not take it so; they could make a further allowance for depreciation if they chose.

2417. But it is so taken?—It is not guaranteed.

2418. (Chairman): But they have reserves put aside to meet possible depreciation?—Yes, ample reserves and the valuers are satisfied to take the money in the Investment Account at its par value.

2419. (Mr. Besant): When you mentioned 4½ per cent., is that subject to Income Tax?—All investments for National Health Insurance are free from income Tax.

2420. I asked you this morning as to the monthly system which is adopted for payment of funds. I understand the custom is to send each month a cheque for an amount which has been accommodated, shall we say, between the two parties?—That is so.

2421. As being needed for the immediate requirements of payments to members?—Payment is made towards the end of the month to meet the necessary expenses of the following month.

2422. What is the custom adopted in the case of the Insurance Committees who have at certain intervals to pay the doctors, the chemists, and the other benefits which are placed upon the shoulders of the committee?—Many Insurance Committees make monthly advances to their doctors. Some make quarterly advances. The chemists' bills are paid as they are rendered, after proper scrutiny and check. The system is that the committee sends an application to the Department, setting out exactly what funds will be required, and for what purposes they will be required, and after proper examination the necessary imprest is made to the committee.

2423. Is it the fact that you pay something to the committees monthly?—Yes.

2424. We had, I think, from a witness a little while ago, a statement that some of these committees only met quarterly, and that there is no particular statutory obligation upon them to meet oftener. What do they do then? Do you send them funds more or less as they ask for them, if you are satisfied with what they ask for?—Yes. I take it that if the officials of the committee have not got authority from their committee because the committee has not met, they would not make an application for funds; that is, they would make their payments quarterly and not monthly. But that is a matter of the internal machinery of the committee.

2425. Suppose a committee met quarterly, it would be quite simple, I take it, to pass a minute that they should ask for £50 or £100 each month?—Clearly.

2426. You would then send them £50 or £100 each month as asked for?—Yes, if the particulars they furnished were regarded as quite satisfactory.

2427. And they would have to send something in the nature of vouchers as to what they had to pay the doctors and what they had to pay the chemists, and so on?—Yes. Of course, the Department has fairly precise knowledge of what their liabilities are.

2428. In the main, do you have a monthly system of settlement with the Insurance Committees as you have with the Approved Societies?—No. I should say that every society gets money for payment of benefits and expenses of administration monthly. But some committees make their settlements quarterly—their big settlements such as advances to doctors and payments to chemists. They would require ordinary petty cash week by week, and that they might get monthly.

2429. I find myself a little puzzled by your use of the words "advances to doctors." When a doctor has earned certain fees, is he entitled to ask for them monthly or quarterly?—The payment to doctors, of course, is on a yearly basis. At present it is *½s.* a head for the number of insured people at risk during the year.

2430. But under the Act is he entitled to have anything either monthly or quarterly, or is he forced to wait till the end of the year to get his money?—That, I think, is left by the Statute to the Minister's regulations.

2431. And under those what is the procedure?—The procedure I have just explained to you is prescribed.

2432. And that, I take it, is the customary method?—Yes.

2433. Either quarterly or monthly as may be suitable?—Yes; as required by the liabilities.

2434. Does that apply equally to the chemists?—Yes. All committees' liabilities are dealt with in one way.

2435. If a committee asked you for certain moneys due to doctors or due to chemists in order to enable them to make monthly payments, you would send that money?—If we were satisfied with the requisition of the committee.

2436. If the figure asked for was suitable in relation to the expenses incurred?—Yes.

2437. Will you now turn to paragraph 40? I confess that I was puzzled by the words which speak of something as an alternative to a ledger. What sort of a book is this? A ledger seems, if I may put it so, a mere statement of fact on the two sides of the account; so that anything in the nature of an alternative seems impossible?—The agencies working the National Health Insurance Scheme are of all kinds and sorts. There are 1,000 societies and there are 6,000 branches. Some of these are really big bodies and they have trained people to keep their accounts and are quite able, of course, to keep the proper ledger accounts which the system demands. But from the very start the Department has had difficulties about the book-keeping of Approved Societies. Many of the people who are administering the Act are part-time people untrained in accounts, and we have had to watch this almost day by day from the very start, in order to make the accounts as simple as we possibly can. It was found that some of these people who were administering the Act were quite incapable of understanding what a ledger really is. It was found when the auditors came on the scene to audit the accounts of some of the Approved Societies that the ledgers did not exist. There was the cash book, which, again, is quite a simple thing arranged according to subject in columns. There were the advices of the Commissioners which contain all the necessary material for the society to write up its ledger, but, in fact, the ledger was not written up. We were then faced by the position that we had to do something much simpler for Approved Societies, so we devised a scheme under which a book was given to them, arranged according to subject in columns. There was a specific instruction on each advice as to which column each entry should go into. The book really is a ledger; but instead of having a separate opening for each account it has got columns in which the entries go. It helps the society, which has simply to look at its advices saying that a certain item should be posted in column 20, line 10, for instance. At the end of the year they simply add

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up the total of their entries and thus get their ledger balances.

2438. In other words, they are keeping a ledger, but they do not know it?—Yes.

2439. It is, in effect, a ledger?—It gives all the material to enable a society to make up its Benefit Fund and to get an audit certificate.

2440. There is no weakness in this. When you use the words "alternative to a ledger" there is a suggestion that it is leading up to a ledger?—It is a ledger.

2441. Then in paragraph 43, on page 109 of the Departmental statement you say that in the case of some societies certain limited functions are delegated to certain districts. Could you amplify that a little more and tell us what the book-keeping effect of all that is, and whether it works well?—In the case of societies with branches the whole of the ledger book-keeping is done by the Head Office of the society.

2442. That is essential, I should think, is it not?—It is quite essential. But some societies are so organised that they have their branches arranged in districts and part of the administration is given to the district. The district may receive the cash from the Head Office and give advances to the branches in order to pay benefit. Then they would keep the necessary books for that purpose; but the ledger accounts are kept by the Head Office.

2443. May I take it that while you do delegate in certain cases certain functions which are merely subsidiary, the main ledger system is all, as it were, eventually brought into the central organisation?—That is so.

2444. You are satisfied that no leakages can occur?—Entirely.

2445. (*Miss Tuckwell*): Was there not, a little time ago, in addition to the funds of which we have heard, another fund called the Women's Equalization Fund?—There was; but that has entirely disappeared now.

2446. Has it disappeared for the purpose of simplification?—No; its purpose was served.

2447. Have you any fund now for the purpose of women's unequal risks?—No, none other than the Contingencies Funds of societies.

2448. In answer to Sir John Anderson's questions, which cleared up a great many of my difficulties, you said that the bewildering elaboration to the lay person of all this was administratively essential, but that a certain amount of it was due to the Statute, did you not?—I think I said that the whole of it arose from the statutory provisions. But I should not like to convey to the Commission the idea that it is really complicated. I am afraid the way I have explained it may have led you to believe it is complicated; but it is much simpler in working than you can possibly make it appear in explanation. As a matter of fact, apart from the work that I and my staff do on the collection of contributions, there is very little staff engaged on all these central operations. They are done in bulk. The thing works very smoothly and I should not like to say it is complicated. It is rather complicated in explanation, perhaps, but not in working.

2449. So that you cannot conceive, in looking at the whole thing, any statutory alterations which would make it simpler to people like me?—I wanted to confine myself, if I could, to explaining the system as it is to-day and how it works. Perhaps on some future occasion I could make suggestions, if necessary.

2450. What has troubled me very much is that women have no enthusiasm, as far as I can see, for taking part in the work of Approved Societies. That appears to me largely because it is so extraordinarily difficult to understand the whole system. It was from that point of view I was asking my question; but I gather I must wait till later?—That scarcely affects the central financial arrangements.

2451. No; but it goes right through. Of course, there are difficult points, as I understand from what you have said. I mean you had to make some alteration in your ledgers because a part-time official

could not understand them. The insured member, I feel, does not understand them in the least. It was with regard to broad simplification which would make the thing understandable that I wanted to ask you some questions. May I ask you if the Department keeps an individual record of insured persons?—The only individual record kept in the Department is the record of deposit contributors.

2452. So that there is no duplication of the records as between the Approved Society and the Department?—I must explain, I think, that the Department also keeps for the purpose of central valuation a complete history of members of Approved Societies. That is, of course, because valuation is done centrally.

2453. And the Approved Societies keep that as well?—Yes; the Approved Societies keep that record as well.

2454. So that if there was any system by which it was not done by the Approved Society, a certain amount of duplication would be eliminated?—That particular duplication. Whether any other duplication would be involved, I would not like to say.

2455. Is not the segregation of insured persons into societies the cause of a great amount of accounting work?—Apart from complete centralisation I do not think in whatever way societies were organised—whether they were organised geographically or occupationally or in any other way—we should avoid much of the work we do now. The same system would, I think, have to be carried out unless the Statute were drastically altered.

2456. Is not the valuation of societies a costly matter?—No, that costs very little. It is shown in the Estimates of the Ministry at, I think, £10,000 a year.

2457. Can you tell me what staff in the Actuary's Department is engaged on calculation of reserves and transfer values?—There is no Actuarial Department. The Financial and Accounting Department does all the financial work relating to the Approved Societies. Actuaries are engaged on valuation, but that is purely a professional matter. There is no actuarial work in keeping the accounts of Approved Societies. Of course, the tables on which my calculations are made are provided on actuarial advice. The actuaries come in, as professional people, for actuarial work, and value the society at the proper time.

2458. (*Mr. Jones*): The system is complex and highly organised mainly because of the enormous amount of material with which you have to deal. That is the position, is it not?—Yes.

2459. You spoke earlier about a probable deficiency on the drug account for the current year. What is the debit against Approved Societies for the moment in respect of drugs?—There is a composite debit against Approved Societies for the cost of medical benefit.

2460. Yes; I was looking that up here. What is specially provided by the Act of 1924?—The estimate which was made for the purpose of the drug bill when that composite charge was fixed was in England 2s. 3½d. per annum for each insured person.

2461. The figure used to be 2s.?—2s. was the original figure, subject to part of it going to the doctors if the actual drug bill was less than 2s.

2462. But the debit against the Approved Society Fund was 2s.?—Yes.

2463. Is the increase from 2s. to 2s. 3½d. due to the increase in the cost of drugs in the interval?—Partly to increased cost of drugs and partly to higher frequency.

2464. So that you would not have been able to meet your present estimated cost of drugs on the old basis. I mean 2s. would have been deficient if the old system had been continued?—Yes.

2465. Some years ago I think you altered the whole system of pricing drugs in England?—Yes.

2466. Did not that result in a surplus falling into the Insurance funds somewhere for a number of years? You did not use up the whole 2s.?—What happened was this. At the beginning of the scheme

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the chemists were paid on the total amount of their bills so far as a charge of 2s. would go. If the total amount of the bills was more than the proceeds of the 2s. capitation rate, the bills were discounted. That system did not last very long. There was a Departmental Committee, and the whole system was changed. A tariff was drawn up under which chemists were to be paid the actual cost price of their drugs and a fee for the technical service they rendered. The necessary charge to meet that cost was put either on Insurance funds or on the special grant which for a time was paid by the Exchequer.

2467. Did you during these years—until this 1924 Act—debit the Approved Societies with a uniform 2s. or was the debit against them varied from year to year?—No; from 1920 onwards the Approved Society was debited with a total charge of 9s. 6d. for all medical benefit.

2468. Was it not the case that for some years, at any rate, the Treasury or the Central Insurance Fund somewhere benefited by there being a surplus left over after meeting the whole of the drug accounts on the reconstructed basis?—By no means. What happened was that when the system was changed the doctors, on whom the liability had previously fallen, were asked whether they would take the risk of the drug cost exceeding a certain figure. They refused to take it, and so the Exchequer took it. At that time special grants were being paid to supplement the charge made to societies for the cost of medical benefit. It would be entirely wrong to say the Exchequer made a profit out of it. A very heavy charge fell on the Exchequer under the system which existed. There was never a separate 2s. in the insurance scheme. The charge for medical benefit was 6s. at first and 9s. 6d. subsequently.

2469. You have certain details in the 2s. 4½d. referred to in paragraph 142 of Section C. The 9s. 6d. is made up of certain component parts as well, is it not?—The 2s. 3½d. is the best estimate we could make at the time to cover the probable cost of drugs.

2470. I am afraid I have not made my point very well. I am more acquainted with the experience of Scotland, and there has always been a surplus in the drug accounts in Scotland, which were valued for practically all the years at 2s., but were in recent years reduced to 1s. 10d. What I am trying to get at is this: were the Approved Society funds debited with an equivalent sum to the 2s. or 1s. 10d., and did it or did it not meet the cost of drugs in England under your alternative system?—We have never at any time made a specific charge for drugs. The charge has always been for the cost of medical benefit, part of which has been the cost of drugs.

2471. I am afraid I am not quite satisfied on that point, but I do not know whether I can get any further now. You seemed to be rather perturbed this morning with regard to the probable deficit on the

drug account. What I wanted to get at was whether there were not somewhere balances from previous years. Your accounting system probably means that there is no balance whatever?—None whatever.

2472. What I wanted to know was the amount of debit against the Approved Societies' funds?—The Approved Societies were always charged this flat rate for the cost of medical benefit. In certain years the cost above that flat rate was paid by the Exchequer. When the system was changed in 1922 the societies were charged exactly what the service cost up to a limit which was put in the Act. The actual cost of drugs and the capitation fee for doctors exceeded that charge, and, as I explained to the Commission this morning, the Minister had to meet the excess charge out of certain funds which were at his disposal by a regulation. The cost of drugs for those two years exceeded the provision, and we had to find the excess. Fortunately, we had resources, and the bill was met.

2473. You have not made any profit at all then out of the new arrangement?—None whatever.

2474. In the statement of balances which you have submitted here you show these large sums in the Deposit Contributors Fund Account. I take it that that includes that sum of £359,000 for interest, about which you spoke this morning?—That is so.

2475. Various witnesses have submitted a variety of tables in regard to deposit contributors. We have heard a good deal about them, and probably we will hear a good deal more. Would it be possible to make up a summary statement and balance sheet of the Deposit Contributors Fund, say, for a period of five years, showing the whole movement in one statement; that is to say, starting five years ago with a balance in hand as shown here, following all movements of the Fund in all its directions, during that period, and bringing out the present balance here? We have got a statement of the amount paid for sickness benefit, for medical benefit, for administration and so on, and we have here this single figure of a balance. Would it be possible, without much trouble, to make up a summary statement showing the movement on both sides of the Fund?—That, of course, is shown in the accounts which are laid before the Public Accounts Committee.

2476. I have them here, but I am afraid I did not go beyond your summary statement. If I have it I will not go on with that.

2477. (Sir Alfred Watson): That statement which has just been asked for could quite conveniently be added to the statistical statement of deposit contributors which is now being prepared for us?—Yes, but of course it is in the published accounts.

2478. Yes; but it is very difficult for us to wade through the published accounts. It would be very much better to have it on the evidence of the Commission?—With pleasure.

(The Statement promised in answer to Q. 2478 is inserted here for convenience of reference.)

DEPOSIT CONTRIBUTORS FUNDS (GREAT BRITAIN).

Debits.	Year 1919.	Year 1920.	Year 1921.	Year 1922.	Year 1923.	5 Years 1919-23.	Credits.	Year 1919.	Year 1920.	Year 1921.	Year 1922.	Year 1923.	5 Years 1919-23.
	£	£	£	£	£	£		£	£	£	£	£	£
To Sickness benefit ...	29,573	34,885	41,870	45,852	42,870	195,050	<i>By</i> Balance at 1st Jan.—						
Disablement benefit ...	4	—	9	7	6	26	Investment Account ...	827,300	919,800	1,098,000	1,241,000	1,313,000	827,300
Maternity benefit ...	10,723	22,991	18,899	17,707	16,714	87,034	Current Account ...	110,132	181,886	184,610	109,802	152,807	110,132
Married Women's Special benefit ...	6,610	322	22	21	9	6,984	Contributions... ..	340,652	507,382	453,789	453,286	510,202	2,265,311
Payments on emigra- tion	3,471	1,856	841	788	856	7,812	Exchequer grants in respect of benefits ...	11,180	13,675	17,701	14,686	13,925	71,167
Payments at death ...	1,433	985	1,074	1,197	1,455	6,144	Rebate on charges for medical benefit in respect of Mercantile Marine members ...	62	985	1,176	1,108	1,091	4,422
Refund of contribu- tions paid in error ..	1,709	1,519	12	40	30	3,310	Transfers from Navy and Army Insurance Fund	191,298	55,019	55,187	78,211	45,257	424,972
Sums payable to Insur- ance Committees—							Transfers from Reserve Suspense Fund ...	40,584	15,467	22,723	32,417	26,540	137,731
General Medical Benefit Fund ...	86,822	150,747	148,681	134,124	133,243	653,617	Transfers from Deposit Contributors Fund (Ireland) less trans- fers to that Fund ...	60	234	333	1,792	266	2,685
General Sanatorium Benefit Fund ...	18,053	12,043	4,759	31	13	34,899	Interest on sums in Investment Account	34,957	40,145	46,661	51,131	61,444	234,338
General Administra- tion (Insurance Committee) Fund	24,560	26,970	28,023	26,875	27,442	133,870	Interest on sums tem- porarily invested ...	9,087	10,620	7,783	5,526	7,320	40,336
Sums payable under 1922 Act	—	—	—	33,003	42,722	75,725							
Sums payable to Ex- chequer for Adminis- tration	20,366	34,600	55,198	55,196	46,476	211,836							
Transfer to Reserve Suspense Fund ...	258,602	175,485	237,773	208,311	224,211	1,104,382							
Postal Drafts deposit...	1,700	200	—	—	—	1,900							
Balance at 31st Dec.—													
Investment Account	919,800	1,098,000	1,241,000	1,313,000	1,425,000	1,425,000							
Current Account ...	181,886	184,610	109,802	152,807	170,805	170,805							
	1,565,312	1,745,213	1,887,963	1,988,959	2,131,852	4,118,394		1,565,312	1,745,213	1,887,963	1,988,959	2,131,852	4,118,394

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2479. (*Mr. Besant*): I think you have told us that the cost of valuation, as far as the Approved Societies are concerned, is entirely paid by the Exchequer?—That is so.

2480. (*Prof. Gray*): You were asked some questions about whether or not the insured person got full value for his contributions; that is to say, whether for his 10d. contribution he got 10d. worth of benefit. Could you tell me whether this is the position: when the Act came into force the whole population was treated as being of the age of 16?—That is so.

2481. That could only be done by, in effect, establishing a large debt?—Yes.

2482. Which had to be paid off?—Yes.

2483. It is paid off by the device of reserve values and the sinking fund?—Yes.

2484. So that you might almost say that the present generation are paying off this debt, which was incurred in order that the whole population might be taken in at the same rate?—That is so.

2485. And until these reserve values are redeemed the insured population generally will not get the full value of the contributions, because they are paying off these paper credits?—They will get as much as and more than they pay for, because of the State grant.

2486. Quite so, but until these reserve values are paid off there is a constant deduction made from the contributions to wipe off that original debt which was incurred?—It is more correct to say that they do not get the full value of the Exchequer grant.

2487. They do not get the full value of what is paid by all the parties concerned. You state that under normal conditions these reserve values would be redeemed in about 35 years?—Yes.

2488. So that after these 35 years have elapsed people will get more benefits. There will be more money available, will there not?—Yes. Under the original Act Parliament proposed to review the whole scheme at that time.

2489. That is a longer period, is it not, than was first intended?—Yes.

2490. How has that come to be lengthened?—Originally two-ninths of the contributions were set aside for interest and redemption of reserves; but in 1918 part of the two-ninths of the contributions was diverted for the purpose of providing credits for the Contingencies Funds and the Central Fund.

2491. As the result of the creation of these Funds the period of redemption was prolonged?—That is so.

2492. Could you tell us briefly how the Contingencies Fund does protect societies? As I understand, it was a diversion from the contribution into the Contingencies Fund?—That is so.

2493. And it is diverted back again into the society's fund later on?—Yes.

2494. In what way is the society protected under that system as contrasted with another system where, instead of having this Contingencies Fund, the money merely remained with the society?—The society has a further reserve in this way, because of the lengthening of the Sinking Fund period. Money was taken from the Sinking Fund and put into the Contingencies Funds of societies in order to give them some further resources to meet their difficulties on valuation.

2495. But are they in a stronger position than they would have been if, instead of that fraction of 1d. going into the Contingencies Fund, it had gone straight into the Benefit Fund? Suppose the Act of 1918 had made that fraction of 1d. available for benefit directly, would they have been any less safe?—Yes. They cannot, of course, spend their Contingencies Fund during the period between valuations. They must conserve it, and it would have been far less prudent to have put it into their Benefit Fund and to have allowed them to do what they liked with it.

2496. So that the protection the society gets from a Contingencies Fund is linked up really with the whole valuation process?—It is.

2497. And the declaration of an additional benefit?—It is.

2498. So that if societies were going to give additional benefits in some other way, the value of the Contingencies Fund would be lost from that point of view?—Quite clearly.

2499. Can you explain for the benefit of amateurs why precisely in certain cases the State grant is paid on benefits which are deemed to be paid? A typical case, of course, is the payment of benefit deemed to be paid to soldiers while on service; is not that so?—Yes.

2500. In that case the soldier gets no benefit while on service, but it is deemed to have been paid, and, as I understand it, there is a State contribution on the basis of its having been paid?—I can best explain this by going back to the Act of 1911. In 1911 the contribution was 7d. for the ordinary employed person—the person entitled to ordinary statutory benefits. Certain classes paid 5d. only, because a particular benefit was withheld from them; they were not entitled to all the benefits. In order to put the society which had such members in the same position as those societies which had none of these members, it was necessary for the Exchequer to pay two-ninths of the value of the benefit withheld, which was the amount of the contribution. I can explain it best this way, I think, that from 7d.—the contribution—two-ninths was taken from the society for the purpose of the Sinking Fund. If the insured person paid 5d., two-ninths of 7d.—that is exactly the same Sinking Fund contribution—was taken from the Society. Now in order to put the society in the same position as regards these members as it would be as regards the other members, it was necessary for the State to pay two-ninths of the difference in contribution. What happened was that the society got, out of the 5d., 3½d. after the Sinking Fund deduction was taken away, two-ninths of 2d., and then, when benefits were paid, two-sevenths of these two contributions. So that in the end they got 5d. just as the other societies got their 7d., after making the same additions.

2501. If I may take up one point arising out of the preceding question, in what sense precisely does the insured person get his 10d. plus the Contingencies Fund? The Contingencies Fund is not new money; it is part of the money that is there already?—Yes.

2502. Is it not really ultimately a part of the 10d.?—The insured person does get something more than 10d. before the whole of the reserve values are redeemed, because part of that money which under the old system was earmarked for redemption goes into the Contingencies Fund, and ultimately, if not wanted, into the Benefit Fund, and therefore is something additional for the insured person.

2503. Is it not part of the 10d.?—Yes.

2504. So that it is not 10d. plus the Contingencies Fund; it is 10d. less what used to go for reserve values plus a bit back again?—Yes. But the boy of 16 gets statutory benefits which are worth 10d. He also gets some part of the Contingencies Fund, which is in addition to the 10d.

2505. Yes; but when you say 10d. the first time, does not that also include what is wanted to redeem reserve values?—No. The whole benefits for the boy of 16—nine-ninths of the benefits—are worth 10d.

2506. From the basic contribution of 10d. is there a deduction for reserve values?—From every contribution there is a deduction; but we are now talking of the actuarial value of benefits.

2507. (*Sir Alfred Watson*): Is it not that to-day if we had not this Contingencies Fund benefit the boy would have been getting 10d. worth of benefits for his 10d. to-day?—Yes.

2508. And when the reserve values were redeemed a boy of that kind would be getting 12½d. worth of benefits for his 10d.?—Yes.

2509. Now we have altered the reserve value deduction and postponed the term of the Sinking Fund. In the course of doing that we have set up Contingencies Funds which are to all intents and

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purposes part of the present Benefit Funds of societies?—That is so.

2510. The result is that the boy of 16, instead of getting 10d. worth of benefit for his 10d., now gets d. worth for 10d.?—Yes, something additional.

2511. Through the operation of the Sinking Fund?—Yes.

2512. When the reserve values are paid off, he will still get 12 d. for his 10d.?—Yes; but he will get it much later.

2513. He will get it much later than if we had never made the change?—That is so.

2514. (Sir Arthur Worley): At any rate, if that money in the reserve values had been accumulated and turned into cash, there presumably would have been no necessity for the two-ninths to be paid by the Government, which only started that originally for the purpose of converting the reserve on paper into cash.

2515. (Sir Alfred Watson): But surely that is not the law. (To the Witness): The law provides that when the reserve values have been redeemed the Sinking Fund money shall then be applied to such purposes as Parliament may determine?—Yes.

2516. That is such extension of benefit as Parliament may determine?—Yes.

2517. In other words, in 1911, so far as they could do so, Parliament precluded a future House of Commons from cutting off the two-ninths. It provided, so far as it could—which, of course, is no provision at all—that when the reserve values were redeemed, the released money should be applied to extension of benefits?—Yes.

2518. (Sir Andrew Duncan): I do not quite follow what there is in the Contingencies Fund yet. As I understand it, in the Act the money goes back to the society, and if at valuation there is a deficit it is made good from the Contingencies Fund?—Yes.

2519. If there is a surplus, what happens?—If there is a surplus, the money in the Contingencies Fund goes into the Benefit Fund of the society after the valuation has been made.

2520. And it is available, therefore, for increased benefits straight away, is it?—No. The valuation which determines the additional benefits for that period has been made, and the scheme is made on that valuation. The money goes into the Benefit Fund and does not come out for valuation for five years, or whatever the period of valuation is.

2521. It is a reserve fund for another five years?—Yes.

2522. (Sir Humphry Rolleston): Is it right to assume that the Ministry of Health, acting as a bank and a general clearing office to the Approved Societies, controls all the money which is derived on account of National Health Insurance which passes into the hands of Approved Societies? The Ministry of Health credit a certain amount or pay the interest, do they not?—The Ministry of Health for England controls the whole of the moneys coming in to the National Health Insurance Fund.

2523. Then as regards such money as is in the hands of the Approved Societies, that amount and the accumulations, I presume, are within the entire cognisance of the Ministry of Health?—Yes.

2524. (Sir Arthur Worley): With regard to the Stamp Sales Account of which you have spoken, I gather that the balance of that account is £5,400,000?—Yes.

2525. And that is occasioned by five reasons that you gave. Can I take it that the balance of £5,400,000 is subject to that, or have you put in any suspense items before arriving at that item?—The £5,400,000 is the total balance and is subject to all kinds of reserves and contingencies.

2526. Nine-tenths of it you say goes to a Central Fund?—Yes, nine-tenths of the available part.

2527. Is that done annually or at the end of the valuation?—It is done from time to time as the available sums are determined.

2528. Have you the figure of what has been transferred to the Central Fund from the Stamp Sales

Account?—It is proposed now to transfer—that is, after the end of 1923, the account for which has just been completed—£2,500,000 to the Central Fund.

2529. Is it a fair thing to say it has been £2,000,000 annually?—No; there has not yet been any transfer from the Stamp Sales Account to the Central Fund.

2530. (Chairman): There has never been a transfer since 1912?—That is so.

2531. (Sir Arthur Worley): Well, there is £2,500,000, and now there is something left?—Yes. The permanent balance to which I referred this morning, which amounts to something like £1,500,000 will be there, and all the necessary reserves to meet those other items which I have mentioned.

2532. So that the Stamp Sales Account has produced about £4,000,000—the £2,500,000 which is there and the £1,500,000?—Yes.

2533. With regard to the question of drugs, you used the words that the liability is unlimited. To an insurance man that is a dreadful term. In actual fact the liability will be limited because of the law of prices?—Yes. I was using the words "unlimited liability" as against limited provision.

2534. Another point is in connection with the National Debt Commissioners. The suggestion has been made, I think, that the societies feel that if they were investing the money they would get a better return as interest. As a fact, are not both the societies and the National Debt Commissioners on the same basis? They have the amount invested in the same class of securities, have they not?—No, not quite; the scope for societies' investments is a little wider.

2535. But the real fact is, that if the Approved Societies were required to put up a Depreciation Fund to provide for proper or possible depreciation, that would bring their rate of interest down almost to the level of the National Debt Commissioners?—Yes; I think there is very little in it.

2536. I feel it is as well to get that out clearly, because I know that societies feel that if the money is invested by themselves, they get five per cent. or a shade over, and the National Debt Commissioners give $4\frac{1}{2}$ per cent. The National Debt Commissioners could afford to give you five per cent., or something approximate, if they had not to provide a sum to make up this Depreciation Account. Is not that so?—Yes. I should like to mention that, of course, there are obvious advantages in some part of the societies' money being in a very big pool like the Investment Account. They can spread their risks very much better.

2537. Sir Alfred Watson asked you about the interest, from a mean date, on the contributions that were put in. You replied that the interest was credited at practically six months?—Yes.

2538. That is to say, it was credited to the Approved Society?—Yes.

2539. (Mr. Besant): I want to go back to paragraph 142 on page 93 of Section C of the Departmental Statement. It deals with the 2s. 4d. The position, as I understand it, is that the doctors are getting 9s.; and 2s. 4d. out of the total cost of medical benefit is provided for up to the 31st December, 1926, from sources which are mentioned, of which the main source is the balance of stamps sales, 1s. 8d.?—Yes.

2540. I wanted to ask you whether that date, December, 1926, was fixed because it was thought that that particular Fund would be exhausted, or whether there is likely to be such a surplus in the Stamp Sales Account as will enable that fund to go on for another period of years?—I think the date was fixed without reference to the sum available. Negotiations took place with the societies, and we advised the societies to take a five years' period. Societies insisted on a three years' period. They thought they would be able to get the whole matter straightened out before the end of three years, with

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the help of this Royal Commission. Then when they had fixed the three years' period we had to determine what, spread over three years, the amount we could afford would allow per annum. Therefore, we knew two things. We knew the total amount we could afford, that is £2,500,000; and we knew the period. The 1s. 8½d. is simply the annuity which the £2,500,000 will produce over three years.

2541. In other words, in 1926 that particular wind-fall will be more or less exhausted?—It will be entirely exhausted.

2542. (*Mr. Jones*): In paragraph 123 of Section C of the Ministry's Statement there is this statement: "These rates were determined on the assumption that payment would in all cases be made in full without discounting, and the revised tariff came into operation at the beginning of 1916. The Treasury accepted the risk of the total amount provided to meet the cost of drugs being insufficient to meet the aggregate accounts on the basis of this tariff, and in fact the acceptance of this risk resulted in a profit to the Exchequer until the heavy rise

in the cost of drugs in the later years of the war"?—Yes. I am afraid the word "profit" was not the right word to use. It certainly was not a profit. The Exchequer took the residual liability whatever it was, and it was a very large sum.

2543. In arriving at your total cost of medical benefit per annum, what amount do you allow in respect of drugs and charge direct against the societies? That is what I want to get at. Is the method different in England from what it is in Scotland?—I think that the system adopted in Scotland as regards drugs is slightly different from ours. How far different it is I should not like to say, because I am not familiar with it. But I should like to make it quite clear that the charge to societies—the 6s., or the 9s. 6d. as it is now—is for the cost of medical benefit. You could say that when the doctor's capitation fee was 9s. 6d., no part of the drug bill at all was paid by societies.

(*Chairman*): Thank you. We are very much obliged to you for all the information you have given us.

(*The Witness withdrew.*)

Mr. HEZEKIAH DUDLEY and Mr. JAMES PRITCHARD LEWIS, called and examined. (*See Appendix IV.*)

2544. (*Chairman*): You are Mr. Hezekiah Dudley, Chairman of the Executive Council of the Hearts of Oak Benefit Society?—(*Mr. Dudley*): Yes.

2545. You have been actively engaged in the administration of National Health Insurance since the inception of the Act, and for the past 10 years have been a member of the said Council?—I have.

2546. You are Mr. James Pritchard Lewis, Secretary of the Society for the last eight years?—(*Mr. Lewis*): Yes.

2547. And you have also been actively engaged in the administration of National Health Insurance since the inception of the Act? You are also a member of the Institute of Accountants and Actuaries in Glasgow?—That is so.

2548. Your society, with its membership of 433,000 insured persons, is administered under a centralised system with about 380 agents in the principal towns? Would you describe to us briefly what part the agents play in the work and what parts are reserved for the central office?—To start with the agents first, the agents collect contribution cards and pay benefits. They also do sick visitation as far as the men are concerned. Women are engaged where required to visit sick women. As you are of course aware, women can only be visited by women. The claims for benefit, the medical certificates of incapacity, the stamped contribution cards are all sent to head office, and all clerical work is done there. The agents only collect cards and pay benefits.

2549. Your disbursements for benefit amount to about £442,000 for cash benefits and £196,000 for medical benefit annually. Could you in connection with these figures tell us what your contribution income is?—The amount of contributions for 1922 was £679,376, and for 1923 it was £575,236. The reason why 1922 was considerably greater was owing to the large arrears of contributions for Army membership. That was all cleared up in that year, and amounted, roughly speaking, to £100,000.

2550. Your investments at the end of 1923 stood at nearly £2,000,000 invested by the society, and £1,300,000 held on behalf of the society by the Ministry of Health?—Yes.

2551. On the latter your rate of interest is the prescribed rate of 4½ per cent. Can you indicate to us what average rate of interest you now get on the former?—£5 2s. 2d. per cent. to be exact. That, I may say, is without consideration of capital appreciation.

2552. At the 1918 valuation, you had a gross surplus of £723,000 and a disposable surplus of £480,000. The latter sum is applied, I see, to giving cash additions to sickness, disablement and maternity benefits and assistance towards the cost of dental

treatment. Will you tell us what happened to the balance of roughly £248,000?—That was carried forward to the next valuation.

2553. I will now deal with your suggestions as to medical benefit for dependants of insured persons. Your first suggestion is that medical benefit should be provided for the dependants of insured persons, broadly on the grounds that such extension is necessary for the bettering of the health of the community as a whole. I assume that you have no doubt of the general justification for such a step, and that your difficulties arise only from questions of finance and administration?—That is so.

2554. As to finance, your suggestion is that the cost should be met by an increase in the contributions of all insured persons. By what, do you estimate, would this increase the present contribution of 10d. and 9d.?—If the contributions were to be increased in respect of all insured persons as we suggest, it would work out, we estimate, at about 3½d. per week.

2555. You make the point that such extension would cost about £10,000,000 per annum for all dependants of the whole insured population, but you do not consider that the valuation surpluses should be called in aid for this purpose?—They would not be sufficient, and if you are going to make any increase in the contributions at all we think that it would be better to increase the contributions to such a sum as would be sufficient to meet this extra benefit and leave the surpluses to be used in other directions.

2556. I gather that your reason for this is that the aggregate of the disposable surpluses at the last valuation was about £9,000,000 to be spread over a period of five years. Would your argument be affected if a much larger disposable surplus were disclosed on the present valuation?—It might; but, of course, I do not know what the second valuation surplus may be. It would require to be £50,000,000 for a quinquennium.

2557. Yes. In any case, I do not quite see why the fact that £9,000,000 would not meet the cost is a sound argument for not utilising part of it to help. Would you develop this point a little more?—My society thinks that it would be very desirable to give medical treatment to dependants, but at the same time it thinks that it is very desirable also that dental benefit should be given as a statutory benefit. I think my society would feel that while medical benefit to dependants should be given, the contributions should be increased to give that, and the dental benefit should be provided from the surpluses which are already there, allowing also some increase in the cash benefits.

2558. On the question of an increase of the weekly contribution, how would you propose to divide the

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additional sum between employer and employee?—*(Mr. Dudley)*: We have not considered that question, but I am inclined to think that, as it is a benefit for the insured person, the whole cost might be borne by the insured person.

2559. That would increase his contribution from 5d. to 8½d.?—Yes, that is so *(Mr. Lewis)*: Really we might say that if our suggestion is considered at all a reasonable one by this Royal Commission, it is a matter on which the Minister should get some information from the Consultative Council. He could, by that means, get from the insured persons some indication as to what they are feeling on the subject. We have made no hard and fast proposal as to where the money is to come from.

2560. Is your suggested figure the actual contribution increase or have you included in it the State Grant of two-ninths of the benefit expenditure?—It is approximately the exact cost of the benefit, so that there would be some reduction if the usual State Grant were forthcoming.

2561. Do you consider that employers and employees throughout the country would accept this increase without protest? In other words, do you think they would recognise that the new benefit justifies the additional contribution?—Personally, I think that the employees would. Like my colleague, I do not see why the employer should be called upon to pay. The employee would, I think, welcome it.

2562. Have you made any inquiry at all to ascertain whether the medical profession would be likely to accept the transfer of about 20 million patients from private to contract practice?—*(Mr. Dudley)*: No.

2563. Do you not foresee any difficulties here?—We have not made any inquiries, and the doctors have already got these persons in their private practice, more or less.

2564. Do you consider that the large number of persons among the insured population who have no dependants would accept a scheme under which a substantial part of the contribution was devoted, not to their benefit, but to the benefit of those who had dependants?—*(Mr. Lewis)*: Of course, that system, as we point out, is already established within the National Health Insurance Acts. Take the unmarried man. He contributes towards maternity benefit. The point is also exemplified in the treatment benefits. I mean to say that my own society gives dental treatment. Many people do not want dental treatment, yet they are contributing towards it.

2565. I imagine you feel that it would be impossible to work a scheme under which there was one contribution for insured persons with dependants and a smaller one for insured persons without dependants. Is that so?—Yes.

2566. You would like to persuade the insured persons without dependants, I suppose, that at any time they may pass into the class with dependants and that, therefore, such a scheme of uniform contributions would really mean insurance for them against a future contingency, and that if there were an increase of contributions for those with dependants only, it would have to be larger than the increased contribution for the whole insured population?—It would, considerably.

2567. I note that medical treatment and attendance for any person dependent upon the labour of a member is one of the additional benefits of the Act, but I observe that you hold that extension to dependants is impracticable in this way and that medical benefit for dependants should be included as one of the statutory benefits of the Act. Your society in particular has not adopted this additional benefit. Would you develop your reasons for considering that this is an impracticable additional benefit?—I do not know that we consider it absolutely impracticable. But when the last valuation results came out, you will remember, the cost of living was considerably more than it was even when sickness benefit was increased from 10s. to 15s. As the value of the £ was very much less, we

at that time decided to apply the whole of our surplus in increasing the cash benefits. Then afterwards, as you will recollect, the cost of living came down and there at the same time arose a great desire for dental benefit. We then gave that benefit originally under Section 21 of the 1911 Act. Then afterwards we departed from that and gave it as an additional benefit out of our surplus, because by that time we could give a lesser amount of cash benefit, reducing the cash benefit by 6d. Yet that amount of cash benefit was in all probability more than, or at any rate its purchasing power was as great as, it had been with the extra 6d., and over and above that, we could give dental treatment. We give these directly to our own members. We consider that they had a right to a first charge on the Benefit Funds rather than that the money should be used for dependants.

2568. You reject any possibility of raising money by contributions from or on behalf of the dependants themselves. Apart from your desire to spread the charge over the whole of the insured population, I imagine you feel that the administrative difficulties of a collection in respect of dependants would be too great. Would you amplify this a little?—We feel that it would be impossible to collect contributions from persons who are not insured. You see it would come back to the old difficulty of the voluntary contributors, and that Scheme was never very successful.

2569. In the administration of the proposed extended medical benefit, do you foresee any great difficulties in determining the question of dependency?—We admit that there would be difficulties, but we feel, generally speaking, that anyone who is dependent on the earnings of another should be included under this class of dependants.

2570. You think it could be defined?—I think it could, quite well.

2571. I notice that you suggest that medical benefit should no longer be given to exempt persons but that the funds now applied to that purpose should be applied, I assume in addition to the proposed contribution, towards the cost of providing medical benefit to dependants of insured persons?—Yes.

2572. This means, I suppose, that the present collection of the employer's share of the contribution in respect of the exempt persons should continue?—Yes.

2573. Do you not foresee objection on the part of employers to such diversion of these moneys? At present they feel at any rate that what they pay goes to the benefit of people with whom they are intimately connected?—I hardly think that they would feel very keenly about it. They would have to pay the contribution anyhow; otherwise, it would be putting a premium on people who did not need to be insured—exempt persons. At the same time, I do not think these people should have the benefit of medical attendance seeing they deliberately refuse to take steps to obtain it.

2574. Have you any knowledge of the extent to which exempt persons avail themselves of medical benefit and whether they would, as a class, resent the loss of it?—30,000 persons take advantage of it.

2575. Out of how many is that?—Out of 35,000.

2576. *(Sir Humphry Rolleston)*: How did you arrive at what you considered to be the appropriate sum, namely 3½d., to be added to the insured person's contribution in order that it should cover the cost of medical attendance, and so on, for his dependants?—There are, we understand, 20,000,000 dependants—wives, children, and others. Taking the contribution of 2½d. for 48 weeks, that gives 10s. a year. 10s. a year in respect of 20,000,000 people is £10,000,000. There are 15,000,000 insured persons, and £10,000,000 divided by 15,000,000 equals, say, 13s. 4d. per insured person per annum, or approximately 3½d. per week.

2577. Have you formed any estimate as to what you propose to add to the doctor's remuneration for this increased work?—That would be allowing practically the same as the doctor gets in respect of an insured person—the capitation fee of 9s.

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2578. Adding another 9s. ?—Yes; in respect of these persons.

2579. He would receive double the amount he receives at the present time?—It depends on the number of insured persons. He would receive 9s. in respect of each dependant.

2580. What do you consider the average number of a family?—I have no knowledge of that. All that I know is that, taking it all over throughout the country, there are estimated to be 20,000,000 dependants.

2581. (Sir Arthur Worley): There are 15,000,000 insured, and that would make 35,000,000 out of a little over 40,000,000, so that it would leave only a few millions uninsured?—Yes.

2582. (Sir Andrew Duncan): How is the dental benefit administered by your society?—If anyone desires dental treatment he communicates with the society either through the agent or direct to the head office. The society then requires him to produce medical evidence that dental treatment is desirable owing to the condition of his health. What I mean is, if someone simply has bad teeth which do not look very nice we do not give him a new set of teeth, but where the teeth are actually detrimental to his health, and we get a certificate to that effect, then we send him a list of dentists in his district and he can choose any one of them. We have a scale of fees with these dentists, and we pay a certain proportion of the dental charge for whatever requires to be done.

2583. What is the proportion?—25 per cent., with a maximum sum of £1 12s. 6d.

2584. That does not cover the cost of a new set of teeth?—No. We limit the amount of £1 12s. 6d. We limit it simply because of the great cost of the benefit and the limited amount at our disposal.

2585. What does that cost you per annum?—Approximately £27,000 for 1924.

2586. So that you would practically have your surplus still at your disposal for the purposes of dependants?—I do not quite follow.

2587. I understood you to say before, that the cost of medical treatment for children would consume practically all the surplus you had?—More.

2588. And that in any event the dental treatment was extra?—Yes.

2589. The dental treatment is a comparatively small affair, however?—(Mr. Dudley): We only give 25 per cent. of the estimated cost of the dental services.

2590. But if you multiplied that by four, it would not consume very much?—(Mr. Lewis): May I go back to the question of the cost of dental benefit? I find the figure I gave you is the amount available, and not the amount actually expended by my society. The amount actually spent this year is £9,473 in respect of men, and in respect of women, £2,814, a total of £12,287. The £27,000 I gave you before was the amount available.

2591. In any event the conclusion is the same on both figures, namely, that the cost of dental treatment is apparently a comparatively small matter?—Yes, and in all probability in future years it will be smaller, I think, because undoubtedly there is an accumulation of people in need of treatment. People have not had their teeth attended to; these people come on and they will not come back.

2592. Therefore, you could to a considerable extent defray, as an additional benefit, the cost of the medical treatment for dependants?—I think the figures of cost of the two benefits are too wide apart. In one case you have £10,000,000 a year, and judging by past experience there have been surpluses of £9,000,000 over five years.

2593. At any rate, it would be a contribution towards it?—Certainly.

2594. Do you run a society apart from your Approved Society?—Yes.

2595. Do you have medical benefit for children under that?—No. The Hearts of Oak Benefit Society never have had medical benefit at all on the private side.

2596. Not even for adults?—No; not for anybody.

2597. (Mrs. Harrison Bell): Do any of these benefits that you have quoted to us, such as the dental benefit, cover the members' children?—No; they are for members of the society only.

2598. (Mr. Cook): I think you mentioned that you propose to allow the doctors 9s. for each dependant. Would not that mean that in certain parts of the country you would be treating doctors very generously? In certain industries with which I am familiar the workman allows a deduction from his wages for medical attendance of 3½d. per week in some cases, and in other cases of 4d. per week to include medicine. I am quoting cases with which I am personally acquainted. That contribution is pretty common in Scotland. Now on that scale it seems to me that you are really proposing, by allowing 9s. for each dependant, to pay a much higher contribution to the doctor for that service than the doctor is getting at the moment?—I understood you to say yourself that the contribution was 3½d. 3½d. is what we are allowing; so that practically these two sums are the same. Then in the cases where you said 4d. was allowed, your sum is in excess of ours.

2599. The 4d. would include medicine. The 3½d. only includes attendance. I am referring to the practice as far as the men are concerned?—After all, I do not think there is really so very much between the two.

2600. Perhaps I have not made the position clear. The 3½d., you understand, provides for the whole family. It does not matter how many dependants there are in the family—there may be one or a dozen—the 3½d. provides for attendance to the whole of them?—But so does our 3½d.

2601. (Sir Arthur Worley): That was per insured person?—Yes, 3½d. per insured person.

2602. But Mr. Cook says 3½d. per family?—It practically comes to the same thing.

2603. In one family there may be a dozen children?—It does not matter.

2604. (Mr. Cook): You understand that the miner is a worker who is already insured under the National Health Insurance Scheme; but in addition to that he allows a deduction from his wages each week of 3½d., and for that contribution the doctors undertake to give medical attendance to the whole of his family—his wife and the other members of the family?—Well, instead of doing that for the miners, what we suggest is that every insured person should pay 3½d. per week, and the whole family will be attended. That works out at 10s. a year per dependant. If you collected it from the dependants it would work out at somewhere about 2½d., but as there are more dependants than there are insured persons it increases the sum to 3½d. per week from each insured person.

2605. So that you think it would not mean a larger contribution on an average for the doctor than the present fee paid by the class of workers to which I referred?—We believe it would be approximately the same.

2606. I take it then that your position as a society is that you want to see provided a medical service for practically everyone in the country?—Yes.

2607. For every worker, at any rate?—Every worker and his dependants.

2608. Do you think that the present machinery is the best possible machinery to give effect to such a comprehensive idea?—That, of course, is a very broad question. I have thought of it. I admit that there are disadvantages attaching to the plan; but the only other service that I can see that you could institute instead of that of the Approved Society, is really a State nationalised service. I may say that both personally and as representing the society we are entirely opposed to that.

2609. Do you think it is quite equitable that millions, perhaps, of people, who are all contributing equally, through no fault of those administering their affairs, have found they cannot obtain anything like

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the benefits which, say, in your case, the members are obtaining. I am referring to societies where there is no charge of maladministration, but because you have a very large section of people who are working at occupations that tend to a large sickness experience, they never get anything beyond the statutory benefits?—I quite appreciate that.

2610. Do you think that is quite equitable?—You must remember that they have absolute freedom of transfer. If they do not like the society they are in they can come to us. If everybody transferred, the logical conclusion would be a flat rate of benefit. Yet you would have a system of societies governed on behalf of the members, and not a soulless State administered service.

2611. Why necessarily a soulless State administered service?—Because I think most people will agree that anything administered by the State tends to soullessness.

2612. (*Prof. Gray*): Mr. Lewis, your suggestion as to why people employed by way of manual labour are insured, even though their income is above £250 a year, is that they are exposed to abnormal risks of sickness; is that so?—That is our suggestion.

2613. And it is because the manual worker is exposed to greater sickness than the non-manual worker that there is no limit in his case to the amount of income he can earn and still be insured?—Yes.

2614. In that case do you think your argument holds for dependants of persons employed in manual labour above £250?—We are proposing an extension of the system of National Health Insurance altogether. We consider it should be extended to all dependants so as to relieve all persons who are State insured of the anxiety with regard to those for whom they are responsible.

2615. But if non-manual labour above £250 does not get this benefit, why should manual labour, seeing that the reason why you include the manual labour under the Act is the greater risk of ill-health?—That is so.

2616. That would not extend to his dependants?—It might or it might not. It might extend to some of them, but it might not to others. It depends on what they are doing.

2617. You explain that the insured person above £250 who is a manual worker is included in the scheme because he is personally exposed to a greater risk of sickness?—Yes.

2618. It will not follow that his dependants will be, will it?—Not necessarily.

2619. Therefore there is not the same argument for this scheme being applied to the dependants of the manual worker above £250 as to the dependants of a clerical worker?—To me they are all together. It does not matter what the supporter is at all. They are all dependants, and I would give it to all of them.

2620. You suggest that already under the Scheme there are people contributing for benefits which they cannot possibly receive; for instance, an unmarried man contributing for maternity benefit and so on. You suggest that that is partly justified because he may later be exposed to the same risk?—That is so.

2621. How much is allowed, do you know, for the maternity benefit in the ordinary contribution?—I am afraid I could not tell you that off-hand. I did know it once, but I do not remember it.

2622. I think in the case of the man it is about 68d., and in the case of the woman it is about 49d. That is about 4d. a week in the case of women?—Yes.

2623. That is a good deal smaller, is it not, than the new addition you are suggesting?—Yes.

2624. Therefore, while you may accept the 4d. a week for the reason you have suggested, namely, that after all later on they may be exposed to that risk, it is rather a more serious proposition to suggest 3d. or 3½d., is it not?—Quite. I appreciate that.

2625. Particularly so in the case of women?—Yes.

2626. Am I right in saying that single women who are employed are in much more danger of becoming

dependent than having dependants?—Yes, that is so.

2627. And you might have the argument that the single woman ought not to be compelled to contribute to the medical benefit of a woman who has been successful in getting married?—Quite.

2628. It is perhaps even more obvious, is it not, in the case of a woman who is obliged, let us say, to work after marriage and who is compelled to contribute to this scheme for the benefit of a woman who is in such a position as to stop working?—Yes. Broadly speaking, we admit there is a great difference between 3d. per week and 68d. per week.

2629. And in the case of women I think you would find that resented?—I do not know. Any experience I have had is that the suggestion was rather welcomed by both men and women.

2630. I suppose the suggestion which you reject here, that surpluses which have been realised should be used for this, is largely due to the fact that you could not guarantee a sufficiently equal distribution of benefits?—That is so, and it goes back to the old question of amount. We consider that if you have to go to the country to get an increase of contributions to do this thing, you might as well increase the contributions sufficiently to do the whole of it and leave these surpluses to provide other things, such as dental benefit. If you could have given this benefit out of the surpluses, then perhaps we would have taken a different view of it, but we do not think that you can.

2631. (*Mr. Jones*): Let me refer for a moment first of all to your opening paragraph in this section of your Statement: the extension of medical benefit. Your reason for this is that you think that the failure to provide medical benefit to dependants reacts on other people—the insured especially—for whom it is provided?—That is so, and there is also the argument that you would in later years be bringing a better class into National Health Insurance.

2632. There has been some reference to the number in a family. I think the Census Returns both for England and Scotland show that that has been pretty steady for a long period at just slightly under five persons per family. I do not think that has much bearing on it. It is really the number of dependants?—That is so.

2633. Your calculations here are based on a round number of 15,000,000 insured persons and 20,000,000 dependants?—That is so.

2634. That is equal to 1½ dependants per insured person?—Yes.

2635. And that of course reflects back on the total amount of the additional cost?—That is so.

2636. How did you arrive at that 20,000,000?—I am sorry I do not know that I can answer that. (*Mr. Dudley*): It was a general estimate of what we anticipated. (*Mr. Lewis*): It was on certain information which we had in the office, but I am sorry I cannot answer the question nearer than that.

2637. I went into this matter pretty fully some time ago for other purposes, and I have gone into it before. I make the figure as nearly as may be 15 per insured person, and that was confirmed in evidence by Sir Walter Kinnear?—Yes.

2638. That increase in the number of dependants from 1½ to 1½ would reflect again considerably on the cost of your scheme?—It would.

2639. And on the amount of contribution?—Yes.

2640. Then you have indicated, I think, that you are taking it as a contribution for medical attendance and treatment only?—Yes.

2641. Have you made any provision for drugs?—No.

2642. That would be equally necessary, would it not?—Yes, it would be. If it could possibly be provided we would be in favour of it.

2643. It would be essential, would it not, to provide drugs?—Yes.

2644. And for administration?—Yes.

2645. So that if we add these additional burdens it would tend to a very considerable increase of cost?—It would tend to some increase, but on the figures

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which I have given you the State grant is not taken into consideration. There would be relief from that.

2646. I was going to ask if you intended to lay the whole burden on the insured person, or did you intend to distribute it?—We suggest that the contribution should be paid by the insured person alone—not by the insured person and the employer, but by the employee only—but that a State grant should attach to it just as a State grant attaches to other charges for National Insurance.

2647. Have you any reason for saying that?—I think that is the usual practice, and that it is for the benefit of the community as a whole.

2648. Would not the employer stand in later years to benefit just as much as under the National Health Insurance Scheme, because the people who contribute later on would become the persons employed?—But does the employer stand to benefit very much?

2649. We have adopted the principle already in the National Health Insurance Act. Is there any reason why we should depart from it?—It is not a point we stress one way or the other. We consider that benefits should be given to dependants, but we are not adamant as to where the money should come from.

2650. Have you considered how doctors are likely to receive your proposed capitation payment of 10s.?—No, we have not; but I think it is well enough known that the doctors are very much better off under National Health Insurance than they were before, and if you are going to bring more people in on more or less the same lines, they would be still better off, and I should think they would welcome it.

2651. But what is your experience with regard to married women?—The experience of the Society is that the rate of benefit is high.

2652. Would not that require an approximately higher rate of medical attendance?—On the other hand you have young boys and girls—I do not mean infants but I mean minors—who are not subject to any great amount of illness, and I think the doctors would gain there.

2653. Yes; but is that quite a correct statement? The amount of medical attention that is required may be low at the ages immediately under the insurance age just as it is at the age at present of entering insurance. But does that apply to the years below that?—I must admit it is only from my own experience, but I do not think it is high.

2654. At any rate, you have simply taken a level rate of something like 10s. as being approximate. You have not started to get at it on any broader basis?—No.

2655. How would you propose then that this additional benefit, if extended to dependants, should be administered?—Through the Insurance Committees.

2656. First of all you propose to make it a statutory benefit?—Yes.

2657. How would you propose to collect the contributions?—We should increase the contribution for National Health Insurance.

2658. Then how do you propose to increase it? You have only suggested here a *per capita* rate of insurance; that is, for each dependant. Or would you propose to raise the weekly stamp contribution all round for everybody?—All round for everybody.

2659. So that the question of a change in the number in a particular family would not apply?—That is so.

2660. With regard to administering it through the Insurance Committee, would you suggest that we should follow this somewhat laborious machinery of the issue of index slips, and the issue of medical cards, or how?—I do not think the issue of index slips would be at all necessary. The issue of medical cards probably would, so that each dependant of the family should have one.

2661. That would add to your burden of cost, would it not?—Yes.

2662. We have had it in evidence here that the cost of Insurance Committees' administration is already 6d. and practically their only item is medical

benefit. Would not that place another considerable burden on your contribution?—Yes, probably it would.

2663. Would all that additional amount of labour be justified, do you think?—I think it would. I think from the point of view of the general health of the community that it is entirely justifiable.

2664. It adds very appreciably to the cost and does not add to any health benefit that might accrue. It is purely administrative?—No. It gives you a generally healthier population.

2665. What would be the effect of arrears?—You would simply have to make an Arrears Regulation. The amount the insured person in arrears would have to pay up would be more. If they did not pay, the penalties would be more severe than they are at present.

2666. And that would lead to the cutting out of a considerable number of people from this extended medical benefit?—It would.

2667. Would not that tend to upset your system by which all the community should benefit?—No, because although you would lose some people you would have an overwhelming majority brought under the scheme and they would reap the benefit.

2668. On the other hand, if my estimate of 1.5 dependants is correct, you are proposing to extend your medical benefit to something like 88 per cent. of the population. Whom are you leaving out?—Persons who do not come under National Health Insurance, and who are not dependent on persons who do come under National Health Insurance.

2669. Who are they in the main?—In the main they are people like ourselves. (*Mr. Dudley*): The business man, and so forth. (*Mr. Lewis*): Shopkeepers and such people.

2670. Would not quite a considerable portion of them be the group that are not in insurance at the moment, not because there is no provision made for them, but because they have not exercised their opportunity as voluntary contributors. I mean the hawker and the small business man on his own account?—That is, of course, a large proportion, but I should think the proportion left out would mostly be able to provide all the benefits that would otherwise be provided for the other class. For instance, take the shopkeeper. I should think he would be able to provide medical attendance both for himself and for his dependants.

2671. Take the other class—the class which is at the bottom rung of the ladder. I mean the hawkers and all the similar classes, and the casual workers—not the dockers, but the other casual workers. Is it not desirable that their health should be protected in the same way as the health of the rest of the industrial community?—Yes, quite.

2672. Would it not be worth while to make an effort to include him along with these people in the 88 per cent. that you seek to provide for?—So long as you do not introduce a State medical service, my Society will not complain how broad you make it.

2673. How would you view it if it were taken out of the Insurance Act altogether and made a State medical service?—If you have some equally good way of administering it, I do not think my Society would complain if it were taken out of the Act.

2674. Suppose there was a universal service and it was transferred to the Public Health Authority or some other equivalent body?—(*Mr. Dudley*): Would not that be a State service? (*Mr. Lewis*): No, I do not think it would necessarily. (*Mr. Dudley*): It would be pretty near it. (*Mr. Lewis*): I might say that my Society is very favourably disposed towards the Insurance Committee, and I should think if that question were actually put to it it would prefer to see a scheme administered by the Insurance Committee rather than by the Public Health Authority.

2675. What is the difference between the Insurance Committee and the Public Health Authority so far as the mere administration of the medical benefit is concerned?—With the Insurance Committee the Approved Societies have some say through their

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representatives as regards management; but with the Health Authority, I do not think they have.

2676. Does that really matter after all? What responsibility have the Insurance Committees really in connection with medical benefit?—It is for them to see that the doctors carry out their duties.

2677. Is it not a well-known fact that the duties of Insurance Committees are largely clerical?—I should hardly think they are largely clerical. They have to see that certain things other than clerical work are done.

2678. Perhaps I should not press you if you are not acquainted with the duties of an Insurance Committee?—I am not. I have never been on an Insurance Committee.

2679. You say later on that the Insurance Committees have had 12 years' experience of the administration of medical benefit. Do you think that that 12 years' experience is more valuable than, let us say, the half a century of the Public Health Authorities of the country?—No; but it would be a pity to scrap the experience and to set up something entirely new. If you set up something here, then to get the benefit of that experience you would simply require to use those bodies under some other name.

2680. If the system could be so simplified that you would save the greater portion of that 6d. per head which is spent at present in administration and not in benefit, do you think it might be worth considering?—Certainly.

2681. If you had a universal system, would not you be able to cut out all that laborious detailed working of index registers, medical cards and all the rest of it?—If you had a universal system, yes; but do you suggest a universal system which practically means every person from the millionaire to the pauper coming under National Health Insurance?

2682. I suggest that under your proposal you have 88 per cent. of the population and that it is scarcely worth while worrying much about what is left?—If you ask my personal opinion, it is that as there is National Health Insurance, every person in the United Kingdom should be under Health Insurance.

2683. That is another way of putting it. It is a matter of the collection of the funds. Short of a State medical service, I gather you have no very substantial objection to offer to the manner in which the benefit is administered?—No, I have not.

2684. With regard to the utilisation of surpluses, the difficulty there would be the variation of surpluses between the societies?—Yes. Even taking the surpluses in the aggregate there is not enough.

2685. Then again, you cannot forecast the future, in fact it would be difficult to anticipate the continuance of that service and it might lead to a suspension of the benefits?—Yes.

2686. (Miss Tuckwell): I notice that your society is really interested in the protection of the health of the nation?—That is so.

2687. With regard to this additional payment which you suggest for dependants, I am feeling rather concerned about the position of the women. I suppose that under your suggestion women should pay the same as men?—Yes, that is the suggestion.

2688. You know as well as I do that they are not in a position to pay the same as men?—They are not in as good a position; I will admit that.

2689. They do not as a matter of fact pay the same contribution as the men, do they?—No.

2690. Then why do you propose to put on them the same payment for dependants?—We consider that if the broad principle is conceded, those details can easily be thought out and adjusted. If it was considered that some alteration in the incidence of payment should be made, my Society would offer no objection. What I mean is that, taking it that these extra charges which Mr. Jones has brought to light might be met by the State grant, then if you would say that men were better able to pay more, my Society would offer no objection. It is the simple broad principle that we suggest for your consideration, of

medical attendance for dependants. Then there was the other suggestion that as dental benefit was not such a very heavy charge on our funds, there might be some relief there. We would be quite prepared to bring in part of the surplus after payment of dental benefit to provide further relief.

2691. Is there any reason in your mind why, as this is a question of national health, the employer should not pay his share?—There is not. The only point was that, as this is not such a direct benefit to the employee—it is not to him directly, but to his dependants—we felt there was not the same argument for the employer paying in this case. If, however, the Royal Commission thought some part of the payment should be made by the employer, that is not a thing we would have any objection to at all. It is the broad principle we are suggesting, and these details we think are for further consideration.

2692. (Mr. Beant): Going back to the question of the 3½d., do I gather from paragraph 46 of your statement that the whole of the 3½d. per week is to go to the doctors under your proposal?—Yes.

2693. Then I would ask whether you look upon 2,000 members as a fair panel which one doctor should look after? We have had evidence here from which I understand that the panel limit is 2,500, but that a good many panels consist of 2,000. Would you consider 2,000 a fair figure?—Yes.

2694. Or is it below the average?—I think 2,000 is quite a fair figure for a panel. But you must remember that these dependants, when they require it, are being attended already by the same doctors.

2695. I am coming to that. May I take it without dispute from you that 2,000 could be taken as an illustration of a fair panel number?—Yes.

2696. Then if I take Mr. Jones's figure, as against your figure, of 1½ dependants for each insured person, I should get a total on a 2,000 panel of insured persons of 5,000 in all?—Yes.

2697. And if the insured person provided 9s. 6d. for the doctor, and the dependants provide 10s. for the doctor, you would have a total income for each doctor in each panel of something in the neighbourhood of £2,250 a year. That seems to me to be the outcome of your suggestion?—If our suggestion were adopted as far as attendance and numbers that he had to look after were concerned, there would be no difference. Whether the charge of 9s. 6d. is excessive or not is perhaps open to question. But I think the point you were making was, was it not, that you have already got a panel of 2,000, and you have got those dependants we wish to bring in over and above that number. That brings his panel practically up to 5,000. Is that a reasonable number of people? If you were to ask me that I would say it was, because he is already doing it.

2698. That is the point I was coming to. I wanted to get at it like this. Those 5,000 people are, in fact, in many cases being looked after by a panel doctor, and of that number 2,000 are insured persons and the balance are dependants?—Yes.

2699. Then you state in paragraph 46 that the 10s. per annum would not go so far to meet the charges of the doctor. Do you think the ordinary panel doctor who has got a panel of 2,000 does in fact get an income exceeding £2,000 per annum out of the insured persons and out of what he collects in the way of fees from the dependants?—I can hardly give you an answer to that. I know as a member of the Consultative Council that a good deal of information on those lines is with the Ministry of Health and they could give you information. What we are principally concerned with is to look at the insured person's point of view, and we say that that 10s. would not go far to meet the expenses of the doctor. We are looking at that individually from the point of view of insured persons. If you take it in the aggregate it does total up to a large sum, I admit. Again, there is another point. You may say if you are going to give the doctor, not 2,000 persons for whom he is absolutely certain of his remuneration, but 5,000 persons, then he should take them at a less

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rate. That is a matter for debate between the Ministry of Health and the medical profession.

2700. But why do you state in paragraph 46 that 10s. would not go far towards meeting the medical expenses of the dependants? My point is that it would go too far.—From a financial standpoint I do not think 10s. per head is very much.

2701. No, but taking it from a national point of view, one knows that doctors, taking one with another, are not making £2,000 a year out of panel patients and from what they are getting for attendances on wives and children?—On that I have no information at all, except that in the investigation made by the Ministry of Health I know they tried to take a fair average, and the 9s. they allowed was supposed to bring in, I think, about half of what the doctors received so that the 10s. that we suggest cannot be so very far out.

2702. Looking at it from another point of view, you said that you object to a State medical service. Do not you think that the State could get a service for blocks of 5,000 people on terms far cheaper than those which, as far as I gather, you put forward?—I am not denying that for a moment. I dare say it could get a service much more cheaply. But my Society is opposed to any State system of medical service, not because of the cost but because of what the service either at the beginning would be or afterwards would become. It is not a question of cost.

2703. But surely the question of cost must come into the picture?—If you cannot give some treatment to dependants without a State medical service, then we say, "Don't give dependants medical treatment."

2704. Coming to the end of this chapter of your statement, paragraph 52, personally I think the best argument is the necessity for the betterment of the health of the community as a whole. Has your Society considered what can be done in the way of preventive medicine and so on? In other words, not merely looking after sickness but spending certain money in the way of preventing sickness?—No, not very much. We have not had an opportunity of doing that.

2705. Under the old 1911 Act, at the beginning, that was stated to be one of the main objects of National Health Insurance?—Yes. But I am not sure whether you are referring to additional benefits or to section 63 of the 1911 Act—I am sorry I do not remember what it is in the new Act—that is, for getting statistics where there is excessive sickness in any particular area.

2706. (Sir Arthur Worley): Is not it within the power of the Insurance Committee to take steps in that way?—The societies can apply to the Ministry of Health wherever they have been suffering from an epidemic. But if you are referring simply to the question of additional benefits, we give dental benefit and nursing as well as cash benefits. They can hardly be called preventive, though perhaps dental benefit is. For the rest of the money we felt that, in view of the cost of living, we were doing better in providing cash than anything else. After this valuation, if we come out at all well, probably my Executive Council would take a different view; but that was the view taken in 1918.

2707. In advocating this enormous extension of the Act I wondered whether you had left out of account, intentionally or unintentionally, another side which was discussed, at any rate when the Act was first started?—No, we have not. We think this should come in quite apart from what can be done by the societies themselves from the surpluses.

2708. Taking your summing-up in paragraph 52, No. 5, it seems a little startling to me that if you cannot help to keep 35 million people in good health, it is against the interest of the public health to look after 15,000,000. I wondered whether you could not modify that?—We say that while you look after the health of 15,000,000 people who are employed, and are to a certain extent able to look after themselves, you leave out of account altogether a greater

number of people who are unable to do anything for themselves.

2709. My whole challenge was that the opening words were that it is against the interest of the public health. My argument is that it is in the interests of the public health?—I agree it might have been better expressed.

2710. (Sir Alfred Watson): I gathered from your replies to Mr. Jones that you have gone above 20,000,000 dependants and now agree that it may be a little higher?—We do.

2711. I also gathered that in the course of your calculations you allowed 10s. for medical benefit for a dependant, although the actual cost, apart from things that could not arise in respect of dependants, such as clearance registers, is somewhere over 11s. 6d. I want to know, when you talk of 10s., whether you mean 9s. for the doctor and that 1s. would pay for the drugs, or whether you mean the insured person to buy drugs for his family?—We simply take the 10s. more or less as one figure. We believed at that time that the 20,000,000 was approximately right, but we knew it was not an exact figure. We took a 10s. rate for medical benefit, allowing that as an approximate figure. We did not include drugs.

2712. But drugs are included in medical benefit, are they not?—Really the way we got at the figure was that the estimated cost of medical attendance was 2½d. per week, and 48 contributions at 2½d. works out at 10s. a year.

2713. Yes, but what I want to know is whether this is seriously put before us as the true cost of this tremendous extension that you are advocating?—Approximately it is. Mr. Jones has pointed out to me that from information which was not available to us we have under-estimated the dependants at 20,000,000. Very well, we are quite prepared to admit that we have done so, and if the expense works out at 11s., naturally the contribution will require to be increased. But we still think that if it is 11s. a head it is well worth it.

2714. Very well. The question is now, do you contemplate proposals under which there will be provided for the dependants doctoring and medicine or doctoring only?—At the present moment doctoring only. If it could be later on extended to drugs, so much the better; either because it did not cost so much, or if the State grant were to reduce this amount sufficiently, or possibly part of the Approved Society's surpluses could be used for it.

2715. Do you think it would be possible to provide doctoring under the conditions of the Insurance Act for the dependants of an insured person? It throws upon the doctor the obligation to give a prescription to the insured person or the member of his family who is under treatment, leaving the insured person free to go and have that prescription made up in accordance with the doctor's instructions or not to do so?—Really I do not think that there is any insuperable difficulty there. The doctor does his duty, and gives a prescription. It is nothing to him what the person does with it.

2716. Would you say that the doctor would only have to go just the same number of times and give the same amount of personal attention to the patient whether the medicines he prescribed were taken or not?—I do not know. What is the position with the insured person at the present moment? He cannot be forced to do anything with the prescription.

2717. At any rate, the insured person can get the prescription made up for nothing by the nearest chemist?—Yes; but if you cannot give everything you wish, I suggest that it is better to give medical attendance and let the man or the woman pay for the drugs than to give them nothing.

2718. If an insured person is entitled when he is ill himself to have a doctor and drugs provided for him, is it practicable to have a system, when one of his family is ill, of providing a doctor and leaving him to pay for the drugs or not to have them, just according as he thinks fit?—I certainly think that if a man is ill and he goes to the doctor, the very great probability is that he will do as the doctor

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tells him. He will want to get well, and therefore, because of the negligible number that would not have the prescription made up, I think the great bulk of the population should not be required to suffer.

2719. Your answer does not seem quite to the point of my question. You have a sick person in a family, and the doctor gives an expensive prescription. What happens if that prescription cannot be made up at the cost of the insurance fund?—If the person cannot pay for it simply is not made up.

2720. And then? Does a person get well by* the doctor looking at him?—That altogether depends upon the complaint. If it is a nervous complaint, he probably does.

2721. Then you see no difficulty in providing medical attendance for the wives and children of an insured person and leaving that insured person to provide the medicine himself, however expensive it may be?—I did not say I saw no difficulty. I admit that there is a difficulty; but I submit to this Royal Commission that the difficulties which you suggest are out of proportion to what would actually take place. The person who is ill would in 99 cases out of 100 do his utmost to get well. There would be few cases in all probability where the prescription was so expensive that he could not afford it. I suggest, as I have done before, that the majority should not suffer for those isolated cases.

2722. At the present time, when these people go to the doctor, I suppose that in 99 cases out of 100 they get a bottle of medicine made up by the doctor and do not go to the chemist at all. Now you say that under the existing system the insured persons cannot afford to pay for proper attendance on their families and you would therefore propose to substitute an arrangement under which the doctor is provided by National Insurance, and the insured person has to pay separately for the medicine. Having regard to the indulgent way in which the medical profession treat the families of the working classes, do you really think that the insured would be substantially better off under your proposal than they are at the present time?—Yes, I do.

2723. Then I will leave that point. Now you tell us that the cost would be somewhere in the region of 9d. a week, or a little more. I think we may take it that the State grant would be in the region of £3,000,000 a year. I think you will agree that if this Royal Commission is to recommend to His Majesty's Government the adoption of arrangements which under this head alone will impose an additional charge on the taxpayer of £3,000,000 a year and thereby increase the State grant to National Insurance by something like 50 per cent., we must be prepared to indicate very conclusively that there is a real need for it. Are you and the members of your Society in a position to prove to us that, speaking generally, the insured persons of this country are not in a position to provide proper medical attendance for the members of their families?—I will refer you to the National Health Insurance Act, 1911. The country as a whole has decided that 15,000,000 persons, more or less, are not in a position to do so. I submit to you that the dependants of people who are not able to do a thing are less able to do it than the persons for whom it is provided.

2724. I know you put that in your argument, but you really have not answered my question, because I asked you whether your society was in a position to adduce positive evidence on the point. You merely refer me to inferences that can be drawn from an Act of Parliament?—Quite. If you mean have we called meetings of members of the society to ask them that, certainly not. As to whether it is desirable or not, it has been discussed at various meetings throughout the country, and it was because of these meetings that I answered before that it would be a popular benefit. More than that we have not done.

2725. You have not really taken any step to substantiate the allegation, which is rather a serious one, that the people of this country are not in a position to provide medical benefit for their dependants?—

Answering you directly, we have not. We consider the inference which I have already suggested to you sufficiently strong.

2726. Whatever foundation you think there may have been for that inference before 1911, do not you think that the substantial provision which the State has now made for insured persons, both of medical benefit and of other benefits, has increased their capacity to pay for the medical benefit for their families?—Again one must fall back upon inference and generalities. But if you were to ask, taking the insured population as a whole, whether they are better off to-day than they were in 1911, I certainly would say they were better off in 1911.

2727. You would?—You have an increased rate of sickness benefit, apart from the extra benefits which the societies may be giving, of 50 per cent. above the rate in 1911, but the cost of living is now very much more than 50 per cent. more.

2728. That is rather a different argument from that which you have put forward in paragraphs 28 and 29, where you suggest that the mere fact that the State has insured the wage-earner himself is an indication that he cannot afford to pay for his family. I am suggesting to you that because the State has helped him by providing medical benefit for him he may thereby be the better able to pay for his family?—It has taken one burden off him, I admit. Through National Health Insurance he is more able to pay for medical attendance, or anything else, for his dependants than if he had no National Health Insurance. That is certainly admitted. But that is not to say that he can pay for it.

2729. You have already suggested, in reply to Miss Tuckwell, that your Society might be disposed to have a variable contribution as between men and women, so that the young domestic servant who has no dependants, and may marry out of the insured circle altogether and never have any, need not pay quite so much as the general average. It comes to that, does it not?—Yes.

2730. Apart from that, I suppose if there was a flat contribution over the whole population, the single man and the unmarried girl would have to pay the same contribution as the married man with a wife and half-a-dozen children?—Of course, if there was a flat contribution.

2731. If the contribution were varied, the unmarried woman would still have to pay, I think you suggested, 2d., as against a man's 4d.?—That was simply a rough suggested figure.

2732. That might tend to ameliorate the burden placed on the single woman, but it would tend to increase the burden placed on the unmarried man, would it not?—It would.

2733. What about the case where husband and wife are both working? Would not your scheme make them pay a double contribution for the same benefit as the married man whose wife was not working was getting?—True.

2734. Is that fair?—It is insurance, and it is just as fair, though I agree it is a greater difference, as requiring a contribution for maternity benefit from people who cannot get the benefit.

2735. I am not so certain about that; but the maternity benefit is a trifling thing compared with this?—It may be, but the principle is the same.

2736. Then let us leave maternity benefit and get on to this. You said it was insurance; but is it insurance merely to use the circumstance that a man and his wife are working to impose on that family double the contribution which you would impose upon the family where the husband alone is the worker?—I really cannot see that there is anything so glaringly unfair that you should debar the great majority from receiving the benefit.

2737. You admit there is something unfair in it, apparently?—In a sense all insurance may be said to be unfair. I am sorry I cannot get away from the maternity benefit, but that is certainly what is in my mind.

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2738. (*Sir Arthur Worley*): I want to see that I am getting exactly what is in your mind. I have followed your remarks, and I take it that what you feel is that if the case of the dependants was brought within the scheme of this Act, in the first place it would tend to a better measure of health for them, and therefore in time to a better race of men and women, and that would be better nationally?—That is so. It is the basis of it.

2739. And it is just the broad principle on which you rest?—Yes.

2740. Your calculation may have been got from such data as you have, but naturally it may not be so good as some people can get?—Quite so, we admit that.

2741. Therefore, while you may have understated the numbers and possibly the cost, that is immaterial from your main point of view?—Yes.

2742. And you are really not concerned, I take it, as to how the cost is allocated?—That is so.

2743. Whether it is put on the man or the woman only or on both, or also on the employer or the State, there are arguments for each and every case?—Yes.

2744. And as you have not gone into it actuarially in any way—at least I assume you have not?—We are not in a position to do so.

2745. If you have not done so it is, of course, not quite fair to ask you whether you would put 2d. on the single woman or 2d. on the married woman who works with her husband, and so on. It is only the broad question, that your Society thinks it would be to everybody's advantage that dependants should be brought in?—That is the thing in a nutshell.

2746. It is not so much that the married person cannot afford to pay for it as that it is an ideal condition?—That is so.

(The Witnesses withdrew.)

SEVENTH DAY.

Thursday, 27th November, 1924.

PRESENT:

SIR ANDREW DUNCAN in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B.,
M.D., P.R.C.P.
SIR ALFRED WATSON, K.C.B.
MR. A. D. BESANT, F.I.A.
MR. JAMES COOK, J.P.

MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MRS. HARRISON BELL.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
MR. J. W. PECK, C.B. (*Assistant Secretary*).

Mr. HEZEKIAH DUDLEY and Mr. JAMES PRITCHARD LEWIS, recalled and further examined.
(See Appendix IV.)

2747. (*Chairman*): Mr. Dudley, we had reached as far as the end of Chapter I of your Statement of Evidence. Before going to Chapter III (1) there is a question bearing upon the earlier part that I am desired to ask. On the last occasion I think you said you objected to any proposal that there should be a State Medical Service?—(*Mr. Dudley*): We did.

2748. I am desired to ask what you have in your mind as constituting a State Medical Service and what your real objections to it are?—We certainly should object to any State medical man taking over the care of all insured persons and their dependants.

2749. On what ground?—I think the insured person would be against it. It would be more like the Poor Law system. They would not get the same treatment as they get now.

2750. If insured persons were not against it would you still have the same objection?—(*Mr. Lewis*): Yes, I think my Society would, more particularly on these grounds. What we understand by a State Medical Service is this, that there would be State doctors appointed for all parts of the country, and these doctors would simply be allocated to certain areas and people would be required to go to them, whether they liked it or not; they would have absolutely no choice; and even if the insured population were favourably disposed towards it we do not

consider it would be in the best interests of their health and in the best interests of the health of the community at large.

2751. If there was a choice of doctor still left to them?—If you had choice of doctor just as it would be under our scheme, or as it is at the present moment, then I do not see that there could be any objection to a State scheme.

2752. Your objection, as I gather, is an objection stated on behalf of insured persons in the belief that they would object?—Yes.

2753. It is not a society or administrative objection?—It is not an administrative objection.

2754. (*Sir Alfred Watson*): Mr. Lewis, with regard to medical benefit to dependants, you suggested last week that a certain sum per head might be paid for dependants and provided by an additional contribution from the insured person. Supposing that arrangement were brought into force, and the rate per head for dependants, the capitation fee, were fixed, and the contribution was fixed to cover it, and the arrangement ran on for two or three years. Then the medical profession raised the question of higher fees, and, either on arbitration or agreement, it was arranged to pay a somewhat higher capitation fee than had been provided for at the beginning. In this event the contribution would be no longer sufficient to provide for the liability. How

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[Continued.]

could you make up the difference?—Well, that is really such a problematical question that it is very difficult to answer. But there are two ways obviously in which it could be provided for: either the contribution could be increased, or, if the surpluses of Approved Societies are so very much greater than was anticipated at the commencement of the Act, the difference perhaps could be made up from that source. It is difficult to answer such a question as that because the figures involved are not known.

2755. Supposing as a result of the work of this Commission those enormous surpluses of which you speak no longer existed—and in any case there are some societies with no surplus—it does not seem to me that you could look for money from that source to meet the additional liability. If, on the other hand, the additional sum that the doctors had to be paid was, let us say, only 6d. per head per year, or not more than 3d. per insured person per year in respect of treatment of the family, clearly no contribution that would be feasible—and I suppose the smallest feasible additional contribution is 1d. per week—would be appropriate to that relatively small increase in the charge, and yet that increase in the charge taken in the aggregate would be very considerable and would have to be borne?—I can only repeat, Sir, that in my opinion this increase, if it came about, might be taken from the surplus of Approved Societies, or it might be raised by an increase in the contribution. But I most respectfully submit to this Commission that exactly the same state of affairs might arise with National Health Insurance at the present moment. An increase of doctors' fees out of all proportion to the surplus of societies might take place and it would require to be met just as the other would.

2756. In other words you contemplate the possibility on the one hand of an increase of contribution or alternatively a contingent and deferred charge on the funds of societies?—No, I cannot say that I contemplate any increase apart from the increase we have already suggested of 3d., or whatever the sum might be, any more than I anticipate any further increase of contribution for the present service.

2757. No, but suppose in fact the charge were increased. Nobody can say to what arrangement the doctors would bind themselves for a term of years, or that at the end of that term of years the charge might not be increased. If the charge is increased it has to be met, and if it is too small a sum to be met by an increase of contribution your answer seems to me to indicate that Approved Societies would have to bear it?—(Mr. Dudley): From surplus.

2758. If you put it in that way I shall have to ask you whether you contemplate the pooling of surpluses between one society and another? The charge would have to be met in respect of the dependants of members of those societies that have not got any surplus just as it would have to be met in respect of dependants of members of societies with surplus.—(Mr. Lewis): We have already stated in another part of our evidence that to a certain degree we are not opposed to the pooling of surpluses for treatment benefits. For cash benefits we are opposed to pooling but not for treatment benefits, and if the sum were such a small one that it could not be raised by an increase of contribution because of the fractional nature of that increase, then I do not think my society would have the slightest objection to a limited pooling of its surplus for that purpose.

2759. A pooling of surplus means in that case a contribution by your society of more than its share of the liability in order to assist other societies that are not in the same fortunate position?—Precisely.

2760. (Mr. Evans): At our last meeting a week ago you objected to a State Medical Service because you thought it would be a soulless service?—Yes.

2761. You have not repeated that to-day?—No, I take it that that stands.

2762. That is your chief objection?—It is.

2763. And that is the objection that your Society takes?—Yes.

2764. Throughout the whole of your statement of evidence I notice you emphasise the need for the preventive side of medicine?—Yes.

2765. I think that is most admirable. That work is done to-day mainly by Public Health Authorities and Local Education Authorities, is it not?—I speak subject to correction. I was under the impression that it was mostly done either by the panel doctor or by those who do not come under the scope of National Health Insurance employing the doctor themselves.

2766. By "preventive medicine" I mean such things as clinics established by Public Health Authorities, infant welfare work, and school clinics established by Education Authorities. The whole of that is preventive work, and you will admit that that work is very important?—Yes.

2767. There is an amount of soul in it too, is there not?—I admit it is important. I am afraid that is as far as I am prepared to go because we are on principle against anything that is in any way nationalised or comes under the State.

2768. Is there anything at all in that except that there is a strong prejudice against it?—Yes, I think there is a good deal in that, and particularly with a State Service of the kind which we thought it would be, as I have tried to indicate. Our particular objections to a State Service are—of course I speak subject to correction—that, as we looked at it, there would be one or perhaps two doctors for an area, and in all probability these doctors would require to work from a certain hour to a certain hour, and if you required to go to a doctor you would simply be attended by the one who was there at that particular time; you would have no choice; and in all probability if you did not go at exactly the same time that doctor would not have seen you before, he would know nothing at all about you and you would know nothing at all about him. We do not think that is in the best interests of the population as a whole. Of all things I think health is the one where there should be the best relationship between the two parties concerned, the doctor and patient.

2769. Do not you get that to-day with the Public Health Authorities and the School Authorities? They do not work by the clock?—No.

2770. There would be no need if we had a State Medical Service that the doctors should work by the clock?—Quite, but they would require to have certain hours.

2771. That is the chief objection?—That is the chief objection.

2772. (Sir Humphry Rolleston): Mr. Dudley said it appeared to him that under a State Service the patient would not get such good treatment as he gets at present under the panel system?—(Mr. Dudley): Yes.

2773. That is included in the answer you have just given; there is nothing more to add?—No, nothing at all.

2774. That is based on an intelligent anticipation of what the conditions would be. Have you any ground for saying that?—(Mr. Lewis): No. If there was no selection at all we think that would not be in the best interests of the population.

2775. (Mrs. Harrison Bell): I should like to know whether your society never finds any of its members complain of the fact that when they go to see their usual panel doctor he is not there, and they see his assistant or some other person doing his work. It may be that the record cards are there, and they would be there, I take it, in the case of another arrangement?—(Mr. Dudley): We have never had any complaint of that description.

2776. I congratulate you on your good fortune.—There may be complaints, but they have not come to us as a centralised society.

2777. (Mr. Cook): I am interested in the attitude of your society as to the question of a State Medical Service. Personally, I think you have got into your

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[Continued.]

minds an idea with regard to how a State Medical Service would function which is entirely erroneous. Supposing it were found that your idea is an entirely mistaken one, and supposing the State were to be the chief agency in organising and supplementing the existing medical arrangements by providing for dental treatment and specialist treatment and preventive treatment generally, would your Society be hostile to that extension of this work?—(Mr. Lewis): Not at all to an extension of the work. We certainly would not oppose that. It altogether depends on what sort of service the insured population was given.

2778. If the practitioners were not labelled "State Doctors" I take it your objection would fall to the ground?—No, Sir, not at all. You say that National Health Insurance is a State Scheme. I admit that. It is to a very great extent a State Scheme, but you must remember, on the other hand, that the actual management of National Health Insurance is absolutely, or, at any rate, should be absolutely, in the hands of the insured population themselves. That is a *sine qua non* of Approved Society existence. If you could give us a service of which the management was in the hands of the insured population, then I do not think my Society would object at all.

2779. (Professor Gray): If a complaint arises that an insured person has not got his benefit, and a question is asked in the House of Commons, what is the normal kind of answer the Minister gives?—I think the Ministry itself will bear us out in saying that a question about my Society has never been asked in the House of Commons. I really do not know, but I suppose the Minister would say he would look into it.

2780. Would not he say the matter was one for the society?—In all probability.

2781. Similarly with regard to medical benefit he would refer to the Insurance Committee?—Yes.

2782. That implies, does it not, that the Minister is not actually responsible for that part of the work?—He cannot be.

2783. It rests with the Approved Society and with the Insurance Committee?—Yes. That was the point I tried to make.

2784. (Mr. Jones): You said in answer to a question last week that you would not object to a public medical service administered locally?—No.

2785. Your objection is to a service administered, say, from Whitehall or Edinburgh, a distinctly central service?—I am afraid I have not made clear to the Commission what I really do feel about it. I do not mind so much whether it is administered from Whitehall or Edinburgh if the insured persons, or the population generally, can have a say in the administration of that service, and are not simply to go to one particular doctor for an area and have no choice.

2786. How do you make that answer compatible with the appointment of Medical Referees?—That is a totally different thing. The Medical Referee is not supposed to attend to the man or to cure him. The man is sent to a Medical Referee to see what condition he is in, whether he should be on or off the fund, or whether certain other advice should be obtained.

2787. Do not you think the same objection arises there?—I hardly think it does, but even if it did it is of such very small moment. A man may be on for month after month and then he sees a Medical Referee, whereas he is seeing the doctor probably at least once a week. The doctor is curing him, and if the best relationship exists between him and the patient the man is more likely to be easily cured, whereas the Medical Referee only sees him once.

2788. The number of persons who, though instructed by the Society, did not attend before the Medical Referee is 3.51 per cent. I am looking at your table in paragraph 209. Have you any information as to the reason why those people did not attend?—We cannot give you any information as to

why they did not attend. We simply know they did not attend.

2789. Have you any knowledge as to the proportions of the sexes?—No.

2790. That would have an important bearing on it, you see. However, if you have not the information I will not press it. Do you think this soulless method of treatment applies to the administration of medical services by Local Authorities?—That is a matter of degree, Sir. I think it is more soulless than the existing panel service, and I think a general State Service would be still more soulless.

2791. Perhaps I am inclined to agree with the latter part of your answer; but with regard to the first part, let me put it directly. Have you ever heard it alleged that the tuberculosis officers attending dispensaries throughout the country treat the patients in anything like an unkind fashion?—I do not say unkind. That is a different thing.

2792. Or soulless?—I prefer to use that word, because I think the relationship between the tuberculosis officer and the patient suffering from that disease must be different from the relationship between a doctor selected by a man and that man.

2793. Have you any evidence of it?—No evidence that I can put before the Commission.

2794. Have you had any complaint?—No, I have not had any complaint. It is simply from conversation. That is the highest authority I can give you.

2795. What about child welfare centres?—I think the one follows the other; it is a matter of degree.

2796. Is not the whole essence of child welfare treatment to get into close touch with the mothers and advise them and help them in every way both medically and socially?—(Mr. Dudley): Yes, but chiefly by nurses.

2797. No, they are merely a part of the staff, the medical and nursing staff?—(Mr. Lewis): No doubt there is a difference between the relationship between the mother and the Local Authority's doctor, and that between the child and that doctor. The relationship in the latter case is totally different from the relationship between an adult and his or her doctor.

2798. If that were the case would you have expected to see the attendances at tuberculosis centres, child welfare centres, local education authority centres, even venereal disease centres, mounting up year by year?—Yes, because although I admit the services are good, yet I do not think that sort of service, or anything like it, should be instituted for the whole of the country. I think those services are good, but I think that the whole of the country generally, and the adult population particularly, should have something better.

2799. I am dealing at the moment merely with the question of the quality of the service, not in a medical sense but in a social sense. Is not that evidence that all those persons are appreciating in more or less degree the services provided for them at these centres?—Yes, I admit that entirely. (Mr. Dudley): These services are all free and they do not have to pay anything. That is the reason why the attendances are mounting up.

2800. They are no more free than National Health Insurance is free?—They are free in that they do not have to pay.

2801. (Chairman): Passing to Chapter II (1) of your Statement, you appear to consider that the present Arrears Regulations are too complicated?—We do.

2802. Leading in the case of your Society to 144 classes and to 36 different rates of benefit?—That is so.

2803. Can you give us any idea of the amount of work that is thrown upon your Society expressed, say, in weeks' work for one clerk per annum?—(Mr. Lewis): No, we cannot give you any indication of that at all because arrears work is just slipped in along with the general work of the Society. When there is an odd opportunity for writing up the arrears that is done. We have no specific clerks set aside

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[Continued.]

for the work and no particular time is specially assigned to it.

2804. Is the present scheme an improvement on the previous one in your opinion?—We certainly think so.

2805. Have you any suggestions to make as to the directions in which the present scheme could be improved?—We cannot give you anything specific because, not being actuaries, we do not feel competent, but what we do think is this, that instead of having the arrears graded in steps based on 25 to 29 contributions, 30 to 32, 33 to 35, and so on, we wonder if it would not be possible to take bigger jumps, say, from 26 to 35 or 38. I am only making a suggestion, and I should like the actuaries on the Royal Commission to think along those lines. It might be quite impossible, I admit that.

2806. With regard to the penalty for late surrender of cards, you think the present penalty is too severe?—Yes, we do.

2807. You suggest a uniform penalty of 10s. to be recovered from future benefits within the benefit year?—Yes.

2808. Have you related that 10s. to anything in arriving at the sum?—No, we simply think a 10s. fine would be reasonable.

2809. If your suggestion were adopted it would mean, would it not, that maternity benefit would be payable retrospectively in some cases, that is to say, where the birth had taken place at a point of the benefit year prior to the surrender of the late card which justified it?—Yes.

2810. And that sickness and disablement benefit would be payable as from the date of the surrender of the late card at whatever rates that card along with the other cards justified?—Yes, that is our suggestion.

2811. On Chapter II (3) I see that you contrast the sums of 5s. for a man and 4s. for a woman received by societies to meet the free credit of contributions with the amount of the corresponding contributions lost to the society, namely, 21s. 8d. for a man and 19s. 6d. for a woman, and that you feel that this liability which has continued since 1921 is serious for the finances of societies?—Yes, we do.

2812. Can you give us any figures for your Society to indicate the extent of this strain?—No, I am afraid we cannot.

2813. Not even approximately?—No.

2814. Can you give the average number of members for whom the arrears concession has been made?—The number of members who received free credit during 1923 was 21,614.

2815. I take it you are not opposed to the principle of excusing a substantial amount of the arrears due to unemployment under the serious circumstances of the last four years?—No, not at all. I might even amplify that by saying we do not wish you to think that we say the strain on societies is too great, but we think it has been going on so long that a useful purpose would be served if this Commission were to look into it. The actuaries may be satisfied that societies can easily stand it, but we think it is a thing that should be looked into: nothing more than that.

2816. Have you considered it at all from the point of view of numbers unemployed? Is there any figure of numbers unemployed at which you think this scheme might be discontinued?—No. Our feeling is that at the present moment something on these lines must be done, but that when we come back to normal conditions then we should get back to normal conditions for National Health Insurance. That is all.

2817. That gets near the point I wanted. What would you regard as normal conditions? At present there are about a million and a quarter unemployed?—Yes. I should say—perhaps it is too optimistic—that normal conditions would be when we get down to the average number of unemployed prior to the war.

2818. The average of a few years prior to the War?—Yes.

2819. Chapter II (4), Prolongation of Insurance during unemployment. You suggest that the present somewhat complicated provisions in respect to title to prolongation should be replaced by a single addition of one year's insurance to the free year with, if necessary, a simple contribution test?—Yes.

2820. Would this not work out hardly in the case of the numerous persons who have been unemployed for more than two years?—It might, but our feeling is that the tests at the present moment are too complicated: that in any case they might be simplified and might be brought more up-to-date than going right back to July, 1918.

2821. In what way do you suggest that they should be brought more up-to-date?—Let the test be simply whether the person has not been employed for the last year.

2822. In arriving at a basis of that kind would you not have regard to a period when the person was likely to be employed, when he should have been employed, looking to the normal labour requirements?—I admit the force of that, but in any case we think something might be done to make it less complicated.

2823. It could not very well be more up to date, could it?—No.

2824. But you think it might be less complicated?—We think it might be less complicated. I think some more simple system could be devised by the actuary.

2825. You have not thought of any way yourself, have you?—I do not feel competent.

2826. (Sir Alfred Watson): Dealing with the existing scheme of arrears you suggest some simplification might be arrived at by reducing the number of classes: that instead of the jumps, as you call them, going in four-weekly scales they should be in much bigger scales?—That is only a suggestion as to what we thought might be possible.

2827. As you know, the whole of this has been gone over time after time, and everybody concerned has tried to find a simple and yet equitable system of arrears penalties. Would not you agree that if people who pay 26 contributions and people who pay 35 contributions are to be put into precisely the same position, it is rather unfair to the man who has paid 35?—That is quite true, but you might say the same thing of the scheme as it at present exists. You put the man who has paid 26 and the man who has paid 29 in the same position.

2828. That of course is the case, but I suggest to you that some point has to be reached at which precise equity must be sacrificed to practical considerations?—Yes.

2829. It is rather a different thing to say 26 to 29 shall be the same and to say 26 to 35 shall be the same?—I admit that. It is a matter of degree.

2830. In paragraph 57 you set out a great variety of circumstances in which the benefit becomes 7s. 6d.?—Yes.

2831. All different circumstances?—Yes.

2832. That is rather a piece of ingenuity, is it not, than anything else?—I do not know. It is a fact.

2833. It does not arise on working, does it?—The great point which we would like you to consider is this. Here is a society having 144 different groups to deal with. We consider it is expensive to do that, because, as you can well see, if there were fewer groups we would require to employ fewer clerks.

2834. There are 36 different rates of benefit spread over all possible circumstances that can arise?—Quite.

2835. And the 36 can only all arise in the case of a very large society admitting both men and women?—That is so.

2836. Some of them arise in the case of voluntary contributors?—Yes, and some in the case of people in Ireland.

2837. The vast majority of societies have no voluntary contributors, have they?—I do not know. We have.

2838. How many?—About 5,000.

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[Continued.]

2839. Probably you will have a large proportion of all the voluntary contributors that exist?—I do not know how many voluntary contributors there are altogether, but we have 5,000 of them.

2840. You may take it from me it is so. There will be probably many societies who have no voluntary contributors, certainly many societies who have no members in Ireland?—That may be.

2841. With respect, have you not rather piled it on?—All I would say in reply to that is, we are giving you facts from our Society. We are dealing with it alone.

2842. On the question of the 10s. fine for the late card, you suggest that it may be recoverable out of any benefit payable to the member during the current benefit year. Supposing he does not have occasion to claim any benefit in that year, what happens?—If he surrenders the card and there is no claim for benefit attached, we do not suggest that any penalty should attach either. It is really to deter people from holding up their cards and simply sending them in when they want to claim benefit, and it is for that we would penalise them.

2843. You put no inducement before the careless person who does not want benefit to send in his card?—Again I am speaking for my own Society in which approximately the number of cards not returned is 1 per cent.

2844. That, of course, is a very satisfactory proportion. You agree that where a member does not return his card the contributions that are paid in respect of him go eventually to the Unclaimed Stamps Account?—In my opinion that is a very proper destination.

2845. That is not my point. There are certain persons whose contributions have been paid and who are members of Approved Societies. If they are neglectful and do not send in their cards the contributions which ought to go to their societies go to the Unclaimed Stamps Account?—That is so.

2846. If, under your proposal, only those people who want benefit surrender their cards the society loses, does it not?—Yes.

2847. Whatever fine is imposed on the insured?—Yes.

2848. What the Department has to aim at and what this Royal Commission has to endeavour to safeguard is that the loss to the society through this neglect is kept as low as possible?—Yes, but at the same time what we are advocating here has just been conceded as far as maternity benefit is concerned. As a matter of fact, the regulations came into my hand after our evidence was compiled, but it is exactly the same as what we recommend, except that we recommend it for sickness and disablement benefit as well.

2849. You laid great stress on maternity benefit in your evidence last week in another connection?—Yes.

2850. It is a small element in the problem, is it not?—In some cases, but it may be small in one case and large in another.

2851. Have these new regulations of which you speak been promulgated?—I really could not tell you. They are in draft and they are to be considered by the Consultative Council.

2852. That is as far as they have got, is it not?—I believe so.

2853. The new arrangement is that in the event of a claim for maternity benefit arising before or within four weeks after the surrender of the late card there is a fine of 10s.?—Yes.

2854. As far as sickness and disablement benefits are concerned the present arrangement continues under which there is a suspension of benefit?—That is so.

2855. In paragraph 70, dealing with what you call "Free credit of contributions," you suggest that a society is at a disadvantage by losing £1 1s. 8d. for a man and getting 5s. in lieu of it as a payment by the Ministry of Health. Am I not right in saying that that 5s. payment only carries with it the right of the insured person to receive about half his normal benefits during the benefit year?—Yes.

2856. So your statement is not quite the whole story?—No.

2857. What the society loses in cash is £1 1s. 8d., and what it gets is 5s. plus exemption from half the cash benefits for the year?—Yes.

2858. You are aware of course that in the actuarial basis of the Act provision is made for unemployment to the extent of 5 per cent. of the normal time?—Yes.

2859. So that when you say the society loses £1 1s. 8d. you have in fairness to set against that the fact that 5 per cent. of everybody's time has been assumed to be non-contributory through unemployment?—Yes.

2860. The loss which the society sustains through a person being out of work for a whole year can only be got at by balancing against the arrears (1) what the actuaries allowed for unemployment, (2) the penalty arrears of 5s. paid in prolonged cases, and (3) the reduction of benefits in prolonged cases?—Yes. If I might repeat what I said, all we suggest here is, it seems to laymen who are not actuaries that this must have been a severe strain on societies over such a number of years. Were it only for one year one would have thought nothing of it, but it has continued so long that it seems to us it might have involved a considerable strain, and it would be useful if the Royal Commission were to get evidence from the actuaries as to whether our fear is groundless or not. That is all.

2861. You would agree, I take it, that if Approved Societies have derived advantages from other features of their work that have fully offset the losses they may have sustained through prolonged unemployment, it would be inadvisable because of those losses to penalise the unfortunate unemployed members?—Absolutely. We think there may be a danger, but you are in a position to say, Sir; we are not.

2862. You point out in paragraph 81 that a person who contributed from July, 1912, to November, 1919, and then had a prolonged period of unemployment lasting from November, 1919, to August, 1920, does not get the benefit of the Prolongation of Insurance Act because he has not made the required 80 contributions in respect of the two years ending 4th July, 1920?—Yes.

2863. Is that a case that really arises?—I believe it is.

2864. Is it anything more than a debating point?—I think so. I think it is very likely with our membership that such a case has arisen.

2865. You are aware of the fact that towards the year 1922, there or thereabouts, the number of persons out of employment rose to something like 2,000,000?—Yes.

2866. It was at that time that this special arrangement was made. Looking at the Ministry of Labour monthly "Labour Gazette," I find that in June, 1920 (the middle of this period of eight months of which you speak, from November, 1919, to August, 1920), there were only 300,000 persons on the live unemployment register, and that included all the old cases of unemployment donation coming from the Armistice period and also a large number of people who had never been in Health Insurance at all. These figures seem to me to suggest that the cases in which people do not get the benefit of the Prolongation of Insurance Act because of the circumstances you point out here must be very rare indeed?—That might well be. We feel that a man who has paid a great number of contributions should at any rate be in as good a position as a man who has paid few contributions, and as these regulations stand at the present moment there are certain circumstances in which a man who has paid quite a lot of contributions cannot get benefit at all, and yet a man who has paid few contributions can.

2867. Does it amount to anything more than this, that in an imperfect world you never can get an absolutely perfect scheme?—It is a little more than that. In this imperfect world where you can never

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get anything perfect you should try to get as near perfection as possible.

2868. Can the Hearts of Oak witnesses give us concrete suggestions instead of winding up by saying they desire to suggest that something ought to be done?—You must appreciate in this imperfect world our imperfections. We are not actuaries.

2869. (Mr. Besant): Mr. Lewis, I think you said, with reference to paragraph 57 where you give this long table of different types of arrears cases, that the work involved just slipped in with the other work, and you could not tell us how much time it took up?—No, that was rather different. What I said about that was that the work of making up the arrears and recording the arrears cards sent in was simply slipped in with the rest of the work.

2870. Does it take up, as a matter of fact, much additional time, does it involve a single additional clerk?—It is all calculated for in the organisation of the office; there are no separate people set aside to do this thing. It is just the work of the assessing clerk, who does other work as well.

2871. It is a small matter in a big organisation, is it not?—Yes, I admit it is a small matter; it is simply that we think some simplification might be made, that is all.

2872. On paragraph 70 Sir Alfred has dealt with the £1 1s. 8d. and 19s. 6d. I was a little doubtful in my mind as to your use of the word "normal." You do not anticipate getting normally 52 contributions out of each insured person, do you? That is what this wording seems to imply if you say you are "normally" losing the amount you mention. I do not think you are normally losing quite so much?—No, we are not normally losing quite so much. My society may be peculiar in this respect. Even at the present moment on the number of cards that we get surrendered the average number of contributions is 44, and that is during severe unemployment. If we were back to normal conditions I should expect it to be considerably higher.

2873. 48 or 49?—Even that perhaps, taking it all over the country.

2874. There is a little special pleading in putting the whole £1 1s. 8d. as "normal"?—Yes, we are not losing the whole £1 1s. 8d.

2875. On paragraph 71, have you many cases in which no contributions at all have been paid for some years? What does "some years" cover? I take it "some" means more than one or two?—We cannot give you the number of these, but we certainly know there are some who have been unemployed year after year.

2876. Have you a single member who has not paid anything for the last five years?—I could not say.

2877. Do you think you have?—I think out of 433,000 we would have, but I could not say definitely.

2878. But it would be a matter of units?—Yes, it would in any case.

2879. Do you think you have many members who have not paid for four years?—No, I should not think we have many.

2880. Do you think you have many who have not paid for over two years?—Yes, I should think we have.

2881. For two years, they would begin to become a fairly large class, would they?—I think they might be a fair number though I have no actual figures.

2882. There would on those cases be a fairly large monetary loss?—Yes, there would be a loss allowing for all you have pointed out. We are not actually losing the £1 1s. 8d., and of course we are getting the 5s., and then there is the 5 per cent. allowed for in the actuary's calculation. Allowing for all these writings down, there would be still considerable loss, for the last two years, say.

2883. Do you think 1 per cent.? You have 400,000 members. Do you think you have 4,000 members who have not paid for the complete two years?—No, because altogether our non-surrendered cards amount to approximately 1 per cent. That would require to be the same 1 per cent. for two years, which is highly improbable.

2884. I think it must be quite a small percentage?—Yes.

2885. Just to get the abstract turned into the concrete, it seemed to me worth while to follow up these figures, because the statement in paragraph 71 while it looks of immense importance is not of much effect on the financial side?—We admit all along there may be nothing in it at all, but it is a thing we know little or nothing about, and I believe the Hearts of Oak Society has all along been one where the number of contributions returned was perhaps higher than the average. At the same time it seemed to us a thing that might profitably be looked into. We mean nothing more than that.

2886. Turning to paragraph 78, there again I think you have a type which is quite unusual. You have not got many people who have not made any contributions since 1920 and are still regarded as entitled to benefits?—No.

2887. I gather from you that you have hardly anybody who has been continuously unemployed for four years?—Probably we have not.

2888. In other words, paragraph 78 is a debating point, it is not a matter to which we need attach much importance?—Generally speaking, we feel that there are certain people who have paid quite a lot of contributions and yet because of these regulations are debarred from benefit although other people who have paid very few contributions can get it. We do not think that is fair. We think the Government Actuary could, without any great difficulty, devise some scheme that would be more equitable.

2889. I am with you if there are many cases of the type you speak of; they deserve our full attention. What I am trying to get at is, are there any such cases? Is there one, are there ten, are there twenty? It seems to me in all these cases I have dealt with under these different sections they are little bits of special pleading, and they are rather spoiling your main case which is a good case, because our attention is directed to these side issues. The main issue is where you have a person who has paid a lot of contributions failing to get benefit as against a man who has paid a small number of contributions and is getting benefit?—We think even if they are few it is not an insuperable difficulty to take away this inequality. We also feel that in all probability there are other societies in which it is much more acute than our own.

2890. Dealing with your own Society, you still cannot satisfy me with any definite statement of the number of cases?—We could get the figures for you if they would be of use to you, but it would mean a great deal of analysis and would take some time. It is not a thing we can get this afternoon.

2891. You are satisfied that the number would be negligible compared with the whole?—I admit that right away.

2892. (Chairman): Is it worth while letting us have the figures of those who have paid a large number of contributions and are not getting benefit as the result of the operation of the regulations?—It would mean an investigation into the individual accounts of the Society.

2893. (Miss Tuckwell): Speaking of arrears, the original Act was based on the assumption, was it not, that unemployment on the average would be less than four weeks per person per annum?—Yes.

2894. And accordingly full benefits were payable if only 49 contributions were paid?—That is so.

2895. The principle is that, the contributions being compulsory during employment, an insured person should not on the average suffer loss by reason of his inability to secure employment?—That is so.

2896. As contributions are compulsory in employment, why should there be any penalty for arrears due to a man's inability to get employment?—That is a matter of principle. If you were to do away with the Arrears Regulations altogether then there would be no incentive to anyone to return their cards at all. There would be no incentive to a man to see that his card was even stamped.

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2897. I quite see that is an administrative difficulty. The big point does remain, however, that a man may need the provisions of the Act much more because he may be impaired physically and is penalised because he cannot get employment?—That is so.

2898. The only difficulty you see is the difficulty of the cards?—If you do away with the Arrears Regulations altogether you bring it out of the scope of insurance: it is simply a dole or gift. It is not insurance.

2899. There would have been previous payment of contributions. It is a question of how far you can extend it. I wanted to get at the general principle?—I admit—no one can deny—that a man when he is in arrears is likely to be in greatest need of benefit.

2900. Your expression about the national objects of the Act and its great value does not seem to accord very well with your conclusions. If it had not been for the Prolongation of Insurance Act a vast number of men would have been, through no fault of their own, out of benefit?—Yes.

2901. I draw your attention to the discrepancy between your general evidence and your recommendation which really must lead to a certain amount of distress?—That is true if you take these recommendations simply by themselves. But they must be taken together with the suggestion to this Royal Commission, that the matter requires investigation to see whether the societies really can stand the strain. If they can stand the strain then we have nothing to say against these regulations, but our feeling, as I have said once or twice before, is that it has gone on for so long. Can the insured population who are still members of societies, and still entitled to benefit, stand this strain much longer? If the actuary is satisfied that they can, we are satisfied.

2902. You want it done if it can be done?—That is so.

2903. (*Professor Gray*): In connection with your argument in Chapter II (1) about a reduction in the number of scales now in force there are two points which are perhaps not quite the same. Are you complaining of the number of categories or the number of groups in each category, or both?—We are complaining really of both, and we are suggesting that some much more simplified form could be devised by the actuary.

2904. I suppose you realise that if you make bigger jumps, as you call them, that will not in itself reduce the number of groups in a category?—No, but if anyone is within a certain group, as I suggested, 26 to 35, that would only leave, roughly speaking, three categories instead of nine.

2905. But you might still have these 13 different cases of a 7s. 6d. rate of benefit?—Yes, quite.

2906. Is it not the case that the only way of dealing with this matter is along two lines, firstly, a reduction in the number of classes such as the special rate for Ireland and for the first 104 weeks, and so on—do you recommend that?—I am afraid in our evidence we have not recommended anything; we have simply suggested that the Government actuary might look into this and see if he could not devise some method of simplification.

2907. Behind your suggestion you have not got any idea of cutting out any one of these classes?—No.

2908. Then the other way of dealing with it would be by going in the other direction and shortening the step, if that is what you have in mind?—I am sorry, I do not follow.

2909. You complained just now that a certain rate of benefit has not got any meaning, that the 7s. 6d. rate may mean one of 13 things?—Yes.

2910. Would you not get away from that difficulty if you introduced 3d. stages?—Yes.

2911. Would you recommend that?—I think 3d. is too small.

2912. Do you recommend anything less than 6d.?—I think the least unit you should take would be 1s.

2913. Possibly the only way of meeting your difficulty is to make more steps?—It may be.

2914. Which you do not recommend?—No, I do not.

2915. I am not quite clear as to what your recommendation is with regard to the late card. Is it not the case that all penalties which are imposed on an insurance basis may work out inequitably?—Yes.

2916. Take the case of arrears; you can never tell when you impose a penalty how it is going to work out?—Quite.

2917. Is not what you say about a man losing sickness and disablement benefit another example of the inequality which always flows from imposing a penalty on an insurance basis?—There is inequality there, but we think if you made it a round sum of 10s. for not surrendering a card whether the claim resulted in maternity benefit, sickness benefit, or disablement benefit, that would be better. It is for not surrendering the card that we say the man should be penalised.

2918. With regard to the 10s. fine, you say that a claim for benefit is sometimes the first intimation of the loss of the card. Supposing a man gets his card in, a week before his claim, would you impose a penalty?—No.

2919. If he submitted his card three or four days after the claim began would you deprive him of benefit for those three or four days and also impose a penalty?—Yes.

2920. You do not think that would encourage delay in surrendering cards?—I do not think it would. At the present moment you cannot compel anybody to send in a card.

2921. On paragraph 85, Prolongation of Insurance, you suggested where a woman gets over the eight weeks of unemployment and comes under the normal free year of insurance she drops out at the end of the year. That is not a normal case, is it? Once a woman has got over these eight weeks she is treated exactly like a man, is she not?—You mean if she is still employed, yes.

2922. She comes under the Prolongation of Insurance Act exactly as a man would?—Yes.

2923. So where you say in paragraph 86 that it may also mean that a woman may receive so-and-so, that is an exceptional case; a similar case might happen in the case of a man?—No, because the eight weeks do not apply in the case of men.

2924. Quite so, but once she has got over the eight weeks?—Then they are on all fours.

2925. This is not an argument specially referring to women?—No, not when once they are over the eight weeks.

2926. (*Chairman*): We come now to the contentious question of Deposit Contributors. I observe that your society is of opinion that the time has now come when the provisions for that class should be abolished?—That is so.

2927. You draw a contrast between the 237,000 deposit contributors and the 12,000,000 members of societies, and suggest that if the former are permitted to remain outside the principal provisions of the scheme there is no reason why the latter should not be allowed so to do. What exactly do you mean by that?—Theoretically everybody could be a deposit contributor.

2928. But what exactly do you mean by paragraph 93. I have not been able quite to see it?—We simply suggest that if National Health Insurance is a good thing, good for the community at large, and it is right that they should have medical attendance and cash benefits, it is not right that a large proportion or theoretically even the whole of these people, could keep themselves out of National Health Insurance and either get medical attendance, which they might or might not take, or only get cash benefits in respect of the contributions that they had put in. That is not insurance at all. In other words it is theoretically possible for the population at large to defeat the ends of National Health Insurance.

2929. Is it your view that compulsion should be carried one stage further, and that they should be compelled to become members of Approved Societies?—Yes, that is what we think.

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2930. I see you divide the deposit contributors into three types—(1) the careless and ignorant, (2) the bad lives, and (3) those hostile to the Act. Any figures as to the proportions of these three classes are probably not within your knowledge?—They are not.

2931. But as against the figure of 2,000 members transferred to your society from the Deposit Contributors Fund in 1923, can you tell us how many deposit contributors desiring to join your Society in that year were refused on grounds of health?—None.

2932. I observe that from certain official publications you infer that the number of bad lives in the Deposit Contributors Fund must be small because the expenditure on benefits for deposit contributors is only about 10 per cent. of the contribution income in respect of them?—Yes.

2933. You do not think, do you, that there might be, in addition to the persons who have drawn benefit to the amount of 10 per cent., others who, while also "bad lives," are hostile to the scheme?—There might be some.

2934. So that no general conclusion can be drawn?—No, but experience is that the deposit contributor is really quite a good class of person.

2935. Might not the small expenditure on sickness and disablement benefit be largely explained by the fact that it often happens that deposit contributors who are entitled to benefit cannot receive any payment because they have exhausted the balance of their accounts?—How can that be, Sir, with the small amount that has been drawn out? They could not have exhausted it, could they? In some individual cases they may have, but not taking them as a whole.

2936. If a few persons had drawn out all that they had to their credit they could not draw more?—That is so.

2937. Therefore they might have occasion to draw more and not be able to get it?—Even taking it in that way it must be a small proportion.

2938. You suggest that all insured persons who have failed to select an Approved Society of their own free choice within a reasonable period should be allocated to a society?—Yes.

2939. What would you consider a reasonable period?—(Mr. Dudley): Six to twelve months.

2940. What is your suggestion for the constitution and procedure of the body charged with this very difficult task of allocation?—(Mr. Lewis): I should think either the Ministry of Health could do it or the local Insurance Committee. Personally I should prefer it to be done by the Ministry of Health or, of course, the Scottish Board of Health or the Welsh Board of Health.

2941. Would you have any restriction put on their discretion or would they be free to allocate "bad lives" to societies?—Absolutely, and the society would not be able to refuse on the ground of "bad life."

2942. You realise, I suppose, that the allocation of a large mass of the population among societies which in many cases have social or trade qualifications would be a task of great difficulty?—I do not think the Ministry or whatever body it is that is concerned with the allocation should be concerned with that at all. I should simply allocate them *pro rata* among the Approved Societies. If an Approved Society objected on the ground perhaps that you were allocating a Roman Catholic to a Protestant society, or vice versa, I would allow that society to refuse to accept that one and he could be allocated to a society that would take him or that he would like to join. At the same time if the man were to object I would allow a transfer or re-allocation to another society. But I think these cases would be few.

2943. They might be few, but there would be a serious difficulty, would there not?—Suppose in a particular area you were to allocate unknowingly a Protestant to a Catholic society operating in London, he might say: "I do not want to go there," and you could easily find some Protestant society that

would take him. I do not think there would be any difficulty.

2944. Would you still propose to leave to societies the right to expel members?—No.

2945. You would abolish that?—Yes.

2946. Have you considered at all, as a possible alternative, an arrangement under which a person who could not produce substantial evidence that he had made a *bona fide* effort to join a society and had been refused by, say, three societies, would be allowed to remain in the Deposit Contributors Fund only for a limited period?—I think the time has now come when the Deposit Contributors Fund should be abolished.

2947. (Sir John Anderson): You would get rid of a society's right to expel a member?—Yes.

2948. From your knowledge of Approved Societies do you think that is a practical proposition?—Quite.

2949. You would insist on the Rechabites keeping a drunkard?—(Mr. Dudley): If they have accepted him. (Mr. Lewis): They should try to reform him. Yes, you would have to require that.

2950. That follows obviously from your proposition?—It does.

2951. It is a little startling, is it not?—The same thing might happen, taking quite a different case, if a man in a Catholic society became a Protestant, or a man in a Protestant society became a Catholic. They would have to be allowed to remain members but a transfer could easily be arranged in individual cases. There would not be many.

2952. You told us in an earlier part of your evidence, Mr. Lewis, that you attached importance to the principle of voluntary co-operation in the work of Health Insurance. You do not like mechanical, soulless administration?—Soulless, no, I do not.

2953. In that connection is it not really vital that the relationship between an insured person and his society should be a voluntary one on both sides?—Yes, to a reasonable extent it should.

2954. But you are prepared to admit exceptions?—Yes.

2955. Do you think it is really consistent with the position of an Approved Society vis-à-vis its members that persons should be members of an Approved Society, even a small number, by compulsion?—Members of Approved Societies as a whole? You do not mean of our particular Society?

2956. That members of any particular society should be members of that society not voluntarily, but by compulsion?—I think it is quite right that they should be members of Approved Societies by compulsion and even members of certain Approved Societies by compulsion, but these cases that I have in mind come out on the question of transfers. What I think you are meaning is whether it is right that these deposit contributors should be compelled to become members of an Approved Society. If they did not like a particular society they could transfer, but I think they should be compelled to be members of some Approved Society.

2957. Your proposal is that the deposit contributor, after having presumably some time to consider his position, should be allocated to a society?—Yes.

2958. And that the society should be compelled to accept him?—Yes.

2959. He should be compelled to become a member of the society?—Yes.

2960. And that society should have no right to get rid of him, but that he should be left free to choose another society, provided he could find one to take him, if he did not like the one to which he had been allocated?—Yes.

2961. You think that the scale upon which that operation of compulsory allocation would proceed would not be sufficiently great to encroach to an undesirable extent on the vital principle of free choice which underlies the Approved Society system?—I think really if you could get at the deposit contributors and point out to them the advantage of joining Approved Societies there would be very few left

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in the Deposit Contributors Fund. I know personally from experience that that Fund is made up to a very great extent of people whose attitude is that they are in insurance and they know that shortly they will be going out of insurance; that in the case of girls they will be getting married, or hope to be getting married, and in the case of men they will be coming above the income limit for insurance, and simply through apathy they fall into the Deposit Contributors Fund; nothing else.

2962. There is a considerable flow, is there not, through the Deposit Contributors Fund to Approved Societies?—There is.

2963. That is all to the good?—Yes.

2964. What I do not quite understand is why from the point of view of an Approved Society it is thought desirable to get rid of this class?—For one reason, they would get better benefits, and therefore if National Health Insurance is any good at all it would be better for the community at large. It would make Approved Societies on the whole stronger and therefore would give a wider range of insurance.

2965. Is not that a theoretical argument?—The more you can spread your insurance the better it is. I think that is the fundamental argument in insurance.

2966. Does it make any difference after you get to a certain point?—I do not know. The graph may go slower, but I should think it still went in the same direction. Also, it would be more economical than working the Deposit Contributors Fund.

2967. More economical in what way?—If you were to spread the number of deposit contributors over the Approved Societies the cost of administration per head of them I should expect to be less than working a separate fund.

2968. Have you looked at the figures?—I have not the figures just now.

2969. There is not very much difference?—I quite admit that. I quite admit there need be no difference at all between the average cost to an Approved Society and the cost of working the Deposit Contributors Fund. What I meant was, that the number of deposit contributors to be put on to the existing Approved Societies would add little to the present cost of administration of Approved Societies.

2970. Would not the Approved Society claim its normal administration allowance for these people?—Yes, it would.

2971. Would it not probably spend it?—No, I do not know that it would. If it did not spend the allowance it would go into the benefit fund.

2972. You do not suggest, do you, that after a society has reached a certain minimum membership essential for efficiency and economical working the addition of further members involves no increase of cost?—It is like the question of spreading insurance, it is a matter of degree.

2973. Then ought not the administration allowance to Approved Societies be on a sliding scale?—Yes.

2974. You think so?—I do.

2975. Do you deal with that point in your evidence?—No, I do not think we do.

2976. What is your membership in the Hearts of Oak?—433,000 odd.

2977. I should think that would be well above the datum line for the maximum allowance for administration?—Are there not other things besides just mere members? Is there not the question of efficiency?

2978. That is begging the question. Seriously do you think it would be a good thing to create the impression among insured persons that Approved Societies are institutions which they have to join whether they like it or not. Is it worth while for the sake of roping in the small number of wrong-headed deposit contributors—wrong-headed in your view—people who have not got the proper view of insurance—to create that impression?—I think even if you did create a bad impression for a time it would very soon die down, and I do not think a bad impression at all would be created.

2979. Is there not a considerable danger that the insured person whom you describe in your evidence as somewhat apathetic, if he knew that he would be allocated to a society without any effort on his part, would be allocated year by year in constantly increasing numbers until allocation became the normal method of becoming a member of an Approved Society?—I do not think so. I do not think we have any evidence to support that with regard to allocation to doctors.

2980. Surely you have a good deal of evidence to support the view that the insured person does not bother very much about his doctor until he becomes ill; then he has a powerful motive?—Yes, but at the present moment the Insurance Committees allocate.

2981. I have not the figures at the moment of the proportions of allocations?—I know nothing. Sir John, to suggest to me that that system of allocating to doctors is increasing, and if it is not increasing I should not think it would do so with Approved Societies. I think deposit contributors would in the great bulk choose their Approved Society.

2982. Of course it must be a matter of opinion. You think it would have no ill effect on the mental attitude of insured persons or on the character of Approved Societies?—Very little ill effect, and even if it had for a short time it would soon blow over.

2983. (Sir Alfred Watson): May we first of all examine this question from the point of view of numbers. You tell us in your evidence that in the year 1914 there were 272,000 deposit contributors. Have you any idea as to what number out of that 272,000 are still deposit contributors?—No idea.

2984. If I were to tell you that the number according to the official return is under 44,000 would that affect your view of the importance of this question?—It probably would. I think it would considerably strengthen my case. If out of that 272,000 there are only 44,000 left it gives me an overwhelming case for abolishing the thing.

2985. Does it not rather suggest, if the number of stupid people who might join Approved Societies, and will not, out of a total population of about 15,000,000, is under 44,000—because that figure includes also any "bad lives"—that the question is too small to bother about?—If you suggest that 237,000—that is the number in to-day—is too small to bother about, I am afraid I cannot agree; and if 44,000 have remained since 1914, 10 years, I do not think that is a negligible quantity.

2986. Did I suggest anything about 237,000?—You suggested, I think, that the whole question of deposit contributors was such a negligible quantity that it was not worth bothering about.

2987. I did not mention 237,000, did I?—Perhaps not in connection with that. I may have taken you up wrongly.

2988. Coming to the 237,000, would you be surprised to learn that exactly 50 per cent. of that number have become deposit contributors in the last three years?—Do you mean they became deposit contributors without having been members of Approved Societies or do you mean they were forced into the Fund?

2989. That I do not know; I cannot tell you. I am suggesting to you that although there are 237,000, 50 per cent. of them have only become deposit contributors since 1922, and it is fairly to be inferred that the majority of that 50 per cent. are on their way to society membership and presently will become members of Approved Societies?—I quite believe that.

2990. The deposit contributor class is being turned over and over again, is it not?—Yes.

2991. It would not surprise you to know, I take it, that since the Act started up to the 1st November, 1924, 695,557 deposit contributors have been transferred to Approved Societies; and if the class itself is diminishing in number, and if the individuals composing it are constantly on their way to society membership—presumably in many cases they became deposit contributors because at the outset they did

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not know where to find a society—confronted as we are by all these facts, is it worth doing anything to abolish the class?—I certainly think it is.

2992. Then I must take you to the consequences of abolition. You suggested to Sir John Anderson that a Temperance Society, the Rechabites, might be compelled to retain a drunkard in consequence of the abolition of the right of expulsion?—Yes, in a few cases they might.

2993. In just so many cases as Rechabites became drunkards?—Not at all. I think the majority of these drunken people would not find the atmosphere of the Rechabites particularly congenial.

2994. They would apply to transfer to the Hearts of Oak?—Not necessarily the Hearts of Oak; there are others as broadminded as the Hearts of Oak.

2995. If the unfortunate drunkard who found the Rechabites no longer a congenial society desired to become a member of the Hearts of Oak and was refused, and then he tried the Oddfellows, and then the Foresters, and they all turned him down, he would still have to remain a Rechabite?—Yes.

2996. Do you really think that is a feasible proposition?—I think it is quite feasible.

2997. I will put it as vividly as I can: take the case of a small society in quite a small community: one of its members is convicted of an odious crime and sent to prison: do you think that society would retain that member?—It would have to.

2998. It would have to? Do you think the Approved Society would submit to an alteration of the law which imposed such a consequence upon them?—I think they would. To abolish the deposit contributor with all that comes in its wake would, I think, be welcomed by Approved Societies.

2999. To abolish the deposit contributor class, and possibly get 100,000 people at the most, distributed among societies, people who would not otherwise join societies—do you think for that they are going willingly to give up their right of expulsion in respect of all the unsatisfactory characters that might develop among 15,000,000 people?—Yes.

3000. Have you any practical acquaintance with societies other than the Hearts of Oak?—Yes.

3001. Do you know what importance such societies as the Foresters, the Oddfellows, the Shepherds and many others, attach to the social aspect of their work?—Being a member of two other societies besides the Hearts of Oak, I do.

3002. Are you thoroughly convinced that you are speaking the opinion of those societies in saying they would willingly surrender the right of expulsion?—I hardly think that is a fair question to put to me. I am not speaking on behalf of other societies. If my memory does not mislead me I think the Manchester Unity has already made a proposition to abolish the deposit contributor class, and I think it must be within their thought that the right of expulsion would require to go. I cannot conceive otherwise.

3003. If that society has made such a proposition, is it part of their proposition that the right of expulsion should be abolished?—I do not know. I never saw it. I know the Manchester Unity did make such a proposition and it seems to me that anybody who made such a proposition would know obviously that the right of expulsion must go.

3004. Is it not possible that they were unfortunate enough not to see that if they were proposing abolition of the deposit contributor class it involved also the abolition of the right of expulsion?—It is possible, of course. I must admit it is possible, but the one seems to me so closely linked up with the other that I cannot see how it could happen.

3005. You think whoever proposes the abolition of the deposit contributor class has made up his mind that the right of expulsion as vested in his society must go?—I think so.

3006. Do you think a trade union would give up the right to expel a man who had contravened some of its most vital trade union rules?—As I have said my suggestion is that the right of expulsion should be

absolutely abolished, and the trade union would just be required to agree.

3007. Your plan would enforce compulsion upon all societies whether they liked it or not?—It would certainly carry compulsion.

3008. That Parliamentary medicine they would have to swallow?—Yes.

3009. Taking the case of these stupid people who will not join Approved Societies, you would allocate them on some plan among societies. There are societies of all types and classes, are there not?—Yes.

3010. You have societies connected with the old-fashioned Friendly Society, with religious bodies, with trade unions, and with industrial assurance companies. That is practically the whole field, is it not?—Yes.

3011. Take the case of a person who does not want to be a member of a society; his social circumstances may be such that this view is quite reasonable for him; he may be the son of a middle class home and expect to go out of insurance by passing the £250 a year limit in a very short time; he may not want to join any of these societies; he does not want to be an Oddfellow or a Forester; he does not want to join the Hearts of Oak; his parents object to having an industrial assurance company's agent calling at the house. What are you going to do with that person?—I suggest that he be allocated to one of the societies, whether he objects to it or whether he does not; and I cannot see honestly that he can have any greater objection to being a member of one of these societies than he has to being an insured person at the present moment. Probably he objects to that just as much as he objects to becoming a member of a society, and yet the law compels him to be insured.

3012. I have no doubt he objects to it, but at any rate the law is merciful at the present time; it does not accompany compulsion to insure with compulsion to do something else which is distasteful to him; it allows him to become a deposit contributor. Is it not certain that if we are to compel people to join a society, and they will not be members of any existing society, a State society will be created into which as a last resort they will have to be put?—I do not see the necessity at all for a State society.

3013. You insist upon putting these diehards into one or other of the existing Approved Societies. Can you compel them to surrender their cards?—No.

3014. Does not it mean that you have created a certain paper membership and instead of the Deposit Contributors Fund getting those cards, in a great number of cases at any rate the person will retain his card or destroy it, and whereas he could have got something out of the Deposit Contributors Fund his contributions are now wasted, as far as he is concerned, by his own fault, of course, and the balance of the Unclaimed Stamps Account goes up by just the amount of contributions he deals with in that way?—Yes.

3015. Do you think it is worth while to abolish the deposit contributor class merely with the ultimate result of increasing the balance in the Unclaimed Stamps Account?—No, I do not think it is worth while doing it simply to increase the balance in the Unclaimed Stamps Account, but I submit to you it has a much greater effect than that. I submit to you that people who would object to become members of Approved Societies, and would thereby refuse to surrender their cards are such a small minority that they are negligible, and that the number of people who would receive greater benefits by becoming attached to Approved Societies is so much greater that it would be beneficial to the community as a whole.

3016. These people are the same people. First of all you say they are such a small minority, and then when you come to look at them getting benefit you say they are a large number?—No. I said those who would refuse to become members of Approved Societies and would not surrender their

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cards are a small minority; that the majority would surrender their cards to Approved Societies.

3017. Do you think if compulsion were enforced only a minority would still be resistant?—I think there would be practically no resisters at all.

3018. That is rather sanguine, is it not? You have just said there would be a minority?—You are suggesting that so many people are not going to do the thing that the only result would be to swell the Unclaimed Stamps Account. I submit to you such would not be the case at all, and that the great majority of deposit contributors would surrender their cards to the Approved Societies.

3019. To any society to which they are allocated?—Not to any society to which they are allocated. On the first allocation there would be some shifting about, I dare say. You would allocate a Catholic to a Protestant society and he would desire to be in a society of his own religion. You could easily enough make a change there. After that there would be no shifting about any more than there is at present.

3020. He would still continue to have his right to transfer?—Yes.

3021. Throughout the years?—Yes.

3022. As Sir John Anderson put it to you, the insured person would have the right to shift himself from society to society throughout the years of his membership as he chose, but Approved Societies would have no corresponding advantage?—That is so.

3023. On the whole you think the present objectors to National Health Insurance who take the Deposit Contributors Fund as making the best of a bad job, (as they would look at it) would conform to the requirement that they should be members of an Approved Society?—I am not prepared to say there would be nobody who would not do it unwillingly, but I do say the vast majority of them would care nothing at all about it, and it would be very much better for them and for the community at large.

3024. Would it be very much better for them? If, in so far as the figures appear to show, they derive very little benefit from their membership, it does not seem to matter whether they are in a society or not?—I am not in a position to say. It has been suggested to me that the little amount of benefit is because they have exhausted their accounts. If that be so, then I say it would be very much better for them to do this.

3025. Surely that is exceptional, is it not, cases of exhausted accounts?—I should think so, but it was made by the Chairman rather a strong point.

(Chairman): I asked a question, I did not make any point at all.

3026. (Miss Tuckwell): Are these views which you have been putting before us the result of a meeting of the membership of your whole organisation which, I understand, is 430,000?—No, they are not.

3027. They have not been consulted?—Not the members of the Society.

3028. Then they do not know what you are putting forward?—Yes, they do. Perhaps I may explain the constitution of our Society. The Society is divided up into areas and for each of these areas throughout the country, big or small, there is a delegate. That delegate holds a meeting of his members at any rate once a year or he may hold meetings more often if he or his members desire. The delegates meet annually. There are approximately 200 of them. They meet for a week at Whitsuntide and every three years they elect an Executive Council to carry on the business of the Society in the meantime. The Executive Council drew up these recommendations. This document was sent out to every delegate in the country and he can hold meetings to explain any question to his members. So that the members through their delegates know what we are submitting. It is true we did not consult the members before submitting these views. They are the views of the Executive Council.

3029. (Sir Alfred Watson): In paragraph 104 of your Statement you say that this compulsion which you advocate "would tend to bring the contributions paid in respect of the indifferent or antagonistic insured person into the common pool to be used for the benefit of insured persons as a whole." In so far as deposit contributors do join Approved Societies now, does not that result follow at the present time?—Yes.

3030. The balances in the deposit contributors' accounts at the time they transfer to Approved Societies go to the Reserve Suspense Fund?—Yes.

3031. There is nothing in this point so far as concerns the persons who are ultimately converted and can find the light?—No.

3032. With regard to the persisting deposit contributor, in the long run half the sum standing to the credit of his account is paid out to his representative on his death?—Yes.

3033. In so far as he may have had sickness—people of that class may have had sickness and exhausted their accounts—he probably would be a great deal worse off than if he joined an Approved Society?—Those who have exhausted their accounts, yes.

3034. If there are people who die with exhausted accounts it cannot be said conclusively, can it, that the payment out at death in the case of some deposit contributors is putting any sort of penalty on the pool created for the common benefit or is putting deposit contributors as a class in a better position than they would be if they joined a society?—Deposit contributors as a class are not in a better position than if they joined a society.

3035. Even although there may be a sum paid out at death in the case of some of them?—Yes.

3036. If that be the case, the common pool for the benefit of insured persons will not be either at an advantage or at a disadvantage by the abolition of the class, will it?—Yes, because the contributions of these people will be coming into it, whereas at the present time they do not.

3037. The contributions now go to the private account of the member?—Yes.

3038. If he has a good deal of sickness and exhausts his balance, perhaps over and over again, the common pool is at an advantage by him having been a deposit contributor?—Yes.

3039. If, on the other hand, he never draws any benefit, but eventually something is paid out of his account at his death, the common pool is clearly at a disadvantage by the payment of that death benefit?—Yes.

3040. Must you not put the two together, the person who has exhausted his balance and the person who has not, and admit that nobody knows whether the pool is at a gain or loss by the deposit contributor?—The way I looked at it was this. The deposit contributors amongst themselves contributed a certain amount of money, and 10 per cent. of that amount they took out in benefits. If that were going into the common pool of Approved Societies—by "common pool" I mean Approved Societies in general—it would be a strengthening of their funds. and as to the point about the man who has exhausted his fund, even if there was a drain on the fund in excess of the 10 per cent. it would be well worth it from the broadest point of view, because you are doing good to the man who most requires it.

3041. As regards the common pool, surely everything the deposit contributor pays in so far as he does not draw it in benefits goes to the common pool subject to the deduction of the amount that happens to be paid out at his death?—Yes.

3042. The common pool gets the money now, does it not?—Yes, but even if it does I submit that it would be very much better for Approved Societies as a whole if it went directly into their benefit funds.

3043. Surely it does go directly into their benefit funds?—I hardly think so.

3044. It does not go as a receipt; it goes in reduction of paper credits, reserve values?—Yes, but if you

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were to credit the contributions of deposit contributors as you credit the contributions of members of Approved Societies—because if our suggestion was carried out they would be members of Approved Societies—surely that would be a strengthening of Approved Societies. I suggest it is. You have broadened your basis of insurance and you have a new source of revenue.

3045. I am sorry we do not yet understand each other on the source of revenue. I will take the other point first. If there are 100,000 people of this class and 15,000,000 insured you have broadened your basis in the ratio that 100,000 bears to 15,000,000?—Quite.

3046. That is a trifle, is it not?—It is small.

3047. It makes no difference does it?—Perhaps not. It may be so small that actuarially it is negligible, but at any rate it is a step in the right direction, I think.

3048. Now on the other point, payments in respect of deposit contributors fall under two heads. There are benefits they receive personally and in some cases half of their balances are paid out to their representatives at their death. Those are all the payments made in respect of deposit contributors, with, of course, costs of administration?—I agree.

3049. Everything else that comes from the contributions of deposit contributors goes in the long run to the common pool of National Health Insurance. Does it really matter from the point of view of Approved Societies whether that balance is used to shorten the term of the sinking fund and to convert their paper assets into cash more quickly, or whether it is used as a direct receipt? Is there really anything in the point?—On that point perhaps there may not be, but on the general point of whether you should have a class standing outside the Act I submit to you there is a good deal.

3050. That does not answer the question.—If you say that, you have much greater knowledge of the figures than I have, and I must submit to your greater knowledge and admit there may not be anything.

3051. (Mr. Evans): I understand from you that you would compel every insured person to become a member of an Approved Society: you would also compel Approved Societies to accept members?—Yes, I would require them to.

3052. In paragraph 153 of your Statement you refer to how certain societies have built up their membership?—Yes.

3053. And you pay a tribute to the work of society officials "whose sound judgment in the selection of members," and so on?—Yes.

3054. That really means that they have chosen the very best, and rejected all bad lives?—Of course at the present moment societies have that right, and I think they should exercise that right so long as they have it; but that is not to say that you should continue that right.

3055. So you would accept all lives whether good or bad?—Certainly.

3056. In paragraph 101 you refer to the amount standing to the credit of deposit contributors, and in one year alone, I think the year 1922, the surplus standing to their credit is £357,000. Is that correct?—That is the difference between the contributions received and the benefits paid out.

3057. Can you tell us what the position of the Fund is, what happens to the money?—We do not know the figure it stands at just now.

3058. This figure of £357,000 is merely the surplus of one year?—Yes.

3059. (Mr. Jones): In advocating the inclusion of deposit contributors in Approved Societies I do not suppose you are acting merely from philanthropic ideas?—Not merely. But as I said before, I consider it would be beneficial both to deposit contributors as a class and to the country as a whole.

3060. Beneficial to some deposit contributors with an overdrawn account perhaps, but also beneficial to societies because on the whole you regard them as good lives?—Certainly.

3061. That is your interpretation of the financial position?—Yes.

3062. Is a person who is compelled to do anything not likely to become even more indifferent than he was before?—Yes, I think he is.

3063. Is he not likely to give the society a good deal of trouble in that way?—I do not think in that way at all.

3064. Have you any experience at all or any knowledge of the allocation of insured persons to doctors?—No, I have not.

3065. They belong perhaps to a considerable extent to the same class of individuals who cannot be bothered to take any trouble?—Quite.

3066. Or for other reasons such as we have heard?—Yes.

3067. A person of a better class family who is only doing this because the law has said so. Is it not likely that these persons would raise objection when they are compelled to do something further than what they are already compelled to do?—My experience of the deposit contributor is that he is so apathetic that he would not raise any objection.

3068. The person who does not choose a doctor is probably just as apathetic as the person who does not choose an Approved Society?—Quite. (Mr. Dudley): But he has a right to transfer to another doctor as soon as he finds himself placed on the list of a doctor whom he does not like.

3069. He also has a right to transfer to another Approved Society?—Yes.

3070. My experience is that when you begin to do something to these people, they begin then to take an interest in things?—(Mr. Lewis): Yes.

3071. I might instance the allocating of a Roman Catholic to a Jewish doctor, and *vice versa*, and they then do begin to take an interest in insurance?—Yes.

3072. But it is not to the advantage of the person allocating them or to the advantage of the person to whom they have been allocated?—No; and we provide for that by saying if you made such an allocation—and there are bound to be such cases—then on the representation either of the Approved Society or of the insured person you would make a reallocation.

3073. It is something more, I suggest to you, than a mere mechanical allocation of a certain group of deposit contributors over a certain group of Approved Societies?—It is a little more.

3074. It will carry a considerable amount of administrative labour with it?—Not a great deal, I think.

3075. I am reasoning from my past experience in connection with the allocation of insured persons to doctors. You would have to give them notice of your proposal to allocate?—I suggest that you should give them notice that they had been allocated, and leave it to them to make any representation if they objected.

3076. You do not usually proceed to a final decision without giving the individual warning?—If Parliament decided that deposit contributors were to be abolished as a class and allocated to Approved Societies, would not that be sufficient warning, and would not you then proceed to allocation?

3077. After that; but that is all adding to the burden of administrative labour?—Yes, but it is once, and once for all.

3078. Would not you find just as ready a solution of the whole subject if you created a society to take in these people: instead of putting them on the deposit contributor basis, allow them to become members of a central society or State society—call it what you will?—Yes, and have the State society running in opposition to the Approved Societies.

3079. Would not that meet the argument you have put forward of giving full benefits to these people?—It would meet that part of the argument.

3080. Would you view such a proposal with favour?—No.

3081. Why not?—I object to a State society. I could not view with favour anything that savoured of nationalisation.

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3082. Is there really much difference, so far as membership of the society is concerned, between this man being a member of a State society and being a member of any other society?—Take my own Society. He has very much greater rights in that than he could possibly have in any State society. For instance, he has his local delegate more or less at his door; he can always approach him; he can make himself very well heard at the annual meeting through his local representative.

3083. Is much advantage taken of these privileges by members of your society?—(Mr. Dudley): Yes. (Mr. Lewis): My colleague as well as being on the Executive Council is a delegate.

3084. We have had evidence that some millions of insured persons—not members of your Society, perhaps—have taken very little interest in the management of their societies?—(Mr. Dudley): That might be because the meetings are generally called centrally in London, which they cannot attend.

3085. Have you any evidence that members of these societies are under any greater disadvantage so far as National Insurance is concerned than your members?—(Mr. Lewis): Yes; I have one particular instance. I do not want to quote it. Look at the additional benefits.

3086. That may be due to other things than good management, of course?—Yes.

3087. There is the difficult question of selection of lives?—Yes. I have submitted that as a class the Friendly Society does give better benefits than any other class of society. We have a different class of life and different methods of management.

3088. To put it briefly, is it not really the fear of the creation of such a central society that makes Approved Societies seek to wipe out this group of deposit contributors?—No, it never struck me that deposit contributors would eventually be formed into a State society. That is not a fear of mine.

3089. But still you would object to such a society being created in opposition, as you said, to the other societies?—Yes, I should.

3090. Is your argument at all logical?—I am afraid I do not see anything illogical in the argument.

3091. (Chairman): That is a matter for conclusion in any event?—I say the State Approved Society would not be as beneficial to those members as an Approved Society is at the present moment.

3092. (Mr. Jones): You have said you have consulted other societies. Do you think there is a general view among the managers of Approved Societies in the country that these individuals should be compelled to accept the benefits of compulsory membership?—I cannot say; but I have spoken to quite a number of the larger friendly societies, and they are quite at one with me on this.

3093. Do you think the advantages of membership outweigh all the other arguments that have been put forward by Sir Alfred Watson and Sir John Anderson?—Yes, I do.

3094. Is not that applying to this part of National Health Insurance the soulless administration which you objected to with regard to medical benefit this morning?—I do not say that at all, because if you transferred these people to Approved Societies they would have the management of those Approved Societies in their own hands, and it is the want of that that I term soulless.

3095. They have the management of it for medical benefit as well. They are represented through Insurance Committees or any other body that might be created to administer medical benefit?—You mean they are represented as deposit contributors?

3096. It happens that they have one member only?—That is true enough.

3097. I am talking of the whole body of insured persons for the moment. Do you really think that this element of compulsion does weigh in the balance against all the other arguments that have been put forward?—I admit there is compulsion, of course, but I consider that the advantages would quite outweigh any disadvantage there may be in compulsion.

3098. (Professor Gray): Is it not the case that the only thing that is compulsory under the National Insurance Act is the payment of contributions?—For all practical purposes, yes.

3099. If a person does not want benefits you cannot make him take them, whether cash or medical?—No.

3100. From that point of view, do you think the people whom you are considering would be likely to benefit if they were compelled to join a society more than if they were left outside?—There are a certain number of people who cannot get very much out of the Deposit Contributors Fund, because their accounts are exhausted, and these are the people that really should get the benefit. They are worse off, and they are the people who should have whatever is going.

3101. (Chairman): Are there many of that class?—We cannot tell, we have no experience, but there are people.

3102. (Professor Gray): You said you agreed that the deposit contributor class to a large extent is in a state of flux?—Yes.

3103. It is really only a relatively small proportion who remain behind, such as the conscientious objector?—Yes, probably that 44,000.

3104. Those are the people who ultimately are in question?—Yes.

3105. The other people find a society in a matter of, it may be, one or two years?—Yes.

3106. Those are the people whom you speak of as being utterly apathetic?—The 44,000, yes.

3107. Would you allow an insured person to have the right to resign from a society?—He has the right to transfer; is not that the same?

3108. You would only allow a right to resign on condition that he got into another society? You would not allow a right of absolute resignation?—What would become of him?

3109. I am asking you to tell me. Would you allow a person to resign from a society?—I am sorry; I do not understand what you mean by "resign." Do you mean transfer?

3110. No, I do not; I mean cease to be a member of a society?—He could not do that.

3111. You would not allow a member to resign from his society?—There would be no place for him to go to if you abolish the deposit contributor.

3112. Do you know of any other contractual relationship in life between two parties which cannot be dissolved?—I cannot think of one.

3113. So that what you are suggesting is something absolutely new in law?—No, not exactly that. You cannot resign, as you call it, from National Health Insurance except in certain circumstances, when you become exempt. I would allow transfer from one society to another, but I would not allow a person, any more than he has a right at present, simply to resign out of National Health Insurance.

3114. No, but he could resign from his society. The membership of a society imports with it various conditions as to behaviour, and so on?—He could go to another society.

3115. Supposing he does not want to? You would not allow him to resign? As I understand it the relationship is one which is indissoluble?—I say he cannot resign because he has nowhere to go; but he can quite well transfer.

3116. (Chairman): He could resign and be transferred?—I would have no objection to that. My reason for saying I would not allow resignation was that I could not see anything for him to go into. If it is suggested that he could resign and be re-allocated, I have no objection to that.

3117. (Professor Gray): You suggest that allocation should be done possibly by the Ministry of Health, who would have to proceed on general lines. They could not go into the merits of each case?—No.

3118. So they would possibly make mistakes? Your solution for that is you would have a right to transfer to a suitable society. Does not it occur to you that a person who is so apathetic as not to join a society will not take the trouble to transfer?—Yes.

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3119. So he remains there?—Yes.

3120. So the drunkard who was once a Rechabite would remain?—Presumably.

3121. You mentioned allocation of insured persons to doctors as being somewhat analogous. Do you think there is really any analogy there?—I do.

3122. Do not very different questions arise? In the case of medical benefit you have a certain limited area with a certain limited number of doctors, in many cases only one. Is not the position there very different from that in which you have all the insured persons of the country, and theoretically all the Approved Societies? And not only that, but is there not a fundamental difference between what the doctor does for his patient and what a society does for its member? If you read the Act do not you find this underlying assumption all through, that all panel doctors are the same, and if they are not they are made the same, they are reduced to one uniform standard of service? So that as far as the Act is concerned one panel doctor is interchangeable with all the other panel doctors. Is not that so?—Yes.

3123. But in the case of societies that is not the case. The underlying assumption in the Act is that all societies are different?—Yes.

3124. Does not that make an important point with regard to allocation?—No, I do not think it does. It makes a difference, I admit, but I do not think it is so important if you are going to do good for the whole deposit contributor class.

3125. If you assign a person to a doctor you know he is getting a definite amount of service, what every other doctor can give, but when you assign a person to a society he may get varying scales of benefit?—It is true to a certain extent, that the doctors' services are equal and the Approved Societies are not equal; but we know that in actual fact the services of doctors are no more equal than the services of Approved Societies. Although one doctor is getting the same amount of money as another, the amount of skill may be much greater. You may put that against the amount of increased benefits that a society gives.

3126. The insured person is entitled in some societies to additional benefits, but he is not entitled from the doctor to anything that lies outside the scope of ordinary medical benefit?—Whether he is entitled to it or not he certainly gets more skill in the one case than he does in the other.

3127 (*Mrs. Harrison Bell*): Deposit contributors are, in the main, persons who object to being insured at all, or hope presently to be uninsurable. With that I think you agree?—Yes.

3128. At any rate, they have been accused of apathy. After all, is not the best way to stir them up, to try to do something for them? They will cease to be apathetic once you begin to allocate them compulsorily. After all, are they so numerous or so wealthy as to make it of any real importance to compel them to join societies—

(*Chairman*): That is for the Commission to consider.

3129. (*Mrs. Harrison Bell*): I want to get the opinion of the Hearts of Oak about it?—If there were a suggestion of allocating deposit contributors, I agree with your remarks, they would to a very great extent cease to be apathetic, and I think there would be a considerable transfer from the Deposit Contributors Fund to Approved Societies right away, but it is probable that something near the 44,000 of which we have heard would still remain. That 44,000, I admit, is a small number, but at the same time I think that it would be to the advantage of them, to the advantage of Approved Societies, and to the advantage of the country at large, if they were allocated amongst Approved Societies. I am still of the same opinion.

3130. (*Chairman*): On Sections III (2), III (3) and III (4) of your Statement I have no questions to ask, but Sir Alfred Watson, I think has some.

3131. (*Sir Alfred Watson*): I gather, Mr. Lewis, from your remarks in Section III (2) that your broad

proposal is that a woman who goes out of insurance on marriage should receive a cash sum instead of the benefits to which she is at present entitled?—Yes, either a free insurance or a dowry.

3132. Of course you are aware that a Departmental Committee that sat some years ago did its best to simplify the general Scheme of the Act and actually proposed that such a grant should be made?—Yes, I am quite aware of that.

3133. And, of course, you are aware of the fact that in the House of Lords a strong protest was made against the use of the moneys contributed for insurance purposes, and partly contributed by employers, for this payment of benefits which certainly do not fall within the category of health insurance benefits?—I am aware of that.

3134. Having regard to that experience have you any suggestion to make to us that would justify us in putting forward a proposal that the whole thing should be again raised?—Only that it should be considered, because we feel that excellent as are the alterations which were made in 1918, the question is getting muddled again as the result of the Prolongation of Insurance Act. It is certain that there is a tendency to get into a similar position to that in which we were with regard to married women before the passing of the 1918 Act.

3135. The Prolongation of Insurance Act is only a temporary Act, is it not?—Yes; but one does not know what the position of the married woman is. Under the 1918 Act it was perfectly clear; but now the position is not clear.

3136. But still that Act only affects a small minority of women who at or about the date of their marriage had been out of work and looking for work for a very long time?—I admit it is only a proportion of them.

3137. I think you take the view that if you continue in insurance benefits a woman who leaves employment on marriage, there ought to be no difference between her position and that of a woman who has been an established contributor to insurance for some years after her marriage, and then goes out of insurance. Is that your contention?—I am sorry, but I do not quite follow you.

3138. Look at your paragraph 116, where you begin by being, if I may say so, too deferential to actuarial considerations. You go on to say that it is desired to put forward the suggestion that the woman who being already insured marries, should be placed in all respects in the same position as an insured woman who is already married?—Yes.

3139. That is to say, she would get the right to sickness benefit at the ordinary rate for 12 months, and the right to maternity benefit if her confinement occurred within 12 months?—Yes.

3140. Is that an alternative proposal to the marriage grant or dowry?—Yes.

3141. I think we must trouble you to discuss the difference between the position of these two women. I take first the woman who has been insured for several years after her marriage, to whom employment was for the time being the normal state of things and who leaves insurance. She is really in no different position from any other contributor, is she, on going out of insurance?—You mean a woman in Class E going out of insurance. She does not become Class K.

3142. Take the circumstances, for instance, in which she goes out of insurance. It may be that she has been insured for several years and has one or two children. She finds as the time approaches for another child to be born that she wants to stop away from work, but she finally determines after her child is born that she will not go back to work any more. (It suits her case precisely to get the maternity benefit on the birth of her child and to have the right to sickness benefit for the 12 months following?—Yes.

3143. In such a case, of course, the maternity benefit comes first?—Yes.

3144. Having worked for several years since marriage, she does, in fact, work until near to the time of her confinement?—Quite.

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3145. Take the other case of a woman who leaves work just before or upon her marriage. It would be rather unfair, would it not, in her case to limit the right to maternity benefit to the case in which the confinement occurred within 12 months from leaving employment?—I think we have some information on that point. I think you are dealing particularly with the maternity benefit, are you not?

3146. I am trying to examine, with you, the most suitable form of insurance for these women, having regard to the differences in their respective situations.—I appreciate that the present form of insurance is in all probability more advantageous to that second class of women that you mention.

3147. It is really fairer, is it not, to have the right to maternity benefit if her child is born within two years from the date of her marriage?—Yes, that is quite true. But we find that in a fairly high percentage of these cases the maternity benefit is paid within one year.

3148. It would be; but still it is one of the cases, is it not, in which we ought not to judge by percentages. We ought to think of the individual case?—I quite agree with you.

3149. The unmarried woman works as such for six or seven years, and then two months before she marries she leaves insurance. It would be very unfair to say to that woman: "You will only have maternity benefit if your child is born within ten months of your marriage"?—Yes.

3150. Then there is another point with regard to the sickness benefit which is given to Class K women. Six weeks' benefit, I think it is?—Yes.

3151. That is a very small benefit compared with what the other woman gets, and it is suggested that it is possibly small because the risk of sickness is very heavy?—Yes.

3152. May I suggest that the benefit is small because we have given her the right to draw maternity benefit if her child is born within two years of her marriage?—It may be. I am quite open to correction, but we took it that the expectation of sickness was probably heavier.

3153. From the actuarial point of view I should say it was not so?—That may be so.

3154. There is a limited amount of money available, and almost a certainty was given to the woman that she would draw maternity benefit?—Yes.

3155. It was what the women asked for in the House of Lords?—Quite so.

3156. Therefore, what was left over for sickness benefit could only provide a very little sickness benefit?—Yes.

3157. You would agree, I take it, that we cannot give more value in benefit to the woman who marries than we could have given her if we had provided her with that little payment at marriage which was originally proposed?—I quite agree.

3158. It would still be worth the same sum of money?—Quite.

3159. And having provided the maternity benefit, which is almost a certainty, we can only give a small sickness benefit?—Yes. Really our point is that if you can see your way to simplify this position that is growing up under which you do not know where the woman stands because of the Prolongation of Insurance Act, that is all we ask you to consider.

3160. I did not understand that it was merely a question of the Prolongation of Insurance Act?—No, but that is our principal point. Here you have a woman who becomes Class K under the 1918 Act. That was all right at one time, but now in trying to apply the Prolongation of Insurance Act you do not know whether that woman is going back to employment or not, and we are getting back into the same position as before the passing of the 1918 Act. If you could clear that up for us we would certainly drop all the other things.

3161. Then in principle may I take it that you do not dissent from the normal arrangement under which the woman who marries gets the benefits of Class K?—We do not.

3162. Your difficulty is simply because you say a proportion of the women who marry and ought to go to Class K have in fact been unemployed for a long time, and the Prolongation of Insurance Act comes into operation and creates a difficulty?—That is the whole point.

3163. You cannot tell whether they are unemployed because they have definitely left work or because they cannot find work?—That is so.

3164. I think you will agree that the women in that position must be a very small minority of the total number of women who marry in the course of a year?—I do not know that they are a small minority, but we fear (perhaps our fears are groundless) that the same position is growing up as was put right by the 1918 Act.

3165. May we go into the figures for a moment? I think the total number of women of all ages and marital status who are unemployed and on the Unemployment Register is something under 250,000, is it not?—I do not know.

3166. Surely among that 250,000 the number who being single women happen to marry during that period of unemployment must be very few, relatively?—I daresay it is not great, but we think there is a thing creeping in here that is going to bring us back, perhaps not to such a bad position, but to something like the position that we were in prior to 1918. I do not know whether this is relevant or not, but the number of women members that we have at the present moment is: single 87,000, and married 17,000, total 104,000.

3167. One woman in six of your total membership is married?—Yes.

3168. Now we have got something between 3,000,000 and 4,000,000 unmarried women in insurance, and we have got roughly 180,000 women marrying in the year. The total number of women at any time on the Live Register of the Ministry of Labour seeking employment is under 250,000, both married and unmarried, and I cannot help thinking that those unemployed women contribute a very small element to the 180,000 women who marry in the course of every year. I should think it would be not more than 10 per cent. of the total?—That is probably perfectly true. I do not say that that is a great thing. I do not suggest that for a moment, but we certainly think it is a difficulty, and a growing difficulty; and that this Commission should consider whether they could not simplify it just as the women's question was simplified in 1918.

3169. Is it not rather a problem of simplifying, if we can, the difficulties of the Prolongation of Insurance Act than one of disturbing the permanent scheme of National Health Insurance?—We think really that if you would bring women out of the Prolongation of Insurance scheme, that would simplify the whole thing. If you will not do that then we suggest alternatives.

3170. One, at any rate, of your alternatives is to modify the permanent structure for the sake of this temporary difficulty?—Temporary perhaps, but it has gone on for a long time already. (Mr. Dudley): I should like to say with regard to the sickness of married and single women that the percentage of single is 3.32; of married it is 6.06.

3171. (Mr. Besant): I wanted to ask you a question with regard to paragraph 128 of your statement. You weigh carefully the arguments on one side and the other, and then you say that you are of opinion that, failing something else, you hold such and such views. Would it be possible for you to put your views in a more definite shape?—(Mr. Lewis): What I tried to bring out in answer to Sir Alfred Watson was this: first of all we would like the Prolongation of Insurance Act not to apply to women, or that some equivalent thereto should be allowed. Prior to 1918 you had to consider what was a woman's intentions: was she going back to insurance, or was she going to cease to be insured, and you treated her according to what she said at that time. Then in 1918 it was decided that this class of person had become so

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numerous on the books of the societies, that it was decided to scrap them entirely and introduce Class K; that is the class that gets this modified sickness benefit and maternity benefit within two years. That was perfectly clear. Then more unemployment came along and the Prolongation of Insurance Act came into force and we are now back practically to the position we were in in 1918. We have to find out whether the woman is unemployed because she does not intend to go back to employment or because she cannot get employment.

3172. I was fully conscious of that, but I did not want to go back to the argument on one side or the other. I want to find out whether you would favour the existing system for women or would put the married women on the same footing as the men?—We would favour really keeping them as they are, but not letting the Prolongation of Insurance Act apply to them.

3173. Keeping them on the same footing?—Keeping them just as they were prior to the coming into operation of the Prolongation of Insurance Act so that they become Class K automatically.

3174. I am trying to get at what you mean by these words: "failing the introduction of a system enabling the insurance of married women to be put on the same footing as that of other insured persons." I still fail to follow exactly what it is you want. I can see the possibility of their getting the best of two worlds. Would you like to put the women on exactly the same footing as the men?—I would like to, but I do not think that it would be entirely fair. I do not think you could do that. I do not think it would be actuarially sound.

3175. I am leaving out the actuarial view for the moment. I want to find out what are the views of your Society?—The views of my Society are that if you could have them on exactly all-fours with men it would be decidedly the simplest solution.

3176. But would your Society, as a whole, taking men and women together, vote for putting the two sexes on an equality? I suppose they would not?—No, I do not think they would.

3177. And I take it that there are certain benefits which apply purely to women?—That is so.

3178. I do not think, as a matter of fact, that that alternative which you put forward is possible?—Do you mean absolute equality?

3179. Yes.—I do not think it is either.

3180. Would you, in the main, be inclined to put the two sexes on as close an equality as is possible?—Yes, as close as is possible.

3181. (*Miss Tuckwell*): Is it the practice of your society to accept married women?—Yes.

3182. Would you be in favour of giving the ordinary full free year to married women who cease work?—It is one of our suggestions to give the full free year and let that be the termination.

3183. If maternity benefit were not claimed during this year do you think it might be given in the case of confinements during a further year?—I should not think it could. I do not know; but I am afraid that it would be actuarially unsound if you had the liability beyond the free year.

3184. Would you put actuarial questions out of the way for a moment. I mean from any other point of view you would be anxious to do it?—Yes.

3185. And you are of opinion that, as a rule, a woman becomes a mother within the first year of her marriage. Is that your experience?—Yes, it is. I cannot give you the exact figures, but it certainly is over 50 per cent.

3186. I think that the Insurance Act under which we are working exists for the prevention and cure of sickness and other purposes incidental thereto?—Yes.

3187. Do not you think this proposal for a dowry might be *ultra vires*, and that it does not come within the purposes of the Act?—It might quite well be; but even if it were I think there is something to be said for a surrender value being given on marriage. That is an expensive time, and the money would be of assistance. Of course, you may say, on the other

hand, it is better to give it as a maternity benefit later on. I quite admit the force of that argument.

3188. I should have felt that if you were working under the terms of this Act a surrender value would be inadmissible?—Yes.

3189. (*Prof. Gray*): I think there are two main questions with regard to married women which are often mixed up together. In the first place a married woman is liable to more illness than other people?—Yes.

3190. If a woman continues to be employed after marriage for a certain time, there is no difference between her case and that of a man. She gets a free year and carries on?—Yes.

3191. Then there is the other question, whether after marriage she changes her status and whether she continues to be an employed person?—Yes.

3192. Suppose she took an occasional week's work. She might continue to get the benefits of an insured person without really being permanently employed?—Yes.

3193. So that the difficulty is to get a test of that second thing?—Yes.

3194. But once you have got a satisfactory test, and once you have put that woman on one side, the question of her greater liability to illness does not arise?—That is so.

3195. Because she is no longer an ordinary insured person?—Quite.

3196. In fact she has got a limited claim to a certain amount of money?—Yes.

3197. With regard to your other point, your contention is, I think, that the 1911 Act in section 44 provided for the woman who having been employed within the meaning of the Act proved that she continued to be so employed after marriage?—Yes.

3198. You say that could not be applied because you had to proceed on what the woman said and that could not be relied on?—Yes.

3199. So that later on Parliament, after a case in the Law Courts, instead of basing the procedure on what the woman said, put in a definite test of fact?—Yes.

3200. So that the matter was determined by something that had happened, and not by something that was going to happen?—That is so.

3201. And that test was eight weeks' unemployment?—Yes.

3202. Parliament said if she is unemployed for eight weeks she is out. She goes into this Class K, and the extent of her subsequent illness does not matter?—Yes.

3203. Then you come to the Prolongation of Insurance Act, which says that these provisions shall not apply in the case of any woman as respects whom the Approved Society is satisfied that she did not voluntarily cease work?—Yes.

3204. Your contention is that that brings you back in fact to the position under Section 44 of the 1911 Act?—That is so. The question of being satisfied as to intention is our difficulty.

3205. (*Mr. Cook*): We have had the opinion expressed before this Commission that a married woman is not an insurable proposition. Do you agree with that?—I am afraid I do from our own experience. She is really very difficult to supervise. She is at home and she may be doing things or she may not be doing things. To give our own experience, as my colleague mentioned, the proportion of our single women members who are in receipt of benefit is 3.99 per cent. The figure for the married women is 6.06. So that you see our sickness experience of married women is about double that of single women.

3206. With regard to conferring benefit on people who are not able without the assistance of the State and the assistance of the employer to provide against sickness, even if married women are more difficult to deal with administratively and in other ways, after all you are simply giving effect to the intention of the Act in making provision for married women in illness?—True; but while you are giving the

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provision contemplated in one Act you are not giving the provision contemplated in another Act; i.e., the Act of 1918. Prior to 1918 we had chaos. In 1918 we had everything cleared up. Then the Prolongation of Insurance Act came in and we were back, not to such bad chaos, but a certain amount of chaos. Our suggestion here resolves itself briefly into this: try and get something clearer for us. Bring us back to the position in which we were placed in 1918. We wish the system simplified, but we do not want married women not to get benefit.

3207. You do not go as far as that?—No; but we say there is a class growing up now which involves practically all the troubles of the old section 44 class. Nobody knows what it is, and that should be stopped as soon as possible. We suggest in order to do that you should make the Prolongation of Insurance Act not apply to married women, or give them a dowry, or give them a free year. Let us have something definite.

3208. So far as the question of a dowry is concerned, have you formed any idea as to what would be the value of the dowry?—Do you mean the amount that we could give?

3209. Yes.—I should say that would depend entirely on the length of her insurance.

3210. It would be a variable sum, I suppose?—Yes.

3211. It would not be a sum which would apply uniformly in every case?—I do not think so. I do not think that would be fair.

3212. You have not gone into that very fully, I suppose?—That is so. We should like above all some simplification of the existing method rather than that.

3213. Then with regard to the question of the Prolongation of Insurance Act, do you suggest that this particular Act should not apply to married women?—That is so.

3214. But that it should apply to single women until marriage?—Yes. In the case of married women who have been insured for quite a long time and who then go out of insurance, the Prolongation of Insurance Act would apply to them. But it is the woman who is single and insured and then marries about whom I am concerned. (With the Prolongation of Insurance Act and the 1918 Act in operation we do not know whether she is insurable or not.

3215. Do you want this Commission to try to solve that?—Yes.

3216. (*Professor Gray*): May I ask a question to complete the record? Could you tell us what happens to a married woman who has been put aside as having gone out of employment and who then comes back to employment; I mean the Class K person who re-enters insurance?—Do I understand the question correctly? A single woman marries and becomes Class K and afterwards comes back into insurance?

3217. Yes.—If she comes back into insurance again she is an ordinary Class E member.

3218. As a new entrant?—Yes.

3219. And until she is qualified she can draw the Class K benefit?—She can draw any balance of the Class K benefit that is not expended.

3220. (*Miss Tuckwell*): Do you take any of these women back again?—Yes.

3221. (*Mrs. Harrison Bell*): Would you be kind enough to amplify paragraphs 111 and 113? I do not quite see the full implications of them?—With regard to paragraph 111 we were under the impression, until Sir Alfred Watson corrected us, that the reason that married women received that comparatively low rate of benefit was because they were subject to a heavy rate of sickness. Sir Alfred tells us that that is not so; that the reason for that lower rate of benefit is that for two years they have the right to draw maternity benefit and that that is the reason for the low rate of sickness benefit and not the excessive liability to sickness as we had thought.

3222. In that paragraph you seem to be concerned about the difference that exists between the woman who is insured prior to her marriage and the woman who becomes insured subsequent to her marriage?—

Yes, there is a difference. The woman who is insured prior to marriage and then gets married does not get the full married woman's reserve value until 12 months after marriage.

3223. Can you give us definite figures as to what proportion of the sickness of married women is due to sickness incident to maternity?—No, we have not statistics on that point. The only thing I can tell you is that the proportion of married women who are on the Sick Fund is nearly double the proportion in the case of single women.

3224. (*Sir Alfred Watson*): You stated in answer to a question a few minutes ago that you agreed with the suggestion that a married woman is not an insurable proposition. Then you gave figures illustrating your sickness experience with regard to single women and married women respectively. Are those figures the average amount paid?—The number on the Fund in November, 1924.

3225. Will you give us the figures once more?—Certainly. Drawing sickness benefit, 1.92 per cent.; drawing disablement benefit, 1.85 per cent.; total, 3.77 per cent.

3226. But that is married and single together?—Yes.

3227. May I ask for the figures between married and single?—Single women drawing sickness benefit, 1.68 per cent.; drawing disablement benefit, 1.64 per cent.; combined 3.32 per cent. Married women drawing sickness benefit, 3.16 per cent.; drawing disablement benefit, 2.9 per cent.; combined, 6.06 per cent.

3228. Roughly, as you say, at that point of time the percentage of married women drawing benefit was about double that of the single women?—Yes.

3229. Of course, that gives us no information as to the relative age distribution?—No; I have not got that.

3230. Let us assume that there is, in fact, a much heavier rate of sickness among married women than there is among single women. Does that in your opinion constitute the married woman as other than an insurable proposition?—No. Really when I said I did not think the married woman was an insurable proposition I was not thinking of that so much as the difficulty of supervision. I might also say I have in mind the advice given to us by our actuary when considering the same proposition from the private side of the society.

3231. You are thinking of administration?—Yes, I am.

3232. You would not say that because the married women have a much heavier rate of sickness they are a financial loss to the society, would you?—I really could not say. (*Mr. Dudley*): It is proved they are drawing out more benefit. (*Mr. Lewis*): Yes; but it might not be a loss.

3233. I am looking at the table of reserve values. I have before me Statutory Rules and Orders of 1923, No. 532, and in that I find that if two women join your society at the age of 25, one of them a spinster and the other a married woman, they are credited with a reserve value of £2 8s. for the spinster and of £12 for the married woman. That obviously provides for a far higher liability?—Quite. I know that the reserve value is very much greater in the case of a married woman. It is not so much the amount of sickness benefit that they draw which makes me say they are not an insurable proposition; it is the practical impossibility of supervision.

3234. To prevent the figures from being misunderstood I had better have your concurrence also in this fact, that the great difference in the reserve value between the married woman and the spinster is to a large extent due to the different liability with regard to maternity?—Certainly.

3235. (*Mr. Evans*): With regard to paragraph 123, how do you reconcile that paragraph with your statement that administratively it is difficult to deal with the married women?—What I was meaning when I was answering Sir Alfred just now about the supervision of married women was that that is more or

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less an impossibility. But in actual working within the office there is little or no difficulty except with regard to this small class, which, however, is growing and which we are afraid will grow considerably. I mean the people about whom there is real doubt whether they are in Class K or Class E. Otherwise there is no serious difficulty in administration within the office; but to supervise them is difficult.

3236. We were told the other day by a witness that the married woman was not an insurable proposition, and I was very pleased to see this paragraph.—I do not consider that so far as the office work is concerned she is any great difficulty, with that one exception that we may not know what class she is. But when you get outside the office and you want to find out whether she is sick or not, then it is difficult.

3237. (Mr. Cook): Are not you protected to some extent by the panel doctor?—The panel doctor may say that she is incapable of work. He may say that, but then we are supposed to find out what these people are doing. Take a man. In the case of a man, a panel doctor may say that he is incapable of work and yet when we send our sick visitor to see what he is doing, we find that he is actually working or doing things he should not be doing. In the case of a woman it is more difficult. She may be carrying on ordinarily as a wife without the slightest intention of going back to work and yet she is certified as incapable of working.

3238. (Chairman): May we now take Chapter IV of your Statement? A number of the sections in this chapter deal with administrative points that could easily be dealt with as between the Department and the societies. Therefore I will not trouble you with many questions on these smaller points. But on the question of additional cash benefits there are one or two questions I wish to ask. You are opposed entirely to the pooling of the whole or any part of the surpluses of societies?—Yes.

3239. Although at the same time you recognise the position that has resulted from the wide variations in the amounts of the disposable surpluses?—Yes.

3240. I would like to ask you to amplify your views a little on that?—Generally speaking, we are opposed to pooling surpluses at all. When National Health Insurance was introduced in 1911, Mr. Lloyd George assured the Approved Societies, and particularly the Friendly Orders, that they were all starting equal and that whatever good they were able to do would go to the benefit of their own members. Now we wish that position to be kept absolutely as it was in 1911. At the same time we are very anxious to give dental benefit. As we say here—and you will excuse me if I am going a little ahead of what I should, but it is absolutely essential to what I want to say—we are exceedingly anxious that dental benefit should become a statutory benefit, and we have reason to believe that it would be impossible for all societies to give dental benefit and to make it a statutory and universal benefit if some system of pooling were not adopted. Therefore, while being absolutely adamant against the general pooling of surpluses, we are willing to go the length of pooling a small portion of surpluses in order that all may be entitled to dental benefit.

3241. Taking first of all the cash benefits, can you defend the wide differences that there are in the rates of benefit which have emerged in a scheme which was intended to be national and which is maintained by uniform and compulsory contributions?—Really, in my opinion, it does not require defence. One society very often is well managed and another society is not. If you are referring to a segregation of lives or of risks, if people who are "bad lives" or great risks decide to band themselves together for insurance, that is their fault.

3242. But still you do recognise that there should be some limitation on the amount of the disposable surplus that is applied to the increase of cash benefits?—Yes. We do that simply because we think it is in the best interest of the health of the nation.

3243. And only on that ground?—Yes.

3244. You still leave the variations as between societies, even though you have part of the surpluses applied to other than cash benefits?—Yes.

3245. You suggest that the additional treatment benefits should be placed on a more uniform basis?—Yes.

3246. How is this to be done so long as they are administered by societies and are supported by widely varying amounts of surplus?—We think that even if they are, the Ministry could quite well draw up some specimen forms or regulations so that you would not have the wide differences that you have at the present moment. I believe among the dental profession there is a great deal of trouble simply because of the different types of forms used by different societies. We quite appreciate that that could not be helped at the beginning; but now we have had considerable experience in dental benefit and I think the Ministry should draw up some form so that whether a society provided one-quarter or one-half or three-quarters of the cost of the treatment, the same form could be used and confusion need not exist as it does at the present moment. Of all treatment benefits, in our opinion, the one most desired by the insured person, and also the most desirable from the point of view of the country at large, is dental treatment, and that we would take out of the category of additional benefits altogether by making it a statutory benefit. We would not allow it to be administered by the Approved Societies in the way it is at present.

3247. Are you definitely opposed to the removal of the administration of all treatment benefits from societies and placing them, like medical benefit, in the hands of Insurance Committees?—No; I do not think the societies would oppose it at all on these grounds. I think the first step should be made with dental treatment to see how that works as a statutory benefit, and then the next can be, say, optical benefit.

3248. But would dental benefit be administered through an Insurance Committee?—I think that is a thing for the Minister, and, say, the Consultative Council to consider together. It might be administered through the Insurance Committee or through some body representing, say, the dentists, the Approved Societies, and the Ministry of Health together.

3249. You have no view on that?—No.

3250. You give in paragraph 161 a very interesting table showing the accumulated benefits of your members who are inmates of institutions supported by public funds. In three cases the amount exceeds £150. You suggest that a limit of £50 should be imposed and that any excess over this sum should remain in the benefit fund of the society?—Yes.

3251. Do you think there is any case for applying some part of the money towards the member's maintenance in the institution?—It is not applied in the case of rate-aided institutions at the moment, and we do not suggest it should be.

3252. Would you object to any part of it being so applied?—I am afraid my Society would.

3253. On what ground?—They would object to the money being paid to relieve the rates.

3254. But the person, surely, is a burden upon the rates for the time being?—Yes.

3255. And it surely would be as logical as if the person had funds and these were so applied?—Yes. I am afraid that my Society would take the view that this money should not be used for the relief of rates, but should be kept for the benefit of the insured population. (Mr. Dudley): Further, if an insured person had, say, 15s., and the Poor Law Authority knew of it, they would want the 15s. If he had 7s. 6d., they would want that.

3256. I did not suggest that. I asked if you would object to any part of it being paid?—I am afraid they would want it all, because they would say that the cost of the maintenance of the person was so and so, and they would want all that was coming in.

3257. Would you oppose it only on the grounds that the rating authorities might want more in accord-

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ance with what the person had?—In my experience they would want all the person had got for his maintenance.

3258. And you would regard that as a sufficient reason for opposing this?—Yes.

3259. (Sir Alfred Watson): May we go back to Chapter III (4)? Apparently your Society proposes that upon a member of an Approved Society joining the Army—I use the term “the Army” to cover all His Majesty’s Forces—he should cease to be a member of that society and for the time being go out of insurance. Is that in effect the proposal?—(Mr. Lewis): What we suggest is that when he joins any of His Majesty’s Forces he should cease for the time being to be an insured person and that any maternity benefit to which he may be entitled should be paid by the War Office or whoever it is that does pay these things, and that no contributions would be chargeable for him, so that one would more or less balance the other.

3260. He would cease to be an insured person for the time being?—Yes.

3261. Do you think that other societies would agree to that proposition?—I have never mentioned it to them and I do not know.

3262. It is simply put forward as the proposal of the Hearts of Oak?—Yes.

3263. If this proposal were adopted, have you considered what would happen to those branches of Approved Societies that consist very largely of serving men?—(Mr. Dudley): I am sorry but we have not considered any other societies besides our own, so that we could not answer that question.

3264. You have not considered whether the effect of your proposal would be to break up some important branches of other societies?—We have not.

3265. Your proposal is that if the man is married when he joins the Army or becomes married during the time he is serving, the maternity benefit payable to his wife should be paid by the Army authorities?—(Mr. Lewis): That is so.

3266. What is the maternity benefit in your Society at the present time?—Six shillings over the standard rate.

3267. It is 46s. instead of 40s.?—Yes.

3268. What maternity benefit would you suggest should be paid by the Army authorities?—(Mr. Dudley): 40s.

3269. So that in respect of that small element in a man’s life transactions, the effect of him joining the Army and manifesting that amount of patriotism, would be that his society membership would be terminated and his wife’s maternity benefit would be cut down from 46s. to 40s.?—(Mr. Lewis): Yes; but he would not have to pay any contributions.

3270. The present position is that the contribution is paid wholly by the War Office?—Yes.

3271. As part of his Army pay?—Yes.

3272. So far as contributions are concerned, the position would remain the same?—That is so.

3273. But the maternity benefit would be cut down by 6s.?—Yes, in the case of societies who are giving extra.

3274. Now, what do you propose to do when that man is discharged from the Army? Would you give him the right to come back to the Hearts of Oak?—Yes.

3275. An absolute right?—Yes.

3276. Suppose that he does not serve out his full term but after four or five years is discharged from the Army because he has become a permanent invalid?—(Mr. Dudley): We would take him back. (Mr. Lewis): That is our idea.

3277. You give him the right?—Yes, an absolute right.

3278. Would you expect anything more than the normal transfer value?—Yes, we should.

3279. How would you propose that the transfer value which you would expect should be ascertained?—By remitting the subject to you.

3280. Do you consider that it is a feasible proposition to ask any actuary to estimate the particular

transfer value appropriate to a person who may be in any state from perfect health down to seriously impaired health? Do you think that is a serious proposition?—Yes, it is perfectly serious, and I think you could quite well do it on an average one with another.

3281. Do you take persons with impaired health into the Hearts of Oak on your independent side?—(Mr. Dudley): Not as a rule.

3282. Do you ask your actuary to estimate the additional contribution that a person of impaired health should pay your Society?—(Mr. Lewis): Yes.

3283. What does he say?—He gives us a rate and we charge accordingly.

3284. He gives you a rate?—Yes, for the particular individual, and we charge accordingly.

3285. Do I understand that you do take persons of impaired health into the Hearts of Oak Society on its independent side?—(Mr. Dudley): Not if we know it.

3286. I am afraid I cannot reconcile the replies you are giving. One of you says, “We do not take them if we know it,” and the other one says, “We not only take them but we ask our actuary to quote a special rate and he gives it to us.”—(Mr. Lewis): I think the explanation is that until quite recently we did not take any impaired lives into the Hearts of Oak on the private side at all, and we do not take them still on the State side. But it was found that quite a lot of business came our way and that, although it was not absolutely first class, it was quite good. We have, therefore, now decided in such cases as that, after the case has gone before our Committee, to remit it to the actuary, and he has to say whether he will rate the age of the man at a higher rate than he would otherwise do. It has now been laid down that it can be remitted to the actuary. I do not know that there have been any cases.

3287. So that you have yet to learn what the use of the actuary will be?—He has indicated to us that he is quite prepared to advise us.

3288. Does this scheme of yours for the independent side contemplate taking people into the society whose health is so far impaired that, if they were serving soldiers, they would be discharged invalided?—(Mr. Dudley): If they had been members before.

3289. I am speaking of the independent side now. You told me that you have arranged to take people who are not quite in first-class health at a rate above age?—(Mr. Lewis): Yes.

3290. What I want to know is, does that scheme extend so far as to make eligible for the private side of the society members of His Majesty’s Forces who have just been discharged from the Forces on the ground of invalidity?—No. But in that case you are considering individuals. In this case we are considering groups, and we say that if a man has been in the Army and has simply gone out and ceased to pay his contributions altogether, he would have the absolute right to come back. That is the position, but at the present moment that man would not leave the society. If, however, we had a whole group of them, we should not have the slightest hesitation in taking up the position I have stated.

3291. You just now said that you would not take those persons man by man at the normal transfer value. Now you speak of taking a whole group of them, which rather suggests that you would take them on the normal terms?—No. We suggest here, I think, quite clearly that an increased transfer value should be given. We suggest that you could quite easily arrive at some figure that would be equitable both to the men, to the War Office, and to the society. That would cover the risk of all these men taken together.

3292. Your scheme would fail if the Royal Commission or the Ministry were advised actuarially that that could not be done?—Certainly it would.

3293. Suppose that the scheme were brought into operation, when one of your members joined the Army and left the society, you would have to pay

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away his transfer value. He would be just in the same position as a person ceasing to be employed?—Yes.

3294. Would you agree to pay away a transfer value inclusive of the value of any additional benefits current at the time when he left you?—You have really raised another point to my mind. You are raising that question of the rate of maternity benefit. If it can be done, and an increased transfer value were to go with the man and his maternity benefit were to be increased, I would say that that was quite equitable; but if the maternity benefit were to be a flat one of £2, then I think only a flat transfer value should go.

3295. Now let us look at it from another point of view. What is your rate of sickness benefit at the present time?—18s. for men.

3296. And the disablement benefit is 9s., is it not?—Yes.

3297. Suppose a member joins the Army and therefore leaves your society?—Yes.

3298. At the moment he is entitled to sickness benefit of 18s. Is it not equitable that the society should pay a transfer value that related to that 18s. when he leaves the society? You have asked that that should be paid?—Yes, but that was because he was going to get something more on the maternity benefit. I think it would be equitable, if he were going to get a maternity benefit of a greater amount, that a greater transfer value should be debited.

3299. If you ask that you shall be relieved of members who have joined the Army, would you not be prepared to say that you would give up the funds you hold in respect of those members?—I do not see why we should give them up. Who is going to get them? If the member were to benefit, by all means.

3300. You have asked that the member shall, in effect, be turned out of your Society by statute?—No, I have not exactly. I have asked that he be suspended and that he be given the absolute right to come back.

3301. Forgive me, but what is the difference in your mind between "suspend" and "terminate"?—"Terminate" would imply that the man would have no right to come back. If you simply suspend him while he is in the Army, he has the absolute right, no matter what condition he may be in, to come back to the society and to be entitled to the benefits then being given by the society immediately on his re-entry into the society. He has no waiting period or anything.

3302. May I draw your attention to paragraph 141, where you finish up by saying that the insured person should be treated as if he had ceased to be insurably employed and that his membership of his Approved Society should terminate accordingly?—Yes. "Terminate accordingly." That is perfectly true, because he is no longer a member of a society while he is in the Army.

3303. Just now you drew a distinction between "terminate" and "suspend"?—Yes.

3304. Apparently you do not intend that?—I certainly do.

3305. Do you mean "terminate," as you say here, or do you mean "suspend"?—(Mr. Dudley): Suspend for the time being, while he is in the Army.

3306. But the membership then is suspended for the time being and you propose to pay a transfer value in respect of him to somebody?—(Mr. Lewis): With the greatest respect, I think that what I have said I made perfectly clear, and that no very useful purpose is being served by discussing the exact meaning of the word "terminate." We suggest that in the case of a man who goes into the army, contributions should not be paid to us on behalf of him, but that whatever condition he may be in when he comes out we cannot refuse him. We have got to take him back.

3307. I quite understand that, but does that imply that his transfer value will be surrendered by the society when his membership is suspended?—Yes.

3308. Will that transfer value be related to the benefits to which he is entitled at the moment when he is suspended?—I have already answered that question in this way: that if the man is to get an increased benefit for the transfer value, we would be agreeable to an increased transfer value. If he is to get nothing more than a flat benefit, then nothing more than a flat rate of transfer value should be taken.

3309. So that if your society is paying 18s. it comes to this, that you will only pay away a transfer value relating to 15s.?—Unless the man is to get more. You can make it perfectly clear this way—

3310. We know perfectly well that while the man is in the army he gets no sickness benefit at all.—Quite so. If a society has a higher rate of sickness benefit, seeing that he only gets one benefit while in the army, there is nothing to hinder you from allowing him a higher maternity benefit.

3311. Suppose at the moment he leaves the army his society is paying 16s. a week sickness benefit. At the time when he comes back on his discharge, if his society is paying 20s. sickness benefit, would he be entitled to the full rate of sickness benefit if he had been out of the society so long a time that he had contributed nothing towards the surplus that was enabling it to pay the 20s.?—Yes.

3312. The answer is "Yes"?—It is.

3313. On the limiting of cash benefits in connection with additional benefits, I want to know why you want to enforce upon other societies apparently what is your view, that part of the disposable surplus shall be applied in treatment benefits?—We do not wish to impose our view upon any society. We simply suggest to this Royal Commission that that would be beneficial to the population as a whole and that they should recommend its imposition.

3314. I am looking at paragraph 152 of your Statement where you say: "Reviewing the position from the point of view of the insured population as a whole, witnesses desire to emphasise that, in their opinion, a definite proportion of any disposable surplus certified by the Government Valuer should be distributed in the form of additional benefits in kind." That is, I take it, a definite recommendation by you?—To this Royal Commission.

3315. That all societies shall be advised to apply part of any disposable surplus to these benefits?—It is a recommendation to this Royal Commission to consider that, and, if they agree with us, for them to recommend that to Parliament.

3316. Why do you desire to impose your view on all other societies, including possibly those societies who do not agree with you?—We do not desire to impose our view upon people; we simply suggest to the Royal Commission, as this paragraph says, that that would be beneficial to the country at large, and that therefore it should be imposed on the country at large. We consider that treatment benefits are of a very important nature, and that while benefits in cash should be increased, probably they have got to a reasonable maximum, and that now benefits in kind are of greater importance to the health of the people than are benefits in cash. As to imposing our views, we are only making a suggestion.

3317. (Chairman): It is a constructive suggestion?—It is a suggestion which was made by the Minister of Health long before we made it.

(Chairman): You are entitled to make constructive suggestions.

3318. (Sir Alfred Watson): Is not the fundamental basis of Health Insurance administration through societies that the societies have full liberty within the limits of the Act to distribute their surplus in the way that seems best to them?—Yes.

3319. I notice that you propose that a definite proportion of the disposable surplus shall be applied to benefits in kind in a case where the surplus is small. Would not that have the effect of spreading the additional benefits in such a way that neither in cash nor in kind are they of any material value?—Suppose the disposable surplus was only one unit.

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You would have 6d. a year per member to spend on treatment benefits. You can do something with 6d. I admit it is very small, but we are giving dental treatment with a reduction of 6d. in our cash benefits.

3320. A reduction of 6d. in your cash benefits, I suppose, gives you something like 1s. a year per member to spend in other directions?—As we have three-and-a-half units, it leaves us with three. We had three-and-a-half units and we took half a unit.

3321. You have reduced the cash increase of sickness benefit to 3s.?—Yes.

3322. You have applied the value of that half unit, as you call it, to treatment in kind. What does it give you to spend on treatment in kind? How much per member per year?—£27,000 a year, I think it is.

3323. That is something like 1s. a member?—Yes.

3324. Is that sufficient to do anything really valuable?—Quite.

3325. Suppose a society was only in a position to pay 1s. a week extra sickness benefit. I understand you would enforce on that society a beggarly addition of 6d. a week to sickness benefit?—Would not that society be in exactly the same position as we are, if it had this one unit, if it halved it and gave one half to dental treatment, if it decided on dental treatment.

3326. I understood you to say you were in favour of applying the sum that you did not expend in sickness benefit to treatment benefit?—Yes.

3327. I am now asking you, when you talk about a definite proportion, what is going to be the state of the society which is only able to increase its members' sickness benefit by 1s. a week, if the Act comes along with a mandate that some part of the fund that could provide the 1s. a week extra sickness benefit shall be given to some treatment benefit. That is what you propose?—Yes.

3328. Is not that spreading a small surplus in such a way that the result is practically no good to anybody?—I do not think it is; it is proportional.

3329. (Chairman): Is it to be pooled?—No. This is a question of benefits in kind and cash benefits, and we suggest that whatever the surplus of the society may be it should be required to devote part of its surplus—we suggest 50 per cent.—to benefits in kind.

3330. (Sir Alfred Watson): Just to get it in a concrete form, your proposal is this: if a society is in a position to increase its sickness benefit by 1s. a week and to do nothing else, it shall be allowed to increase its sickness benefit by 6d. a week and to employ the other half of its disposable surplus in providing benefits in kind?—That is so.

3331. And you see no difficulty in that?—I do not.

3332. Can you give us any more definite suggestion as to the proposition in paragraph 157, that the administration of additional benefits in kind should be placed on a more uniform basis? What is in your minds there?—Really what was in my mind when this was written was the various systems there are for dealing with dental treatment. We do not give anything except nursing and dental treatment as benefits in kind, but we felt that there were in all probability societies which were giving optical and other forms of treatment and that they are all having different systems, just as societies which give dental benefit have different systems. We thought, now that the Ministry has had a certain amount of experience, that it would be in a position to issue statutory forms and regulations so as to bring all the societies more or less into line.

3333. Do not you think that such a policy would lead to the suppression of the Approved Societies and to the pooling of the whole thing?—If I had thought so, it would not have been here.

3334. Does it not tend in that direction, if societies are to have regulations and administrative orders forced upon them at every turn, each one of them filching away a little of the liberty of managing their own affairs which the societies have got?—If the societies were not so used to regulations and to being

tied up at every point, I would agree; but as they are quite used to them, I cannot see it would make much difference.

3335. Having had a certain amount of control forced upon them by the Act of Parliament, you think that every vestige of liberty might as well be taken away from them?—No, I do not suggest that at all. I have made a great point all along of the liberty that the Approved Societies have had. The curtailment of their liberty a little bit by bringing them all into line in this one respect and making them all go along the best possible uniform lines is not, I think, likely to endanger their existence.

3336. It seems to me that the cumulative effect of your proposals one after another is to take away a great deal of their liberty?—Well, I am afraid we must agree to differ.

3337. Taking your next section, I come to this very difficult question of the benefits of insured persons who are in-patients of hospitals or infirmaries. In paragraph 169 you propose that where a person is an inmate of a hospital the benefit should accumulate to a maximum of £50?—Yes.

3338. You have not got it in your Statement, I think, but I want to ask you a question about this. Is not part of the difficulty in many cases that you have very little means of establishing as a fact that the insured person is incapable of work? The customary proof is not coming along to you?—No; I do not think that is a great difficulty, because the person is an inmate of an institution, and we do not find great difficulty in getting certificates from these institutions or hospitals. That is not our trouble; it is the accumulation of money.

3339. What is the position where a person is perhaps an inmate for part of his time of a lunatic asylum and part of his time of a workhouse?—He is an inmate of these institutions.

3340. If you have no difficulty in establishing the fact that were the person at liberty in the ordinary sense of the word, sickness benefit would be due, I do not know that there is any great strength in your argument that you should not pay that sickness benefit when he comes out?—Really the greatest point in my own personal feeling with regard to this matter is this. These people are in these institutions. They may be in for years. Even out of the comparatively small amount that constitutes sickness or disablement benefit, considerable sums have accumulated. In the end these people die and somebody comes along—the next of kin—who has not taken the slightest notice of these people during their lives and has not gone to see them, and claims that money. Now, I am emphatically against that. If you were to say that in the case of the people who come out alive, the whole of the money should be payable to them and not only the limited sum, I am sure we could agree upon that entirely, although we do suggest a limited sum in our statement. It is that payment to people who have not taken the slightest interest in the inmate that we particularly object to.

3341. (Mr. Besant): I should like to go back for a moment to a remark you made this morning which has been followed up by what Sir Alfred has asked you, and that is about the admission to your Society of persons in impaired health. I think you told us with regard to the deposit contributor that you had not refused a single case in your society?—That is so.

3342. Did you take in any or many cases where you knew that the individuals were in impaired health?—I really could not say that offhand, but I should think they would be subject to the same scrutiny as other people. I do not think there is the slightest doubt about it that when the deposit contributors came along, they would be subject to the same scrutiny as any other persons. But I know that no deposit contributor has ever been turned down.

3343. In other words, if you had a deposit contributor who at the moment he applied to you was in bad health, you took him automatically?—No, do

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not take that from me. If we knew that a deposit contributor was in bad health, we certainly would have refused him admission.

3344. I thought you told us that in not a single case has any deposit contributor been refused?—That is so. But I say that had a deposit contributor in bad health applied we would have refused him. Such a thing, however, has not happened; we have never had one.

3345. In other words you took the whole lot?—Every deposit contributor who has ever applied has at any rate said that he or she has been in 'good health and we have taken them.

3346. Then if you took in a certain number like that, did only your officials know it?—Probably only the clerks in the office knew it.

3347. Do you think that other societies would be taking in deposit contributors more or less on the same lines?—That I could not tell you. But I want to emphasize the answer I gave a moment ago as to why it was only the clerks who would know it. It is only a case where there is any question of refusing admission that would go before a committee. The clerks in the new business section of the office have absolute power to admit everybody, provided that it is a clear case. But if there is anything questionable about an application for membership, then it has to go either before one of the officials or a committee.

3348. But suppose it became known amongst deposit contributors that your society would take in anybody, to put it in that way, you might have a certain selection against you, which would do a great deal of harm to your members?—That is quite true.

3349. Then coming to the question of choice between cash and treatment benefits with which you deal in paragraph 147, can you say anything in support of that somewhat startling statement that lack of experience of the latter had no doubt great influence in guiding societies to choose cash benefits? I was wondering whether you can give us anything in support of that?—I think really when the increased benefits came out there was a considerable amount of diffidence on the part of societies in touching anything except cash. They had no experience whatever in dental treatment or anything else than cash and medical benefits. My own Society had not had experience even of medical benefit, because, as I told you on the last occasion I was here, we never gave medical benefit; unlike the Foresters and the Oddfellows, we have never given anything but cash and maternity and one or two similar benefits.

3350. The difficulty in my mind is this. If as between the two sets of benefits you confess you have knowledge of the one side and no knowledge whatever of the other, how do you support your conclusion in paragraph 157, where you say that one half of the total disposable surplus should be left to the judgment of your members who know all about the cash, and, so far as I can gather, know nothing about the other?—That is not true to-day. I am talking of when the first valuation came out and nobody had any knowledge at all of non-cash benefits. We have had, however, a considerable amount of experience now in working non-cash benefits.

3351. May I take it, then, that paragraph 147 relates only to the position following the 1918 valuation?—Entirely.

3352. Then do you feel on the whole that your members would like to give up cash for treatment benefits? I do not know if that is so, because in paragraph 151 you give us an indication that although one society might provide dental treatment an insured person might want optical treatment and so on?—I can answer that pretty well from the experience of our Society. Originally we gave solely cash benefits and nothing else. Then we started to give nursing under Section 21 of the 1911 Act. Then there was a considerable demand for dental treatment. We then gave dental treatment under Section 21, and afterwards we decided to stop

that. It was becoming such a heavy charge on the funds that we decided to give dental treatment as an additional benefit out of our surplus. In order to do that we decreased the additional cash benefits which we had been giving from 3s. 6d. to 3s. and diverted 6d. to dental treatment. Now, as far as I am aware, there has never been one complaint received about the reduction of the cash benefit, and a great deal of satisfaction was expressed at the provision of dental treatment. All the letters that have come before me personally on the matter are not complaints against not giving more cash benefits or taking away the 6d., but rather that we do not give other benefits, such as optical treatment.

3353. My point was that if you are going to curtail the liberty of your society to devote its surplus as it likes, which is, I understand, the legal position to-day which you want altered, will not you stir up rather a nest of hornets as to which particular type of benefits the 50 per cent. of the surplus which has to be applied to treatment benefits is to be allocated?—I do not think you would, because at the present moment there is a certain amount available for treatment benefits, and you might just as well anticipate that there will be trouble over that as over the allocation of the suggested 50 per cent.

3354. My point is that at the moment it is for your members to decide how their own money shall be used, and you point out in paragraph 151 the difficulty and dissatisfaction that arises if a member wants optical treatment and finds that only dental treatment is provided. I cannot help feeling that if you curtail the liberty of the society and put it outside your own power to devote the whole 100 per cent. of your surplus to your own purposes and what your members want, and limit that to 50 per cent., that that will cause more dissatisfaction of the kind you refer to in paragraph 151?—I do not think that the limitation of the cash benefit to 50 per cent. would be any great difficulty or that it would cause any great trouble. I think it would really be in the interest of the Approved Societies themselves and of the population as a whole that the societies should be guided into this line. The large societies are already giving some form of benefit in kind, and it was strongly impressed upon us by a former Minister of Health that we should devote a large proportion of our surpluses to benefits in kind. Societies had had no experience of benefits in kind at that time. They knew cash benefits and they simply went for cash benefits; but many of them have seen that it would be better to give treatment benefits, and they have decreased the cash benefits just as we have decreased ours and have gone for benefits in kind. I think if you made this statutory you would only be doing what in a great many cases would be done voluntarily.

3355. In other words, would you rather do by statute what you are doing at the moment by education?—Hardly that. I think that while a great many will do it it would be better to bring all the Approved Societies into line.

3356. On the whole, you would be willing to give up your liberty as regards 50 per cent. of your surplus for a scheme which you think would serve your members, do you?—Yes, I think it is worth it. Any theoretical curtailment of liberty in this way would be justified.

3357. The Minister might say, instead of giving up your liberty with regard to 50 per cent., you must give it up for 100 per cent.?—You mean there would be no cash benefits at all?

3358. That is so; all might be taken away from you and all the benefits might be put on to another scale. I venture to think that it is somewhat dangerous to give up half your liberty and say that it is to be put in a certain statutory form. I wanted to make it clear whether you are prepared, at any rate, to consider the possibility that, if you put forward that, a statute may go a great deal further towards curtailment of liberty than you are now indicating?—The risk does not frighten me. (Mr. Dudley): It has been stated before that the insured

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[Continued.]

persons create the surplus, and that they were entitled to it. We think that the use of 50 per cent. in providing treatment benefits will improve the nation's health. They have the statutory sickness benefit of 15s., and the surplus could be divided up in the way we suggest.

3359. The whole of my point is whether the liberty which belongs to your members in dealing with a surplus which they themselves have earned ought to be taken away and put, as regards half of it, into a certain cast-iron compartment, as it were?—We do not say that you should do that. We say that all surpluses should be divided half in cash and half in kind.

3360. But at the moment your members, if they wish it, could have it all in cash, and you are going to say that their liberty shall be curtailed, and that under no circumstances shall they have more than 50 per cent. in cash?—That is so.

3361. Is there not a danger if you indicate that particular line of development that somebody else may come along and say: "As we have taken away 50 per cent., we will take the whole surplus"?—I do not think so.

3362. (*Miss Tuckwell*): In paragraph 155 (1), you speak of "the efficient society." Do you think that efficient administration is responsible for surpluses?—(*Mr. Lewis*): To a certain extent; yes.

3363. Low expenditure on benefits does not necessarily mean efficiency within the meaning of the Insurance Act, does it?—No, not necessarily.

3364. What would be really efficient would be to pay benefit as long as the member needs it, so that he might not come back unnecessarily soon?—A society should not pay benefits to persons who are not entitled to them, but only to people who are entitled to them.

3365. Quite; but an efficient society is one which restores its sick members to health, is it not—which can continue benefits sufficiently long and which does not cut off its benefits too soon?—Yes.

3366. Do not you think that is rather a contradiction of your suggestion that efficient administration is responsible for surpluses? Efficiency does not seem to be quite the word?—What I mean to say is that an efficiently managed society will in all probability accumulate surpluses. Even some of the badly managed have managed to accumulate surpluses; but on the whole badly managed societies do not get the same surpluses as well managed societies.

3367. With regard to the limitation of additional cash benefits, you are not opposed to the addition to normal benefits?—No.

3368. Tell me your view about the unemployment benefit being greater than the sickness benefit?—That is to the advantage of the society. Formerly people on the border-line of incapacity would tend to go on the sick fund. They will not do so now, because it pays them to receive unemployment benefit.

3369. Do you consider it desirable that medical benefit should be extended to dependants of insured persons?—Yes.

3370. Have you ever considered the question of cash payments to dependants?—No. We consider that something should be done for dependants and we consider that medical benefit is a more important benefit than cash benefit. Therefore we suggest providing medical benefits to dependants.

3371. You have not got any further than that?—No.

3372. Because those paragraphs of yours, which are on big national lines, do not suggest such limitations?—No; but then we come back to the crux of the question, namely, £ s. d. We felt that in going for medical benefit to dependants we were going as far as we dare go at the present moment. We should have liked to have gone further. Sir Alfred Watson challenged me on the question of drugs. We should have liked to have gone for drugs, but we could not go for everything and we thought that if we went too far the Royal Commission would not con-

sider it at all. We felt that half a loaf of bread was better than none.

3373. So that what has been holding you back has been the questions put by Sir Alfred Watson? I will not say that. I mean the question of cost.

3374. That is, the finance?—Yes; that is more correct. I will not say that that was so in every case; but in the great majority of cases what has held us back was consideration of the cost.

3375. Otherwise you would be with me in extending it?—Yes. We would not curtail if the money could be found.

3376. (*Mr. Evans*): In the last sentence of paragraph 149 you say: "The existence of a multitude of varying schemes of additional benefits among insured persons does undoubtedly give rise to dissatisfaction among such individuals." We have 10,000 Approved Societies and branches, I think. Do you think it would be advisable to reduce the number of Approved Societies?—Really that is not what I was meaning here at all.

3377. I know, but what are your views?—It may sound hard and unconscionable, coming from the secretary of a large society, but I think societies should be reduced in number. There are a great many societies—tiny little things—which cannot possibly do any good to anybody. There is not administration allowance enough for them to be administered efficiently, and it would be in the best interests both of National Health Insurance as a system and also of insured people generally if these things were wiped out.

3378. That would tend to more efficient management and also to members being more satisfied?—Yes, that is so.

3379. One question on paragraph 163, where you mention that 80 per cent. of the cases in question are mental cases. I suppose they are in lunatic asylums or mental hospitals?—Yes.

3380. I suppose you must have had instances in your Society where these people have died in the institutions?—Yes.

3381. What has happened when there is any money standing to their credit?—If it has been claimed by the next-of-kin, and if title was properly proved, then of course it has been paid over. If not, it is simply lying in our funds still.

3382. Not appropriated by the Ministry?—No. It is still with us.

3383. (*Chairman*): Are these sums earmarked in any way, or do you appropriate them?—They are earmarked in this way, that we have the record of the man's benefit and the amount of benefit that he was entitled to. That record is in the office, but the actual cash is, of course, just merged in the funds of the Society. (*Mr. Dudley*): It is usually claimed by the next-of-kin.

3384. (*Mr. Evans*): But suppose it is not claimed by the next-of-kin?—It is in the Society's funds.

3385. Is it set aside, or is it mixed up?—(*Mr. Lewis*): It is immixed as far as the cash is concerned, but we have a record in the office showing that this money had accrued in favour of So-and-so and had not been paid. If any person claimed it, it would be simple enough to turn it up. But my colleague informs me that most of it is claimed by the next-of-kin.

3386. (*Mr. Jones*): In regard to these moneys, perhaps you will remember how we arranged this question of institution certification in Glasgow at the beginning of things?—I am afraid I have no clear recollection of that.

3387. The difficulty immediately arose. I was able to arrange it first of all with the Corporation institutions, and then we arranged it with the general institutions and I think it spread from there to the British Hospitals Association and to most of the institutions throughout the country. That, I think, is the history of it. You have no difficulty, at any rate, in obtaining such certificates?—No, none.

3388. You do not make any payment for these certificates, do you?—No.

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[Continued.]

3389. Would it not be an equitable thing to make payment to these institutions of these unclaimed balances?—Does not that come back to the question of rate-aided institutions? Rightly or wrongly, my Society is opposed to that.

3390. Suppose we leave out the rate-aided institutions and think of the voluntary institutions?—I think there is a good deal to be said for that. I can say that because in our evidence we make certain recommendations as to hospitals.

3391. You have suggested the creation of a special body to administer dental benefit,—Yes.

3392. And I think you also suggested the creation of a separate body to administer optical benefit?—Yes.

3393. Sir Alfred Watson instanced the case of a society with a small surplus—say a single unit. One-half of it might go to cash funds and one half to benefit in kind. Does not that make for chaos in the value of the benefits that would be given to members by societies throughout the whole country?—I do not think it makes for chaos, but certainly in such a case it would mean that only a very small proportion of the cost of treatment could be paid by the society. In the case of dental treatment the great proportion would require to be paid by the man himself. But still it would help the nation to get better teeth, and that is a desirable thing. It would also assist the society in the end to pay a higher rate of benefit because it would mean less drain on its funds.

3394. Your distribution of your surplus funds led to dissatisfaction within your own Society, or there was a demand for other benefits?—It was hardly dissatisfaction, but there was a demand for dental treatment.

3395. At any rate, it arose out of the fact that your members knew that some societies were giving dental benefit and you were not?—Yes.

3396. Is not this likely to create more demand throughout the country by members of societies which are not able to give these benefits?—Yes; but the majority of societies can give treatment benefits. Even if a society has not enough money to give additional cash benefits it usually can give some sort of treatment benefit.

3397. Might it be suggested that they should devote the whole of the surplus to treatment benefit instead of cash benefit?—(Mr. Dudley): The Society is opposed to that. (Mr. Lewis): It is; but the question is whether it should be compulsory. (Mr. Dudley): We do not recommend that. (Mr. Lewis): We do not; but I think there is something to be said for it, because with the amount of benefit that the societies are giving now, and with the knowledge that the pound sterling is worth more than it was when the last valuation results came out, I think there is much to be said, where the amount of the surplus is very small, in favour of its being entirely devoted to treatment benefits.

3398. Whichever one you adopt it is going to lead to a great variation in the value which the members will receive from the several societies?—Yes.

3399. If you have a variety of bodies administering these separate benefits—dental, optical and any others that you like to think of—where are we drifting in the matter of a national organisation?—Could not these benefits be administered in the same way as medical benefits?

3400. You have never said so. You suggested here some special body?—I did, but you could have that special body consisting of dentists, for instance, and the Ministry of Health. I do not think the dentists have anything equivalent to the British Medical Association, but I daresay if dental benefit were to become a statutory benefit some body would be formed and the Ministry of Health could, through that body, administer the dental benefit.

3401. (Professor Gray): Your statement in paragraph 148 that 81 per cent. of the schemes submitted contained no provision for additional benefits in kind is somewhat misleading, is it not? If you

made the corresponding statement for insured persons you would get a very different figure, would you not? The suggestion in that paragraph is that the vast bulk of the schemes make no provision for treatment benefits. Is not that to a large extent because one large Affiliated Order containing many units gave nothing but cash benefits?—I do not know.

3402. If you give a corresponding figure for the number of insured persons you get a very different result?—In all probability you would.

3403. You refer to the confusion of schemes of additional benefits. I think there are two kinds of confusion which you have not always separated. In the first place you are troubled because different societies give different kinds of things under the same title. Dental benefit means one thing to one society and another thing to another?—Yes, that is so.

3404. And you would like uniformity?—I think it is highly desirable.

3405. But that would not meet the point, would it, of your insured person whose society gave a different kind of benefit from what he wants?—No, it would not.

3406. So that in order to meet that point would not you have to go a stage further in uniformity and lay down a certain order of preference; e.g., that in all cases "optical treatment" should come before "surgical appliances," and so on?—I hardly think that would be quite fair, because you must consider the different types of societies, and some of the members might desire one thing much more than another. What I suggest, therefore, with regard to lack of uniformity is lack of uniformity in forms used and also, as you have very clearly pointed out, lack of uniformity in interpreting the same expressions. For instance, "dental benefit" in some cases means extraction only; in other cases it means attending to the teeth; and in others it means the giving of dentures. You do not know what it means.

3407. It seems to me that your other expression of uniformity would not meet more than one of the points?—It would not.

3408. Then may I take up the vexed question of prudence and efficiency? I am sure you would not claim, and no one would claim, that the existence of a surplus depends solely on prudence and efficiency?—No, I would not claim such a thing.

3409. It is only one factor amongst others?—That is so.

3410. I think by "inefficiency" you mean wastefulness and carelessness of every kind?—Yes, I do.

3411. If you say, as you do say in paragraph 155, that a certain plan which you suggest would still enable an efficient society to offer a higher benefit than a mal-administered society, you do not mean that all efficient societies give more benefits than all mal-administered societies?—No.

3412. There are well-administered societies consisting of unhealthy people?—Yes.

3413. And there are badly administered societies which have a healthy membership?—Yes.

3414. I am rather troubled with your recommendation—simply because I cannot understand it—for some measure of finality with regard to evidence of incapacity. This is in Chapter IV (6) of your Statement. You want an amendment so as to provide for some measure of finality in regard to evidence of incapacity?—Yes.

3415. Are you not asking for the moon there?—No, I am not. I would like, if the Chairman would allow me, to ask a question. My Society has a specific case on this and it is going to appeal before the Ministry. Would I be in order in mentioning that, or is it *sub judice*?

3416. (Chairman): Can you describe it in general terms without discussing the merits of it?—Yes. Generally speaking, the position is this. We have a man who has been ill for some time and we have referred him to a medical referee. The medical referee considers that he is capable of work, and

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[Continued.]

the panel doctor says he is not. What is to happen next? The case has gone to arbitration and we want to have it laid down that as a medical referee is a specialist, and has the power to call in specialists, his word should be final.

3417. (*Prof. Gray*): But is not that the commonest case in the world? In every case that comes up you have conflicting evidence. It is the business of the society to take all the evidence you have got and, weighing up the evidence, to come to some conclusion. It is proverbial that doctors differ. In this case you have got one doctor saying one thing and another doctor saying another; but you cannot lay down by regulation or Act of Parliament that one doctor is right and the other is not?—No; but you can say that where a body of men is set up, such as the referees, to guide the societies in these matters, their decision should override that of the panel doctor, and there should be no question as to whether the society should pay benefit or not. We say that if the medical referee is there for any useful purpose at all, his decision should be final.

3418. (*Chairman*): That is your view?—That is what we say.

3419. (*Prof. Gray*): Your view is that the referee ought to be regarded as infallible by Act of Parliament?—Yes.

3420. (*Chairman*): As final?—Yes.

3421. (*Prof. Gray*): Do you not think that any such suggestion as that amounts to a shuffling off by the society of its responsibility?—No, I do not. I do not think it is sensible even to imagine that where you have medical evidence on the one hand—and, I submit to you, superior medical evidence, namely that of the medical referee—you should then put it to a body of people who are not doctors and ask them to decide between these two things. I submit to you that is absurd.

3422. (*Mr. Cook*): In the course of your replies you made a comparison between your own society and other societies, and said that some societies worked badly, and that, of course, was their own fault. Do you not think that societies which exercise less discrimination than you do in the selection of lives may not have been carrying out even more fully than you do the real spirit of the National Health Insurance Act?—(*Mr. Lewis*): If you were to say that all insured persons have to go into Approved Societies, then I would be with you entirely, but as long as the law allows us to select, I consider that we are justified in selecting. I do not say that the law should give us that right, but it does.

3423. I was struck with the want of logic in the position that you are now taking up and the position you took up formerly in advocating the abolition of the deposit contributors. You want deposit contributors to be accepted by societies as a matter of compulsion?—Yes; but I submit to you that it is quite logical. Although I may not say a course is right, if it is lawful I am entitled to take it.

3424. Whether it is right or not?—Yes. So long as the law allows me to do it I am entitled to do it.

3425. Your Society evidently attaches so much importance to the value of dental treatment that you are even prepared to sacrifice a portion of your surplus, or, at any rate, to pool a portion of your surpluses?—Yes, we are.

3426. To secure the same valuable treatment to every insured person?—Yes, we are.

3427. Here, again, do not you think that there are other benefits which are just as essential to the health of the community as dental treatment undoubtedly is?—(*Mr. Dudley*): We do not think so.

3428. For instance, adequate nursing and convalescent treatment?—We have had experience of that.

3429. Good surgical advice and many other forms of medical treatment to which one might refer?—(*Mr. Lewis*): One reason why probably we have taken this line is that a very great number of our insured members are also our private side members. We give convalescent home treatment on our

private side, so that the great majority of the State members can have convalescent home treatment if they like. As to nursing treatment, we give that on the State side, but we find it has been an absolute failure. The people will not have it.

3430. Then my experience differs from yours.—That may be; but that is our experience. We find that in the matter of treatment benefits the overwhelming desire in the Hearts of Oak Society is for dental benefit. There is nothing near it.

3431. My point of view is that where a man requires specialist treatment of any character that man has reached a stage when it is necessary that the maximum of assistance should be provided for him?—Quite.

3432. If these benefits, as you admit, are just as essential as dental benefit, to which you attach so much importance, you are logically bound, I think, to sacrifice another portion of your surplus to secure those benefits for everybody?—I am afraid I cannot entirely agree with you in that. We think there is an overwhelming case for dental treatment, and in order to get dental treatment as a statutory benefit we are prepared to pay for it and to sacrifice part of our surplus. We do not suggest pooling surpluses because we approve of pooling surpluses, but in order to get what we want we are prepared to pay for it.

3433. But you do approve pooling surpluses once you are satisfied that a certain benefit is highly desirable and beneficial?—We put it the other way round. We say that it is so desirable that we are prepared to go against our previous views and to pool.

3434. (*Miss Tuckwell*): Is the position that the society has got all the other forms of treatment on its private side, and that it can therefore concentrate on dental treatment?—No; on the State side we only give nursing and dental treatment, but I dare say that one reason why there is no desire for convalescent treatment is that on the private side we give that. Our net membership is 600,000, so that the great majority of State members are private members too. (*Mr. Dudley*): And they get the convalescent home benefit from the private fund and not from the State fund.

3435. (*Mrs. Harrison Bell*): I want to refer to the infirmaries and institutions where benefits accumulate. It is suggested that benefits should accumulate as at present up to £50. Why do you demur to providing any sums over and above that £50 towards the maintenance of the sick persons in the institution?—(*Mr. Lewis*): As long as it is not a rate-aided institution there is no reason. But if it is a rate-supported institution, then my Society would certainly be against using the sickness benefit to relieve the rates.

3436. Even if you had ultimately to pay it away to somebody who had done nothing for the sick individual? I take it from the answer of one of you that these residual amounts are claimed by the next-of-kin usually?—They are at the present moment, but we suggest that that should be stopped entirely.

3437. You suggest that that should be stopped, and that the accumulations should remain in the funds of the society?—Either that or that it should go to the upkeep or the assistance of the institution, provided it is not a rate-aided one. If it is a rate-aided one, and the amount cannot be used for the benefit of the individual member, then it should remain in the hands of the society.

3438. (*Miss Tuckwell*): Will you let us have this point quite clearly? I understood all along that the Hearts of Oak concentrate on the desirability of dental benefit all round. I would like to know what other benefits they provide and look upon as desirable, either on the private side or in any other way?—On the State side there are, of course, the cash benefits and medical benefit. In addition to that there is dental treatment and nursing. On the private side we give cash benefits—I cannot go through the various rates because they depend upon

the various tables—and convalescent home treatment—usually three weeks at a convalescent home; it might be longer, or it might be shorter—and maternity benefit, just the same as on the State side. Also, when a member reaches the age of 70 there is relief of contributions. We also have a Benevolent Fund, and if members are in distress we can make grants to them. That is absolutely within the discretion of the Executive Council; the member is not required to prove anything. There is also £15 fire insurance for workmen's tools, and relief of contributions, as well as the benevolent grant and insurance against imprisonment for debt.

3439. (Chairman): What do you do with that?—If you are imprisoned for debt the society has the power to pay your debt for you and get you out.

3440. (Miss Tuckwell): What is the maternity benefit on the private side in addition to the Health Insurance payment?—It is 30s. in addition.

3441. (Prof. Gray): Your nursing on the State side is under Section 26, is it not?—Yes.

3442. (Mr. Jones): I should like to ask some questions on Chapter IV (6). What is your system of arbitration?—First of all, if there is any dispute at all it goes before the Committee in whose province the dispute falls. The constitution of the society is that there are three permanent Committees. Suppose the office thinks that a man is not entitled to benefit and refuses to pay benefits. That man can simply write up to the society, and the complaint goes before the Benefits Committee. The Benefits Committee then decides whether the man is to get benefit or not. If it decides that he is not to get it he is written to and told that under the rules he may appeal to the Appeals Committee. He then simply writes an informal letter to the Appeals Committee, and it considers the whole facts of the case. That is a different Committee, and it decides one way or the other. If it decides against the man, then a letter is written to him saying that the Committee has decided against him, and that he has the right of appeal to the Board of Arbitrators. The deposit for that is 5s. Prior to this there is no deposit or anything else—no regulations whatever. We will say he appeals to the Board of Arbitrators. He then has to deposit 5s. We then make out a statement of the society's case, which we send on to him, and ask him to make out his statement of the case in reply. That comes back, and we answer it and submit a copy of all the documents to the Board of Arbitrators, call them together, and then a decision is made. Of course, any party aggrieved can then appeal to the Ministry.

3443. Is that four or five separate proceedings?—First of all there is the Benefits Committee, then the

Appeals Committee, then the Board of Arbitrators, and then the Ministry of Health.

3444. That is four?—Yes; but the first two are very informal and involve no cost whatever. As a rule the member writes.

3445. (Chairman): Is the procedure speedy?—Yes; it is a matter of days.

3446. (Mr. Jones): But as against all that present arrangement your feeling is that the opinion of the Medical Referee should be final?—Yes, it is, because honestly I do not think that laymen should be entitled to question medical opinions.

3447. Unfortunately, perhaps, I have lived so long among doctors that I have not the same confidence in their decisions as you have. This may be a very simple matter for the society, but may it not be a very serious matter for the individual?—(Mr. Dudley): I agree, it is. (Mr. Lewis): I do not see how he is going to be worse off.

3448. I have taken the trouble to carry with me the particulars of certain cases. I would not like to inflict the whole thing upon the Commission. I may have been unfortunate in my relationships with the medical referees, but I have particulars of a case here of a shipyard worker who, his own doctor says, is unfit for work. He was operated on on several occasions and his panel doctor still certified him to be unfit for work. Then he went to the Medical Referee, who certified him to be fit for light work if light work could be found. Would you take such a certificate as that as finally disqualifying him for benefit?—No, not on that certificate. It is problematical.

3449. Perhaps the medical referee cannot help being biased. Do you think it is not impinging too much on the rights of the insured person to cut him off finally on the decision of the referee?—I really do not. But quite apart from that, I certainly think that laymen such as myself should not be entitled to question that. The case I mentioned before is perfectly definite. One says the man is fit and the other says he is unfit. I do not think I am capable of judging between those two.

3450. Is not the Sheriff called upon to decide these questions on the weight of the medical evidence every day in court, and why should not some intelligent body of laymen come in?—Really, I do not agree with you that laymen should question professional men's opinions. However, I should like to say that we are, to the best of our ability, trying to carry out the principles laid down by the Ministry in Memo. 280 A/I.C. of July, 1922. To illustrate the matter I have here certain tables which we should like to submit.

(Document handed in.)

TABLE.

Cases referred to Regional Medical Officers and certified fit for light work from July to November, 1924.

Date of Exam.	Age.	Occupation.	Committee's decision.
JULY.			
31st	61	Block Helper ...	"Allow month to declare off."
25th	51	Engineman ...	"Ask intention as regards declaring off the Fund."
21st	19	Joiner ...	"Allow seven days to find suitable work."
10th	49	Labourer* ...	"Agent to advise member to find work. Review in two months if still on."
14th	37	Arsenal worker ...	"Allow three months to find suitable work."
7th	41	Domestic ...	"Allow month to declare off."
10th	64	Office Cleaner ...	"Unless member finds work in a month it will be necessary to place her off the Fund."
8th	49	Labourer ...	Member declared off.
1st	37	Steelworker ...	"No action."
1st	38	Housework ...	"Allow two weeks to declare off."

* Further examined 4th November. See entry for that date.

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[Continued.]

In them we have analysed the people who have been sent to the regional medical officer from 30th June last and who were certified by him as being capable of light work. You will see we gave 16 people from one week to three months in order either to find light work or to declare off the funds; in three cases the committee decided to keep them on the funds meantime, but to review the cases at the end of a month; nine were invited to find light work—of course they were still on the funds; in four cases no action was taken; four members declared off; and as a matter of fact only two of all these were put off by our committee. There is this further to be said, if I may. It might be thought that our suggestion is not consonant with the spirit of the Act. I submit to you

most respectfully that it is. All we are asking for is, that where the medical referee says "fit for work" with no qualification as to light work, and the doctor says "unfit for work," the medical referee's opinion should override that of the panel doctor. In cases where he says the person is capable of light work we have no objection to looking at that point, but we consider that that opinion should still override the panel doctor's. If the panel doctor says "incapable of work" and the medical referee says "capable of light work," we think that we should only have to consider the latter certificate.

3451. (*Chairman*): I think that is enough for to-day. We shall continue your examination next Thursday.

(*The Witnesses withdrew.*)

EIGHTH DAY.

Thursday, 4th December, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B., M.D.,
P.R.C.P.
SIR ALFRED WATSON, K.C.B.
SIR ANDREW DUNCAN.
MR. A. D. BESANT, F.I.A.

MR. JAMES COOK, J.P.
MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MRS. HARRISON BELL.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
MR. J. W. PECK, C.B. (*Assistant Secretary*).

Mr. HEZEKIAH DUDLEY and Mr. J. P. LEWIS, recalled, and further examined. (*See Appendix IV.*)

3452. We begin to-day with Chapter IV (7) of your statement, separate accounts for different countries. In paragraphs 215-221 you raise important questions relating to dealings with the several National Departments. Your Society is valued as one unit and not in National units, but you have to requisition funds from four different Departments and have to keep eight separate sets of records of benefit payments (four for men and four for women), and four sets of records of investments. These complications arise essentially from the fact that there are four separate and separately administered National Health Insurance Funds. Are you advocating a single Central Department and a single Fund? If not, how do you suggest that the need for keeping separate accounts with each Fund is to be avoided?—(*Mr. Lewis*): We suggest, Sir, that we should simply be allowed to requisition funds from, say, the Ministry of Health here, seeing that our registered office is in England. At the present moment we return all our cards to England, and I understand that some allocation is made between England and the various other countries in respect of our credit in the several National Health Insurance Funds. We suggest that no useful purpose is served by splitting our records into four and requisitioning funds from Scotland, Wales and Northern Ireland, as well as from England; that we might as well draw all our money from England.

3453. Chapter IV (8), transfers of membership between societies. On the question of transfer of a member from one society to another (paragraphs 222-226) I take it you desire to bring the procedure for this more into line with the procedure for dealing with benefit disputes, that is, that the society should deal with transfer disputes by some form of judicial hearing, subject to appeal to the Minister instead of, as at present, the Minister being a sort of court of first instance. Is that the case?—To a certain extent. But one thing we do think is that the onus of proof should be more on the member than it is at the present time. A man may be dissatisfied with his society, and quite wrongly dissatisfied, and we do not know officially why he desires to transfer; we are not allowed to ask; and there is nothing on the record to show why he is transferring, and therefore when it comes before the Minister he does not know the reason for the desire to transfer at all. We cannot say, with a membership of 433,000, that the loss of one member is detrimental to us, and yet the reason for desiring to transfer may be simply because we have, for example, quite rightly fined the man.

3454. Can you give us figures of the number of transfers to and from your Society in the course of a year?—(*Mr. Dudley*): 3,878 transfers in, 664 transfers out.

3455. In how many cases did your Society withhold consent to transfer in the year 1923, and in how

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[Continued.]

many of these was the transfer allowed to go through notwithstanding the Society's objection?—(Mr. Lewis): We did refuse consent to transfer at one time but we saw that really it was worthless doing so, because we could not make out a case that the transfer would be detrimental to the Society. I am speaking from memory, but I think it is really our practice now never to refuse consent; and that would apply to 1923 as well.

3456. Do not you consider that in a compulsory scheme of insurance freedom of choice both of society and doctor should be given to the insured person, and that he should be allowed to make a change in either case if he so desires?—To a certain extent we do, I agree; but at the same time where a member has been, say, fined, quite rightly fined, and is in consequence dissatisfied with the society I think he should be required to state why he desires to transfer and that cause should go before the Minister.

3457. (Sir Alfred Watson): With regard to the abolition of dissection of statistics between the various countries, how would you deal with this difficulty: the State grant of two-ninths comes in the case of Great Britain out of the Imperial Exchequer, and in the case of Northern Ireland out of the Northern Ireland Exchequer. If you only made one claim to the Ministry of Health here for all four countries, would it not be impossible to separate the State grant?—I speak subject to correction, but I do not think so. Our suggestion relates to the issue of funds only. We are quite prepared, of course, to draw up our final accounts in four forms. At the present moment it is only an estimate that is sent in to the Ministry, an estimate a month in advance, so that any State grant that may be calculated upon that is bound to be wrong. I do not suppose it is calculated upon that, but when the close of the year comes and the accounts are made up we know exactly what our expenditure is and the State grant would be based on the correct figures.

3458. I think I am right in saying that at the present time, whatever the provisional arrangement, the State grant for Northern Ireland is calculated on the exact expenditure in Northern Ireland?—Quite so, but you do not know that until the close of the year. Before that you have only an estimate.

3459. Is the question that you raise here only one of issue of funds?—Certainly.

3460. It would not relieve your accounting complications, your having to keep eight separate accounts?—It would not prevent our keeping eight separate accounts, but it would allow us to make one set of eight calculations per year instead of twelve sets of eight calculations. We have to make a calculation each time for England, Scotland, and so on, and we send that in to the various Departments. We have to do that twelve times a year. If we got what we ask we would simply requisition all our money from England, seeing that is our principal country, and at the end of the year we would make one set of calculations of the eight different divisions and that would be the final account.

3461. Then you are prepared to supply the Department with the necessary material both to keep separate National Health Insurance Funds and to get the right State grant from the Imperial Exchequer and from the Northern Ireland Exchequer?—Yes. It is only with regard to the issue of funds.

3462. With regard to transfers, in paragraph 226 you say "it should be the duty of an insured person, subject to the right of appeal, to satisfy his society that he has a real and legitimate reason for desiring to terminate his membership." Supposing he is a member of a Friendly Society or an Industrial Insurance Society and desires to join a Trade Union Society, being a strong trade unionist, according to your proposal he would have to satisfy his society that that was a real and legitimate reason?—I do not think anybody would challenge such a reason as that at all. That is not the sort of thing I have in my mind.

3463. No, but that is the kind of question that might arise, is it not?—Well, if that did arise it would come up on appeal to the Minister, and I should think the Minister would take the view that if a member wished to join his Trade Union Society he certainly should be at liberty to do so.

3464. I am not suggesting for a moment that a society like the Hearts of Oak would ever dream of regarding that as other than quite a legitimate reason, but we must recognise the fact that there are many thousands of societies, and that in some cases they would be extremely loth to let their members go. Is it quite desirable that that sort of thing should have to be a ground of appeal to the Minister?—I think the present position is so absolutely unfair to Approved Societies that the position you are suggesting, even if it were unfair—which I am not prepared to admit—would be much less unfair than the present position is. How can a society prove to anybody's satisfaction that the loss of one member is going to be detrimental to it, and yet that man in many instances ought to stay with his society because he is simply aggrieved at a penalty due to his own negligence or fault.

3465. If he is in fault or has been negligent does the society really want to keep him? You say it is unfair. Is not a society willing to lose a troublesome fellow?—No, I do not think so. As you know, we have members on the private side, and if everybody we had fined on the private side were got rid of, I do not think there would be much left of the private side of the Hearts of Oak Benefit Society.

3466. Do not you think a system which multiplied appeals to the Minister would in the long run create much dissatisfaction?—No, I do not think it would. It would be fairer even if there were more appeals than under the present system.

3467. Do you think the Hearts of Oak has suffered under the present procedure? I think I heard you say there had been 3,800 transfers in?—3,878 transfers in and only 664 transfers out.

3468. That does not seem to me as if the Hearts of Oak can have suffered?—I am not suggesting it is suffering. All I am suggesting is that it is wrong and should be put right.

3469. (Mr. Besant): Paragraph 222. May I take it that the Hearts of Oak take the view that an insured person should have absolutely free choice of society?—Absolutely, with this exception, that he should be required to explain why he wishes to transfer; otherwise we agree that there should be absolutely free choice.

3470. I find it difficult to harmonise your suggestion in paragraph 222 with your suggestion in paragraph 226. It seems to me to be not just a slight modification but to underlie the whole question, and the fact, as Mr. Dudley told us, that you have had nearly 4,000 transfers in and only 600 transfers out does seem to indicate that you have made it a little difficult for members to go out. I wanted to know whether you had been acting on the policy indicated in paragraph 226 of not letting a member go if you could possibly induce him to stop with you?—That is hardly the position. What we are thinking of is really the disgruntled member who is aggrieved with his society when he really has no reason to be, and I think the whole position should be capable of coming before the Minister. If I might refer to Sir Walter Kinnear's evidence, I think he makes it exceedingly clear in reply to Question 661. Sir John Anderson asked Sir Walter, referring to appeals on transfer, "Have you had many such appeals?—(A.) I have the figures here. There were 800 cases of transfer in December 1923, and I think in 10 cases the society's objections were upheld. (Q.) That is in one month?—(A.) Yes." Then Sir John Anderson in Question 667 asks "The matter is determined on the papers?—(A.) Yes, on the papers." Again in reply to Question 669 Sir Walter says, "A society might fine a member for some breach of the rules—quite properly fine him—and the member might want to get away

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3471. Perhaps you can answer my question in another form. You said you had got by this method six members in to one going out. I cannot understand why you do not have as many going out as coming in unless in some special way you bring some influence to bear which makes one six times as great as the other?—Of course we canvass for members just as any other society does, and the society gives fairly good additional benefits. I think it is generally known throughout the country that it is a fair-dealing society, and has a good name. I think really that is the reason. The reputation of the Hearts of Oak is the principal explanation of our getting so many more transfers in than transfers out. The transfers out are, I think, in the majority of cases, transfers of people who either wish to join a trade society or who remove to some place where we have not any local organisation, and desire to deal with a local society.

3472. If it is the case that you get six times as many in as go out, does not it show that on the whole you should let those people who want to go have the liberty which the Act now gives them, and not curtail it?—Probably in 99 cases out of 100, yes—perhaps the figure is even higher—but there is this one man referred to in Sir Walter Kinnear's evidence in respect of whom we wish the true position to be revealed to the Minister.

3473. I was dealing with my own question for the moment and not with Sir Walter Kinnear's view. As far as I can see, the number of members you are going to lose even under the existing machinery is only a few hundred a year?—We admit that.

3474. You admit the transfers in are six times as many as the transfers out?—Absolutely.

3475. Admitting that, is it not a pity to disturb the whole machinery of the Act and put your members under the thumb of the administration or of the official instead of having their liberty?—No, I do not think so. I think the position at present, even if it is more or less negligible to us, is an unfair one and should be rectified.

3476. You would curtail the liberty of your members to that extent?—To the extent of ascertaining the reason for desiring a transfer so that in the event of an appeal it could be known to the Minister.

3477. In other words it is not the man's sense of hardship or wish to go that is to govern it, but your views as to what his wishes ought to be?—No, I am not prepared to go as far as that. All we wish is that the true facts of the case should be brought to light, so that they may be fairly dealt with by the Ministry if it does come to an appeal.

3478. In other words the man's judgment should be curtailed in your view. That is what it comes to?—Yes, it comes to that in the end, but the reason for that is that the full facts may be known to the Ministry.

3479. (*Miss Tuckwell*): I suppose this occasional difficulty with regard to transfer would not arise if the benefits of all societies were the same and the procedure was the same?—Do you mean there would not be the same desire to transfer from one society to another if all benefits were exactly the same?

3480. Yes.—I do not think that is at the root of it because an insured person transferring from one society to another does not get the increased benefits for five years, so the increased benefits that are given by a society are little immediate attraction. I think it is more its method of government and its general reputation for its manner of paying benefits.

3481. So that it would turn much more on the procedure of the society than on these postponed additional benefits?—I think so. As a matter of fact we frequently have people who transfer to a society that is giving smaller benefits than ours. The mem-

ber desires for some reason or other to join some local society, or to join his trade society, and we would not think of refusing that.

3482. Do you carry on your work in every town and village in the country?—We do. If we have a member in any place at all we cater for him in some way, but it is only in the larger towns or where we have a big membership that we have a local agent; otherwise the member is dealt with directly from the head office. Of course it is only since 1918 that we have had any agents at all. Prior to that everything was done by post.

3483. There would be some places dealt with centrally where you have only perhaps two or three members?—Yes.

3484. What is your view as to the desirability of collecting the few stray members of many societies into one single local society?—I have hardly thought of that at all, and if it involved anything in the nature of compulsion of course I should not support it; but if such persons voluntarily chose to band themselves into a local society certainly I could see no objection being taken to it.

3485. To carry it a bit further, if you associated that local society with the Local Authority of the area, do not you think there is a good deal to be said for that?—I think if you had a local society it should be run on the present lines of an Approved Society.

3486. You would not connect it with the Local Authority?—I can hardly conceive that would be either necessary or advantageous. The society could govern itself quite well, just as an Approved Society does at the present moment.

3487. You could take the deposit contributors in any area into it?—We have already suggested that deposit contributors should be allocated to societies. We advocate the abolition of the Deposit Contributors Fund.

3488. (*The Chairman*): Chapter V (1), Medical Attendance at Confinements. In paragraphs 240-249 you urge that free medical attention to women in respect of confinements and all illness arising therefrom should be included in medical benefit and not paid for, as at present, out of the maternity benefit. Have you made any attempt to estimate the cost of this extension, either as an addition to the contribution or as an addition to the capitation fee for the doctor?—No, frankly, Sir, we have not. We do not think we are in a position to do so. We think it is a desirable thing. I think it is a matter for negotiation probably between the Minister and the British Medical Association.

3489. If this were done do you consider the maternity benefit should still remain as at present, that is, £2 or £4? If so, to what purposes would the mother apply it? Perhaps to maintenance of herself and the child during the four-week period when she is debarred from remunerative employment by the rules?—Personally, I think some maternity benefit is desirable then, because, apart altogether from medical attendance at confinement, a mother requires extra nourishment, and things like that. Therefore we think there should be some maternity benefit, but I certainly consider it might reasonably be modified from the present £2.

3490. Have you any information to give us as to the extent to which maternity benefit is absorbed in the doctor's fee or the midwife's fee for the confinement?—No, I am afraid we have not. (*Mr. Dudley*): All we can say is, that out of 1,619 maternity claims the number of doctors was 609, and the number of midwives was 1,010. That means that a midwife is much cheaper than a doctor. If the doctor knows that the insured person is getting £2 or £2 6s., whatever the benefit is, he generally puts up his fee accordingly. Fees have risen in my district from 10s. 6d. to £2 2s. at the present time.

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[Continued.]

up their fees accordingly. They know the insured persons are getting a certain amount of money, and they have raised their fees accordingly. To prove that, out of 1,619 cases over 1,000 have had a midwife's certificate.

3492. (*Miss Tuckwell*): In paragraph 249 you say that there are justifiable grounds for including free medical attention to women in respect of confinements and all illnesses arising therefrom. Both under National Health Insurance and before that under the Factory and Workshops Act four weeks after confinement was the period during which women were not to work?—(*Mr. Lewis*): Yes.

3493. Do you think that is long enough? Do not you think we have reached a point at which it would be desirable to extend that period, if only to six weeks?—You are asking me what I think is really a medical question. I do not feel competent to give you a proper answer, but if you will take my answer for what it is worth I certainly do think the period should be extended.

3494. What about the time before confinement? It seems to me, coming to it fresh, that there must be a good many cases in which a woman would go on working before confinement when she ought not to, particularly as the Insurance benefit is not very large, and it may be that she was earning more than the benefit is. Have you any views about that?—No, we have not. (*Mr. Dudley*): I am afraid that must be left to the doctor in every case.

3495. I really do not think so. I do not want you to give me a medical opinion, but I do think this question of the health of mothers and children is of vast importance, and we ought to consider it quite apart from the doctors?—(*Mr. Lewis*): Speaking generally, if you will take our answers for what they are worth, our opinion is that these persons should be helped as much as possible. That is the opinion of my Society. I have no hesitation in giving it to you in that way provided you attach no medical value to it; just take it as a layman's opinion.

3496. The sickness benefit is not really enough, as we know, to keep a pregnant woman. Would it not do away with temptation to work too long and to return to work too soon if something which we should consider full and healthy maintenance for the mother and child was payable?—Yes. It would be good, in my opinion, for the country as a whole.

3497. (*Mr. Jones*): I should like to know just what you mean by "Medical attention and treatment at confinements." Do you mean this should be entirely a medical service?—I mean that a woman should be entitled to everything that she requires at confinement.

3498. The heading of your chapter is "Medical attention and treatment at confinements." At the moment, taking the Glasgow figures, 60 per cent. of the confinements in Glasgow are in the hands of midwives. Do you suggest that this should cease to be a midwife's service and become wholly a medical service?—No, I do not think that was our intention at all. What we had in our minds was that the woman should be entitled to all the attention she required; but we would suggest you could bring in the midwives, that if people wanted to be attended by midwives they quite well could. You could bring in the midwife for this purpose just the same as you have the doctor, and let the woman choose.

3499. The simplest method would be, would it not, to include this simply under the general heading of "Medical benefit to dependants"?—It would hardly come in there. Where the woman was an insured person herself she would not come in as a dependant.

3500. If you included such service to women generally, it would apply?—Yes.

3501. The smaller number would be married working women?—Yes.

3502. If the majority of women chose a midwife and certain others wished to have a doctor, how do you think that should be dealt with?—I think either you could bring the midwives in just as you brought the doctors in for general medical attention, or you

could in some way arrange for the society to pay the midwife whatever fee was necessary for full attention. We have not been able to get down to details of how it should be worked. We merely suggest to you that it is most desirable that women should have this attention.

3503. I think on the whole it is a relatively simple matter if you put it merely "such medical attention as might be necessary," and not make maternity service by medical men universal?—We have no intention of confining it to medical men at all. So long as the woman gets what service she requires we do not care.

3504. (*Miss Tuckwell*): I suppose you would say "certified midwives," would you not?—Yes.

3505. (*Prof. Gray*): You do not suggest seriously in paragraph 243, do you, that the reason why attendance at confinements is excluded from medical benefit is because it is outside the competence of the general practitioner?—Not at all.

3506. The fact is that in certain areas a great deal of this work is done by midwives?—Yes.

3507. For the reason, amongst others, that there is not a doctor to do it in many cases?—That is so.

3508. So that by sheer want of a doctor it has to be done by a midwife?—Yes.

3509. With regard to your suggestion about adequate medical attention, is not the idea underlying the whole scheme this, that maternity benefit is meant to pay the cost of the doctor and medical treatment?—I thought it went further than that.

3510. Possibly further, but it includes that?—Yes.

3511. As far as medical treatment is concerned at the time of confinement the maternity benefit is meant to cover that?—Yes.

3512. If you look at the Act of 1911 and consider the two cases, first, the uninsured wife of an insured person, and, secondly the wife of an insured person who is also herself insured, you find a distinction which is of importance from the point of view of your argument here. The position there is this, is it not, that the uninsured wife was entitled to a maternity benefit?—Yes.

3513. In addition you get this, Section 8 (6) "Where a woman confined of a child is herself an insured person, and is a married woman, . . . she shall be entitled to sickness benefit or disablement benefit as the case may be." So that under the Act of 1911 in that case she got maternity benefit plus sickness benefit?—Yes.

3514. The only exception to sickness benefit was the single woman who was excluded from that benefit for four weeks?—Yes.

3515. So that at that time the position was, was it not, that you had maternity benefit which was meant to go for medical treatment, and sickness benefit which was to take the place of wages in the case of a woman who was working?—Yes.

3516. Under the Act of 1913, Section 14 (3), that sickness benefit was stopped?—Yes.

3517. And in its place there was substituted a second maternity benefit?—Yes.

3518. So that of the two maternity benefits, one is really a maternity benefit for medical treatment, and the other is for maintenance purposes?—Yes.

3519. You do not suggest, do you, following that, that in the case where there are two maternity benefits the doctor takes the whole lot? Your paragraph 248 rather suggests that in the case of an uninsured wife the doctor charges £2, and in the case of an insured wife he charges £4?—No, I do not think he does that.

3520. Where £4 is paid there will be £2 left over?—I do not know that there is as much as that left over, because our experience, for what it is worth, is that where the doctor knows there is a bigger amount coming in his fees rise accordingly, but I do not suggest they rise to the extent of £4.

3521. In what sense are you suggesting that a woman is debarred from adequate medical attention if she gets a payment to meet medical charges?—We suggest that practically the whole of the money

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from maternity benefit goes in paying for the confinement, and that she may require much more attention than that and she has not got the money with which to pay for it. We suggest she should not only get her attendance at confinement, but if she does not recover rapidly she should be attended by the doctor free of all charge until she is thoroughly well.

3522. Is not your argument one which is more applicable, in fact only applicable, to the single woman who is confined?—Much more applicable to the single woman, but not solely.

3523. Let me take another point which arises out of this matter. If you make this part of medical benefit, would there not be an awkward question as between an insured and uninsured wife? If you include this in medical benefit obviously the insured wife gets it as part of medical benefit?—Yes.

3524. Then what about the uninsured wife of an insured person: in respect of what would she get medical treatment?—You have to go back to the beginning. We suggest medical attendance for dependants. As a dependant of the insured person she would get it.

3525. This is bound up with your suggestion with regard to medical benefit otherwise you would have two scales of medical benefit, in some cases including confinement, and in other cases excluding it?—Yes.

3526. (Mr. Cook): I understand, Mr. Lewis, your contention is that it ought to be competent for the insured woman in a case of confinement to call in the doctor on the first day after confinement if necessary rather than on the tenth day?—Yes.

3527. You have suggested, and I think Mr. Dudley also has suggested, that the fees claimed by doctors have risen out of all proportion to the general increase in the service?—We do suggest that. (Mr. Dudley): Yes, we do. I can confirm that from statements I have had made to me.

3528. That presents the medical profession in rather an unfavourable light, does it not? (Mr. Lewis): I do not think it is for us to criticise the medical profession.

3529. Perhaps not. You have, however, gone so far as to state that where £4 instead of £2 is received the doctor's fee has again been increased?—I have no proof to bring before this Commission of that, but certainly from what I have heard from our own members the general tendency is that where the insured person is a member of a society that pays £2 the doctor's fee is somewhere near £2; if a person is a member of a society that pays £2 6s. maternity benefit the doctor's fee is pretty near £2 6s., and so on.

3530. (Professor Gray): May I ask how the doctor knows?—I think with a big society it is pretty well known what all its benefits are, and the doctor as a rule knows to what society the person belongs. (Mr. Dudley): They generally ask the question.

3531. (Mr. Cook): Have you considered the advisability of limiting by Statute the fee that a doctor may charge to an insured person?—(Mr. Lewis): No, we have not considered that.

3532. You do not think it would be a wise policy?—Generally speaking, I would have as few limitations as possible in anything. It might become necessary to do that, but I would rather not if it could be avoided.

3533. The insured person ought to be protected?—I agree with you there, and particularly protected as regards health.

3534. Precisely, because after all is not the benefit payable under the Act intended to meet not only the medical costs of the case but also to provide in many cases little extras that are required on an occasion of that sort?—That is absolutely our point. In answer to the Chairman I think I said that maternity benefit might be reduced but still we would not abolish it because we consider a woman does require extras at these times.

3535. (Mrs. Harrison Bell): What is the practice of your Society with regard to the insured woman

who becomes incapable of work before her confinement? Does she receive ordinary sickness benefit then or not?—That is rather a difficult question. In some cases, of course, the woman does not wish to go to work simply because of her appearance. Then, of course, the Society has to consider that, and if it is only a feeling of not desiring to go to work sickness benefit is not properly payable; but in a very great number of cases a woman is not capable of going to work and, of course, benefit is then paid. There is a little difficulty there, but in the great majority of cases they are clearly incapable of work and benefit is paid.

3536. I take it there are very few of such cases as you first spoke of for the reason that wages are more than sickness benefit and a woman will not give up her wages for sickness benefit unless she really has to?—Perhaps not. In any event there are a fair number of cases where they come on the fund and benefit is paid.

3537. (Sir Humphry Rolleston): With regard to the increase in doctors' fees, will you tell me what the amount was before the war?—I am sorry I cannot give you figures. (Mr. Dudley): I can speak for the village I come from, just outside Dudley, and I know the doctors there charged at one time 10s. 6d.; then it went up to £1 1s.; now, I believe, the charge is £2 2s.; and, of course, if a person can afford to pay more—I am now speaking of the private person—it is £3 3s.

3538. I want the figures with regard to the question we are dealing with?—I could not give you the figures before the war. I think the general charge to the insured person was £1 1s.

3539. And now it is double?—Now it is double.

3540. What about the midwives?—I have not much experience of that, but I think their fee before the war was about 7s. 6d.

3541. What is it now?—15s.

3542. That is double, too?—That is double, too.

3543. As regards the condemnation they are much in the same box. Is that so?—I am afraid they are.

3544. (Chairman): Chapter V (2), provision of specialist medical service. I see from paragraphs 250-254 that you advocate the inclusion of specialist medical service as part of medical benefit, and you suggest this extension should be financed from the disposable surpluses, indeed as a first charge on them. Do you suggest that this extension should be administered by the societies or by the local Insurance Committees?—(Mr. Lewis): We appreciate that this is a very difficult service to institute. We do not suggest that it should be administered by the societies. It should be administered, in our opinion, somewhat on the lines of medical benefit.

3545. Then how would you arrange it? By payment of a capitation amount from the societies to every Insurance Committee in whose area any members of the society are resident?—I do not know that that would really work, because specialists are not scattered all over the country in the same way that general practitioners are. We think it should be administered directly by the Ministry of Health and probably the payment would be made directly by them. (Mr. Dudley): I also think the Regional Medical Officers might give doctors some assistance with regard to the treatment of patients.

3546. Would you give the extended medical benefit only to members of societies who have the necessary surplus?—(Mr. Lewis): No, we would give it to all.

3547. Would the application of the surplus to this purpose be within the discretion of societies (subject to approval of the Ministry) or compulsory in all societies having a given amount of surplus?—We would go rather further than you have suggested. What we thought was that this specialist service, if possible, should be set up, and that it should be a first charge on 50 per cent. of the surplus of societies; and if it could not be paid out of that you might even draw on the other 50 per cent. We are quite prepared for that, and as we are not against some modified form of pooling of surpluses for treatment benefits, my

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Society, I am sure, would be quite prepared to pool a small part of its surplus to assist those societies that had not a surplus and could not give this service.

3548. But in a defined manner?—In a defined manner, which I might say we have not been able to consider, for we do not know the cost of the proposed service.

3549. We now come to the very important question of dental benefit. I see from paragraphs 255-284 that your Society is so convinced of the value of dental treatment that you suggest it should be made a uniform statutory benefit available for all insured persons to the extent of 50 per cent. of the cost. This is a much bolder step than your suggestion for specialist medical treatment, is it not?—It is.

3550. You propose that the funds be found by deducting $\frac{1}{2}$ d. from each weekly contribution, thus reducing substantially the surpluses of societies which have surpluses?—Yes.

3551. What about societies whose surpluses could not stand the $\frac{1}{2}$ d. per contribution reduction, or societies which had no surplus? Would not this disturb your aim at a universal statutory benefit?—No, I do not think so, because we are quite prepared for a modified system of pooling our surpluses so far as treatment benefits are concerned. I may say my Society feel so keenly on this question of dental treatment that, while in principle we are averse to any pooling, we are prepared to depart from that theory in order that we may get dental treatment; in other words, we are willing to pay something more than it really costs us.

3552. You suggest that the insured persons should, so to speak, make their own arrangements for dental treatment and be reimbursed to the extent of half the approved expenditure? Have you considered at all the possibilities of a capitation arrangement similar to that for medical benefit?—Yes, but at any rate just now I do not think it would work. I do not think there is sufficient experience in the country to put it on a capitation basis.

3553. Can you supply us with the material by which you arrived at your estimate of 5s. per member per annum as the cost of providing dental treatment?—We get it in this way. From the 7th January to the 6th May—four months—we paid 50 per cent. of the dental treatment, and that worked out over our membership at an annual rate of 2s. 6d. per member.

3554. That is for four months?—Yes. The cost really was a little more than that, but we consider it was an abnormal time; there was such an influx that at a normal time it would work out at about 2s. 6d., and therefore if that was 50 per cent., 100 per cent. would be 5s.

3555. (Mr. Besant): Did you say that 2s. 6d. is for four months?—That is the annual rate it worked out at on the basis of four months' experience.

3556. (Chairman): You only had four months' experience, and on that basis you say it would work out at 5s. per member per annum?—(Mr. Dudley): 2s. 6d. per member per annum for 50 per cent. of the cost.

3557. (Sir Alfred Watson): Paragraph 283. I understand you arrive at a sum of 2s. 6d. per annum for this benefit?—(Mr. Lewis): We suggest 2s. 6d. per annum; in other words, 50 per cent.

3558. 2s. 6d. per annum would in your view cover 50 per cent. of the cost?—That is so.

3559. In paragraph 283 you say that would amount to just over $\frac{1}{2}$ d. per week. Have you brought in the State grant?—No.

3560. Those figures would have to be adjusted to bring in the State grant?—Yes.

3561. You would not exclude that?—No, we do not suggest that, but you understand this is only an approximation, because I do not think in the country there are sufficient data to give any absolute figures.

3562. I quite understand that, but in point of fact if a calculation is made it has to be made on seven-ninths of the cost, has it not?—That is so.

3563. (Miss Tuckwell): Can you tell me what proportion of the cost of dental benefit has been paid

by your Society?—From the 7th January to the 9th May we were able to pay 50 per cent. of the cost, but that was becoming so expensive that very reluctantly we had to reduce it from the 9th May of this year to the proportion at which it stands now, 25 per cent.

3564. It is now 25 per cent. What does the average cost per case come to?—£2 6s. 8d.

3565. On the average how much has the insured person paid out of his own pocket?—I am sorry I cannot tell you exactly what the insured person has paid. But roughly it is just under £4.

3566. Out of his own pocket?—Yes. That is on the average for everything.

3567. How many of your members have been unable to pay their share of that cost?—I am afraid we cannot give you that evidence, because a dental letter is issued and we do not know in all cases why they do not come back.

3568. Could you give me a rough idea, because it does bear on the whole question?—I cannot, but if we can give any information we will send it later.

3569. Then we could get what proportion that was of the whole?—Yes.

(The Witness submitted at a later date the following facts:—From 7th January, 1924, to the end of that year, 10,888 "dental letters" were issued, and of these 1,650 were not proceeded with for reasons not known, but, presumably, inability to pay.)

3570. To come back to the main question, if a person is certified as needing dental treatment is it not in the interests of the society that he should have that treatment?—Decidedly.

3571. If a doctor certifies that treatment is necessary, would it not be better that there should be a direct right to that treatment without regard to the Approved Society?—Probably that is an ideal system, but of course we were only looking at it from the point of view of the Approved Society and the benefits it gives. If you give the whole population dental treatment so much the better.

3572. In paragraph 283 you propose to divert to the Central Fund a halfpenny out of the weekly contribution. Do you propose dental benefit should be administered through Approved Societies?—I would rather see it administered by some body to be set up composed of representatives of the Ministry of Health, the dental profession, and the Approved Societies.

3573. Supposing the cost of dental benefit was provided from the Central Fund, would you still want it to go through the Approved Societies?—We should prefer to administer it in that way, through a central body composed as I have suggested.

3574. As it would form part of medical treatment, would it not be easier for the insured person to get a certificate from the doctor and go straightway to the dentist for treatment?—Yes, but I think you must set up some body to draw up regulations, forms, and rules, and generally to see that the administration is properly carried out.

3575. Do not you think the Insurance Committee could do that?—It might. Our suggestion is not one that must necessarily be followed. We simply put it forward as a suggestion for what it is worth.

3576. (Mr. Besant): Can you tell me how much you have paid from your Society for dental treatment?—Yes. Altogether we have expended on dental treatment £38,600.

3577. When did that begin?—1st August, 1923.

3578. How much surplus had you at the last valuation? I want to get at whether this is taking up any large percentage of your surplus?—No. The total surplus was £728,304.

3579. And the disposable surplus?—£480,000.

3580. This £38,000 has been spent by you in the last year and a half or so?—Yes.

3581. What I am trying to get at is how much of your available surplus would be taken up if this went on for five years. I take it you have spent nearly £40,000 in something over a year?—In a year and five months £38,600.

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3582. For part of that time you paid 50 per cent. of the cost, and for part of that time you paid 25 per cent. of the cost?—That is so.

3583. On the whole, shall I say, over a year 25 per cent. of the cost would have cost you £30,000 or £40,000, perhaps a little less?—Yes. There is a point there that I should like made clear to the Commission. Up to January of this year the cost, £15,800, did not come out of the disposable surplus, it came out of the undisposable surplus under section 21 of the 1911 Act, and after that date £23,000 came out of the disposable surplus.

3584. Assume you keep up to the standard of 25 per cent. which you are now paying, can you give me an estimate of what it will cost you next year? I want to see what it will be in a normal year. Would it be perhaps £25,000?—Roughly speaking, 25 per cent. would cost between £6,000 and £7,000 a year.

3585. Not more than that?—No. The reason for that is that 25 per cent. is not attractive.

3586. That means, I take it, a lot of people would like to have it but they cannot pay the other 75 per cent.?—Yes.

3587. And therefore the charge on your funds is artificially lessened?—It is lessened at 25 per cent. But as against that you must remember there is a good deal of back work to be done. Assume these figures are normal, assume there are not people kept off because we pay only 25 per cent., there are people who long ago should have had their teeth attended to and they will all come on when they can get a reasonable amount, but that will not go on for ever, it will soon die down.

3588. (Chairman): It will take some time?—Yes. Supposing the present cost is £10,000 per annum I would not suggest that it would be £10,000 per annum for the next ten years. I do not think that would be so.

3589. (Mr. Besant): Still it would be a big figure, and you hope to get a larger percentage?—Yes.

3590. And that would be cumulative; it would be not only larger to you but you would have more cases?—Yes.

3591. So it would form quite a heavy charge on your disposable surplus?—Yes, but I think we can explain easily where we can get the money from.

3592. (Chairman): You want to amplify something?—Yes. In paragraph 237 of Section B of the Statement of Evidence submitted by the Ministry of Health it is stated: "In the year 1922 about £10,000 was handed over to charitable institutions by some 138 centralised societies. In the year 1923 the sum was over £30,000. Of this total one large centralised society is responsible for no less than £11,500." The name is not mentioned but I have every reason to believe that the reference is to my Society, because the paragraph goes on to say that the society changed from section 21 to section 37, which we certainly did. Then in paragraph 245 it is stated: "It will be seen that Approved Societies, by the exercise of the powers conferred upon them by the section under consideration, may in substance modify certain statutory provisions. The skill and judgment of the Government Valuer in certifying upon actuarial grounds a certain amount of disposable surplus and in fixing an amount to be carried forward as reserve, may in effect be set aside by a society which makes substantial payments by way of donations out of its benefit fund." I wanted to say a little on that paragraph because I thought the Royal Commission might feel that societies were upsetting the valuations, and I wish to submit to you, as being the greatest culprit, that we have not done so, because at the time when we made that donation of £11,000 we had already realised from profits on our investments £60,000, and profits not taken, capital appreciation on our Stock Exchange securities, amounted to £59,900. So that there was almost £120,000. That of course did not come under the purview of the Government Valuer at the time of valuation at all, because it was created

after that, and it was really out of that £60,000 that we made the donation of £11,500. Also the return that our securities make is quite ample to allow for that extra charge. In order to give you the exact information I worked it out to last Thursday. As at the 26th November, 1924, our actual profits were £60,000, and after excluding accrued interest on securities that we hold we had a further £87,000; so we had altogether £147,000. And if you take into consideration over the last two years the capital appreciation which we have made as well as the return on interest, the actual return on our securities is £7 15s. 10d. per cent. These are all Trustee Securities of course. As you know, we must invest in Trustee Securities. It was really out of that £120,000 that we made this total payment of £38,000 for dental benefit. So that truly you may say that the valuation figures of 1918 have not in any way been disturbed. It is true that £38,000 less will come into the next valuation—I admit that—but we have not upset the last valuation figures at all because we have made, as I say, £147,000 profit and we have a return on our securities of over 7 per cent.

3593. Some is profit you have made, other is potential profit?—It is, but it is practically all Conversion Loan, and you know what that stands at today compared with what it was two years ago.

3594. (Mr. Evans): With regard to dental treatment, I think you agree that the cost of dental treatment must be a diminishing amount as soon as you have got dental clinics set up by the education authorities?—Yes, and by reason of whatever societies are able to do at the present moment. And, moreover, not only does dental treatment of itself go down but it improves the health of the insured person and that makes your sickness go down.

3595. In Chapter V (2) you refer to a specialist medical service. You have argued before now that you think all dependants ought to be brought in under one common scheme?—Yes.

3596. If they were brought in I think the preventive side would largely be a service given to children?—Yes, the proportions are certainly very much that way.

3597. To what extent do you think that side ought to be developed? I may remind you that we have a few orthopaedic hospitals in the country, which give special attention to the prevention of illness, to children suffering from rickets and so on. To what extent do you think that side ought to be developed?—We have assisted hospitals such as you have suggested by donations. Certainly we approve of the system.

3598. That is voluntary?—Yes. We gave a donation of £100 or 100 guineas to one.

3599. Do you think treatment of that kind should be made statutory treatment?—Really I have not given consideration to that at all.

3600. (Mr. Jones): Your first proposal, Mr. Lewis, is to extend general medical practitioner treatment to dependants?—Yes.

3601. How far would you propose to extend these specialist services including dental treatment?—At present we only suggest that they should be given to insured persons.

3602. With regard to the administration of these benefits you suggest direction by a central body?—Yes.

3603. Is that the most satisfactory way, do you think?—We thought it was. It is for the Royal Commission to think if there is a better arrangement than that.

3604. Is it not wasteful that each individual should be allowed to make his own contract and have to come back to you for part payment?—It would be better if you could have a capitation system, but I do not think that would work at the present moment. I do not think we have enough information to arrive at what would be a reasonable fee for either side. Perhaps it could be arranged.

3605. What was the reason for the reduction from 50 per cent. to 25 per cent. of the cost of treatment?—Want of money.

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3606. Is not that a difficulty on your suggested system of finance that is likely to arise all round?—I do not think so.

3607. If you finance this service from surplus and the next service from surplus and the demand exceeds your fund, does not that mean curtailment of services for someone?—Yes.

3608. Would it not mean some irregularity, if not complete withholding, of these services for certain other insured persons in societies which had no disposable surplus?—No. As far as dental benefit is concerned, as far as treatment benefits generally are concerned, we are prepared to pool a portion of our surplus to help those societies which cannot give it on their own account.

3609. In any event the whole thing is contingent on surplus?—Yes.

3610. It might have to be discontinued for lack of funds at some later date?—It might. I do not think it is at all likely though.

3611. There might be additional statutory benefits other than those you have mentioned brought into the scheme?—Yes, then you would require to substitute. (*Mr. Dudley*): The reason for our reduction from 50 to 25 per cent. was that we found that on the 50 per cent. basis the amount released from our surplus would not last the full year. As the cases were coming in, all the money would have been used up in seven or eight months, and consequently we had to reduce our proportion to 25 per cent. in order to spread the available money over the whole year.

3612. That is my point. Is it not a possible contingency with all these services that are made dependent on funds that are indefinite?—(*Mr. Lewis*): I agree to that. We have estimated that it would cost somewhere about 2s. 6d. per member per annum for 50 per cent. of the cost.

3613. I understand how you get at that figure. Would it not be better, *Mr. Lewis*, to make these all statutory benefits and a direct charge upon the contribution. You agree they are very valuable services?—Yes, we do.

3614. Could not they be properly secured to everybody who requires them?—Would not that mean, in the case of societies that had not any disposable surplus increasing the contribution?

3615. It might, but do not you think that would be a better way than this sort of haphazard service that some would get and some would not get?—I honestly believe that the surpluses to be disclosed at the next valuation, together with those that have already been disclosed, are quite sufficient to stand the strain of a universal dental service. I will not say 100 per cent.—I should like to see 100 per cent.—but I am not prepared to say you can go to 100 per cent. at once.

3616. Could you say the same thing for the following valuation?—Judging from my own experience, yes.

3617. There seems to be a considerable amount of evidence that if sickness is not heavier at least the demand on the doctors at the present time is very much greater, which rather indicates increased sickness?—Yes. Our experience for 1924 has been considerably above that of 1923, but a fairly reasonable surplus must nevertheless be revealed.

3618. The societies that have no surplus, if their experience for this year is the same as yours, will be worse off than they were at the last valuation?—Yes.

3619. Does not that all make this a haphazard service as regards the insured population generally? It may be all right for your Society.—I do not think so. The surpluses that were disclosed at the last valuation and the surpluses we know of already are so big that I do not think there is likely to be anything haphazard about it.

3620. If you sought to administer this through a local authority instead of centrally, would you not need to be in a position to guarantee the authority a regularity of funds in order to maintain their contracts?—Surely no more than you would require to guarantee the central authority.

3621. Before they could make satisfactory arrangements with dentists, specialists and others, would not they need to know what their position was?—Yes, they would.

3622. Would it not create disturbance or dissatisfaction if members of one society received benefits which members of another society did not?—Under our suggestion all would be receiving dental benefit.

3623. You are so sure of the financial position that all, you think, would get dental benefit?—I feel sure they would.

3624. And they would all get these specialist services?—I am not prepared to say that, because, as I think I indicated, we have no idea what a specialist service would cost. We think it is a desirable thing that should be considered by the Royal Commission, but they may decide that it is not possible.

3625. As regards the several additional services that you suggest, to which would you give precedence: extension of medical benefit (that is general practitioner treatment to dependants) or a specialist service to the existing insured?—The cost of medical benefit to dependants, we suggest, should come from an increase of contribution, and then next in order is dental treatment for the insured. That would be a charge on the surplus of the society.

3626. As far as your Society is concerned you put dental treatment for insured persons as the main service?—The first service.

3627. (*Prof. Gray*): In all your answers to *Mr. Jones* you have at the back of your mind that you are prepared to pool funds to a certain extent?—Yes, for treatment benefits.

3628. So that this question of different rates of benefit for different societies hardly arises, does it?—No.

3629. I suppose you want dental benefit as a statutory benefit apart from your additional benefits, because an insured person has to wait five years for additional benefits?—Yes. We do not consider that for this he should be required to wait five years.

3630. If he has to wait five years he reaches the age of 21 at least?—Yes.

3631. And such treatment as he gets at school clinics stops at 14?—Yes.

3632. There is a gap of seven years?—Yes.

3633. And that is one of your reasons for making this a normal benefit under the Act?—That is one reason. Another is, that the quicker we start this the better, I think, because while I have admitted it would cost 5s., or some such figure, I do not believe, taking it all together, the net cost will be anything like that, because the health of the population should be so much improved that what you pay in dental benefit you will save in sickness benefit.

3634. You have explained to us the circumstances of your contribution under section 26, and in reply to *Mr. Besant* you said your contribution in one case came out of the undisposable surplus. Would you consider that a fair description of what may take place under section 26?—I tried to explain afterwards that the payment did not even come out of that.

3635. You said the subscription came out of the undisposable surplus. I am not asking about your particular Society. Is that a fair description of the way in which Section 26 may be used?—Yes.

3636. I understand from paragraph 336 that you do realise the importance of confining benefits to those who are in the Society at the time?—Yes, we admit that, but we consider so long as section 26 stands, anybody is entitled to make use of it. (*Mr. Dudley*): Also I should like to say all our insured members are entitled to dental benefit: if not under our scheme of additional benefits we give it under section 26; so they all get it.

3637. (*Mrs. Bell*): In paying for dental treatment of your members on an individual basis and allowing them to send in their bills, are you not establishing a precedent for them to ask that their medical attendances should be treated in the same way at some later date?—(*Mr. Lewis*): We have never had any such suggestion from them.

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3638. Reverting to the number of cases for dental treatment, you are quite sure in your own mind that the present abnormal demand will not continue, that treatment will overtake the arrears, and you think, too, that the younger insured population, having been through the school dental clinics, will require less and less dental treatment as time goes on, and that there will be no accumulation of arrears that will be very expensive to overtake?—Yes. Generally speaking, that is our position. I am not prepared to say that the demand is at its maximum at the present moment; it might increase yet; but I certainly think it will be at its apex in a comparatively short time, and then not only will the curve go down itself, but it will draw sickness benefit down with it.

3639. Your demands went down when your proportion of the cost went down from 50 per cent. to 25 per cent.?—They did.

3640. That indicated that your members were too poor to pay the 75 per cent.?—Yes.

3641. That seems to be an argument in favour of a universal service?—It is.

3642. (*Sir Humphry Rolleston*): In order to make medical benefit complete, I imagine you include under specialist treatment such things as the eyes, nose, throat and teeth. Do you also include what one might call consultative medicine where you get an opinion from or an operation done by the man who has specially studied those things?—We consider that this Royal Commission should see if it is possible to give the insured population everything. We do not say it is possible. We do not know the cost. But we would like this Royal Commission to look into it to see if it is possible to give these people everything that you or I or others above us could get.

3643. Supposing a man had to have a severe operation, the probabilities are he would go to the hospital?—Yes.

3644. You have, I imagine, considered that case because you have already made donations to hospitals?—Yes.

3645. Of course, as you have admitted, the cost of this is a matter which requires further consideration?—Very great consideration, and we have no idea of what the cost would be.

3646. (*Sir John Anderson*): Mr. Jones put some questions to you about the probable finance of your scheme, and you said adequate surpluses would be available. It is true, is it not, that the surplus disclosed at the first valuation left out of account altogether the Contingencies Fund, which came into the reckoning for the first time on the second and subsequent valuations?—Yes, that is so.

3647. That, of course, is a substantial addition to your available resources?—Yes. If you take our Society alone, the sum is a quarter of a million.

3648. In putting forward your suggestions have you regarded it as important in principle to make the insured person himself pay part of the cost of dental treatment?—No. It is not a principle with us. Some people, I know, do think that he should be required to contribute something towards the cost. Our feeling is rather that, just as he is entitled to medical treatment and does not pay anything from his own pocket, so he should not be required to pay anything for dental treatment either. Our suggestion of 50 per cent. is merely that we are playing for safety.

3649. Is there not much more scope for individual fancy in the matter of dental treatment than there is with regard to medical treatment?—True.

3650. Could you conceivably leave it to the free choice of the insured person to go to any dentist he chose and have any sort of dentures or fittings or stoppings that he thought fit to ask for?—No.

3651. Could you as a matter of administration?—No, I do not think you could do that at all. What we suggest is that this body having been set up would, with the dentists, come to an arrangement that certain things would be within the scope of dental service, and forms would be drawn up and regulations laid down. If a man wanted something, quite legitimately,

more expensive than that provided for in the regulations, he would be required to pay for it, but the ordinary useful set of dentures—I do not mean objectionable things—would be given under this scheme. If he wanted fancy things he would pay for them.

3652. Do you think from your experience it would be possible to draw out a programme of dental treatment, covering all conceivable contingencies, which would sufficiently safeguard the funds?—I may be too optimistic, but I think so.

3653. Have you gone into it sufficiently to be able to form an opinion?—We can hardly say that because we are not giving the full 100 per cent. There is always a deterrent on fancy things when a man has to pay 50 per cent. or 75 per cent.

3654. I should have thought at first sight the services could not be classified with sufficient precision to enable you to say that for any particular condition a prescribed type of denture or stopping or treatment was obviously the right one. I should have thought, under any system, there must be considerable latitude for both patient and dentist?—I do not think so. It might be. I think some reasonable arrangement could be come to.

3655. What view would you take of the question of a whole-time dental service? We know what you think about a whole-time medical service. What would you think of a whole-time dental service?—I am afraid it would just be the same. I should prefer not to see it.

3656. You prefer not to see it?—I would prefer at the commencement simply to see the societies working the system through this central body.

3657. A whole-time system might be controlled by this central body, but if it were a choice between paying the whole cost and securing adequate control through a paid public service, and paying only part of the cost under a system of free choice, which would you prefer?—Part and free choice.

3658. (*Chairman*): Chapter VI (1). In paragraphs 285 to 293 you argue the case for the retention of the Insurance Committees; but you are, I gather, averse to entrusting them with the local administration of any treatment benefits other than medical benefit. Is there not an inconsistency in this? For example, would not the arguments you use in these paragraphs apply equally to dental benefit, optical benefit, hospital benefit, nursing services, medical and surgical appliances and the like?—I am sorry if any apparent inconsistency has come in. If the Minister thought the Insurance Committees could usefully administer dental treatment we would have no objection at all. We suggested the other plan because we thought it could be done better in that way, but we would not oppose it.

3659. Generally, on the question of Insurance Committees, have the relations of your Society with the numerous committees in the day-by-day executive work been on the whole successful and cordial?—Decidedly.

3660. With regard to the administration of benefits for persons over 70, I have no question to ask, but we shall invite the views of other Approved Societies and of Insurance Committees. On the Central Index Committee question (paragraphs 298 to 306) you recommend strongly that this organisation be retained and, if possible, unified for the whole country. Can you indicate to us whether you have had much difficulty, and, if so, of what kind, because of the absence of a Central Index Committee in Scotland?—I am not competent to answer that, because although we have 433,000 members altogether, we have only got between 1,000 and 2,000 in Scotland. They do give us trouble, and if we had a big membership there would certainly be a great deal of trouble.

3661. (*Miss Tuckwell*): With regard to Insurance Committees I gather you would be in favour of an extension of their powers?—Yes. We would have no objection to their administering dental or other treatment benefits.

3662. Do you not think it would be better and in the interests of the whole country that the insurance

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medical service should be linked up with the general public health services of the area?—That is getting on to what we consider dangerous ground.

3663. You are afraid of the local authority again?—Yes, we are afraid of anything in the nature of a State service. If you can guarantee us a good and kindly service then I do not suppose we would oppose it for a moment. We would rather have things left as they are so far as that is concerned.

3664. But still, if it was guaranteed to be a good and kindly service you would have no objection to its being connected with the local authority?—Not if you can really guarantee it to be good and kindly.

3665. Do you see any reason why the free year should not apply to a man of 70?—No. I do not suppose in principle you could really object to it applying to the case of a man of 70. Our difficulty is this, that when people get to that age, it is difficult to tell whether they are incapacitated through illness, or whether they are not just getting old; and our experience has been such that on the private side we have had to arrange that these people shall cease insurance altogether at the age of 70.

3666. They are insurable under Unemployment Insurance?—Yes, but not under Health Insurance.

3667. (Chairman): Chapter VII. Moneys available for investment. I see from paragraphs 307 to 316 you suggest that all the money available for investment should be handed over to the society for that purpose, on the ground that thus the society would reap the advantages of capital appreciation and of interest earned over the prescribed rate of 4½ per cent. on the whole amount instead of, as at present, on only half. But have you considered that up till 1920, at any rate, we had a period of abnormal capital appreciation and of abnormally high rates of interest due to causes of which we are all aware?—Yes, but notwithstanding that I think we could quite well put our money out to greater advantage than can be done centrally.

3668. 4½ per cent. without any risk of depreciation?—Yes.

3669. Do you not think that the present arrangement is a sort of insurance for about half your investment funds against the risk of depreciation? The results in a period of slump might well be distinctly in your favour?—I admit it is an insurance against depreciation, but I am not prepared to admit that it is anything in our favour.

3670. You have also, have you not, under the present system, the advantage of two quite independent judgments as to suitable investments—your own and that of the National Debt Commissioners—and so the risk is spread?—True, the risk is spread, but after all we are confined to trustee securities.

3671. What you suggest may be all very well for large efficiently managed societies, but what about small societies whose officials and trustees may not have the advantage of wide experience in investment problems?—I appreciate that. Speaking entirely from my own experience, I believe that these small societies leave the money entirely to be invested by the Minister on their behalf. But I might add that we would be quite pleased if this were again subject to the discretion of the Minister.

3672. (Sir Alfred Watson): From paragraph 313 I see you have realised £50,000 by change of investments?—Yes.

3673. Did you in fact get any greater interest income by that change of investment?—Yes, because we never realise unless we are going into something that will give us a better return.

3674. Although these were trustee securities you actually obtained a larger income by realising and reinvesting?—We did.

3675. Are you in a position to give us the figures as to the extent to which your interest income has improved?—I could not give it to you off-hand. I can work it out for you.

3676. It might be interesting to see it?—Yes.*

3677. At the present time you get over 5 per cent. on the investments that you make yourselves?—Yes.

3678. On the money in the Investment Account you get 4½ per cent., the prescribed rate?—Yes.

3679. You realise, of course, that the National Debt Commissioners are making something a good deal nearer to your 5 per cent. than they are to the 4½ per cent. which is allowed to you?—Yes, quite.

3680. They are building up a reserve?—Yes.

3681. Do you look forward to a time presently when trustee securities will only realise 4 per cent.—new investments?—Yes.

3682. Is it not the case that when that time comes you will only be able to invest at 4 per cent., whereas the National Debt Commissioners, so long as they have not spent the reserve they are building up to-day, will be able to continue your 4½ per cent.?—Yes.

3683. When that condition is set up the advantage of taking the whole of your money for investment by yourself will not be so apparent?—I admit that, but at the same time I think people who take an active policy in investing, such as my Society does, are bound to be able to earn more than any body such as the National Debt Commissioners could be expected to make for the whole.

3684. (Chairman): Without risk of depreciation?—Allowing for depreciation.

3685. (Sir Alfred Watson): In paragraph 319 you say: "A sum equivalent to 10 per cent. of the last amount released for investment should be available to the society, if it so desires." At what point of time would you allow a society that 10 per cent.? Obviously if the last issue made to you was fairly close up to date, you could not have 10 per cent. for some few weeks?—I appreciate that. It might have been more sensible to put some time limit in. It is really the principle that we would like to see admitted. If the Minister says you cannot have anything for three months, and then you can have 5 per cent., and then six months or a year later you can have 10 per cent., that would satisfy us. You appreciate that very often we are debarred from taking advantage of a very attractive new issue.

3686. In fact you would like either more frequent issues as the normal state of things, or the right to be vested in the society to call for an issue if it has an opportunity of making an advantageous investment?—Yes; and of course we would be quite prepared to give information to the Minister as to why we desired it, and let it rest with him.

3687. Whatever was issued to you in advance of what was issued generally would be charged to your current account, and would lessen the interest?—Yes.

3688. There would be no injustice to any other society?—No.

3689. (Mr. Desant): In paragraph 314 you say you think you will be able to earn £5 2s. 2d. per cent. virtually for all time. That is a little bold, is it not?—Not on that particular block. I anticipated that question might be asked.

3690. I was coming to that because I see in paragraph 8 your funds invested by yourselves amount to £1,600,000. Is not that amount constantly going up?—Yes.

3691. In other words, each new investment you make you have to invest your money at a figure that you can earn at that time?—Yes.

3692. You cannot get new investments to-day paying £5 2s. 2d., can you?—I have not looked during the last day or two.

3693. If you want to get perpetuity—using your own words—your choice is limited?—Yes.

3694. You could only get 4½ per cent. or thereabouts, could you not?—Oh, no.

3695. If you went in for Conversion Loan?—In British funds, yes, but there are other trustee securities. For instance, I was offered a certain railway stock, a trustee security and not by any means next to the ordinary, and that gave a return of £4 17s. 6d. I was offered that last night.

3696. If your £1,600,000 to-day goes up rapidly, it might become two millions or three millions. I do

* See Qs. 7394-7449, Fifteenth Day.

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not think you will get your new money out at £5 2s. 2d.?—No, I appreciate that.

3697. I think that statement in paragraph 314 requires some little qualification. It will only apply to existing investments?—That does apply only to existing investments.

3698. And as you get larger funds you are likely, are you not, to have that figure slowly pulled down?—Yes.

3699. Getting closer, therefore, to 4½ per cent.?—Yes, but when that time comes we must anticipate the 4½ per cent. going down as well. I admit in all probability we shall get 4½ per cent. for some time after the funds in the hands of the Ministry have ceased to earn 4½ per cent., because they are at the present moment accumulating a reserve, and out of that reserve it is intended to pay societies 4½ per cent. after the funds have ceased actually to earn it. But my contention is that at any time a comparatively small body of men, such as the Hearts of Oak Society, dealing with their own individual funds, can do better than a general body dealing with the general funds of all societies. It comes back again to the question of individualism versus socialism, and we are individualists every time.

3700. Let us deal now with the capital side because so far we have only been dealing with the interest side. In the case of the money which is invested for you, I take it, your capital is always at par under the existing system?—Yes.

3701. The money you invest yourself either goes up or down according to market conditions?—Yes.

3702. You have had a particularly fortunate time in the immediate past?—Yes.

3703. Everything has gone upward?—Yes.

3704. What would happen in your Society when the turn of the tide comes and when perhaps capital values have fallen. You would then, if you had a capital fall, take that out of the £5 2s. 2d. which you are earning if you wanted to get the net effective rate which you are securing for your members?—Yes. Taking it over the period from 1922, that is practically three years, the earning over and above interest—that is capital appreciation and capital gains on realisation—works out at £2 13s. 8d. per cent. Of course if the time came when capital values went down it would require to be charged against that amount which we had made in the past which would by then have been credited to the benefit fund; so that in other words it would be a charge against the benefit fund. But I submit that is exceedingly problematical, because after the Napoleonic wars it was 66 years before we got on to a three per cent. basis, and it will be some time till we get to that now.

3705. Without going quite so far back as the Napoleonic wars, in the next five years you may see, if we get a change in employment conditions, quite considerable changes in the capital values of some of the existing Government securities which at the moment have got somewhat high because they are all buyers?—True.

3706. But it may be that there may be a lot of sellers and they may come down. Have you not got compensation in having your capital safe in the funds which are invested for you which is a good set-off against losing a little and having a fixed 4½ per cent. interest?—The logical conclusion of that is we should have nothing to invest and then we should be entirely safe.

3707. I think there is a good deal to be said for some of these smaller societies not having all these investment powers which they may not be capable of exercising. Is it not possible that in the next few years you might have capital loss on your new purchases which would more than set off this difference of 12s.?—I hardly think anything material is likely in that way to happen to a society that manages its investments well. I agree with you that in all probability British funds will have a downward tendency. Take the London, Midland & Scottish Railway. That company has, I believe, £10,000,000 invested in British Government securities simply

because the money is lying idle. When traffic gets better and the company can use the money advantageously it will sell out and put the money into its own affairs. That will mean a downward price for a little time in Government funds. And everybody else is doing the same thing at the same time, because they can all use the money more advantageously in their own business. But that is only temporary, and as gradually we come on to 4½ per cent., then to 4 per cent., and then down to 3 per cent., it is as good as saying in other words your capital funds appreciate.

3708. If you are to-day investing your new money at the market cost of to-day you may find that although you are getting nominally nearly 5 per cent.—you mentioned just now £4 17s. 5d.—it may be saddled with a charge for capital loss in the next few years which will make that less useful to you on the whole than if you had left your money at 4½ per cent. with your capital intact?—For a period, but I say even if the curve is down in capital value it is only temporary, and over a long period of years that £4 17s. 5d. investment will have appreciated very considerably.

3709. On the whole you would rather manage the finances of your Society yourself than have them managed for you and have a little less interest and a little more safety?—We would. We feel we can do it, and we would leave it to the discretion of the Minister of Health as to whether he allowed it. I do not know that these small societies could advantageously manage them, but a big concern like this, making a return of £7 15s. 10d. on its money, on trustee securities, is in a position to do it. I admit it is a good period.

3710. I was not reflecting on your finances in the least, but I can see danger in the case of a small society?—My experience has been—and I have had a lot to do with societies other than the Hearts of Oak—that small societies almost invariably leave the money with the Ministry.

3711. (Chairman): Chapter VII (2), Persons failing to select a panel doctor. We note your suggestion in paragraphs 320 to 326 that the capitation fees of persons who have not selected a panel doctor within six months after entry into insurance should be diverted for the benefit of the hospitals and that such persons should be then disentitled to medical benefit. This seems a drastic proposal. Would you apply it only to those persons who have failed to make a first choice, not to persons who, having made that choice, fail on removing to another area to make another choice?—(Mr. Dudley): The first choice only.

3712. Do you consider it a defensible proposition that money should be taken compulsorily from insured persons to cover the cost of providing them with medical benefit, and that as a penalty for neglect on their part they should be permanently deprived of the benefit, but required to continue to pay for it?—(Mr. Lewis): We think as these people obviously will not use the money for the purpose for which it was subscribed it should be put to another useful purpose, and we suggest that in the present condition of the hospitals it would be better used in making a contribution to them.

3713. (Sir Alfred Watson): Do you really mean for all time? If a young person comes into insurance at the age of 16 in perfect health and fails to select a doctor, he should be until he reaches the age of 70 disentitled to medical benefit?—By no means; only so long as that person does not select.

3714. The Chairman used the word "permanently" in his question, and you said yes?—I am very sorry if I misunderstood the question. I did not mean that. I did not take the question as meaning "permanent." All I meant was so long as he did not select a doctor. If he afterwards selected a doctor, then certainly the money would be paid into the fund as it is at present.

3715. Let us take a person who enters at 16 and does not select a doctor, and some time afterwards becomes ill, and requires medical attention. What is to happen then?—Then he would go to a doctor

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and get one to attend him and pay for it. They have neglected all the time to select a doctor. It is their own fault.

3716. Under the present system a person can get medical treatment under the Act when he requires it?—Yes.

3717. It may be some trouble to him then to find a doctor who will accept the obligation to treat him, he being already sick, but somehow or other it is managed and he is given the benefit for which he is paying?—Yes.

3718. And all the contributions paid for those people are paid to the doctors?—Yes.

3719. You really propose to take away the contribution that that stupid person, that neglectful person, pays, and hand it over to the hospitals, and to impose on him as a penalty for his neglect that he should pay his own doctor's bill when he falls sick?—That is what it comes to.

3720. You want the Royal Commission to recommend that?—We ask them to consider it. We do not ask them to recommend anything.

3721. (Sir John Anderson): Does not it come to a good deal more than that: does it not mean fining the whole body of doctors for the benefit of the hospitals? Those people who do not choose doctors are presumably healthy people. You say they should be disentitled. You take the money which is available for their medical benefit and you give it to the hospitals. So long as those people remain fit they do not suffer. Is not that the case?—Yes, but so long as they remain fit the doctors do not suffer either.

3722. Surely, because it is the contributions of the fit people that provide the money that pays the doctors for treating the sick. Would not that be the effect of it?—Yes.

3723. What would you do with regard to an insured person in that position who had moved from one district to another. His failure to select a doctor in his original district would have no bearing on the position in the new district?—If he selected a doctor in the new district then the capitation fee would go as it goes at the present moment.

3724. All that the insured person on whom this penalty is imposed has to do, if he is able to move at all, is to get into some other district and then claim his rights?—He does not need to do that. He can claim his rights without removal.

3725. Where does the penalty come in?—That so long as he does not claim his rights the money is diverted to the hospitals instead of going to the doctors.

3726. Then the position is this, that so long as a man does not require a doctor he need do nothing and the money which would otherwise go to the doctors goes to the hospitals, but the moment the man requires a doctor he exercises his rights and gets what he requires so that there is no penalty on him at all; the whole penalty under this plan falls on the medical profession?—Yes, but in circumstances such as those I think he ought to be required to pay the doctor's fee.

3727. A moment ago you told me, when I was contrasting the position of the man who remained in his district with that of a man who removed to another district, that the man who remained would have what he was entitled to as soon as he exercised his choice?—Yes.

3728. Does not the thing break down when you examine it?—You are suggesting it would break down by the man simply becoming ill and exercising his choice. That illness would require to be paid for, but when the man recovered he could then select a doctor and be on the panel just as anybody else, but if he simply chose to wait till he was ill and then asked for a doctor, I say that man should have to pay his medical bill.

3729. For how long?—For that illness, till he was better.

3730. If he moved to another district what would you do with him, not having chosen a doctor in his

own district?—I would penalise him till he was better, whatever district he went to.

3731. Does the term "benefit" continue to be applicable?

3732. (Mr. Evans): If such a fund were set up do you think all hospitals should benefit, rate-aided and voluntary?—No. We are thinking primarily of voluntary hospitals. Our idea was to make a small contribution to the hospital because—I do not know about other places, but certainly in London—it is so common a practice that if a man is ill the doctor packs him off to the hospital rather than give him attendance.

3733. Supposing a man of this kind has neglected to choose a panel doctor and meets with an accident, he is taken to a rate-aided hospital?—Yes.

3734. Do not you think that hospital ought to benefit from that fund if there is such a fund?—The voluntary hospitals are more in need of assistance at present than rate-aided hospitals, and that is why we make the differentiation.

3735. It is not because there is any inherent objection to a rate-aided hospital?—No, but the others are in more dire need of funds.

3736. (Mr. Jones): Assume a person becomes sick and passes through his whole period of sickness benefit and disablement benefit: would your intention be to deprive that man of his right to medical treatment for the rest of his life?—I am afraid that is the logical conclusion of our suggestion.

3737. Is not this payment really an insurance premium to the doctor for the risks that are likely to fall upon him?—Yes.

3738. Is he not entitled to all the premium if he is carrying all the risk?—No, I do not think he is entitled to it, because this person has never selected a doctor. He may go to one, I admit. I do not think he should be paid for people who are not on his list.

3739. Is it not the same position as if a member of the Hearts of Oak Society paid his contribution and did not choose to collect his sickness benefit?—No, because he does that voluntarily; he can either pay his contribution or not.

3740. Is it not reasonable that the doctor should get the whole premium when he is carrying the whole risk. These persons do go to him when they are sick?—No, in many cases they do not. That is the point. If they did this suggestion would not have been made. In the case of these people who do not select doctors our experience is that in the majority of cases they are attended by doctors not on the panel.

3741. Is it your opinion that quite a large proportion, or a fair proportion, of insured persons do not take advantage of medical benefit under the Act?—No, but my experience is that a very large proportion of those people who do not select doctors are medically attended, but they pay for it at the present moment. So that for all practical purposes the doctors are paid twice.

3742. Is that proportion large?—The proportion of those who do not select doctors? I have no exact figures, but, speaking generally, I should say it is very large.

3743. How do you distinguish between those who voluntarily decline to accept the service and those who neglect to take it, but would take it when they became ill?—I cannot, but it is open to them to select a doctor, and if they do not do it then this is our suggestion.

3744. Is not that against your whole argument of the great benefit of medical treatment to all classes of persons, insured and uninsured?—Yes, it is.

3745. In answer to Mr. Evans a moment ago you indicated that in London at any rate a large number of insured persons were got rid of by their doctors and sent to hospital. Is that a considered opinion?—I think it is a very prevalent opinion. (Mr. Dudley): It is so in the Midlands also.

3746. Have you read Dr. Smith Whitaker's evidence given before this Commission?—(Mr.

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[Continued.]

Lewis): I have read it, but I would not like to say I have studied it.

3747. Do you agree with it as a society official?—I would not like to commit myself to that. I have had too much to do with my own evidence to give a considered opinion on other people's.

3748. I want to know. Dr. Smith Whitaker and Mr. Brock gave us a very glowing description of the whole panel service of England at any rate, and I wish to ask you as the secretary of a large society if you concur in the general expression of their opinion without going through the whole details again?—I would not like to say what I thought of their evidence, because I have not had time to consider it sufficiently to give you an answer. If you want my own opinion of the panel service I am quite prepared to give it. My own opinion of the panel service is that it is very much better than the service that was given to members of Friendly Societies prior to National Health Insurance, but at the same time it is nothing like what it ought to be; and that in a great many instances the doctors do not give the same attention to people who are panel patients as they do to people who are paying them as private patients.

3749. That is your opinion as the secretary of a large society?—That is my opinion as the secretary of a large society, that it is much better than it was, but it is nothing like what it should be.

3750. You think also that this practice of referring insured persons to hospital is really a prevalent one?—In London. I speak for nothing further than London.

3751. Your chairman speaks for the Midlands?—(*Mr. Dudley*): That is so.

3752. (*Professor Gray*): With regard to this question of an insured person who does not select a doctor, I have some difficulty in reconciling your point of view with what you say elsewhere when, speaking about Approved Societies, you say a person who does not choose a society should be allotted to a society because he is defeating the object of the Act. Is not a person who fails to choose a doctor also defeating the object of the Act in a much more serious way?—(*Mr. Lewis*): No. The position is different, because a person who does not choose an Approved Society is defeating the object of the Act by getting out of it altogether and becoming a member of the Deposit Contributors' Fund, where he does not get any insurance at all. The people I am thinking of in this paragraph are not people who are not getting medical attendance; they are getting medical attendance, and probably much better medical attendance, and they are paying for it, and therefore, taking the doctors as a whole, these people are paying them as private patients and they are getting the money from insurance funds as well, and I say they are being paid twice.

3753. (*Mrs. Harrison Bell*): In return for these payments that are made by your society to hospitals has your society any representation on the hospital boards?—No.

3754. (*Sir Humphry Rolleston*): You said the doctors were being paid twice. Are they the same doctors? Is it not in one case the insurance doctor and in the other case a doctor who may or may not be a panel practitioner?—Yes, because very often the doctor that is really attending to these people is not on the panel at all. I am taking the doctors as a profession, not individual men.

3755. (*Chairman*): With regard to Chapter VII (3), Retention of whole surplus by each Approved Society, we note your views on this subject. You would not, I suppose, expect all Approved Societies to agree with them?—Oh, yes.

3756. Chapter VII (4), Waiting period for additional benefits. In paragraphs 333 to 339 you advocate the retention of the present waiting period of five years for additional benefits. But have you considered the feeling of the member who has left a society with good additional benefits and finds himself thus debarred from all additional benefits for

a lengthy period? Have you considered at all the possibility of his bringing with him an additional benefits transfer value and getting from the new society the additional benefits (or their actuarial equivalent) of the old society? If such an arrangement were feasible would it not meet the difficulty referred to in paragraph 336?—(*Mr. Dudley*): I am afraid we have not considered that. (*Mr. Lewis*): Personally I do not think that is practicable, because we have been complaining about the number of different rates of benefit that we have to pay, and if we were to take in members from other societies paying all different rates where would we get to? I do not think it practicable. I certainly could not advocate it.

3757. In the case of transfers to or from your Society to other societies since the last valuation, have you heard much in the way of complaint as to this loss of additional benefits on transfer?—Very little.

3758. Chapter VII (5), Capitalisation of administration expenses. In paragraphs 340 to 344 you suggest that administrative expenditure of a capital nature should be allowed to be capitalised, that is, be spread over an appropriate period of years in the Administration Account. Can you indicate to us some concrete examples of the type of expenditure you have in mind?—I could give you many, but perhaps one will suffice. A year or so ago we amalgamated the State Membership, Private Contribution, Registration, and Benefit Records departments, four departments in the office. We amalgamated them and reorganised them. As you can appreciate, where records were split up over various parts of the society, and were all to be brought to one central part, we required new records altogether. We do not keep the orthodox records and the Ministry had just issued to us special records which we are allowed to use. In view of that they would not give us the new records which we desired, and we had to pay for those ourselves. To cut a long story short, that amalgamation cost £7,000, and it was decided, as it was a valuable reorganisation, that notwithstanding that the State side could not pay its share of the cost because it was at a very expensive time and our administration funds on the State side were low, we could not write off 50 per cent. from the State funds in that year, and, therefore, we wrote it all off the private side. Nevertheless it is saving us £5,000 a year, and will go on doing so for all time, and the State side gets 50 per cent. of that saving and the private side gets 50 per cent. of that saving; but simply because of the condition of our Administration Account at that time the State side bore no proportion. Here is another instance: some time ago we changed from a hand system to a very extensive use of tabulating machines. We are the greatest users of machinery for clerical work in the world, we do everything that is possible by machinery. That saved us, prior to the large increase in salaries in 1920, £2,000 a year, but all the cost of that either had to be borne by the private side or written off in one year and yet it is a benefit for all time.

3759. How much was it?—I cannot tell you definitely, but it must have cost between £5,000 and £6,000 to set the thing up but it is saving us £2,000 a year for ever.

3760. With regard to maladministration by societies and procedure for appeals by insured persons, we note the points raised in paragraphs 345 to 351, and will give them due consideration.

3761. (*Miss Tuckwell*): With regard to efficient management, what does that mean when you say that it plays an important part in the result of a valuation? You would not suggest that clerks are thinking about anything but doing their job: they have not got an eye on future valuations. How does it affect them?—In this way, that if you have your clerks well trained they give the proper amount of benefit to the person, and that automatically comes as near as possible to the actuary's estimate and

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therefore gives you a better valuation than if you simply pay anything at all. What really brought that to our mind is what we quote from Sir Alfred Watson in paragraph 275, where he says efficient management was very largely responsible for the result of the last valuation.

3762. Would you care to say that societies with surpluses are well managed and societies with a deficiency are badly administered?—No.

3763. You do not go as far as that?—No.

3764. You give as a justification for retaining your separate surplus that it is an incentive to good management. Is this the only justification?—I think it is. It is something to aim at for everybody from the Executive or Delegate Board with us down to the clerk administering the benefit. He likes to know that his society is doing well and is able to pay big benefits.

3765. If there were other means of keeping up efficiency, would you still advise the retention of surpluses?—I think retention of surplus, except in so far as we have already suggested departing from it, is a *sine qua non* with us.

3766. Yet you acknowledge that if the present system is retained it does mean that a society which has a large surplus can provide additional benefits, thus making that society still more healthy and able to declare larger benefits, while another society which has in it hazardous occupations goes down and down?—Yes, but you come back to the absolute right of transfer. People in these societies can transfer. If they like to segregate themselves into an unhealthy or hazardous body, it is their wish evidently.

3767. It comes to this, does it not, you cannot in a National Scheme of Insurance quite support that position, can you?—Yes. Although I am willing to do a very great deal for the population at large, I am individualistic enough to want to see my Society at top.

3768. I realise that. Supposing your Society was one which only gave standard benefits while the others were giving far more, would you still think that?—From my argument it is logical that I would still argue in the same way. I might not like it though. Do not think we are at the top of the pole by any means. We do not give the biggest benefits. We are simply striving towards that.

3769. One general question. Do you not think the present inequalities might be lessened by building up a Central Fund out of which societies with a large proportion of bad lives might get assistance to enable them to give something more than the present standard benefits?—In theory we are against anything in the nature of pooling for cash benefits. We are prepared for the benefit of the country at large to a modified form of pooling for treatment benefits, but I am afraid that either through a Central Fund or otherwise we would not agree to anything in cash.

3770. On the question of benefits and administration generally, what was the expenditure of your Society for administration in 1923?—In 1923 it was £82,018 on the State side, equivalent to 4s. 0½d. per member.

3771. Is the cost increasing or decreasing?—It is decreasing. Would it interest you to have it from 1919? At its maximum in 1921 it reached 5s. 5½d.; in 1922—4s. 4½d.; and in 1923—4s. 0½d.; and we anticipate it will be less, certainly not more, this year.

3772. What are the main heads on which the expenditure is incurred?—Salaries absorb, I suppose, 70 per cent. of it.

3773. Can you tell me at what rate you pay your agents?—It works out at an average of 1s. 3¼d. per member per annum.

3774. What sort of salary does that give?—A varying amount, from an absolutely negligible amount upwards. I could not tell you what it comes to on the State side alone; but some of them draw

£6 or £7 a week. We have part-time or spare time agents who may be receiving only 4s. or 5s. a week.

3775. What do the agents do?—On the State side they collect and distribute the cards, receive the claims for benefit, pay benefit claims; in the case of men, do sick visitation, keep their records, of course, and send the claims to the head office.

3776. What is the number of the staff?—The total staff on the 31st December last year was 573 inside and 382 agents.

3777. You say you have some to whom you pay very little and I suppose some are voluntary workers. I imagine you would make up the salary sometimes from the private side?—We have no voluntary workers at all and no people to whom we pay very little.

3778. I thought you said you had?—Agents, I beg your pardon. We do not make it up to them on the private side at all. It is simply spare time work. That is not their main occupation at all. Sometimes we have a member in an area and he says, "I would like to become an agent." We tell him, "There is absolutely no money in it, it will only work out at about 5s. a week." He says, "Very well, I will take it on, I think I can make a good thing of it." Perhaps from that spare time agency of 5s. a week he builds up a part-time agency which makes it worth £1 or £2; and he builds it up further from that. We say, "You are doing well, we will make you a full-time agent if you like," and then we pay him a reasonable salary, £3 a week or so, and he builds it up to £6 or £7.

3779. (Sir Alfred Watson): £6 or £7 would be the salary of a whole-time agent distributed between the private side and the State side?—Yes.

3780. We have got it on the notes that it is a charge on the State side?—No, I said I could not tell you the proportions between the State and private sides.

3781. I am not asking for the proportions, but it is distributed?—Certainly. And in case there should be any misunderstanding, when I said that our office staff was 573, I should have explained that we keep no clerks exclusively for State work or for the private side. It is all grouped together, but taking it on the proportion of time spent (and that follows salaries) the number of State side clerks was 280 and private side clerks 293. In the State membership department you have a little private work but very little, a negligible quantity; in the private contribution department you have still a little State work but it is negligible. But taking the benefits department, the clerks who deal with the benefit claims have both State and private side claims, so it is impossible to segregate these two classes.

3782. (Mr. Evans): In answer to Miss Tuckwell you said just now that if a man chose a society which had a big number of people employed in hazardous occupations that would be his own lookout?—Yes.

3783. Is it a part of a society's good management to choose its members, and if there was an area where there was a big number of men employed in hazardous occupations would you cut out that area entirely?—We do not.

3784. But you choose your members from areas where you have not these hazardous occupations?—No, we take members from every place. There is no such limitation as that. We have some very hazardous occupations. Taking it generally we have very hazardous occupations in Wales.

3785. That is on the State side?—And private too.

3786. On the private side you do cut it out, do you not?—No, certainly not.

3787. (Chairman): Gentleman, we are much obliged to you for your very exhaustive and interesting evidence. We must apologise for having taken up so much of your valuable time.—Thank you. I hope some of our suggestions will be adopted by this Commission. (Mr. Dudley): We are pleased at the way in which you have received them.

(The Witnesses withdrew.)

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[Continued.]

Mr. W. J. TORRANCE and Mr. STANLEY L. DUFF, called and examined. (See Appendix V.)

3788. (Chairman): You are Mr. Torrance, High Chief Ranger of the Ancient Order of Foresters, are you not?—(Mr. Torrance): I am.

3789. Will you tell us for how long you have been concerned with the administration of National Health Insurance, and in what capacities?—I have been concerned with the administration of it since the inception of the Act, as a District Secretary and as a Court Secretary.

3790. You are Mr. Stanley Duff, I think?—(Mr. Duff): Yes.

3791. You are Secretary of the Ancient Order of Foresters?—Yes.

3792. Perhaps you would also tell us what your administrative connection with this society has been?—My association with the society is entirely a post-war one. For the last six years I have been its Secretary.

3793. I gather that your Society of about three-quarters of a million members for National Health Insurance purposes, is organised in branches and that each branch is a separate financial unit for the purposes of the Act?—(Mr. Torrance): That is so.

3794. I note that although there are 3,524 registered branches of your Society, only 2,430 are used for the administration of National Health Insurance. Will you explain to us upon what basis this distinction is made?—(Mr. Duff): The condition to which you draw attention is the result of the past 12 years' developments. In 1912 there were nearly 4,000 units administering the National Health Insurance Act and to-day we are down to the figure to which you refer. There has been a slow process of transfer of engagements by various branches, which was rather accelerated in 1918 by reason of the then pending first valuation; but the number of transfers since then has been much less. To-day there is less tendency to transfer engagements of units than formerly.

3795. As yours is the first Society organised in branches from which we have taken evidence, will you describe to us a little more fully the administrative and financial relations of the branches to your Head Office?—I think that perhaps can be best done if I indicate some of the main functions of the branches themselves and pass to the functions of the districts and then to the functions of the Head Office. The branch in our case is called a Court, so that you will understand the term "Court" implies a branch. The membership and the contribution and benefit registers are kept by the Court Secretary. Contribution cards are issued and collected and entered in the register within the Court. The half-yearly returns are prepared and submitted by the Court Secretary, mostly through district offices. Payments are made by the Court Secretary after authorisation. The cash for the payment of benefits and administration is issued from the Head Office monthly under an imprest system. The books and forms required for the auditor are prepared by the Court officer. The Head Office has no benefit account at all. It has an investment account and an administration account. It keeps all the branch ledgers, which show what the branches get from contributions and various other sources, notifications of which are received by means of credit notes of advice from the Ministry. Then the Head Office also prepares the statements that are required periodically for valuation purposes. These, in the main, are prepared from branch ledgers kept at the Head Office. The function of the Head Office is general supervision, mainly directive and consultative. The function of the district is mainly a local and direct supervision over the Courts comprising the district.

3796. Perhaps you would tell us briefly what you consider are the advantages of this type of organisation as compared with, say, a completely centralised society on the one hand and small independent units on the other?—A society of the type of the Foresters permits a personal association which is not possible in a large centralised society. The members themselves are enabled by reason of the constitution to take a

more direct interest in their own affairs and in the management of their branches. I think, possibly, there is a more humane administration possible in a system such as we operate than there could be in a completely centralised system. It is possible to make complaints and grievances felt in a system such as ours to a greater degree than in a centralised system. As a matter of fact, our officers are taught to regard, and they have the habit of regarding, their members, not as so many cases, but as individuals, and they treat them as such. To a very great extent there is a personal note which is not possible in a large centralised organisation. Then as to finance, the fact that each branch itself is a financial unit for valuation purposes provides, I think, the greatest incentive to careful administration, because, obviously, the result of the valuation may have a very direct bearing on the prosperity of the branch in the future. The knowledge that the officers of the Court are administering their own funds and that careful management is going to have a very direct influence upon the prosperity of what they regard as their own personally-controlled Court does, without doubt, influence them in their standard of administration.

3797. Is there any considerable amount of overlapping of area amongst the branches of your Society and, if so, does it lead to any administrative complications?—There is a certain amount, but the general laws of the Order, which govern all the branches, preclude the opening of a branch within a stated distance of an existing branch, except upon obtaining the permission of any branch it might affect. Such degree of overlapping as does exist results in no difficulty.

3798. Your Society is approved by the National Health Insurance Joint Committee and operates in the four countries. Do you find that the consequent requirements to deal with the four Government Departments concerned cause much complication?—No. There certainly is a little more work, but it is nothing appreciable. It certainly does not result in any complications.

3799. I see that of your 2,430 branches, 88 had deficiencies at the last valuation. Can you indicate to us, generally, to what causes these deficiencies were attributable, e.g. to special type of membership or incidence of epidemics in particular branches or very small membership in particular branches?—I should say that on the last valuation occupational reasons formed the greatest factor in producing the unfavourable results. I think that can be well illustrated. We have here in a book which we issued, containing the results of the whole of our last valuation, a map which shows at a glance, although it is rather small, the results as far as England, Wales and Scotland are concerned. The black spots which are the deficiencies, are represented here by little black marks, and a casual glance at the map reveals the fact that to a great extent the areas where the mining industry prevails are the areas which produced the worst results. We have Northumberland and Durham here with five deficiencies and four non-disposable surpluses. Then we get quite a considerable area down by Bagthorpe near the Nottingham coalfield. The same feature reveals itself again in South Wales, and the part of our Herefordshire district which touches the Forest of Dean. On the other hand, we have Group A, which had a disposable surplus of more than three units, that is, more than sufficient to provide an increase of 3s. in the rate of sickness benefit. To a very great extent this was the feature in rural areas in East Anglia, Kent and Sussex. Altogether the valuation results show that generally speaking, occupation has played the greatest part in the results. The size of a branch does not appear to influence the results in the way one might have expected.

3800. I see from paragraph 4 that over all the branches you had a disposable surplus of £629,804. Can you tell us what proportion of this was applied

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to cash benefits and what to treatment benefits?—Nearly the whole was applied to cash benefits.

3801. Did your Head Office exercise much control over the branches in the matter of the application of their disposable surplus or was it left to the branches to adopt schemes at their discretion, subject to the general requirements of the Ministry?—The Act itself gives that power to the branch and not to the Head Office. The Executive Council representing the whole Order could do nothing more than advise. No degree of control or compulsion can be exercised in that direction at all.

3802. Has any difficulty arisen in your Society through some branches giving considerably greater additional benefits to their members than others?—Less than one would have expected. As a matter of fact, if there are any signs of Courts being disgruntled at all it arises rather from comparisons as to treatment benefits than with regard to cash benefits.

3803. Arising from paragraph 6, I should like to know what provision your Society made prior to the inception of National Health Insurance for benefits corresponding to those of the Act?—Generally speaking, the standard sick pay was either 12s. or 14s. a week for 26 weeks. For the ensuing 26 weeks it would be either 6s. or 7s.; that is just half the normal rate. Thereafter—that is, after the first 52 weeks—it would be either 3s. or 3s. 6d.; that is a quarter of the rate of normal sickness benefit. In addition there was a payment of a death benefit, which usually was £10, £12 or £14 in respect of the member himself, and half of those sums in respect of the death of the member's wife.

3804. Were those benefits discontinued or did you continue any of them as a supplementary provision for your members? If so, perhaps you would give us some general particulars?—Those benefits were in the main continued, though there were certain instances where they were reduced.

3805. Do you think that what I may call "over-insurance" now exists to any appreciable extent amongst members of your Society? I mean does the total amount of sickness benefit to which they are entitled from the State and the independent sides of your Society together, in any cases approximate to, or even exceed, the members' normal wages?—There are certain areas where our local people tell us that over-insurance does exist, in particular in the lowly-paid agricultural areas; but, generally speaking, we have seen no marked evidence of over-insurance.

3806. (*Prof. Gray*): Could you tell us a little more about the districts? How big is a district in your Society and how many of them are there?—There are 192 districts operating National Insurance. The largest has 229 Courts in it. Then the number goes down, and some districts have four or five Courts only.

3807. Could you tell us how the High Court is elected and its relation to the districts. That is referred to in paragraph 9 of your Statement. I take it the Court is represented in the district, is it not?—Yes.

3808. Then what is the corresponding relation of the district to the High Court?—Every Court has the right of direct representation to the High Court; but what usually happens is that the district decides the number of delegates the district itself will send to the High Court. Subsequently a Court may exercise its right and send its own delegate to the High Court; but in no case can more delegates than the number of Courts comprised in the district come from any district. Theoretically, of course, the High Court could consist of 3,000 or 4,000 delegates but actually it runs to 600 or 700 only.

3809. (*Mr. Evans*): In paragraph 2 of your Statement you give your membership as 737,577. Those are not all members of the Approved Society, are they?—Yes, that was the Approved Society membership as at the date of the last valuation. Some will be members on the voluntary side also.

3810. With regard to the Contingencies Fund, is that pooled?—It is pooled within the society itself. That is to say, a branch which finds itself in deficiency has that deficiency discharged from the Contingencies Fund of the Society, unless there is good reason for not doing so.

3811. Has each branch, too, a Contingencies Fund?—No. Each branch has a quota of what in reality is a Joint Contingencies Fund for the whole of the branches of the Order. But each branch keeps its proportionate share of such Contingencies Fund as is not distributed in the way of discharging deficiencies; so that to that extent it retains its hold upon its quota of the Joint Fund.

3812. There are 88 branches where there were deficiencies. Can you tell us how big these branches were?—I do not think I could, except in very general terms. I think you may say that, so far as size is concerned, they were just about normal. There was nothing exceptional about them.

3813. Have you any difficulty at all in keeping alive these branches since the Insurance Act has been in operation? Has the Friendly Society side more or less diminished and the Approved Society side, or the State side, taken its place?—Oh, no.

3814. I was wondering whether that was the case?—No, that is not the case; that is far too sweeping a statement.

3815. So that the Friendly Society side, or the private side, still remains very much as it was before the Insurance Act came into operation?—It is larger than it was before the Insurance Act, but it is not so large as it was immediately after the Insurance Act.

3816. In paragraph 7 of your statement you say that in administering the National Insurance Acts your Society, in common with others of like nature, has succeeded in retaining the humane personal touch?—That is in common with societies of a like character.

3817. Will you tell us what you really mean by that? Is it because of your peculiar constitution?—Yes, because of the branch system.

3818. Every branch is more or less autonomous?—Yes.

3819. (*Mr. Besant*): These deficiencies which have been referred to are small. Could you indicate whether you think they are mainly occupational or due to some other causes?—I think that without doubt the cause is mainly occupational. I would not like to suggest that questions of administration had no effect.

3820. To what extent can you govern that from the centre? Can you put any form of pressure on the small branch in deficiency to make it mend its ways?—We have very wide powers. If we are satisfied that there is a branch which is being mal-administered we have a power (not possessed, I think, even by the Ministry) to transfer the engagements of a branch notwithstanding its size. If the Executive Council were satisfied that the largest branch in the Order was mal-administered it has power to transfer the engagements to some other Court.

3821. Whether the individual members wish it or not?—Yes, provided it is mal-administered.

3822. Can a member in one of the branches where there is a deficiency claim to come into another branch where there is a surplus?—Only by the normal method of transfer.

3823. But I understand an abnormal method exists by which, if a branch is badly administered, you can sweep it out of existence?—That is so. We would only do that in extreme cases, of course.

3824. But have your members in a small or large branch where there is a deficiency the power to transfer themselves as a whole into another branch which would pay them better?—No; the accepting branch would have to be a party to it. They accept by resolution, and if it were known that there was a branch which was in a very bad way they might say: "No; we will not take them."

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[Continued.]

3825. Your central organisation can manage the branches, but the branches cannot manage the central organisation?—No.

3826. They cannot do what they like to get themselves into a more favourable position?—Not in the manner which you suggest.

3827. I think you told us that your surpluses have been used mainly for cash benefits?—That is so.

3828. To what extent do your members under this system under which you say each member takes a personal interest, discuss this, or have they the power to discuss it?—Yes, they have power and they exercise that power. As a matter of fact, it has been a surprise to me to find what interest is taken in State insurance generally by the members of the Court, and that interest is a growing one.

3829. You think that the adoption of cash benefits was the genuine wish of your members?—It was done on the advice of the Executive Council of that day. But solely on advice. There was nothing in the way of compulsion.

3830. No; but advice and compulsion are sometimes indistinguishable?—The advice from the Executive Council is very largely accepted by the branches.

3831. When you say that all your individual members take a personal interest in this and that, the statement must be qualified to this extent, that their opinion is guided or modified by the central organisation?—To a large extent, yes; in fact, to a very considerable extent in this matter.

3832. (Sir Alfred Watson): In paragraph 1 you tell us that there are 3,524 branches in Great Britain and Northern Ireland, 2,430 of which assist in the administration of the Act. Is the difference between those two numbers to be explained by the consideration that in a number of districts the business of the State side is done by an amalgamated District Court?—Yes; that applies in 33 districts.

3833. Comprising apparently about 1,100 Courts?—No. Those 33 districts would not comprise all the 1,100 Courts, but a substantial proportion of them.

3834. In the 33 districts I presume the authorisation of benefit payment is done by the Committee of Management of the District Court?—That is so.

3835. But are the ordinary Courts in these districts charged with no duties in administering the Act?—Yes. Generally speaking, in those cases the Court Secretary of the voluntary Court, which remains in existence, acts as an agent for the central or sub-central Court.

3836. Who visits the sick?—The officer attached to the individual Court of which the member is a voluntary member, if he is a voluntary member at all.

3837. Who pays the benefits?—The same officer usually, but not always. In some of the larger districts sick visitors who pay the money are employed.

3838. But in fact the officers of the local Court, if I may so call it, as distinct from this larger body, do a great deal of work in administering the Act, although not quite so much work as if the Court had itself remained responsible for the administration of the whole thing for its own members?—That is so. They practically do everything except keeping records and authorising the claims.

3839. Then it would seem to me that it is rather an understatement that only 2,430 of the local Courts are utilised. In point of fact, the number of local Courts utilised to a greater or less extent is much nearer the full number of Courts?—Yes. The word "utilise" perhaps implies a restriction which actually does not exist. The point made there is that the 2,430 are the units which are approved.

3840. As regards the greater number of the others, they are administering on behalf of the District Courts?—They are.

3841. Does the District Court in these cases really authorise the payment of funds, or does it delegate that important duty to the local Court in any instance?—In no case. That is all done by the District Court only.

3842. The body which has the financial responsibility always has the financial control?—Absolutely. That is the body which is charged with the authorisation.

3843. Will you tell me how many members of the Foresters are not State insured—approximately, of course?—I have endeavoured to ascertain that, but I cannot do it with any reliability. I am afraid this is very approximate; but I think that probably about two-fifths of the members are not State insured.

3844. Would that mean that they are not State insured with the Foresters or not State insured at all?—In the bulk of cases not State insured at all—the very great majority.

3845. Perhaps three-quarters of the two-fifths?—I would say more than that.

3846. That is to say, they are persons who are not in employment either in manual work or at a rate of remuneration under £250 a year?—Yes, small tradesmen, and people outside the Act.

3847. Persons who are engaged for the most part in occupations that are not insurable employment?—That is so. I should say that the income limit plays some part.

3848. People who may be in employment but with an income exceeding £250 a year?—Yes.

3849. You would put the number as two-fifths of your entire membership?—I should say about two-fifths.

3850. Is that two-fifths of the voluntary membership?—Yes.

3851. Will you give us the voluntary membership?—600,000.

3852. In Great Britain?—Yes. I am excluding the Colonial and junior members.

3853. (In reply to the Chairman you said, in discussing the extent to which branches were self-controlled, that the branch ledgers are kept at the centre. Does that apply in respect of all the Courts?—Yes.

3854. I have heard of that system before. It always seems to me in some degree a derogation of the proper functions of the branch in the sense that it is an interference, is it not, with the complete liberty of the branch to manage its own affairs?—Excepting that it was done by direction of the High Court, in which the branch makes its views felt.

3855. I quite understand. At the time it was done the methods of book-keeping issued by the Insurance Commission were very novel to Friendly Societies. They created a great deal of alarm in the minds of Friendly Society Secretaries and the Court Secretaries attending the High Court heaved a sigh of relief when the whole thing was thrown on the centre, and they said: "Get some accounting experts on this"?—I have no doubt that was so.

3856. But is it not taking away to a somewhat important extent a proportion of the functions of the branch when you require all the ledgers to be kept at the head office?—I think perhaps it is.

3857. It is a little argument in favour of centralisation, is it not?—I would not say that was an unfair inference.

3858. I put it rather that it is an argument that could be used in favour of centralisation?—Well, I am not regarding that as an unfair inference.

3859. Would you let it remain like that, or are you hoping to educate the Court Secretaries up to a point at which they could do this work for themselves?—We have never considered that, but if I were pressed for an opinion at the moment I would say that it would be desirable to let the position remain as it is. That opinion rests solely upon administrative considerations.

3860. You mentioned as your opinion, in connection with the independence of efficient Courts, that the fact that officers are administering their own funds is a factor in careful management. Might I ask you to give me an opinion from that as to whether it is to the public advantage that throughout the country there should be thousands of little

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Committees of Management administering the purely local side of a great National Insurance Scheme? Could you regard it as in the public interest that that state of things should continue?—I should say it is very much in the public interest. One of the things which has impressed me most, if I may give a personal impression, in attending conferences of branch officers in various parts of the country, has been, first of all, the knowledge which these branch officers possess and secondly their keenness. The interest which is developed locally produces what I might term "thinking centres" throughout the country which cannot have anything but a good influence. These people are brought together. They discuss their own problems intelligently and they become more responsible-minded individuals as a consequence. To some extent it is their first experience in any form of government at all, and that must serve a very useful purpose.

3861. You would say, I take it, that as regards any form of public business the greater the extent to which we can bring local people into administration and give them experience in the conduct of public affairs, the better it is for the country?—I should say undoubtedly that is so.

3862. Would you agree that in this particular business of sickness insurance it is peculiarly suitable that there should be a great amount of local administration by those who know the people to whom the benefits are to be paid?—Yes; I should say the very nature of the Scheme itself makes it very appropriate that such should be the case.

3863. I think there has been a question as to whether the size of a branch has much to do with the differences in the financial results achieved by the Courts. Is it not a fact that on the independent side of the society—I think the word "independent" is preferable to "private" in this connection—there has always been a very great number of what insurance experts would regard as extremely small units?—That is so.

3864. The average size of the Court in the Foresters has never been, I expect, more than about 200?—On the voluntary side I should say that would be above the average.

3865. And is it not the fact that many Courts have prospered extraordinarily well over 60 or 70 years, notwithstanding the smallness of their membership?—Yes, that is so. Strangely enough, sometimes the smallness of the membership is one of the features which produces an increasingly favourable financial position.

3866. Would you mind telling us why?—It is one of the forces making for solvency. A Court sometimes become selfish.

3867. Quite so; but those are, I suppose, only exceptional?—They are exceptional.

3868. The truth of the matter is, I take it, that sickness insurance is not a kind of risk that requires big numbers so long as it has careful administration?—I should say that the history of the branch Friendly Societies of the country would endorse that view absolutely.

3869. (*Miss Tuckwell*): How small a branch would you have? Where would you draw the line?—I do not think we have ever given consideration as to what ought to be regarded as a minimum figure. The regulations under the Act give the Executive Council or the governing body—the Committee of Management of a branch society—power to transfer engagements of every branch with less than a membership of 50. If the Court is quite efficiently managed, the Central Committee of Management still has the power to transfer its engagements. In respect of a Court which is not well administered it may be done up to 100 members. Just where that figure of 50 came from I do not know. I think it is quite a reasonable figure.

3870. Are you in the position of having in some cases only two or three members?—Our smallest branch is in a little town in Yorkshire which has 12 members. That is very exceptional.

3871. What would your view be as to the desirability of getting the stray members like this from various societies into a single local society?—Stray members from branches?

3872. Where you have only two or three or a very few members scattered in different places, what would be your view as to taking those members from such societies where there is only a membership of two or three and bringing them all together into one local society?—I think you would find that we would be strongly opposed to it. I am afraid that that would cut right at the roots of the system with which we are dealing. Generally speaking, even where these small stray branches occur there is also a voluntary side to be considered. There is a Court. The organisation is there. There may be only a very few State members for some reason which is not apparent. The organisation, however, is there just the same.

3873. It is a question of the way in which you administer it, is it not?—That is so.

3874. Do the 2,430 branches which are utilised for the purpose of administering the benefits provided under the National Insurance Acts necessitate separate valuations?—Yes. It may interest you if I state that with regard to those small units we have 53 units in the Society with less than 50 membership.

3875. (*Mr. Besant*): Is your smallest unit which, I think, has 12 members, completely self-contained, and does it do the whole work—benefits, investment and every little thing?—Not investment, though it has the power to do that. Otherwise it functions precisely in the same way as does a Court 10 times its size.

3876. I take it if they wanted to do so they could invest their half of the amount available for investment?—They have the power. The general laws of the Order give the power of investment to the branch, but in practice the power is not exercised. There has only been one exception, and that was many years ago when one district applied for and got power.

3877. But legally they have the power and you could not stop them?—That is so. In the district I have in mind I think that strengthened their hands to a very great extent. They had a good many Courts in the district, and in making the application got the consent of every Court within the district excepting one. It appears to me, although it is only a matter of history so far as I am concerned, that the Executive Council of that day were powerless to prevent the district from having the money they required. That was in Scotland.

3878. (*Sir Alfred Watson*): To supplement Mr. Besant's question, you say that the Court with 12 members has complete power to function independently in every respect; but surely a difficulty would arise on the valuation of such a Court, would it not, if, because of its small membership, the Treasury Valuer refused to certify a disposable surplus?—Yes; but if I may use the phrase quite respectfully, that would probably be an arbitrary action on the part of the Treasury Valuer. He is not required to do that. He does it because it is a reasonable thing to do. We agree that it is reasonable, and we do not take any objection to it. As a matter of fact, the figure was 30 at the last valuation.

3879. But surely he does it, because where the membership is so very small he cannot rely on the valuation result, and therefore cannot take the responsibility of saying that any, or what, surplus is safely disposable?—That is so.

3880. (*Sir Andrew Duncan*): I gathered from your answer that one-half of your State members are likewise voluntarily insured?—Yes.

3881. What is the average benefit drawn by a sick man during his first 26 weeks, combining the State and the voluntary benefit?—There is not a uniform rate of sickness benefit on the voluntary side.

3882. That is why I put it as the average, if you can average it?—Probably in the first 26 weeks he would be getting 10s. or 12s. a week extra.

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3883. In addition?—Yes, from the voluntary side in addition to whatever he may be entitled to from the State side.

3884. The black spots, as you describe them, I think you said were mainly industrial centres?—Yes, and to bring it down to narrower limits than that, they are mainly mining centres.

3885. Is the experience on the voluntary side equally black?—Yes; it corresponds fairly closely.

3886. And is it any more black in the last few years of unemployment than it was, say, in 1920 or pre-war—any more black relatively, that is?—No; as a matter of fact the sickness at the present time is subnormal.

3887. (Mr. Cook): You mentioned that your additional benefits take the form chiefly of cash benefits; but I take it they are not exclusively cash benefits?—That is so.

3888. What is the character of the other benefits that are given, and to what extent are they given?—Dental benefit is the most popular of the others. Payments to hospitals probably come next, and there are a few optical treatment schemes, but not many.

3889. I think you made the remark that the adoption of additional benefits in the form of cash was largely at the instigation of your central government or High Court. I think you used the words "given at one time." May I assume from that that there is a change in your attitude with regard to these additional benefits?—Yes, there is a distinct change as the result of experience and partly as the result of the change in the economic position.

3890. It is now running more in the direction of additional treatment benefits I imagine?—Very much so.

3891. (Chairman): I see from paragraph 8 that the Courts meet fortnightly. I assume that the Court consists of its insured members. Do these members attend the fortnightly meeting in any considerable numbers?—The experience in that direction is very varied. There are many Courts where they do. There are some Courts where there is a fair amount of difficulty in getting a Court meeting of adequate size proportionate to its membership.

3892. Do you find that the members of the branch take less interest in National Insurance matters than in the operations of the branch on its voluntary side?—I think that wants a little qualification. There certainly are perhaps elderly members who are not very interested in National Insurance matters and some even show signs of resentment against the National Insurance Act. But, generally speaking, those are individuals who are themselves not within the scope of the Act. As I have already said, I have been tremendously impressed with the interest which has been displayed and the knowledge that is shown concerning National Insurance matters. It is much more than I anticipated to find when I first went to this Society.

3893. Then in your opinion they do take a considerable interest, and it is a growing interest?—Yes, it is a growing interest.

3894. Do you consider that, in the case of your Society, real effect is given to the fundamental principle of the Act that an Approved Society should be under the absolute control of its members?—Yes. I know of no system which permits of a greater degree of development of democratic control than the branch society.

3895. Arising from paragraph 12, can you give us any indication of what interval of time elapses, on the average, between the receipt of a claim for sickness benefit from a member and the payment of the first instalment of benefit?—Mr. Torrance is a Court Secretary, and I suggest that if he explains the procedure which he himself adopts as a Court Secretary it would be of assistance. (Mr. Torrance): The general practice on receiving a medical certificate is to send to the insured person a printed card giving him instructions what to do in order to comply with the rules and regulations relating to the payment of benefit. Presuming the medical certifi-

cate is received on Monday, the pay-day would be the following Friday. If it were a linked-up illness there would be five days' benefit due. That amount would be entered in the Woodward's book and the Woodward would pay that amount on the following Friday, notwithstanding the fact that no intermediate certificate had been received. He would to some extent use his own judgment as to the condition of the insured person. Payment would be made on the receipt of the initial certificate if the Woodward were satisfied that the claim was in order, and periodically week by week the claim would be paid. (Mr. Duff): I think you can regard that as the general practice throughout the Courts of the Order.

3896. I notice from paragraph 13 that if a member is dissatisfied with the decision of the Committee of his Court, he may successively have to go through three Appeal Committees within the Society before he can come to the Ministry. Do you consider this somewhat lengthy process necessary or do you think it could be simplified?—I think we could simplify it with advantage. It is one of those instances where the procedure which operated on the voluntary side was utilised for State purposes.

3897. Has a member to pay any fee or deposit on these arbitrations and, if so, what does it amount to?—At the first arbitration, known as the Court Arbitration Committee, he pays a deposit fee of 5s. If he wants to take it to the higher Court—the District Arbitration Committee—there is another fee of 10s. Then if he goes to the third arbitration there is an additional fee of £1, which makes it £1 15s. altogether.

3898. Could you tell us how many such appeals you have in a year, classified according as they are determined by one, two or three of your Arbitration Committees; and of the last figure, how many came to the Ministry?—I am afraid I cannot give you information concerning the number of arbitrations which are referred to the Court Arbitration Committees. I could obtain it, but I have not got it here, and it would be rather difficult to obtain. That applies equally to districts, although that would be more easily ascertainable. The number of State cases that came to final arbitration—that is the third stage—has only been five during the whole period in which the National Insurance Act has been in operation, and in no case has there been an appeal to the Ministry.

3899. I observe from paragraphs 16 to 19 that you state that the standard of administration in your Society has progressively improved. I see that the Head Office accounts have recently been certified without reservation or comment, but can you tell us what is the percentage of clear audit certificates in respect of the branches?—Approximately 60 per cent. In some of the remaining 40 per cent. there might merely be a comment by the auditor, such as: "The matter to which I drew attention in the last report has now been rectified." That is not regarded as a clear certificate, because it is accompanied by a report. Some of the 40 per cent. would be accompanied by a report of the nature I have stated, so that in reality that 60 per cent. is rather understated.

3900. Has any difficulty been found in the small branches of your Society in obtaining branch secretaries competent to carry out the work of National Health Insurance?—No great difficulty. To some extent it depends upon the area in which the vacancy occurs and to some extent upon the cause of the vacancy. For instance, in a case of the sudden death of a Court secretary he probably would leave nobody qualified to take up the duty immediately. In cases like that we nurse the Court very carefully from the centre during the period of transition. But the difficulty of finding officers is not particularly marked.

3901. I notice that under your Society's system of administration the State Insurance moneys pass through many hands. May we be assured that all necessary safeguards are taken and that cases of

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defalcation do not arise?—They do pass through very many hands it is true, and we are not entirely free from defalcations. But during the whole period that the Act has been in operation the amount of defalcation which has fallen to be made good by a Guarantee Society, which is operated in connection with the society itself, amounts to £441. The sum which has passed through the hands of the Court officers for benefit and administration purposes during the same period exceeds £7,000,000. That is exclusive of anything to do with investments.

3902. So that the percentage of defalcation is inappreciable?—Yes.

3903. (Mr. Besant): Taking paragraphs 10 and 12 of your Statement do you find that your method of election results in any lack of continuity? I see that on your Executive Council no one can hold office for more than five years and that the Woodwards have to be elected annually?—All officers are elected annually. Nobody is eligible to remain on the Executive Council for a period of longer than five successive years. They must then be off for four years before they can be again eligible. There is one exception: in the event of a man in his fifth year holding the office of Sub-High Chief Ranger, in order not to deprive him of the possibility of becoming the Head of the Order he is permitted, if elected to be High Chief Ranger, to sit for the sixth year. On the question of continuity there is always somebody going off the Council by reason of the period of time having elapsed, which means there is always new blood being introduced.

3904. As regards the Woodwards, the people who visit the sick and pay the benefits, you emphasised to us a few moments ago the importance of this personal element and of getting into touch with the members and the possibility of knowing each other. If you elect a Woodward every year, supposing he ceases to be elected, do you not suddenly lose all that continuity with your members?—Yes, but in actual practice that very seldom happens. Some of these Woodwards have served in that office for very many years, and they are very proud of the fact.

3905. I suppose a Woodward has almost a vested position after a short time if he does his work efficiently?—That is so.

3906. Is he a paid official?—No. There are certain Courts where a small allowance is made to the Woodward annually, but it is a mere nothing; a matter of a few shillings.

3907. When a Woodward is elected and is suitable for the work, he does go on, so that you do get continuity, although he may be turned out at the end of a year?—If the Court so desires.

3908. From paragraph 16 I gather that you think the standard of administration is getting better and better. From paragraph 19, however, it seems to me that you have taken up the attitude that you are entirely satisfied that all there is to learn has been learned. Are you quite satisfied that in the branches, especially the smaller ones, you would entirely endorse what is put down there? It is such a sweeping statement.—I would like to make it clear that, generally speaking, a small branch is not less efficiently managed than a branch of a larger size. Coming to your other point, there is perhaps an explanation of that paragraph which may not be quite apparent. There was a period in the early years of National Insurance when the affairs of the Society were perhaps not conducted as they ought to have been. I think that applied probably to many Societies. What it is desired to indicate in paragraph 19 is that these people have now a correct attitude of mind towards their own duties, and, after all, that is the first essential for efficient management. It is not intended to imply that there is 100 per cent. of efficiency in every Court. You will never get that.

3909. (Miss Tuckwell): Do the Treasury auditors make up the accounts of some of the branches?—No, that is not part of their duty.

3910. It never happens?—I do not know of any case. I am assuming that you are referring to the

preparation of the general accounts of the branch. That is not done by the auditor.

3911. I ought to explain that in the case of small societies with which I have been connected it is very difficult sometimes to find the right official?—Yes; but there our districts would come to the rescue. If there was any branch in that position they would have the services of the district officers.

3912. So that if you had a small branch which could not manage its own affairs the district officers would help them out?—Yes, or take some action to see that there was some competent officer in the branch itself.

3913. And you have never known of any case in which the Treasury official has had to intervene in order to make up the accounts?—Not in the manner you indicate. If the Treasury auditor comes to a decision that the branch accounts are not in order, he suspends the audit and refers the accounts back. Then it is for the district and the centre to take action to see that the branch puts itself in order.

3914. (Mr. Besant): He does not do the work?—No.

3915. (Mr. Evans): With regard to government, the two sides are kept quite separate—the voluntary side and the State side. Do you carry out the work of the State side with the same ceremonial as you do the work of the other side? You are a very old Order, and it seems that the old titles are still retained?—The Society is approved as a whole. We have no separate section for National Insurance.

3916. So that really there are not two sections?—There are not two sections.

3917. Although there are members on the voluntary side who are not members of the Approved Society?—Quite so. It is a single society approved for the operation of the Insurance Act.

3918. (Mr. Jones): You suggested that your procedure with regard to appeals might be simplified. What suggestion have you to make in that connection?—Personally I think there should only be one appeal before the member has the right to go to the Ministry.

3919. Cutting out two of your intermediate committees?—Yes.

3920. (Prof. Gray): Can you explain one point? Perhaps it is rather historic. You have in effect explained to us that the fraternal spirit is still there. In a society like yours that is essential, is it not? That is what the whole thing is built upon?—Absolutely.

3921. And by that you mean the fact that the members look after each other and take a pride in their society?—That is so.

3922. In the old days they sometimes refrained from claiming in order to conserve the funds?—Yes.

3923. I understood you to say that that spirit still continues, and in some ways with an increasing force?—Yes.

3924. How has that come about?—I do not know that I used the phrase that it was an increasing force; but it certainly does continue. After all one must bear in mind that the nucleus of our State membership is the old voluntary membership. To a very great extent the ranks are recruited to-day from the same type of men; it may be even from among their relatives. But, generally speaking, it is the same type that is going into the Approved Society. The type is not appreciably lowered, if I may be pardoned for using the word "lowered"; it is not appreciably altered.

3925. You will remember that some years ago this matter was looked into, and your witness on that occasion told us that the old fraternal spirit was dying. He looked forward very pessimistically to the old spirit being eliminated with the State coming in, and he foresaw nothing but nationalisation. You would not put that forward to-day?—No; and I doubt very much whether the former witness would in view of events since that period.

3926. You have, as you told Mr. Evans, members who are insured only for State purposes. They are, of course, full members of the Court?—They are.

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3927. And I take it there is no distinction, not merely under the rules, but actually in the atmosphere of the place, between them and the others?—None at all.

3928. Does the same spirit animate those who are only insured for the purposes of the Act as the others?—There is less opportunity for them to demonstrate it, but I think it is there. As a matter of fact, I think to-day there is rather a revival of what you term the fraternal spirit.

3929. In your Society?—Yes.

3930. May I ask if the person who is insured only for the purpose of the State Insurance rises to high office, irrespective of insurance on the voluntary side? Does he become High Chief Ranger? Is that conceivable?—I have never known a High Chief Ranger who was not a member of the voluntary side. At the same time, in my brief period two High Chief Rangers have been insured persons. (Mr. Torrance): They have the opportunity. (Mr. Duff): There is no debaring clause in the whole of the rules.

3931. (Mr. Cook): With regard to the fraternal spirit, how does the fraternal spirit manifest itself between branch and branch? In the case, for instance, of the branches where owing to the occupation of the members you have a higher sickness experience and you have no surplus from which to pay additional benefits, do the more favourably situated branches in any way come to the assistance of the less fortunate branches?—Only through the operation of the Contingencies Fund.

3932. That would be limited to the wiping off any deficiency?—That is so.

3933. That would not enable you to give some benefits to a branch in a neighbouring locality where they had no surplus, so that they were only able as a matter of fact to pay the standard benefits. These people would be paying the same contribution as your other members, but they do not get anything like the same benefits as the others?—That is so.

3934. There is a very definite limitation when it comes to cash?—(Mr. Torrance): There is another principle involved in that, and that is the spirit of independence. These people would not dream of asking for anything.

3935. I could understand that very easily if this unfortunate experience was the result of any defect of administration on the part of these branches. But it is not due to that at all; it is due to causes over which members have no control, and yet evidently there is no provision for standardising or equalising the benefits in your Order?—(Mr. Duff): The Contingencies Fund prevents the penalties falling upon the unfortunate branch that has a deficiency; it is sustained from the other branches.

3936. The Contingencies Fund is a common fund so far as your Order is concerned?—So far as the branches are concerned, yes.

3937. (Mrs. Harrison Bell): With regard to paragraph 8 of your Statement, the Courts, apparently, meet fortnightly. I take it they do not spend all their time in transacting their Insurance or Friendly Society business. Is there some other factor which helps the fraternal spirit to operate and become educative?—A well-managed Court leaves ample scope for the development of the social amenities, and that is rather encouraged.

3938. Then, with regard to paragraph 13, I should like to ask whether these fees attached to the various Arbitration Courts act as a deterrent to members to proceed with appeals, speaking generally?—They act as a deterrent to any frivolous appeals. I do not know of any case where they have acted as a deterrent to any appeal which was a reasonable one.

3939. That is the point I wanted to bring out?—The object is to prevent capricious and frivolous appeals.

3940. Then I have a question on paragraph 19 on the subject of the efficiency of your branch officials. I should like to ask you whether you are finding on the whole that your younger members are more

efficient when they come to office than was the case perhaps when members were less educated?—Probably they are; but they bring with them less experience.

3941. (Mr. Besant): You spoke about the Contingencies Fund and spoke of it as being used, as it were, just to make up the leeway in the case of a deficit. I take it that the Contingencies Fund cannot be used except for the purpose of wiping out a deficit; it cannot give anything in the way of additional benefits. It can merely wipe out a deficit?—That is all.

3942. You might have one of your branches with a large surplus, another perhaps just balancing, and another with a deficiency. Where there is a deficiency, the deficiency is wiped out; where the accounts balance there is no additional benefit; and where there is a surplus there are additional benefits?—That is so.

3943. There is no means whereby a branch with a deficiency can get additional benefits?—None at all.

3944. (Chairman): In paragraph 23 you refer to the cost of administration. Does this vary very widely in your branches and do you attempt to establish any uniformity of method among the branches? Perhaps you would indicate to us how much of the 4s. 5d. per member you retain for Head Office purposes and on what lines you instruct the branches to proceed in applying the balance of the 4s. 5d.?—The amount which may be used for administrative purposes is, of course, limited. At the present time the levy obtaining for head office purposes is 3d. out of the 4s. 5d. I would say that the average district would take another 6d., or perhaps a little more than 6d., but that is a variable figure. We have no control over that. The district itself—which means the Courts in the district—decides what the levy should be. I should say a fair average would possibly be between 6d. and 7d. The balance is left in the hands of the Court for administrative purposes.

3945. Do you consider that the present allowance of 4s. 5d. is adequate to cover the cost of the necessary administrative work?—I think it is sufficient without being generous.

3946. Can you give us any rough idea of the chief items of administration expenditure both in the case of the head office and also of the branches?—Yes, I think I have something which might be of assistance. Taking the head office, we have a staff of 30. A 3d. levy would bring in a little less than £9,000 a year. The salaries of the officers and staff at head office come to about £5,600. The fees of the Executive Council—we have 11 Executive Councillors—would come to about £480 in the course of a year. Then there are rent, rates, taxes, printing, which would absorb the bulk of the balance.

3947. Then what about the branches?—With regard to the branches, there is no complete uniformity. The larger proportion of the sum which is available for administration in a branch would probably go for remuneration of the Court officers.

3948. In salaries in fact?—Yes. The balance would be a very variable quantity as between branch and branch.

3949. Are any payments made to members of the Committee of Management either at the head office or at the branches?—Yes, at both.

3950. I see from paragraphs 26 to 30 that your Society is entirely opposed to any complete scheme of pooling of funds, although you recognise that the present system has produced a substantial inequality of benefits between societies, and in the case of branch societies, such as yours, between the constituent branches. Do you think that the present differences in benefits for the same contribution can be defended under a compulsory national scheme?—So far as our Society is concerned, it is merely an extension of something with which the members were familiar. It was the position which emerged from the operation of their voluntary side, and perhaps they were not quite so astonished as other societies

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[Continued.]

might have been when they found as the result of valuation that there was distinctive treatment in the way of the benefits which emerged subsequently. I certainly think that any departure from a system whereby efficient management does react favourably upon a valuation result, and consequently the financial position of the branch, would be disastrous. It is the most powerful incentive to good management—the fact that the surplus which is going to emerge is the property of the Court and will result in benefit to the Court members. If that were destroyed, I think we should probably find a considerable increase in benefit expenditure.

3951. You suggest that the Central Fund should be extended to meet this difficulty, but I do not quite see what advantage you anticipate from this. From what we have been told I formed the opinion that the Central Fund was already ample to prevent any reduction of the standard benefits in any societies, and that it could not be used to enable any society to provide any benefits beyond the standard. Will you explain more clearly what is your Society's proposal?—In the paragraph in question (paragraph 28) there is a suggestion and a reference to another paragraph in which there is a proposal to place an additional strain on the Benefit Fund in respect of a new statutory benefit. What was intended in that paragraph was that under the present system the benefit in question, which is dental benefit, could not be provided by societies without a surplus. The suggestion in paragraph 48 is that societies shall be authorised to provide dental benefit as a statutory benefit—not only authorised, but required to do it—and that that in itself would naturally produce a bigger drain upon the Central Fund. We suggest here that to meet that there might be a larger proportion taken from the Approved Societies as their quota to the existing Central Fund, and the existing Central Fund increased with a view to maintaining the standard benefits extended as suggested.

3952. Have you made any estimate of what increase of the contributions which can at present be made to the Central Fund would be necessary under your proposals?—No.

3953. I notice from paragraphs 31 to 36 that you emphasize the distinction between a small branch and a small society as regards financial stability, inasmuch as the former has the protection of the Contingencies Fund of the whole society (including all the other branches) whereas the latter has only a Contingencies Fund provided out of the contributions of its own members. What is, in fact, the membership of the smallest branch in your Society, and have you any views as to a desirable minimum membership for a branch?—The smallest branch at the present moment has 12 members. I have already referred to the figure 50, which is used in another connection, and I do not think that is an unreasonable figure. I do not think that we would raise serious objection if that figure of 50 were regarded as the minimum for a separate unit.

3954. What are the exceptional circumstances which have justified you in refraining from transferring the engagements of certain of your branches below 50 in membership?—Mainly geographical. It is a reluctance to close down something which, at any rate, might become a recruiting centre.

3955. (Sir Alfred Watson): I would like to call attention to paragraph 22, where you say that the admission to a society of members known by reason of their occupation, or for some other cause, to bring liabilities beyond the normal, is certain to react unfavourably upon the financial prosperity of a society. I take it that you mean no more by that than that a society taking such members would presumably not have so large a surplus, other things being equal, as other societies?—Yes, obviously.

3956. You do not suggest that because people who bring heavy liabilities by reason of occupation are taken, that would necessarily throw a society into deficiency?—Oh, no.

3957. I want also to refer to paragraph 28. You have answered a question on that paragraph put to

you by the Chairman, and I want to develop it a little further. Is it not a fact that in section 77 of the Act of 1924 a society is entitled to have its deficiency made up out of the Central Fund if the deficiency is attributable to practically any cause except maladministration?—That is so.

3958. Is not that practically the same as guaranteeing the benefits?—That is so.

3959. And if the Central Fund is doomed by the Department to be sufficient for its purpose at the present time, is there any need to provide that Fund with a greater income to enable it to guarantee the benefits?—Excepting that there is a proposal to place a larger drain upon the Benefit Fund by the inclusion of a new benefit not necessarily with an appropriate increase of contribution.

3960. Paragraph 48, is that?—Yes.

3961. You recognise that if the statutory benefits are enlarged and the margin is cut down there may be more claims on the Central Fund and its present sufficiency may disappear?—That is the reason why we make the suggestion that the contributions from the Approved Societies to the Central Fund might be increased. We had in mind the possibility of placing a larger strain on the Benefit Fund by the inclusion of a new statutory benefit or benefits.

3962. It is, in fact, a sort of indirect way of pooling a little of what might otherwise be surplus?—Yes. It is an extension of the Central Fund, which in itself is a degree of pooling.

3963. In paragraph 32 you say that in a small society a deficiency revealed upon valuation to an extent sufficient to absorb that society's own Contingencies Fund would bring it within the purview of the Ministry's officials in regard to discharging the deficiency out of the Central Fund, and you rather draw the moral in the next paragraph that the position of the small branch is superior to that of the small society because the small branch has the society's own Contingencies Fund to draw on?—The small branch is not limited to its own quota of its society's Contingencies Fund in the way that the small society is limited to that small society's Contingencies Fund.

3964. When did the provision disappear from the Act by which a small society with under 1,000 members has the protection of half the Contingencies Fund of the other small societies with under 1,000 members?—Are you referring to the association of societies for pooling?

3965. No; I am referring to the provision of the Act which has been there since 1918. It is Section 76 (5) of the new Act: "Regulations of the Joint Committee shall provide, in the case of societies which at the date as at which a valuation is made have not joined an association formed or recognised under this section and have less than one thousand members, for applying pro rata to such extent, not exceeding one-half, as may be necessary, any balances of the contingencies funds of those societies not required for making good deficiencies in those societies under the foregoing provisions of this section towards making good pro rata the balances of the deficiencies remaining in the case of other such societies after the application of the contingencies funds of those societies in accordance with the said provisions . . ." That is to say, the small societies with under 1,000 members are under a liability to pay into a pool one-half of their Contingencies Fund for the purpose of meeting deficiencies among societies of that class. Does not that bring it rather near to your system?—To an extent that has the same effect as increasing the Central Fund for that particular purpose.

3966. Therefore the position is not quite as you have put it in paragraph 32, is it?—You mean to say that there should have been a qualification there with regard to the direct call by a small society upon the Central Fund.

3967. I think you had forgotten that provision?—I probably had. One is apt to concentrate on the type of society with which one deals rather than the other types that there may be in the country.

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[Continued.]

3968. (Mr. Besant): Going back to Paragraph 22—admission of members—do you exercise any check or selection upon the admission of members? You obviously are referring to members whose health is known to be imperfect and not so good as that of other members. Do you do anything definite to exclude them?—Yes, there is a process, it is not a very strict process, but there is a process of selection.

3969. Do you make any difference between members on the State side and members on the voluntary side?—No.

3970. Your standards are identical?—They are very much the same. I would not describe them as absolutely identical but there is not much difference, if any. I should say in very many branches there is no difference at all.

3971. With regard to pooling again, I want to ask you whether there is any duality there as between the State and voluntary members—as to whether your views against pooling are to any extent coloured by the fact that your members consist of a dual body and that the State members have not the only voice on your Executive Council?—None whatever. Almost an identical instrument exists on the voluntary side for dealing with any deficiencies that may be revealed on the voluntary side. We have a fund on the voluntary side which operates very similarly to the Contingencies Fund on the State side.

3972. Then, if I might turn back to the question of the administration charges, I understand you have 737,000 members?—Yes.

3973. How does the charge per head work out? Have you that figure?—That is fixed by regulation. At the moment it is 4s. 5d. per member.

3974. That is the maximum?—Yes; but I think I can give you a statement which shows actually how that works out with our own branches. As a matter of fact, we have many branches which are not appropriating the full amount for their Administration Account by reason of the fact that they have a balance which exceeds one year's maximum administration allowance. In these circumstances the appropriation for the following year must be reduced by the excess of the balance over a full year's administration allowance.

3975. Could you tell me whether, with your 737,000 members it is 4s. 1d. or 3s. 9d., or what the figure may be? I take it it must be somewhere in the neighbourhood of 4s.?—We had a gross administration surplus, that is on all the branches in the Order, at 1922 of £67,900; call it £68,000. That surplus has arisen notwithstanding the fact that in a considerable number of branches the full appropriation for administrative purposes was not made because of the circumstances which I have explained.

3976. Did that all come in one year?—No.

3977. Could you give me some idea of the appropriation?—There are 2,120 branches holding a portion of the surplus of the £68,000 to which I referred, and there are 330 branches which are in deficiency in their Administration Account. Except in the bulk I do not think I can say at the moment what would be the amount of the Administration expenditure per annum.

3978. I still cannot elicit what I am aiming at. You have got so many members. If you had 4s. a head, the total expenditure would be about £148,000. It only confuses me to be told £68,000 of one sort and so on?—I have not the proportion of that £68,000 which arose in one year, otherwise I could reply to your question.

3979. (Chairman): I daresay you could put in something for us later on?—Yes, I will get that for you with pleasure.

(Information supplied later was to the effect that the proportion for the year 1922 was £12,304.)

3980. (Mr. Evans): I think you told us that your head office staff was 30 in number, and the annual cost was something in the neighbourhood of £6,000. Then you mentioned the fees of the Executive Council—another small item of £480. That is almost insignificant as compared with the total expenses which come, as I feel they must do, to nearly

£120,000?—The £6,000 is in respect of the head office and is paid from the 3d. levy. I think I preceded the statement by saying that the 3d. levy provided something in the neighbourhood of £9,000. The other figure of £120,000 is expenditure in the districts and in the branches. In other words, it is the balance of the 4s. 5d. left in the hands of the branches to which I think you are making reference.

3981. That is so. What I felt was that talking about the £9,000 from one source and £480 from another source, and entirely neglecting that large sum, you get a false perspective?—Yes, I appreciate what you want. When you are next sitting I think I can put in a statement giving you that. That is really branch expenditure, and I have not got the actual particulars which would enable me to answer your question here. But I can get them for you at your next session.

(See note to Question 3985.)

3982. Would you mind adding to it the number of your staff so that we can get the percentage which the members of your staff bear to the total members?—I would like to be quite clear what you mean by "staff" in this connection. Do you mean the staff which runs the branches?

3983. I expect you have a staff of agents on whole-time service and part-time service, and possibly other types of service?—The very great bulk is part-time service.

3984. Could you give us an analysis of so many people on full-time service and so many on part-time service? I want to know if we can get at what number of people you employ to administer your Society?—I think I can give you something which would be of service. I would like to make it clear that the branch itself is the employer of the branch officer. If there is a remunerated branch officer the employer in that case is the branch, and the centre has nothing whatever to do with that either in control or veto.

3985. But you could add up the different people and give us the total, because there must be a total figure which exists?—Yes, I think I can give you the total figure. I think I can get what you want shown in a way which would not entail too much work, which would be reasonably accurate, and which I think would convey to you the picture you want me to draw.

(Information supplied later on these matters will be found in the reply to Question 4027.)

3986. (Sir Alfred Watson): In so far as you give us a total showing us, among other things, that so many people are whole-time servants of the society—of the courts, districts or the order—they would be whole-time servants of both sides?—That is so.

3987. You have no means of showing us how many people would be whole time on the Health Insurance side, have you?—Yes, I have. I have been making inquiries with regard to setting up a Pension Fund, and for that purpose I think we have got information which may prove of service.

3988. (Mr. Besant): What I am aiming at is whether it costs you 4s. 1d. or 4s. 4d. per head, and I am trying to find out how many people it takes to work the organization?—That will be the most difficult part. The former part will be quite simple.

(See note to Question 3985.)

3989. (Miss Tuckwell): Do the members of the Committee of Management receive any payment for their services? Do they come in as well?—(Mr. Torrance): In the majority of cases the Committee of Management receive no remuneration whatever; that is, the Court Committee of Management.

3990. The custom varies?—The remuneration is usually restricted to the secretary, the treasurer, and possibly some small remuneration to the Woodward.

3991. I wanted to ask you on your paragraph 23, is not the amount of money paid on administration really almost too small to affect benefit. You speak of saving on administration as one way of saving?—

(Mr. Duff): It enhances the Benefit Fund and must of necessity play its part.

3992. So that really a lower standard of administration might lead to higher benefit?—There is no

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relation between that and the payment of remuneration.

3993. You would leave yourself more for benefit by economising on your administration side?—A smaller payment does not necessarily imply a lower standard of administration.

3994. Quite so; but it is one of the things you give as enabling you to get better benefits, is it not?—A smaller proportion of the whole devoted to payment of administration expenses enhances the Benefit Fund.

3995. I think you have now made it quite clear. On paragraph 24 can you explain to me what you mean by the "safeguarding of Benefit Funds"?—The elimination of improper claims.

3996. Have you made quite sure that by stopping benefits a little earlier to a man or a woman they do not come back on the Fund again, possibly with a greater loss to the Society?—It is a reasonable operation; it is not a harsh operation.

3997. I know the reputation of your Society. You feel you always can make sure of that?—With a reasonable degree of certainty.

3998. Is the medical certificate to be relied on, or do you rely on your officials as well?—We utilise the services of the Regional Medical Officers.

3999. I have felt several times that what is called efficient administration, if it is drastic, may really not mean economy at all. It may mean a person being turned off too soon and then coming back again?—That is a possibility; but I should say that this Society is very free from that. The bulk of these people have experience in these matters on the voluntary side, which probably assists them in exercising a correct and reasonable and humane judgment.

4000. On paragraph 27, where you speak of the powerful incentive to a higher standard of administration, do you think that an officer has really got in his mind the possible effect of a claim upon the valuation which is going to take place some years hence?—He has the mutual relationship in his mind, I am convinced—the view that all the members of the Court stand together and have a joint interest in the funds of the Court. I think that does operate.

4001. Do you think it really affects a question which is not going to be settled for four years to a greater extent than that a man is trying to do his work as well as he can?—I do not think I gather exactly what is implied in your question.

4002. You say it is a most powerful incentive to a high standard of administration, and I was putting it that that would not be in the mind of a clerk who was getting out his figures for a valuation at such a distant date?—The matter would not be dealt with by a clerk in the sense in which the term is normally employed. It would be dealt with by a member of the branch who himself would be influenced by the common relationship between all the members in the branch and the prosperity of their own branch.

4003. In paragraph 29 you deal with the question of pooling funds. Do you think your objections are justified if really as a result the health of the whole community were improved?—I do not think the result of pooling would greatly enhance the health of the community. I think it would increase the expenditure on benefits. I am not satisfied that it would save administrative expenditure. Even if it did so, I think the saving would be greatly outweighed by the increase of benefit expenditure in any scheme where complete pooling was involved.

4004. Under the present system the state of a society where there are miners must get worse?—Not necessarily.

4005. We are at present in a position in which the society which takes people who are subject to abnormal risks is in an inferior position to that of a society which has no such members?—That is so.

4006. A society, say, where you have a great number of married women would continuously get worse until you have your valuation and pull it up again?—I do not think I follow the inference.

4007. It seems to me that all the evidence you have so far given on this subject has been that the societies

which accept a large number of "bad lives" or who are great risks grow worse and worse while the other societies improve?—In comparison their results are less favourable than other types of societies. I do not think that necessarily implies that as time goes on they are going to get worse.

4008. But how are they going to get better? You are putting here, are you not, plans for improving the health of the community. You have brought forward schemes for larger amounts from the Central Fund to fill up deficiencies?—What is developed later on is that an additional statutory benefit shall be provided and shall apply equally to a society which in the past was in deficiency. It would not merely be allowed to pay these benefits but would be authorized and required to do so, and everybody to that extent will be level. There may be societies that could afford to do that to-day. These deficient societies presumably could not, and therefore their position would be worse upon valuation; that is, the actual financial result would be more acute. In order to meet that I suggest that the Central Fund be extended.

4009. But the pooling of funds gives you a larger amount to fall back upon, does it not, than even this scheme of yours?—Yes; presumably it would permit the deficient society of to-day, whatever its character or cause, to pay similar benefits to every other society.

4010. So that your real objection to a general pooling is that you feel the continuance of the Approved Societies is desirable?—Absolutely.

4011. I mean your objection to pooling is based on that?—Not solely. I think it would be very much more wasteful were surpluses entirely pooled. You would eliminate entirely the form of government to which I have referred earlier, and would necessarily have to substitute some other form of government, and I suggest, a less desirable form of government. It would come to something which nearly approaches government by what after all would be governmental agents or officials, and I suggest that that is foreign to the British temperament. The truth is that the majority of us would prefer to govern ourselves moderately well than to be governed exceedingly well by somebody else.

4012. Your objections really are that it would lead to a system of red tape?—It would lead to a system whereby there would not be the same protection to the Benefit Fund. The main incentives for protecting the Benefit Fund would disappear.

4013. (Mr. Evans): With regard to paragraphs 21 and 22 of your statement, I want to follow up what Miss Tuckwell has been saying. In paragraph 21 you say that things are not really satisfactory?—Excuse me, but do I say they are not satisfactory?

4014. That is my way of putting it. I think it reads this way, does it not: "the first valuation of Approved Societies inevitably produced dissimilar results with consequent dissimilar future benefits. Such conditions, however, must always arise where varying liabilities are borne by different societies"?—I am suggesting that that is a healthy rather than an unhealthy feature.

4015. In paragraph 22 you seem to follow that up. You say: "The admission to a society of members known by reason of their occupation, or for some other cause, to bring liabilities beyond the normal is certain to react unfavourably upon the financial prosperity of a society." I am reading both those paragraphs together. What do you suggest is the way out of it? I think what you have at the back of your mind is that there are certain black spots as you said just now?—Yes.

4016. How do you suggest that we should get over that difficulty?—By a system which would restrict the disparity between the best and the worst, but which would not eliminate the principle under which sound administration eventually results in favourable financial results.

4017. You would not say that the failure of the system in a mining area like South Wales was due to

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[Continued.]

bad administration?—You are now speaking of the State side, are you not?

4018. Yes?—I do not think it has failed.

4019. But still you spoke of these black spots?—Yes.

4020. And the mining area of South Wales is one of them?—Yes.

4021. Then probably you do agree, more or less, that the system is a failure?—No; I think it is a natural consequence of the Act, and it was not a surprise to very many people who knew where this was going to lead. It was deliberately planned. It is part and parcel of the scheme, and provision was made for full penalty, in certain circumstances, not falling upon the individual unit.

4022. Your society is built up, I think, in a very democratic way. The branches in a mining area would not be able to have the margin of funds to give additional benefits?—That is so.

4023. Because it happens to be in a certain geographical area where there is a certain occupation. That is an anomaly that ought to be remedied. How do you think that anomaly should be remedied? How can it be remedied?—There was no absolute compulsion on any unit to accept an undue proportion

of miners. They did it; they probably did it with their eyes open. They were prepared to accept whatever consequences came as the result of it after valuation and they are doing it; they are not grumbling about it.

4024. But they do not get the same additional benefits as the members of your Society in other areas?—That is quite true.

4025. So that there is an anomaly. The members of your Society in one area get better benefits than the members of your Society in another area. That is a thing that ought not to be?—It is inherent in the National Health Scheme. It is inherent in the voluntary side. There is nothing new in it. It has been in existence for years.

4026. But could you suggest any way in which it can be overcome? We have had over 12 years of the National Insurance Acts.—If the method you have in your mind is that of complete uniformity throughout of National Insurance units, I do not think it is a desirable development. You are suggesting, if I may say so, that the Scheme stands condemned because of that. This may be an extreme way of putting it, but I regard that as one of its healthy, and not as one of its unhealthy, aspects.

(The Witnesses withdrew.)

NINTH DAY.

Thursday, 11th December, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B., M.D.,
P.R.C.P.
SIR ALFRED WATSON, K.C.B.
SIR ANDREW DUNCAN,
MR. A. D. BESANT, F.I.A.
MR. JAMES COOK, J.P.

MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MRS. HARRISON BELL.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (Secretary).
MR. J. W. PECK, C.B. (Assistant Secretary).

Mr. W. J. TORRENCE and Mr. STANLEY L. DUFF, recalled and examined. (See Appendix V.)

4027. (Chairman): We had reached paragraph 21 of your statement?—(Mr. Duff): May I before you proceed put in the Statements which I promised last week to obtain for the Commission. The first Statement shows the administration expenditure per capita for the year ended 31st December, 1922. That year is taken because it is the last year for which the certified accounts are complete throughout the whole of the Society. It shows the expenditure in various items enumerated in respect of Courts, Districts, and Head Office, and the total amount which was available. The second Statement shows the number of persons engaged in the administration of the National Insurance Acts throughout the whole of the Society. The third Statement shows the disbursements made to part-time officers of Courts, as authorised by the Court rules, in 14 cases in which the information happened to be readily available. (Tables handed in.)

ANCIENT ORDER OF FORESTERS A.S. 152.
Administration Expenditure per capita for Year ended
31st December, 1922.

	Courts.		Districts.	Head Office.	Total.
	s.	d.	d.	d.	
Salaries and Committee Fees	3	1-56	4-31	2-30	3 8-17
Printing and Stationery		4-13	63	21	4-97
Rent, Rates, &c... ..		1-98	34	43	2-75
Incidental Office Expenses		24	10	02	36
Travelling Expenses ...		40	70	12	1-22
Sundry Charges and High Court Expenses		44	15	14	73
National Conference Friendly Societies ...		—	—	03	03
	3	8-75	6-23	3-25	4 6-23

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[Continued.]

The above information has been extracted from the certified accounts for the year 1922, the last year in which the audit has been completed by the Treasury Auditors.

It should be noted that the average administration allowance for the year 1922, inclusive of allowance for administration of additional benefits, was 4s. 10⁷/_d.

Number of Persons engaged in the Administration of the National Insurance Acts in the Ancient Order of Foresters.

1. Head Office Staff	...	...	...	30
2. Executive Council	...	...	...	11
3. District Secretaries	...	...	...	192
4. District Treasurers	...	...	...	192
5. Court Secretaries	...	...	...	2,430
6. Court Treasurers	...	...	...	2,430
7. Secretaries of non-State Courts acting as Agents for other Courts	...	...	...	1,094
8. District and Court Chief Rangers and Sub-Chief Rangers	...	...	...	5,244
9. Other members of the Committee of Management	...	...	...	5,436
10. Woodward	...	...	...	5,000
Total	...	...	...	22,059

Apart from the Head Office Staff, speaking generally, only the District and Court Secretaries and Treasurers, and the Woodward receive payment, and in nearly every case these are part-time officers only.

The following Table shows the disbursements made to part-time officers of Courts, as authorised by the Court Rules readily available, taken without any process of selection, in fourteen cases:—

Court.	Secretary per member per annum.		Treasurer per member per annum.	Woodwards each per member per annum.	Committee per Meeting (each member).	
	s.	d.	d.	d.	s.	d.
A.	2	-	3½	3½	-	-
B.	2	-	4½	2½	-	-
C.	2	6	2½	2½	-	6
D.	2	6	4	1	-	-
E.	2	6	2½	1	-	-
F.	2	6	2½	2½	-	6
G.	1	8	1	½	-	6
H.	1	9	1½	¾	-	6
I.	2	-	3	3	-	-
J.	1	8	2½	4	-	-
K.	2	9	3½	2½	-	-
L.	2	-	2	4	-	-
M.	2	-	1½	½	-	-
N.	2	-	3	2	1	-

4028. (Mr. Evans): On the last occasion I was endeavouring to obtain from you what remedy you could suggest for the difficulties mentioned in paragraph 21 of your Statement. In that paragraph you speak of dissimilar results being produced on valuation with consequent dissimilar benefits. Can you suggest how that can be obviated?—I should like to repeat that I do not regard these results as difficulties. I merely record them as facts. I think the utmost extent to which the Society with which I am associated would desire to remedy that would be to prevent too great a disparity between branches or societies which have the best results and those which have the least favourable results.

4029. Do you think it is satisfactory that there should be any dissimilar benefits between two branches of the same order?—I think, as is stated in paragraph 25, that any departure from a system whereby careful administration of the benefit funds would cease directly to affect the future prosperity of a society or branch would be highly undesirable. I think that is fundamental and of the utmost importance.

4030. I can understand a difference between one Approved Society and another, but I do not under-

stand a difference between two branches in the same Approved Society?—There appears to be the same principle operating. The branch to all intents and purposes is a society for valuation purposes.

4031. In paragraph 22 you refer to the fact that the admission of some members to a society, by reason of their occupation, or for some other reason, brings liabilities beyond the normal upon the society. Does that mean that your Order rejects applications from persons in certain occupations because those occupations are hazardous and contain a greater percentage of sickness?—No.

4032. You do not do that?—No. Generally speaking, a branch situated in a neighbourhood where hazardous occupations obtain would as likely as not be managed by persons engaged in those occupations themselves.

4033. How does that help the matter?—It does not necessarily follow that because a branch shows an unfavourable result the members of that branch are receiving less money than the members of a branch showing a favourable result. It is the other way round. The members of the branch showing an unfavourable result get more money. You are pointing out that as a result of valuation there is going to be a differentiation of treatment of members, that the member in one branch is going to get more money than a member of another branch. As a matter of fact it is the members of the branch which has got into deficiency that have received most money, and that has produced the deficiency.

4034. You mean in the aggregate?—Yes. They get more money, but they may get it in the future at a smaller rate than members of another society.

4035. What about additional benefits? They would get none of those?—For the simple reason that they have taken out as normal benefit a larger proportion of the benefit fund.

4036. But taking the individual member of one society and comparing him with the individual member of another society, both having the same period of sickness, one would receive more than the other would?—That is true. One would, in the future, receive more, but taking them collectively, the first group has received more than the second group.

4037. (Professor Gray): I should like to get quite clearly your attitude on the question of pooling. You say you object to what you call a material departure from the present position in this matter or to any considerable degree of pooling. What you object to, I take it, is a complete scheme of pooling?—As stated in paragraph 29.

4038. What would you define as being a considerable degree of pooling?—The existing Central Fund is in itself a pool; the germ of pooling is there. We would not object to an extension of that principle. But when it comes to the stage that it removes the stimulus I referred to and thus sound administration is going to cease to react favourably upon the finances of the branch we should say, "No; pooling has gone too far."

4039. Is your attitude this: You do not object to pooling so long as that incentive remains?—That is so.

4040. You might increase the pooling, and I take it you would not object so long as that stimulus is still operative?—Yes. We would not want to get it too close; we should want a fair amount of that stimulus to remain.

4041. It is somewhat analogous to the attitude with regard to taxation. Under our present social system we are supposed to be individually responsible for ourselves and our families; we are on an individualistic basis; but along with that you have taxation, income tax, death duties, and all the rest of it, and you can put on taxation of that kind without any damage so long as the individualistic impulse remains?—That is true.

4042. You would apply that kind of analogy to the case of pooling?—Yes, precisely the same.

4043. Your objection to pooling is ultimately that the society would disappear?—Yes.

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4044. That the State would take it over?—Yes.

4045. You used a phrase last week in reply to a question put to you by Miss Tuckwell which I think might be liable to misunderstanding. You said your objection to pooling was based on your approval of or sympathy with Approved Societies. Is it not the other way round? Do not you mean to say that your approval of this system is based on your disapproval of what pooling leads to?—That is true. Pooling would lead, first of all, to the abolition of Approved Societies, and that finally leads to a complete system of State control and State management.

4046. That is a point about which we have heard a good deal. Can you tell us precisely why it is you object to this being taken over by the State? The notion is frequently put forward that Government action is in itself necessarily inefficient. Do you suggest that people employed by the State are lazy and idle, not interested in their work? That is an idea one often gets; is there anything in that?—No, I do not think there is. There are one or two reasons I should like to give, if I may, as to why I should be against a system of complete pooling, leading, as it does, to a system of complete State control and State management.

4047. You put aside the suggestion I have just referred to?—Yes, absolutely.

4048. Does not it come to this, that your objection to the State taking it over, to what you call nationalisation, depends on the fact ultimately that when the Government does a business it is hampered in various ways which are not applicable to a person conducting a private enterprise or semi-private enterprise?—That is one of the reasons. I do not know that I would make that the principal reason.

4049. You agree that is one reason?—That is so. Government employees work in a different atmosphere. They are not subjected to the same incentives as in a business organisation. I want to make it quite clear, concerning that aspect of it, that the Civil Service as we know it to-day deserves the greatest tribute that could be paid to it as being an institution of which everybody is proud, but nevertheless their work is carried on under different conditions from those obtaining in other organisations in the country. Each Department of the Civil Service is responsible to a Minister of the Crown. That is a well-established principle, and a very excellent one. In this country it has been acknowledged for centuries. The Minister is responsible to Parliament in the first instance, and through Parliament to the country. Although that is very excellent it brings in its train certain drawbacks. The system of government, as we know it to-day, which is a system of party government, means that every Minister must of necessity, in approaching the problem with which he has to deal, be always to a great extent on the defensive.

4050. You mean he must be ready to give an answer to any question at any time?—That is right.

4051. And he is responsible to the House of Commons and to the whole nation?—That is so.

4052. A person who is running a private enterprise is responsible ultimately, let us say, to his shareholders and those round about him?—That is right.

4053. He will be judged by considerations that are relevant, whereas the Minister is frequently attacked on irrelevant considerations?—Yes, it may be a side issue and a matter of no primary importance at all.

4054. That means, does it not, that the Minister has to have ready, at any time, an answer to any question that may be raised?—That is so.

4055. In order to do that there must be absolute consistency in every letter he writes, consistently applied to every individual throughout the country?—That is true.

4056. If he treats John Macdonald in the Isle of Skye in one way he must treat a man in Cornwall in the same way and give him the same answer?—Yes, there must be absolute consistency. That is the first consideration.

4057. Does not that lead to a great deal of precedent noting, records, references, and all the rest of it?—It must do. It seems to be inherent in the system.

4058. Is that the explanation of what is called red tape?—That is one aspect of it.

4059. Is not red tape the necessary machinery whereby a Minister is enabled to give a perfectly consistent answer to everybody at any time over 10 or 20 years, that being a matter of a thousand letters a day perhaps?—Yes, that is a very reasonable assumption.

4060. That, of course, means delay, does it not? You cannot have all these references to precedents, and all the rest of it, without delay and ultimate expense?—It must undoubtedly mean cumbrous and expensive machinery.

4061. Is there not another point that arises there? If you take a person running an ordinary business does not he aim at getting some sort of rough balance of success and failure? If a company makes eight good ventures and two bad shots the shareholders are quite satisfied?—Yes.

4062. It has a good balance on the right side?—Yes.

4063. But when you turn to Government action, remembering that there is an opposition alert on the other side, and remembering that there is the daily Press the next morning, is not the standard set up for a Government Department this, that they must never in any circumstances make a mistake?—Presumably that is so. As I say, that is the outcome of Ministerial responsibility.

4064. If the Postmaster-General takes a million letters from London to Aberdeen in record time, and the next letter is delayed for three days, he is liable to be called upon in the House of Commons to explain why, and the local Member who asks the question is held up as looking after local interests?—That is true.

4065. If any Department aims at this standard and never in any circumstances makes a mistake how can it achieve that? Does it not mean it never runs any risk?—Yes, it means the safe method always.

4066. Having regard to the consequences which flow from Parliamentary responsibility, you have the whole machine, first the Minister, and then under the Minister the Civil Service all playing for safety?—That is so, rather than embarrass the Minister.

4067. The Civil Servant has the option either of doing something which he knows will be perfectly safe, which will raise no question, or he may take a bold line which may raise questions in the House, and if he cannot get advice from above he will plump for the safe course?—Yes.

4068. So that under those circumstances you have a certain definite limitation imposed on the kind of things that a Government Department can do?—Necessarily so, and that leads me to say that the extent of Government operation and Government control should be the minimum necessary rather than the maximum.

4069. One last point which brings you on to your Society. The State cannot take over the business, can it, without limiting the field that is left for private activity? What the State takes over it deprives other people of doing to a certain extent?—That is so.

4070. In the case of your Society you consider that you are there with an educational purpose?—That is quite true. It may be thought that that answer is promoted by selfish motives or by a desire to protect an existing vested interest. If that is so I plead guilty to that quite frankly.

4071. You take the general view, do you not, that the business of life is an essential part of the education of the people?—Absolutely.

4072. In your Society you have means whereby the members are given an opportunity of managing their own affairs?—Yes.

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4073. If the State were to take that over all that training in self-government, all that discipline in looking after peoples own affairs, would go by the board?—Yes.

4074. You consider that would be a loss?—Very much so. As a matter of fact, if there be any selfishness in those answers, I would say it is merely pleading guilty to protecting an interest, the conservation of which, in my opinion, is in the national interest highly desirable.

4075. I am not saying it is my view, but would you go so far as to say this, that the educational effect of Approved Societies of your type was something that was worth paying a price for?—Absolutely.

4076. So that even if it were held that your type of society and other types of society were not the most economical that could be devised, you would still say that there was an advantage from an educational point of view for which the country at large ought to be willing to pay a price?—Absolutely. Societies of the type to which you are referring now, similar to our own, do encourage the growth of a healthy sense of fellowship and of mutual responsibility. They provide a training in self-government, and they foster the creation of what I described last week as thinking centres throughout the country, which have the effect of producing stable-minded citizens. If the State comes in all that falls. I agree it is worth paying a price to have it continuing in the national welfare.

4077. (*Miss Tuckwell*): Admitting all that has been said about the bureaucracy of Government control, would not one economy be achieved if you had one national State society? Would not that do away with a great deal of duplication of records and other things of which Professor Gray has been talking? Would it not do away with a great deal of work and expense, assuming it to be desirable in other ways, which Professor Gray has proved it is not?—That, if I may say so, comes to this, would it be more economical to administer?

4078. I ask you the question because it has been treated as if expense was not one element in it?—I think the logical sequel to my replies to Professor Gray is this, that even if economy did ensue—I do not know that I am in a position to admit or rebut it, but I am doubtful as to the actual economy that might ensue—but even if it were so, it is not worth the price because of other things that would follow. I cannot say whether it would be more economical or not.

4079. You cannot say whether it would be cheaper to have one set of records than to have a number?—One set of records would produce other ills which might do away with any advantage that might accrue solely from the fact that there was one set of records instead of many. But apart altogether from economy or otherwise of administration, I am afraid if you had a national scheme like that there certainly are some people in the country—their numbers may be considerable or inconsiderable—who would regard a fund supported in the way in which a fund of that nature would be supported as a kind of milch-cow; and therefore, even although you did establish a saving on administration it would undoubtedly lead to a very considerable increase in benefit expenditure.

4080. Do you really think, taking two men, one in private employment and one in Government employment, that the one sets to work to make a milch-cow of the State?—No, I do not think I have suggested that in any of my replies.

4081. From your replies, which were evidently very carefully thought out and to which I listened with the greatest interest, I was beginning to feel that employment by the State did produce a very bad effect on the people who worked for it?—Oh no. The only suggestion is that a State servant is restricted and trammelled.

4082. (*Professor Gray*): The suggestion was that it made him cautious?—Ultra cautious possibly. There is one other aspect of it to which I should like to refer. I am not at all convinced that sick men

and sick women are the right and proper subjects upon whom to impose what is after all a soulless machine-like system, however efficient it might be, and displace thereby a system in which sympathetic humane motives operate to a very considerable extent to-day.

4083. (*Mr. Cook*): In discussing this change you do realise that if the whole of this work was taken over by the State it would impinge very heavily on present-day vested interests?—That is true.

4084. You might have a much larger staff of permanent officials employed on this work, but the thousands of people who are engaged part-time, such as the officials of your courts and branches, and so on, probably would be dispensed with?—Possibly.

4085. So that the question of vested interest helps to colour one's opinion as to whether a change of this nature is or is not desirable?—I have pleaded guilty to a desire to protect vested interests, but I do suggest—and I should like to emphasise it—that it is the protection of an interest the conservation of which is, in my opinion, highly desirable in the national interest.

4086. I do not necessarily agree with you, but I know that is your point of view. In reply to Mr. Evans, you pointed out that those branches that have the smallest surplus, in some cases no surplus at all, actually receive more money than those which financially are better off?—I did that because Mr. Evans, if I may say so, seemed to be stressing the point that one individual as compared with another was going to get more money. My reply was that the other individual has already had more money.

4087. Is that necessarily so?—That is the reason for the deficiency, is it not?

4088. I do not think so, unless I am taking a mistaken view of the position. Is not the position this, that taking the branch as a unit the branch gets more money, not necessarily the component members of the branch?—They are the branch. It is the individual members of the branch who draw the money.

4089. Is not the point this, that in the mining districts, for instance, you have more members sick in the course of a year than you have in a branch where the members are employed in more healthy occupations?—If there are not more members ill, then their illnesses are more protracted, because the aggregate sum which they draw is greater.

4090. The aggregate sum that the branch receives?—I must repeat that it is the members of the branch who receive it.

4091. I am entitled to look at it from this point of view, that you have a larger number of members receiving individual sums in one case than in the other?—That is so.

4092. In the aggregate the amount of money that you pay to that branch is greater than in the case of the other branch?—Relatively that is quite right.

4093. On the other hand, the necessities are greater?—The premium is the same.

4094. The premium is the same, but the benefits actually received are not the same?—The benefits may be more. I am suggesting that, collectively at any rate, and if you come down to an individual basis they are more.

4095. That being so, where does the factor of mutual helpfulness come in?—Are you referring to the fact that because we make, to use an extreme phrase, a branch suffer for its unfortunate experience, that there is no mutual helpfulness?

4096. I am at a loss to see how it operates?—At the moment we are restricted by the present Act, which does not permit the benefit funds of the other branches of a society to be utilised to take away the ill effects of a deficiency in one branch and prevent the penalties prescribed by the Act falling upon the members of that branch.

4097. I could understand that very well if you could bring any charge against the members of mis-managing their affairs, or anything of that sort, but it is not due to that; it is simply due to the fact

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that the men are working at an occupation which undermines their health more rapidly in one case than in the other?—In many cases that is so. It is not wholly due to that, but I would be prepared to put that as a prime factor.

4098. Under your present system of administration the members of these unfortunate branches are not in a position to obtain the additional benefits that other members obtain?—That is not due to our constitution; that is due to the provisions of the Act.

4099. I understand what it is due to. My questions are directed to you with this point of view, that a system whereby each member obtained equal benefit with every other member, would be a decided improvement?—I think that would bring ill in its train which would outweigh any advantages which you would obtain.

4100. I know you have that idea, but you have not particularised what these ill are. In a later stage of your evidence (Paragraph 41) you admit that the restoration to health of an insured person at the earliest stage possible is of supreme importance?—Yes.

4101. And yet under your method of conducting your affairs you are depriving of benefit those members who really are most in need of assistance to restore them to health?—No, I do not think that is a correct statement of fact, if I may say so with respect. In paragraph 41 and subsequent paragraphs we are endeavouring to provide greater facilities to all members, including those who are in branches with less favourable results, and the money for that is going to impose a greater strain upon those branches which are more favourably situated; so in reality what we are proposing in paragraph 41 and subsequent paragraphs is very much on the lines which you yourself are wanting.

4102. (Sir Humphry Rolleston): It seems to me that in the way in which you deal with some Courts where the vast majority of the people belong to what we call dangerous trades you are, by restricting the amount in order to stimulate the administration to be economical, damaging the individual members of those Courts, because although you receive the same amount of money in respect of those people they, by reason of the increased amount of illness which naturally attaches to their occupations, receive restricted benefit. On the whole, is not the sound principle of insurance rather negatived?—Is there not another insurance principle which requires a distinctive premium for a distinctive risk and that does not obtain?

4103. You limit the amount which you distribute, so it comes to the same thing in the end?—In the absence of any differentiation in premium it seems to be quite a reasonable position to have a differentiation of benefit.

4104. That I suggest to you is contrary to the principle of insurance, viz., what you lose with one you make up with the other?—Except that the insurance unit under the Act is the branch or the society. It is not like a company. A company would be comparable to a national scheme.

4105. (Sir Alfred Watson): I think we have lost sight of the method by which the branch system operates. It is this, is it not, Mr. Duff? You do not apply careful and close methods of administration to prevent members getting benefits that are necessary to their recovery and to which they are properly entitled. All your careful methods of administration are applied, I take it, to prevent people getting benefits to which they are not fairly entitled?—That is so. As a matter of fact the standard of administration so far as the sick man is concerned is not harsh at all. If it errs at all it errs on the other side.

4106. Am I right in suggesting that it is entirely unknown in your Society for the committee of management of a Court to stop a member from getting the benefits to which he is properly entitled, because if he did so there would be a deficiency on valuation?—That would be the last thing that would operate. It would never enter the mind of a single member

of a single committee throughout the whole of our Society.

4107. The position is this, is it not, that if a Court has a surplus its own members enjoy the possession of that surplus?—True.

4108. But if a Court has a deficiency and that deficiency is not due to maladministration, then that Court has recourse to a very large fund called the Contingencies Fund of the Society, which is a pooling fund contributed to by members of every Court in the Order to any extent required to make good the whole amount of its deficiency?—That is quite true.

4109. So that, so far as guaranteeing the benefits named in the Act is concerned, you are doing it through a pooling arrangement?—That is true. That operated in the case of 88 branches after the last valuation. 88 branches drew from the Society's Contingencies Fund to prevent the penalties of the Act falling upon them as a result of their valuation deficiency.

4110. Having regard to the amount of your Contingencies Fund and to the character of the average risks throughout the whole of your Society, can it not be said that so long as a branch is administered properly its members are practically guaranteed the standard benefits named in the Act?—That is true.

4111. (Chairman): Chapter VII, medical benefit. I see from paragraph 37 that you think the service rendered under the present panel system of medical insurance practitioners is an improved one. Would you care to express any opinion upon the statement sometimes made that the service given to the insured population is of a lower quality than that given to private patients of the same class?—If such a statement were true in the early years of National Insurance, I should say it is not true now. I do not say there will not be found isolated cases, but generally speaking I would say it is untrue to-day.

4112. Have you heard of much dissatisfaction on the part of members of your Society with the medical service to which they are entitled under the Act?—No. Human nature being what it is, there will always be people who will grumble, but we have rarely come across cases of dissatisfaction to any extent where there was any real substance in it. Isolated instances, yes, but negligible in number.

4113. I see that in paragraph 41 you suggest that medical benefit should be extended so as to include the services of specialists and consultants. You do not develop the financial and administrative problems arising from this in your Statement, but perhaps you would do so now. For example, what sum out of the weekly contribution do you think would be needed for this purpose?—The financial development I am afraid I would not care to embark upon. I am convinced that the surpluses which are going to be revealed upon the second valuation are going to be substantially heavier than those revealed upon the first valuation, and therefore there is less qualm in advocating extensions which entail greater cost than formerly. But administratively I would like to develop it a little. I think it might be possible to develop upon lines which are not at all costly, in what is really a small way, and is merely an administrative matter and within the control of the medical profession themselves. I think it ought to be possible in every area to have the medical skill to some extent pooled. Let me illustrate what I mean. Let us assume for the moment that Mr. Torrance and myself are both insured persons: Mr. Torrance selects a doctor: he selects Dr. A., because Dr. A. is his family doctor. I select Dr. B. for precisely the same reason. Dr. A., without being a specialist in heart troubles, nevertheless has more than the average knowledge of the subject. As a matter of fact most doctors have one particular subject with which they are more conversant and upon which they are more skilled than others. Dr. A. may have just this little extra skill concerning heart troubles: he is not a specialist in any sense of the word. Dr. B. may be similarly circumstanced concerning lung affections. It may be that Mr. Torrance

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develops an affection of the lung and I develop heart disease. We are each anchored to the wrong doctor. True we have a right to change and we can transfer from Dr. A. to Dr. B. or *vice versa* if we wish, but there are practical considerations which prevent that; for one thing the relationship between patient and doctor, particularly the family doctor, would preclude a solution on those lines. But it does seem to me that within areas, possibly within the Insurance Committee areas, it ought to be possible to have some small degree of pooling of medical skill whereby a particular doctor more competent to deal with a particular complaint was brought in touch with the particular insured person suffering from that complaint. It would cost a mere nothing. It is a matter which could be arranged by the goodwill of the medical profession in any particular area, possibly with a stimulus from the British Medical Association, and it seems to be work which Insurance Committees might very well take in hand. That is a minor thing. With regard to the other, the larger question of specialist and consultant services, I consider the fundamental requirement of very many of the insured persons when ill is greater facilities for more skilled diagnosis. Subsequently to the skilled diagnosis the treatment could be carried on locally by insurance practitioners; operations, major operations even, could be done in the locality in which the individual lives, but frequently there is not available to the individual the more skilled diagnosis which is, I submit, a fundamental necessity. Though it would be expensive, it might be possible, and I think it would be worth paying for. The skilled consultant in certain complaints could be, so to speak, put on wheels and instead of being at one centre be taken to various sub-centres on given days according to a time-table.

4114. You would like greater elasticity in the system?—That is so, and appropriate cases could be brought up through the insurance practitioner and the regional medical officer, so that there was no abuse, and the specialist and the insured patient brought in contact with each other to a greater extent than exists to-day. I admit it would be an expensive proposition, but I submit it would be well worth paying for.

4115. Do you consider that there is a margin in the present contribution sufficient to meet this charge, or do you contemplate an increase in the present rate of contribution?—I do not contemplate an increase, but if an increase were essential I think it would be worth considering imposing it. I am inclined to think the money is there, but as to what the cost would be I am not prepared to express any opinion.

4116. I note your suggestion in paragraph 45 with regard to loss of medical benefit upon leaving insured employment, and feel that it is an important one, but I am not quite clear as to the manner in which you suggest the cost should be met. Will you explain this?—This also would entail considerable cost, not to the same extent as the previous suggestion, but it will be considerable, because it is not merely carrying a man from 65 to 70; it is carrying him for medical benefit throughout life. Again, I am influenced very much by the fact that there are surpluses in the great bulk of Approved Societies adequate, and more than adequate, to stand some very large charges being imposed upon them. It is merely a question of determining what should be regarded as the more urgent charges and placing them upon the benefit fund.

4117. Is there any desire on the part of your members who continue to work after 70 that they should continue to contribute under the Act and remain entitled to cash benefits as well as to medical benefit?—I have never heard that desire expressed, and I would endeavour to discountenance it if it were expressed. I think it would be an undesirable development. It is difficult beyond the age of 70 to draw any clear distinction between what is proper incapacity for work in the sense that is implicit

in the National Insurance Act and what is really a condition of senility or a condition bordering upon senility.

4118. Chapter IX, dental benefit. I see from paragraph 47 that you propose that dental treatment should be one of the statutory benefits of the Act. You have not attempted an estimate of the cost of your scheme, but I gather that you hope that it could be met without any increase of the present contribution. Is this so?—The experience of our own branches in dealing with dental treatment is not sufficient to enable us to form any accurate estimate of what the probable cost of dental treatment would be, but I have had the opportunity of examining the cost in other societies and other organisations acting on behalf of Approved Societies, and I think it is generally accepted now that the cost is likely to fall somewhere between 5s. and 6s. per member per annum. I do not suggest that with the average surplus which would emerge there will be that sum left in respect of every member, but there may be sufficient to provide a reasonable proportion of the sum necessary for the provision of dental treatment.

4119. May I then sum up your attitude towards the cost of the various suggested extensions of benefit in some such way as this: "Experience has shown that in the case of the great majority of societies, the present contribution is more than is required to meet the cost of the present benefits. We think, therefore, that the various suggested extensions could ordinarily be provided out of the present contribution, but that as this might result in deficiencies in a few less fortunate societies, there should be a rather larger Central Fund built up by contributions from all societies in order to make good any such deficiencies." Is this a fair statement of your views?—Yes, I think that describes it precisely. In addition, I think I ought to state this. On the second valuation which is now taking place societies were divided into two groups in a manner which I think has been explained to the Commission. The great bulk of the first group consists of branches of our Order. Therefore, probably we are in a position to form a more accurate estimate than are societies that are being valued a year later as to the extent of the surpluses. The creation of the data for the Treasury Valuers, the completion of the forms necessary for them to perform their work, has been done to some extent—one phase of it at any rate—in the head office of the Society, and that has given us an opportunity to form some general idea as to what the results are likely to be. That perhaps may account for the optimistic note which appears to run through some of the suggestions contained in the last few paragraphs with which you have been dealing.

4120. I see you suggest that the cost of any dental treatment above £1 should be met out of insurance funds to the extent of 50 per cent. only, and that the member should himself provide the balance of the cost. Is there not a danger that some of the poorest members who might be most in need of the treatment would not be able to find this balance, and so would have to forego the benefit?—Yes, I think that is true. I think it would have that effect. We are not wedded either to the £1 or to the 50 per cent. They are both arbitrary figures. It might be got over by dividing the type of service which is rendered, and providing that one type of service, possibly the surgical type, should be defrayed in full, and the provision of dentures not in full but a reasonable percentage only.

4121. You suggest that dental benefit should be treated as a cash benefit and administered by Approved Societies. Have you considered at all the possibility of it being administered as a treatment benefit through the Insurance Committees (strengthened by dental representation) on the same lines as medical benefit is at present administered?—No, I cannot say that we have addressed our minds to that possibility. On the other hand, it does occur to me that if it is not to be 100 per cent.

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service it would be very difficult for anybody to do it other than Approved Societies, because the records lie with the Approved Societies. It is they who would indicate the condition of the man's account which would give him title.

4122. (Mr. Evans): In paragraph 41 with reference to specialist and consultant services for every insured person, you suggest that there should be some small degree of pooling of medical skill. I note you are cautious, "some small degree." I suppose you would object to a State Medical Service?—A State Medical Service presupposes first of all that the medical profession is agreeable to it. I do not know that the medical profession is so. Until I do know that I am not able to express any definite opinion.

4123. You suggest some amount of pooling?—Pooling of medical skill in a given area between insurance practitioners.

4124. That is in a small degree, I suppose?—A State Medical Service does not mean necessarily the pooling of medical skill.

4125. If the pooling of medical skill in a small area is good, would not the pooling of medical skill over a bigger area be better?—It would undoubtedly. I indicated when I developed the larger question of providing increased facilities for skilled diagnosis that that was the direction in which my mind was operating.

4126. I suppose you take the same view here, that if we had a State Medical Service it would be a sort of soulless machine?—I expect, if I thought about it very closely, I should probably come to the same conclusion, but I have thought about the other aspect to a greater extent than this, and probably my views on that are more developed.

4127. You said in answer to one of Professor Gray's questions that your chief objection to a State Society was that the State always plays for safety. Would the same apply here? Would your chief objection to a State Medical Service be that the State would play for safety?—I do not know that I would put that as my chief objection to a State Medical Service. The chief objection is that it sweeps away some of the existing agencies which act for the national welfare.

4128. Is it going to be good or bad? You think it would be bad?—I think it would be bad to sweep the existing agencies away. Undoubtedly I do.

4129. You do not think the good that would accrue would overbalance any evil that might arise?—I do not. I think the overbalance would be on the other side; heavily on the other side.

4130. You are satisfied with the present panel service?—I was addressing myself at the moment to the bigger question. You are linking the two. I am fairly well satisfied with the present panel service. I think the present panel service deserves more commendation than it sometimes gets.

4131. Your answer in a general way to anything of a State character is that the State always plays for safety?—Not solely. That may be a factor in the objection but not the sole objection, not even the main one.

4132. The usual charge is that the State is extravagant. You cannot have it both ways. You cannot charge the State with extravagance and with lethargy?—Surely extravagance and lethargy are very frequently linked together.

4133. That and playing for safety?—No, extravagance and lethargy.

4134. That is not what I mean. One charge that is made is that a service controlled by the State lends itself to a lazy sort of administration?—I have not made that charge, nor am I making it. I have heard it.

4135. It has been put to us by other witnesses, and the term "soulless machine" rather tends to that?—Not necessarily.

4136. In paragraph 47 you suggest that dental treatment should be made one of the statutory benefits of the Act. In answer to the Chairman you said that there would be some sort of pooling

here, but you made rather a guarded answer. I think you said that out of surplus some proportion of dental benefit could be given to every member of an approved society. The suggestion was that you might have some approved societies whose dental benefits would be restricted as compared with members of other societies?—I am afraid I have not made myself clear. It is precisely the opposite. I am endeavouring to give to everybody some degree of dental benefit because it is a preventive benefit. I want everybody to have an equal degree of that even to the extent of making inroads into existing insurance funds and absorbing some of the potential surpluses. That will have the effect possibly of increasing the unfavourable results in some societies and some branches, but I say never mind about that, require them to give this benefit and extend the operation of the Central Fund in order that they may be able to bear the cost of the extended statutory benefits.

4137. You did suggest just now that some proportion of dental benefit should be given?—If it is not a complete service, if it is not possible to give 100 per cent. service; but treat everybody alike.

4138. You agree to that?—Yes. I want to make it a statutory benefit, and that necessarily implies that everybody is entitled to it.

4139. And you suggest that that should be got out of surpluses?—No. I say if you put that as an additional statutory benefit you are going to place a larger strain upon the benefit funds and make a bigger inroad into potential surpluses, and possibly if you went to 100 per cent. dental service you might exhaust the whole of the surplus. Then you will address yourself to the question whether it is necessary to increase the contribution or to restrict the service and not give 100 per cent. service.

4140. (Sir John Anderson): Mr. Duff, you contemplate the administration of dental benefit as a statutory benefit being entrusted to Approved Societies?—Yes.

4141. Do you think, if it is made a statutory benefit, there ought to be differences in the standard of benefit provided as between members of one society and members of another?—No, not if it is made a statutory benefit.

4142. You recommend that it should be a statutory benefit?—Yes.

4143. Then you would recommend that it should be administered by various societies on uniform lines?—Yes.

4144. That the value of the benefit provided should be the same irrespective of the society providing it?—That is so.

4145. If it is going to be provided on that footing as a statutory benefit of general application, conforming to a fixed standard in all cases, is not the argument for entrusting the administration to Approved Societies greatly weakened? This is something which you recommend should be paid for, it is true, out of the funds of Approved Societies, but you say it should be put on what one ordinarily understands as a national basis, with complete uniformity?—Is there not an analogy—perhaps it may be a little remote—in maternity benefit. An insured person or his wife gets a cash benefit in respect of confinement. The service varies, the benefit does not.

4146. I know, but is not the administration of maternity benefit a very much simpler matter than the administration of dental benefit? It is a question of the payment of a specified amount on the happening of an event, and it is not in fact uniform. Is it not true that some societies are paying maternity benefit at a higher rate than others because they have decided to apply their surplus in that direction?—That is true. There is that differentiation.

4147. As regards dental benefit, you say it is preventive. I do not think you would assert the same with regard to maternity benefit. Dental benefit ought to be given on a uniform standard because it is preventive, and it is in the national interest that everybody should have it. That is the sort of argu

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ment which, it seems to me, would apply to medical benefit, but is it not an argument tending in the direction of centralised administration, or at any rate, of unified administration?—Yes, I think perhaps it is. The nature of the benefit is such that it would make it more desirable perhaps than in the case of normal benefits.

4148. You were developing a thesis in regard to the functions of Approved Societies and the advantage of having the cash benefits of members administered by the sort of body which, in the exercise of free choice, they elect to join rather than having the whole thing nationalised on fixed and stereotyped lines. I do not want to follow anybody in the bypaths into which some seem to have gone in that connection. Looking at it from the point of view of dental benefit, would you not be weakening your general argument under the other head if you sought to maintain that dental benefit, which I suggest is in a different position, should be treated in the same way?—I suppose to some extent one would be influenced by the alternative method of administration which was suggested. If the alternative method of administration left Approved Societies with a reasonable degree of control either through some central body or by some unified method, I do not think there would be any serious objection to it not being administered on an individual Approved Society basis.

4149. I should like to get you to go a little further than that if I can. Do not you agree that there are some positive arguments which can be advanced in favour of centralisation or at any rate unification?—Yes, I do.

4150. (*Sir Alfred Watson*): I notice you contemplate rather a costly form of dental benefit, and you advocate also the development of medical service, specialist and consultant services, which are bound to cost some money, perhaps a good deal. In putting forward these proposals and suggesting that they can be financed, probably, out of surplus, have you kept in view the question that is bound to arise towards the end of 1926 as to the cost of medical benefit itself?—Yes, that is not absent from my mind. I realise that the present system of meeting that is a temporary expedient, and I want to make it clear that these various suggestions which are advocated are advocated not so much on the basis that there is a sufficient surplus to meet the cost of all of them, but that the greatest needs may be met, and if necessary there would be a process of elimination. The whole thing would be explored from a financial point of view, and in respect of dental benefit also from the point of view of the service which is available. Then when the cost is estimated of the things which it is desirable to add you would have to consider to what extent that could be met by the existing contribution and to what extent the contribution would need to be increased, and whether some of them would need such an increase of contribution as would of itself compel you to say "No, that must be ruled out. It is a matter for future development."

4151. You would not put the cost of these services in competition with further money that may be necessary for present medical benefit?—If I may put your question in another way, you are asking me whether I regard the continuation of the present medical service as a prior charge.

4152. Just so?—I do undoubtedly.

4153. Turning to paragraph 49 you indicate a preference for dental benefit over any increase of the statutory sickness and disablement benefits. Apparently you contemplate that if dental benefit is provided on the lines you advocate it will be impossible to maintain the sort of additional cash benefits that are now being granted by societies. Is that so?—That would depend on the extent of the surpluses which are to be revealed in the future.

4154. You say "It is highly probable that the inclusion of such a benefit would do much to absorb the valuation surpluses," and you go on to submit "that the disbursement of funds in this direction would be more beneficial to the health of the nation

than adding varying amounts to the statutory sickness and disablement benefits?"—I think so, and I think that in a later part of our Statement we advocate that there should be a definite limit by which cash benefits could be augmented from surpluses.

4155. If the effect of these new charges combined with a possible charge that hangs over us for medical benefit itself should be to absorb a very substantial part of the surplus, it seems clear that additional cash benefits will either go or at any rate will be curtailed?—That would be the stage at which I suggest the question of the greatest need would arise; whether it was desirable to include these additional benefits at the expense of additional cash benefits or whether additional cash benefits should be allowed to flow and forfeit made of these which, though desirable in themselves, there was not money enough to provide.

4156. Having regard to the great disparity between the sickness benefit of National Health Insurance and some other forms of benefit under national schemes of insurance, do you think it would be desirable, if we are not to pay additional cash benefits out of surpluses, by a small increase of contribution to increase the statutory rates?—I am afraid that is a question to which I have not given sufficient consideration to enable me to give a reply of any value.

4157. In paragraph 45 you make an interesting suggestion, that people who are compelled by the terms of their employment to leave insurance at 60 or 65 years of age should be granted a right to medical benefit for the remainder of life. A scheme of that kind could be financed, could it not, out of the transfer values in respect of those persons?—Yes, that seems to be an appropriate use to which to put transfer values.

4158. Rather than reduce the society's surplus it would merely tap a certain amount of income that now goes to the redemption of reserve values, that being the ultimate destination of these moneys?—I agree that would be quite an appropriate source from which to draw money for this particular purpose.

4159. It would be impossible, would it not, to forecast the number of these people or their distribution, and, therefore impossible to make any arrangement for meeting this liability from a statutory contribution?—I think it would be very difficult. On the other hand, we do think medical benefit stands in a different category from other benefits, and when an insured person has been insured from the age of 16 and compulsorily leaves his employment at the age of a few years short of 70, there does seem to be some case for medical benefit continuing.

4160. I quite appreciate the argument which you put forward: I am wondering about finance. I suggest it might be regarded as a charge on transfer values, and I gather you agree?—Yes that seems to be a proper charge to put on transfer values.

4161. On the general question involved, it is really a grant of something more than the free year's insurance to a certain class of people on leaving insurance?—Yes.

4162. I see you suggest that there would have to be a specified period of insurance and payment of a specified number of contributions as a condition of the concession. Have you thought what you would recommend for this specified period of insurance?—I do not think it should apply under five years at any rate, and I do not think 10 years would be unreasonable. It should be a good lengthy period.

4163. Is not 10 years rather short? It is the grant of a benefit that may be worth in cash £5 or £6 when the person leaves insurance?—As I indicated, it should be a good long period. I do not know that there would be any objection to the period being more than 10 years if the circumstances after examination were found to warrant that.

4164. So long, I take it, as those people who came into insurance in 1912 and now reach 60, and are

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compelled to go out of employment, would get the benefit of it?—I think it would be desirable to have some special provision for those people, again after a continuous period of employment of a limited number of years, perhaps more limited than normally would be the case when the scheme is older than it is at present.

4165. You would have to make a special concession to people now reaching 60 or 65, because there was no compulsion on them to insure before 1912?—That is so.

4166. (*Professor Gray*): Can these people become voluntary contributors?—In point of fact they do not.

4167. As a matter of fact, they could, and could get medical benefit in that way?—Yes.

4168. (*Mr. Besant*): With regard to dental and specialist treatment, I gather from your answers to other questions you would first of all use your valuation surplus in that direction; that would be the first source you would tap?—No, I would rather like to qualify that. I should like to make clear that what I really want to do is to impose additional burdens upon the benefit funds existing to-day. That, it is true, does have the effect of absorbing the potential surplus. One of the objects I have in mind is to make a greater inroad into these moneys before they become surplus.

4169. Would you like these dental and specialist services to exist without regard to cost; that is to say, get it out of surplus if you can, or out of potential surplus, but if necessary increase the contribution?—No. I think the subject ought to have very careful consideration before that stage arises.

4170. Or would you cut your coat according to your cloth?—Yes, I would.

4171. You would not say it is so important to the health of the nation, as I think you do in paragraph 46, that whatever the cost you would have dental service?—Oh, no. That would bring up what you describe as cutting your coat according to the cloth available; and would introduce the question of the degree of benefit which should be provided.

4172. In other words, you would, if necessary, curtail the dental service which you think ought to be supplied because of cost?—Yes. Cost is a great consideration. There is a limit beyond which the insured person should not be mulcted for insurance contributions. There is quite a considerable volume of opinion that that limit has already been reached.

4173. On the other hand, is there not such an enormously important national purpose to serve in looking after the teeth of the nation that that consideration ought to come first and foremost, and cost come second?—I do not think I have quite decided which ought to come first. The two considerations ought to be carefully weighed and decided upon.

4174. You would not care to pursue your paragraph 46 just a stage further and tell us how far you yourself would advocate an efficient dental service without taking cost into consideration?—I think that is done, if I may say so, in paragraph 48, but, as I say, we are not wedded to that method of providing the first £1 of cost in full and 50 per cent. of any cost beyond that. There has been suggested another basis altogether, and that may get over the difficulty referred to in one of the Chairman's questions, that the person least able to afford dental benefit might be ruled out. A suggestion has been offered, and I think accepted quite freely, that certain dental services by reason of their character might be defrayed in full, and certain other services, such as the provision of dentures, might be defrayed only to a percentage of the cost.

4175. But if certain dental services are necessary for the health of the nation ought they not to be made a statutory benefit, even though it is costly, and even though the contribution had to be put up?—I want the whole thing made a statutory benefit to a degree; 100 per cent. if it can be; a

smaller percentage if it cannot. When you come to decide upon the smaller percentage, I suggest, you could take the view that certain types, say the surgical side of dentistry, shall be defrayed to the fullest extent, and that the provision of dentures may be regarded as a little less important. If the money is not there adequate to provide 100 per cent. (and in any event there should be a limit), then provide a reasonable percentage from such funds as are there.

4176. Rather than provide the funds to give the extended service?—Rather than provide the funds by an increase of contribution. I have already said that I have not addressed my mind to whether or not the circumstances are such as would justify overriding the other consideration which is the extent to which insured persons ought to be mulcted in insurance contributions.

4177. Mulcted is a severe word, I think?—I am afraid that is how it is viewed.

4178. (*Miss Tuckwell*): The contributions to meet the cost of these extensions, which, in your view, are so important, would still be those of the Exchequer, the employer and the employed person, would they not?—Yes, they would come from the contributions paid in respect of the insured person.

4179. The contributions of all three?—Yes; in other words, it would be the contribution of the employer and employed, and the disbursement would attract the State grant.

4180. Expense of this sort, which is necessary for the health of the nation, might be met by a larger contribution on the part of the State, might it not? Is not that one way out of the difficulty?—Yes, but that is a direction to which in recent years we have lost the habit of looking.

4181. In dealing with the present medical service, you said it is giving satisfaction now, but you went on to say that there were still complaints, as naturally there always would be in any service. As a good society, what lines do you take to inform your members of their rights?—Are you referring now to medical benefit?

4182. Yes. What do you do to tell your individual members what they can claim how, when their benefits lapse, they can come back, and so on?—We have no special machinery which operates with the definite object of doing that and that solely, but it is part of the duties of the branch, and it is done in the branch. The ordinary intercourse within the branch permits of it being done; it is a matter of discussion among the members, and they are surprisingly well-informed.

4183. You do not think there are any cases which lose benefit through ignorance?—I should say there are relatively few.

4184. We have had some evidence as to the delays which occur between the panel doctor's certificate and the regional medical officer coming into action. What is your procedure with regard to calling in the regional medical officer? How long does it take?—We have not had any cases brought to our notice which would lead us to believe that undue delay is at all general. If I understand your question aright it is as to the time which elapses, generally speaking, between action taken by the society or branch secretary with regard to getting the opinion of the regional medical officer and the time of actually ascertaining that opinion. (*Mr. Torrance*): I might say as far as my experience goes—and it has not been a very large one in the matter of referring cases to the regional medical officer—the cases that we have referred have I think all been dealt with within a week, so you cannot call that unreasonable delay.

4185. We were told in evidence by one of the Government witnesses that there were many people who forfeited their benefit rather than face examination by the regional medical officer. Is that your experience? I am particularly interested in it because he went on to say that there were cases in which pregnant women refused to submit to examina-

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tion, and so lost benefit. Have you come across that?—(Mr. Duff): We have had cases, a fair percentage of cases, of persons who have gone off the fund between the time when the branch official decides that it is an appropriate case for submission to the regional medical officer and the date on which the examination is to take place. But there are several factors causing that. If the branch official decides that it is a case to refer, it means that the branch official thinks the man is getting well, or is nearly well; in point of fact, the member may be nearly well, and he himself may be conscious of it, and may take the necessary action to declare off. On the other hand there are cases where a man thinks: "Well, I do not want to run the risk of the regional medical officer's examination: he might declare me off: I will give him the benefit of the doubt beforehand and declare off the fund." As regards specific cases such as you mention, I do not know whether Mr. Torrance can give you any information. I am not aware of that as being a condition generally. I do not think that is the type of person who would be referred to the regional medical officer.

4186. You do not think in the first instance she would be referred?—No.

4187. If she was referred and did not want to have an examination, what would then be the action of the society?—If the woman voluntarily declared off the fund she would be permitted to go off, but I suggest that only arises if the case is actually referred to the regional medical officer, and I think that is a case which it is extremely unlikely would be referred. I find it very difficult to conceive any of our branch secretaries selecting a case of that type for reference.

4188. You have shown a good deal of consciousness on the danger of piling up too much the contributions of members for any purpose. That applies more particularly to women, does it not?—The contribution of a woman is smaller than the contribution of a man, but possibly it is a larger proportion of her normal earnings. I am afraid that was not uppermost in my mind, but I agree there is some point in it.

4189. You have a good many women in your organisation?—Yes.

4190. You probably have as good an idea as I have of what the average earnings of women are?—Yes. Their normal contribution is undoubtedly a higher percentage of their earnings than the normal contribution of a man is of his earnings.

4191. That would be in your mind in any proposal to raise the contribution?—It would accentuate the difficulty.

4192. The drop from a woman's earnings when in employment to what she gets when on sickness benefit is considerable, is it not?—From her normal earnings to 12s. plus additional benefits.

4193. The average Trade Board earnings?—I would be inclined to think the drop in respect of a man is more considerable.

4194. It applies to both. Is there any means on your private side by which women can increase their sickness and disablement benefits?—Yes. We admit women on the private side, our voluntary side as we term it: not every Court, but the great bulk of Courts now admit women, and we have many Courts which are for women only.

4195. So that if they can afford it they can, on the private side, supplement their State benefits?—Yes, the facilities are there.

4196. (Mr. Jones): In answer to the Chairman's first question this morning, you expressed quite a definite opinion that the present standard of panel treatment was not lower than the present treatment of private patients of the same class. That is rather a negative way of putting it. Have you any knowledge that the standard is higher?—In some instances it is. In some instances I am inclined to think the insurance practitioner gives prior attention to his insurance patients. Whether it is the fear of the consequences or what it may be, I do not know, but I certainly think there are instances where that does

happen, i.e., a doctor is more punctilious concerning the attention he gives to his insured patients, perhaps in certain limited directions, than he is to his other patients.

4197. In reply to that same question this morning you said that there were instances in which the service was lower. Do you think the two services are nearly dead level except that there may be instances above and below?—I should say that in very many instances the services are to-day on the same level, the service to the non-insured and the service to the insured person.

4198. In view of the capitation fee that is paid and the security of income, would you not have expected a higher standard?—A higher standard of service than that provided to the non-insured person? Would not that depend to a very great extent on the medical practitioner and the type of his practice? He may not be finding his insurance practice more remunerative than his private practice.

4199. In view of the steadiness of remuneration, would you not have looked for a higher standard of service apart altogether from the range of service?—If a doctor is efficient in his private practice and in his insurance practice, it seems to me he cannot give more than that. If he is giving an efficient service to one type the most he can do for the other type is to bring it up to that efficient service.

4200. That is what I am trying to find out. The panel service was compared with the standard of service given to private patients of the same class. Is that a satisfactory service?—You are not now speaking of comparisons at all. You are speaking of the type of service generally apart altogether from any differentiation between a panel patient and a non-insured person?

4201. What I am trying to get at is whether you are of opinion that we are getting an efficient service for the money that is being paid. The standard of comparison that was put to you this morning was whether in your view it was a lower quality service, and you expressed the view that it is just the same?—I think you have two questions intertwined. First you offer the suggestion that the panel service and the non-panel service are not identical, that the one is not as good as the other, and then apart from that, as I gather from your questions, that the service which is rendered by the panel practitioner is not of the standard it ought to be in view of the remuneration.

4202. There are two questions. My first question you answered by saying that the service of the panel practitioner might be higher than the services he rendered to private patients of the same class; and in answering the Chairman this morning you said, in some instances, the panel practitioner might be giving a lower service than the general practitioner gives to non-panel patients of the same class?—That is true.

4203. The point I want to get at is whether for the higher remuneration which is being paid for panel service we are not entitled to a more efficient service than that dead level service which your answer would lead one to suppose is prevailing?—Your question merely means this: am I of opinion that the amount which is being paid is in excess of the value of the service which is being rendered, putting aside altogether any question of comparison.

4204. Is the service adequate to the remuneration?—I should describe the remuneration as generous remuneration for the service which is rendered.

4205. Accepting that statement, do you think it is all that should be looked for, a service on the level of the service given to private patients of the same class? If it is generous remuneration, should we not have a generous service?—You should; yet on the other hand, if you are getting an efficient service, and if the private patient is getting an efficient service, the doctor cannot do more.

4206. I agree, but I want to get your opinion as to whether he is giving an efficient service; in other words, are we getting a proper return for the money expended on medical benefit?—I think, generally

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speaking, the insurance practitioner of to-day is carrying out his contract satisfactorily. It is another question altogether whether or not he is being over-remunerated. It seems to me the two things ought not to be linked quite so closely as your question appears to link them.

4207. We have had statements made that panel practitioners in London and in the Midlands get rid of their liability under the Insurance Act by transferring troublesome patients as readily as possible to hospital or to the general dispensary. Has your Society any instances of that?—We have had cases brought to our notice, but I must admit it has been in a loose sort of way. Somebody has said: "The doctors in our neighbourhood, the first thing they do when they get a troublesome patient is to transfer him to hospital." I have seen very few concrete instances which have been brought to the notice of any responsible body in order that the position might be sifted satisfactorily. I think there are perhaps more loose observation and more loose views held upon this particular aspect of National Health Insurance than upon any other.

4208. I have asked you the question because those statements were definitely made by a previous witness. That is the extent of your information? Your administration is a very large decentralised one?—Yes.

4209. Complaints might not reach your ears in regard to deficiencies in the medical service as readily as they would a centralised society?—To some extent they would not in all probability.

4210. So that your information is not as good?—I think there would not be the same volume of information.

4211. Has your Society directed its attention to the provision of medical benefit to dependants?—Yes. There is considerable diversity of opinion upon the subject.

4212. It is not in your evidence at all: that is why I asked you. What conclusion did they come to on the matter?—Medical benefit to dependants presupposes some degree of acceptance on the part of the medical profession as a whole. It is a tremendous proposition to transfer the dependants of all insured persons from the private contract which exists with the average family to-day to the contractual service such as that foreshadows. There are some acute difficulties. The general consensus of opinion among our people, I should say, would be—again possibly somewhat loosely—"Yes, we would like it extended," but those people who are charged with the duty of examining it as a practical proposition do find themselves in difficulty in advocating it as a positive recommendation.

4213. If other ways and means were found your Society might be in favour of the proposition?—Yes, though we realise that it bristles with difficulties. And I should like to emphasise the financial aspect. One of the chief difficulties would be its tremendous cost.

4214. There may be ways and means even of overcoming that. Social progress has all got to be paid for. In regard to these extra benefits to which you specifically refer: dental benefit you think quite definitely should be made a statutory benefit?—We regard dental benefit as probably the most important of the additional benefits within the schedule of the Act and probably the most beneficial.

4215. It would be a good investment of society funds?—Yes. Dental benefit would, I think, conserve cash benefits.

4216. If it could be done within the limits of the present contribution, are you equally in favour of the recommendation in regard to consultant and specialist services?—Yes.

4217. How would your people generally view any suggested increase of contribution, do you think?—Again I will answer that quite selfishly. We should not regard it with any degree of favour. Any increase of contribution on the State side would have the effect of decreasing the area of activity on the voluntary

side. I want to make it clear that that is not colouring the whole of the recommendations that are made; on the other hand, it is not absent from our minds.

4218. On the whole, I may take it that any suggestion to increase the contribution would not be favourably received?—I think it would not, in addition to which one has to remember that the individuals who form the volume of opinion in a society like this are the persons themselves in the main who would be affected by an increase of contribution such as you are suggesting.

4219. Leaving out the question of dependants entirely, but having regard to the obvious desirability of the provision of these extra services, would you not think that from the point of view of the public health they should be provided?—Yes.

4220. If the funds could be found for them in another direction, would you approve or disapprove of the suggestion that they should be taken out of National Health Insurance altogether?—That is a very big question. I have not personally addressed my mind to that, and I doubt if my Council has. I would not like to give a definite opinion upon a large question of policy such as that is.

4221. If those services are so urgent and cannot be provided within the limits of the present contribution, is it not desirable that we should look for other ways and means of having those services given to the persons requiring them?—Yes, I think it is not only desirable, I should regard it as a duty.

4222. One point with regard to dental benefit. Could that be split in its operation, do you think? For instance, could not the surgical part of it, such as extractions, be included in medical benefit, and the provision of dentures, which is a difficult matter, be administered otherwise than as part of medical benefit. I do not suggest how it might be administered at the moment, but would it be possible to separate the two parts of this service?—Yes. By that means you would definitely link up the necessity of medical certification for dentistry treatment. You would then make it a condition that before dental treatment, even surgical, was available, there should be medical attention preceding it.

4223. Yes, a medical recommendation. How would you view that suggestion?—There appears to be quite a reasonable connection between the two.

4224. (*Miss Tuckwell*): Would not you then be faced with this position. In many hospitals, when they take out teeth they do not give anything in exchange, and supposing you have extraction on one side and a cash payment on the other, which we have already found is only to be 25 per cent., are you not faced with a position in which one person has been dealt with and the other has not?—I should like to state that the practice of paying only 25 per cent. grant towards the cost of dentures or towards the cost of dental benefit ought, I submit, to be stopped. I think it is doing more harm than good. It is misleading a substantial proportion of the insured persons, and I dare say in the case of some societies it is very little more than just window-dressing. I am hoping that the conditions, even if dental treatment continues as an additional benefit after valuation, will be made such that there will be a definite limit, a very reasonable limit, on the cost of dental benefit provided by any Approved Society which purports to give dental treatment. Nothing in the nature of 25 per cent. should be countenanced, nothing less than 50 per cent., and if the money is available I should like to see the percentage higher than that.

4225. On those grounds is there not good reason for including dentures with your treatment? One is unfinished without the other.—Yes.

4226. (*Mr. Cook*): You know that we as a nation have been quoted as C3 instead of A1?—I am afraid I have to accept the views of greater authorities than I am on that.

4227. Do you think there is any truth in it?—I think the experience during the war probably gave us a little bit of a much needed shock.

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4228. I hope you agree that the most valuable provision contained in the National Health Insurance Act is that which provides for medical treatment of insured persons?—Yes, I think probably medical benefit is the most beneficial part of the Act.

4229. Hitherto in spite of all that has been done, even with the benefits conferred by the National Health Insurance Act, from the point of view of health and physique, the conditions are so bad as to call forth the remark I have just made, that we are still more or less a C3 nation?—For some reason or other conditions are improving. We have had a prolonged period of subnormal sickness. It has reacted not merely upon the State side but also upon the voluntary side of most Friendly Societies, which is a very good index. We have had a period of consistently subnormal sickness notwithstanding acute unemployment which in days gone by was invariably reflected by an increased sickness ratio. There are some reasons for that, one of which I suggest is an improved health standard. Whether that is due to medical benefit under National Health Insurance, or to what extent it is due to that, I do not know, but that might be a factor.

4230. It is consistent to assume that the medical benefits derived under the National Insurance Act are playing at least a part?—That is quite conceivable.

4231. That is quite a logical point of view to take. If that is so, is it not equally consistent to argue that much greater benefit would accrue to the health of the whole nation if medical benefit were extended to dependants as well as to merely the insured person?—I think it would be so if the benefit were so extended, but there are certain practical difficulties which cannot be brushed on one side.

4232. There are many considerations that one would require to take into account, but at least you agree with me that it would be a desirable thing if the difficulty could be overcome?—It is probably less necessary to-day than it was in years gone by because of the other agencies which are at work, school clinics and matters of that sort.

4233. That does not seem to me to meet the position, because there are those who have left school and are not insured persons, and there are the wives and also children who have not reached school age?—They, again, are receiving attention to an extent which they never did in a former generation.

4234. I know that is so, but I do not think that invalidates the general position I am putting to you, that if it can be done it is highly desirable that there ought to be provision made for the whole community and not merely for a certain section of it through the medium of the National Insurance Act. I find you are very sympathetic towards an extension of medical benefit on specialist and consultant lines; you think there is room there for improvement?—Yes, I think a fuller medical service could be given.

4235. A more complete medical service. Would it be better to go a little further, go the whole way if you like, and adopt a complete national medical service? You cannot see your way to go that length, can you?—Until you have got the acceptance of the medical profession to any such proposal it does not seem to me to be a practical proposition.

4236. It may appeal to other people as being practical?—It may be attempting to make bricks without straw.

4237. That is entirely a matter of opinion. Perhaps you will be surprised to know that what I am suggesting is already approved by responsible medical practitioners in the country, some of whom I know personally. In paragraph 45 you refer to the man over 70 years of age. Do you think it is fair that a man when he reaches 70 years of age should be cut off altogether, not from medical benefit, but from all the other benefits of the Act?—You mean sickness and disablement benefit? I think it is tremendously difficult beyond 70 years of age properly to differentiate between a legitimate claim to sickness benefit and one due to old age.

4238. I agree with you there may be difficulty?—Very extreme difficulty.

4239. My point is this, that a great many men are physically able to carry on at their employment after 70 years of age and, as a matter of fact, are doing it. Is it fair in such a case that a man should be deprived of all the benefits for which he has been paying since 1912?—By the time he reaches 70 liability has been carried for all the benefits for which he has been paying. His contribution is so calculated as to carry liability for sickness only to 70. So really he is not being deprived of anything for which he has paid.

4240. I know that is an actuarial calculation, but it does not impress me one bit. Looking at the fairness of the thing, a man has been paying for benefits and at 70, when he requires them most, they are cut off. That is the point I want you to take note of. I see your point of view. You are taking shelter under the fact that it has been calculated out actuarially and the man has got benefit up to that age?—All I am doing is not disregarding in a wholesale fashion practical considerations.

4241. As a practical consideration it is the case that many men go on working for a good many years after they reach the age of 70 and under this Act they are cut off from practically every benefit except medical benefit, although they are still working at their occupation?—That is true.

4242. Coming to the other end of the scale there are large numbers, hundreds of thousands, of children who, when they reach the age of 14, leave school and go into employment but they are not insured until they reach the age of 16. Here again, is it your opinion that there is room for some reform? In other words, immediately they enter employment should they also enter insurance?—I must confess that is not a question I have considered very much. At the moment I would say it is not worth reducing the insurable age from 16 to 14, or to any age below 16.

4243. Why?—The proportion of boys and girls to which you refer is relatively small. It may be high in certain areas, but throughout the country it is relatively small.

4244. It is very high as a matter of fact, and between those years they are liable to sickness, are they not?—Very little indeed.

4245. (Mrs. Harrison Bell): On paragraph 40 I am a little anxious to know from Mr. Duff whether his doctor A and doctor B, one being a man with considerable knowledge of the heart and the other of the lungs, would be expected to doctor their colleagues' patients within the terms of the panel remuneration?—As a matter of fact that system which I outlined is in operation to some extent. The *esprit de corps* of the medical practitioners in a particular neighbourhood brings that about to a great extent. What I should like to do would be to bring it about systematically, and to a greater extent than it now exists in particular areas. It seems to me it is as broad as it is long, because doctor A is being relieved temporarily of a particular patient because he has a bad heart, and doctor B is being burdened with him, but he is just as likely in a fortnight, or a month, or two months, to be in precisely the same position of passing to doctor A a man with lung affection. So that substantially the position would remain as it was. I do not think the question of remuneration would be raised, or that there would be any substance in it, if it were raised.

4246. Do you mean me to understand that that is being done to any considerable extent?—I think it is not at all uncommon in the medical profession.

4247. On the question of specialist and consultant services in the larger sense, you do not contemplate any increase of contribution. As one knowing a little about specialist fees for operations, and so on, I ask do you include major operations as being at all possible under the ordinary remuneration that doctors receive under the National Insurance Act without any extra contribution?—No. May I draw attention to the latter part of paragraph 41.

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which says: "The cost of such additional services"—those are the services you are now describing—"should be met by setting aside for medical purposes an increased proportion of the contributions paid in respect of insured persons." It is true I do not necessarily imply an increase in the contribution paid by the insured person himself, though I do not rule it out. I do not express any definite opinion upon that. But I do suggest that the affording of greater facilities for skilled diagnosis is a thing well worth paying for. I agree it is an expensive matter, but in spite of expense I think that would be a financial burden well worth accepting within the National Health Insurance Fund as it stands if the money is there; or, if it is not, the question of obtaining it by increased contribution is worth considering. I agree the larger question as you describe it would be very much more expensive. It is not in the same category as the other at all.

4248. (*Sir Andrew Duncan*): I gather you have been influenced in your suggestions by the fact that there are surpluses either in existence or expected?—Very greatly.

4249. Would you agree that one of the considerations this Commission might have in mind in considering these surpluses would be a reduction of the contribution?—Yes, but I have usually dismissed that quite quickly because I am afraid it might lead to a reduction in the State grant.

4250. That is the only ground, is it?—Not the only ground, but that intrudes at a very early stage.

4251. If that were safeguarded might a reduction of contribution still be considered?—I think a good case could be made out if it were possible to relieve industry by a reduction of contribution. There again one has to weigh the effect of that against the effect of wisely spending the money that is there for national purposes.

4252. (*Sir Humphry Rolleston*): You are for a fuller medical service, and in answer to a question you said you thought the remuneration which the panel practitioner received was generous?—That is for the existing service which he gives, within the four corners of the existing regulations.

4253. You say it is generous from that point of view?—I am inclined to think it is generous from that point of view.

4254. You do not go so far as to say, that being the case, a fuller medical service should be undertaken for the same remuneration?—No, because the medical practitioner's remuneration was settled by a Court of Inquiry, and their finding was accepted by all parties for three years. Therefore that is disposed of at any rate till 1926.

4255. The use of the word "generous" to my mind would imply that it was on the side of excess rather than on the side of absolute justice? The Court of Inquiry presumably would arrive at a just decision. You thought it was generous?—I thought it was generous.

4256. Why do you think it is generous? Is it because you think there is any considerable proportion of insured people who say, "I will not go to the panel doctor, I will have my own private doctor." Can you say what proportion of people do that?—I have no idea what the proportion is, but that it does happen I have no doubt. We have cases brought to our notice of that. But there is no reason why it should happen, and I have not a great deal of sympathy with an insured person who takes that view. In any case I do not think the doctor should be mulcted for that.

4257. On the number of people who decide to take that action must depend the generosity of the remuneration to the doctor?—Not necessarily. It may be that every insured person entitled to medical benefit gets medical benefit from the Insurance practitioner and still the amount might be generous.

4258. You think that is so?—I am inclined to think it is.

4259. With regard to your instance of doctor A and doctor B you rightly separated them from inclusion

in what might be called specialist and consultant services?—Yes. It is a local arrangement which I think would improve the existing service.

4260. It was stated by Dr. Smith Whitaker that there was a certain amount of give and take of the kind you instance?—I know it does exist among medical practitioners, but I would like to see it systematised.

4261. You fully realise that the supply of specialist and consultant opinion would be expensive. Could not that be met to a considerable extent by an extension on the lines of tuberculosis clinics and by the use of hospitals?—Yes, it could for treatment purposes, but what I endeavoured to press was a plea for greater facilities for skilled diagnosis.

4262. Could not that be met to a certain extent by regional medical officers?—I do not think so. I have a service in my mind, if I may say so with great respect, superior to that which the average regional medical officer could provide.

4263. That would be met by the hospitals, would it not?—To some extent, but hospitals are not available everywhere, certainly not hospitals well equipped with modern equipment.

4264. It would be quite impossible for Approved Societies to erect the necessary hospitals?—I should say it would be, the cost would be prohibitive.

4265. (*Chairman*): Now we come to Section X, additional benefits. I see from paragraph 51 that you suggest a definite limit should be imposed upon the extent to which normal benefits can be augmented from surpluses. You do not suggest any definite proportion. Is your idea that the first call upon surpluses should be for the provision of various treatment benefits and that any balance that may remain should then be applied to the additions to the cash benefits?—I think you will probably have gathered from some of my replies to the other questions which have arisen on other matters that I have indicated that the operation of our voluntary organisation is not free from influence upon this particular subject.

4266. What do you say as to how any balance that may remain should be applied?—We do not think that any scheme ought to be authorised which, provided there is a reasonable amount of surplus, does not provide for a reasonable proportion of that surplus being devoted to treatment benefit as apart from mere additions to cash benefit.

4267. Is much use made by the branches of your Society of their powers under section 26 of the Act and can you tell us the general attitude of the Central Executive of your Society towards this section?—That section is not extensively used by our branches, nor are the branches encouraged to utilise it. When occasion does arise or an inquiry comes to hand inviting assistance as to the utilisation of funds under that section, we usually accompany our reply with a precautionary warning of the dangers which lie in a too free use of that section. That is particularly acute with a branch society where each individual branch is numerically a small unit. Speaking personally, and this is a subject that is not referred to in our written submission, I would like to see that section removed altogether. It was a very useful section, but it has outlived its usefulness. The free flow of additional benefits permits as much operation on a systematic method as is necessary without the provision of that section; it was a very necessary and useful one in the early days.

4268. As to married women, you find that the arrangements are somewhat complicated and suggest as an alternative that women who give up work on marriage should be entitled to the ordinary free year's insurance together with a lump sum payment at the end of that year. Have you made any estimate of the cost of this as compared with the cost of the present scheme? Suppose that the actuaries were to tell us that the free year's insurance by itself would cost more than the present special insurance provided in such cases, would you still suggest that it should be supplemented by a

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bonus at the end of the year?—No; we have made no calculation as to the cost and if, as suggested in your question, the cost of a normal free year of insurance would be greater than the cost of the year which runs now with the restricted benefits, then it would require modification. We might have a system whereby there would be a sum payable based upon the actuarial experience of the cost of the existing scheme and disregard that £1 or £2 which is mentioned in paragraph 55 and make it a payment of whatever sum emerges on actuarial calculation, subject, of course, to the arrears in the current year.

4269. I see from paragraph 58 that you are opposed to any extension of the authority of Insurance Committees in the matter of administration of additional benefits, even those of the nature of treatment. We have already dealt with this question, but would you give us your opinion as to whether the Insurance Committees have justified themselves as a necessary part of the machinery for the provision of medical benefit?—Such part of medical benefit administration as Insurance Committees have been associated with I think has been quite well carried out, and to that extent they have justified their existence. But originally their powers were to have been very much fuller than they actually became, and to that extent, of course, they have not fulfilled the objects which prompted their creation. All negotiations with the medical profession have been conducted centrally, whereas one of the claims made for creating Insurance Committees at all was in order that they might deal with the doctors locally.

4270. I note your suggestion that in any revision of the allocation of the contribution, a margin should be allowed for provision for research work. I fully appreciate the importance of research, but you are, no doubt, aware that there is already a Medical Research Council financed by the Exchequer which has done, and is doing, most valuable work of the kind you have in mind. Do you suggest that the funds at the disposal of this Council should be augmented out of health insurance contributions?—Speaking from memory, I think the original Act provided that certain moneys could be utilised for research work. Presumably, when that was put in it was intended that it should become operative. It was provided, I believe, that regulations should be made to utilise some of the National Insurance funds for that particular purpose. We think it would be a national advantage if it was permitted to operate, and operate fairly freely, either by way of supplementing whatever is coming from the Exchequer or by some fund for special research work.

4271. (*Sir Andrew Duncan*): What is it that influences you in saying that rather than an extension of cash benefits, medical or other benefits should be granted?—Because they are in the nature of preventive service rather than a palliative after the evil has arisen. The National Insurance Act was intended to operate in that direction and not merely as a palliative.

4272. Have you in mind at all that there is a danger in making cash benefit too high?—Yes.

4273. There is an obvious danger, is there not?—Yes. Any considerable increase would get near the border line of over-insurance. It would be very undesirable to bring the amount of normal sickness benefit, plus additional benefit, too near to the normal earning capacity of the average insured person.

4274. (*Mrs. Harrison Bell*): May I ask if the bulk of the insured women in your society, referred to in paragraph 54, generally do leave their insurable occupation on marriage?—Most of them do.

4275. (*Professor Gray*): What is your history generally with regard to additional benefits? Did not you begin with adopting, to a very large extent, cash benefits?—We did.

4276. Have you modified that?—Yes. Not to a very large extent, because our valuation date was put forward by one year. There is, however, every

indication that that will be departed from to a very great extent on this occasion.

4277. But you have not had a tendency to give up part of your cash?—Yes, that has happened in quite a number of cases, but not in so many as would have been the case if it had not been for the precipitation of the valuation.

4278. I am not sure what you mean to do with regard to married women. Is your suggestion that you should give a bonus on marriage, but defer the actual payment for a year?—Yes, that is so. That is to make a definite 52 weeks instead of the free year of insurance, which is an elastic 52 weeks and may be extended because of illness in that year. Then in that 12 months which has elapsed we can definitely come to the conclusion what the future status of the woman is.

4279. You use that year to decide whether, in fact, she wishes to be employed. What test would you employ in deciding whether she had ceased to be employed?—The absence of any contributions.

4280. For the whole year?—For the whole year. You would have, perhaps, a 1½ or a 1¼ card-period in hand, and at least you would have six months.

4281. Is not the whole trouble with regard to half of the married women the question of finding some criterion which can be applied in some just manner indicating that they have ceased to be employed?—That is so.

4282. You would suggest, would you, that you should stipulate for a whole year without contributions?—No. It is not proposed in that paragraph 55 to differentiate between women who are continuing in insurance and those who are not.

4283. This £2 vests in virtue of marriage, but its payment is deferred?—That is so.

4284. But I understood that in the course of the year, you could make up your mind whether or not she had ceased to be employed?—You would have a link 12 months longer than you have to-day. You will notice that in paragraph 56 the suggestion is that in the case of a woman ceasing to be insured we are only going to give her a definite 52 weeks and not the normal free year, which is elastic.

4285. You were speaking about Insurance Committees. Do you suggest that they merely be continued as they are now with the same functions and duties? You rather implied in your reply to a further question of the Chairman that they are not quite what they were intended to be?—That is so.

4286. Do you suggest, in view of that, any alteration in their powers or functions?—No; we have made no suggestion with regard to that.

4287. You are quite content to leave them as they are?—Yes.

4288. In paragraph 58, speaking of additional benefits, you say that authority for their provision must always issue from Approved Societies. Is not that also true of medical benefit?—Yes, except that everybody is entitled to medical benefit the moment they become insured persons. It is not qualified in any way by the state of their contributions for the previous contribution year or any period. They are either entitled or not entitled.

4289. This paragraph relates to additional benefits?—Yes.

4290. And in this you exclude dental benefit; that is, statutory dental benefit?—That is so.

4291. (*Miss Tuckwell*): On paragraph 51, which deals with normal cash benefits, what do you suggest as a maximum increase for normal cash benefits: 20 per cent., 25 per cent., 50 per cent., or what?—I would not like to see the cash benefit go beyond £1 a week.

4292. Do you think a person could carry on on £1 a week?—No.

4293. How would he supplement it?—I think it is highly dangerous if you are going to take the cash benefit up to a stage at which it approximates to the normal earning capacity even of an insured person who is in receipt of a low wage

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4294. How should he supplement it? From the private side? I understand there are other agencies through which he could bring it up?—Yes.

4295. Is it not the duty of the State under a national scheme to afford facilities to people to provide against this?—The extent of the provision is merely a question of degree.

4296. Yes, but must you not always be careful that that degree shall be such that they are able to carry on in health—I mean that you do not afford them a benefit which is so small that their illness is really protracted because of the amount of the benefit?—It is presumably less protracted than it would be without that benefit, and therefore if you go to the other extreme, to a great extent you are conditioned by what can be afforded.

4297. Suppose you were not conditioned by what could be afforded, what is the danger you see in allowing a man enough to bear a relation to his power of earning when in health and so enable him to recover more quickly?—It might lessen the incentive to work.

4298. But if he is not well enough to work?—If he is not well enough to work it might lessen the incentive to work. It is a question of human nature. If it is going to be made, so to speak, a paying proposition for a man to go on the sick fund, or even to remain on the sick fund, then you would have a very expensive result emerging from that condition, and to guard against that I think there must always, of necessity, be a margin between the normal amount which should be payable on sickness and the normal earning capacity of the average insured person.

4299. Which they can if they are in a sufficiently good position make up from other sources?—There are agencies for that purpose.

4300. How far do you think that the point which you put before, that you must consider the interests of the private side of your Society, weighs with you in saying that a lower pay for sickness is desirable than that which would be received in full health?—It is not absent from my mind, but if I dismiss it from my mind my reply is still the same. Over-insurance is a very unhealthy thing and a very undesirable thing.

4301. You think it an unhealthy position that a man should have the same in sickness as he has in health in order to recover more quickly?—No, I do not think that at all; but I think it unhealthy that there should be at all times, and in all circumstances, a condition of things which permits a man to get as much, or nearly as much, when he is not working as when he is working.

4302. Although he is ill?—Although he is ill.

4303. With regard to the suggested marriage bonus, I want to know how you bring it in as within the purposes of the Act for the prevention and cure of sickness?—I think a woman marrying and leaving insurance, or even remaining in insurance, is in a little different position from an ordinary insured person.

4304. That does not quite answer my point, does it?—I do not think there is any very direct connection between the preventive services of National Health Insurance and this proposal.

4305. Have you any direct experience of the work of Insurance Committees?—No.

4306. You are in favour of the retention of Insurance Committees, are you not?—In so far as the work which has been entrusted to them has been satisfactorily performed, I see no real reason for disturbing them.

4307. But you do not know anything about the work?—Yes, I do, but not as a member of an Insurance Committee. Mr. Torrance can possibly give you any information you desire. He has been a member of an Insurance Committee ever since its formation.

4308. What I wanted to know was, do you think that their present duties are such as to justify the retention of special bodies?—(Mr. Torrance): My opinion has been to the contrary for a very long

time. I have been a member of the Warwickshire Insurance Committee since its inception, and for a very long time I have been of opinion that they do not, under present conditions, justify their existence.

4309. Do not you think it would be better in the interests of the whole country that the Insurance medical service should be linked up with the public health service of the area?—Infinitely better.

4310. (Sir Alfred Watson): With regard to paragraph 51, you said this morning that you would like dental benefit to be a statutory benefit and you would like a considerable extension of medical benefit, and you recognised that the cost of these two new forms of benefit would make a very considerable encroachment upon the present surpluses?—(Mr. Duff): Yes.

4311. Recognising that if effect is given to your other proposals the surpluses would be greatly reduced, do you think there is any need for a statutory provision limiting the additional cash benefits, even if you still want a limit put on them?—No. The provision of those other benefits—the adding of those to the statutory benefits would, in itself, limit the extent to which cash benefits could be augmented, probably in the majority of cases to a limit considerably lower than that which I have indicated.

4312. Then if effect be given to your other proposals in the fullest sense, your recommendation in paragraph 51 could be withdrawn?—In the event of the others being made effective, I agree that the necessity for the recommendation in paragraph 51 would not exist, and therefore it should be withdrawn. On the other hand, if the others are not made effective, we would like a distinct and definite limitation to the cash benefit.

4313. On the general principle of the thing, is not there something to be said for allowing Approved Societies and branches complete freedom in deciding on their schemes of additional benefits—a freedom which is consistent with their present powers of self-government?—There is quite a great deal to be said in favour of that. On the other hand, one has the feeling that unless there is some restriction either by imposing additional strain upon benefit funds and making inroads in that way, or definitely limiting the extension of cash benefits, the scheme may become almost top heavy so far as cash benefit is concerned. It is quite conceivable that there may be additional cash benefits to an extent almost as great as the normal benefits, and in that case societies, and branches, perhaps, in particular, might need protection against themselves from taking the line of least resistance.

4314. Would it not be rather difficult for Parliament to put a limit on the cash benefits a society may be allowed to pay other than the limit automatically set by the surplus in hand?—I agree it would be difficult, and yet the general principle is there, because it is the Department which does actually authorise a scheme.

4315. But it does not go further than give benevolent advice to societies, as I see. The Minister has no real power to say he does not like a scheme and therefore will not allow it or will not confirm it; he can only put before them reasons?—I think perhaps your description is right and that there is not power beyond that. But there are ways and means for bringing into effect the desires of the Department without exercising any powers which they do not possess.

4316. And therefore without new legislation?—Without new legislation. But their hands would be very much strengthened by legislation.

4317. As an Approved Society manager would not you prefer the weapon of education?—I would if the possibility which is lying dormant were not so serious. I would regard it as a very serious development if National Insurance cash benefits were being paid at the rate of 28s. and 30s. a week.

4318. At any rate, you foresee the probability that the question would not be important if effect were given to your other proposals?—Yes, I do see that.

4319. On the general question of what the cash benefits should be, I want to put it to you that for

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a very large proportion of the insured population the present benefit is really too low and there is no way of getting it augmented except by an increase of the statutory benefits under the Act. Would you agree to that as a general proposition?—Yes. It is all a question of degree. In some areas, and in the circumstances in which some insured persons are situated, it may not be too low, or, at any rate, not much too low, but in other circumstances it may be very much too low.

4320. Of course it must vary with the circumstances of the individual person?—That is so.

4321. Whereas 15s. a week may be a very reasonable benefit for a single man, it is obviously much too small to support a sick man and a wife and three children?—That is true.

4322. We have to have regard to that. But what I want to suggest to you is that the 15s. cannot be increased to a considerable section of the population except through the medium of the statutory benefits under National Health Insurance?—Except through the medium of additional benefits.

4323. No?—Only by increasing the statutory benefits, because additional benefits would not be available.

4324. No, because private insurance does not reach these cases. If I may develop that, we have 10,000,000 insured men. I believe I am right in saying that the number of members of Friendly Societies is about 4,000,000, of whom you told us last week, so far as the Foresters' share in the 4,000,000 is concerned, two-fifths are not State insured. Then a certain number, small relatively, are over the age of 70, so that I suppose it would not be going too far to say that the number of insured persons who are also members of friendly societies—men—cannot be much more than 3,000,000. If that be so, there are 7,000,000 left outside. How are those 7,000,000 to get more benefits than the present 15s. if they are not provided by the National Health Insurance system?—A very substantial proportion of them would get more than 15s. by reason of the operation of their additional benefits.

4325. Yes, but you are premising a state of affairs where we use a great deal of money, that now goes in additional cash benefits, to provide treatment and dental benefit?—It may prove that there is sufficient money to provide some of these others as statutory benefits and still leave additional cash benefits.

4326. There is one big society, whose name I am certain is quite familiar to you, which has a membership running into seven figures, which does not provide any additional cash benefits at all?—That is true.

4327. Putting that on one side for the moment, it is true to say, I think, that there are about 7,000,000 who are insured under National Health Insurance and not insured through the Friendly Societies?—Yes.

4328. Of those a large proportion are over the age at which a Friendly Society would take them, I suppose?—Yes.

4329. What is the limit of age for admission in the Foresters?—It varies according to the Tables. The great bulk we would not admit beyond 40 or 45.

4330. For sickness benefit?—Yes.

4331. You require a medical examination before you take them, do you not?—Not at all ages, but we do at the higher ages.

4332. I suppose in most Courts at all ages?—There is less tendency in that direction than there was, particularly at the younger ages.

4333. Then the third point is that they have to pay contributions graduated according to age?—That is true.

4334. And when a person has neglected to join a Friendly Society before he is 30, a contribution after that begins to be heavy and becomes almost prohibitive?—It becomes an expensive proposition.

4335. Does not that mean that of the 7,000,000 who are not in Friendly Societies a very substantial proportion can only get more than the 15s. a week they are now getting under the National Health

Insurance by an extension of the Insurance benefits themselves?—Yes, that is so.

4336. Would you therefore yourself, although you have the very important interests of the Ancient Order of Foresters to consider, see any objection to some moderate increase in the present rate of cash benefits under the Health Insurance system?—I am afraid I should have to have a little more time before I could give a considered reply to that. There are quite a number of considerations which enter there before I could give a definite reply.

4337. I appreciate that and I do not want to press you. Going into the suggestions as to married women, I am still not quite clear as to whether you propose that this bonus of £1 or £2 should be paid at the end of a year after marriage only to those women who have left insurance?—No; our proposal was that it should be paid to all, although of course I am influenced by the suggestion in the Chairman's question that the proposal contained in that paragraph is an expensive one. But the proposal as it reads there is intended to apply to all married women.

4338. Whether they leave insurance or whether they remain in insurance?—That is so.

4339. Do not you think that as regards National Health Insurance generally, you would be opening up a very dangerous question in giving a cash bonus to certain insured persons?—I think that this proposal has been influenced to some extent by the endeavour to overcome certain administrative obstacles and may be due to seeking perhaps an easier way out of some of our difficulties than we have at the present time.

4340. We must look at it with regard to its possible reactions. If I may, I should like to put these things to you. Under your scheme a girl enters insurance at 16 or 18 on first going out to work. She marries at 21, and a year later she gets a bonus of possibly £2 under your proposal. A man enters insurance at, we will say, 16 or 18, and remains in insurance for twenty or thirty years and never draws any benefit at all. Owing to his great good fortune he has had no need for sickness benefit. He then leaves insurance to start a small business of his own and probably has a considerable struggle for a time. Do not you think that if you paid £2 in the case of the woman I have cited you would have a clamour for the payment of a cash surrender value to men of that kind?—Yes, excepting that there is perhaps an analogous precedent for this in the old system of married women's credits. They were not paid in a lump sum, but they were credited with a lump sum.

4341. But that was only payable when the woman needed the money on sickness or confinement, or when she was in want or in distress?—That is true. That is where I admit this proposal is different, inasmuch as it is an endeavour to provide for the woman at one stroke a particular sum, by reason of the fact that great difficulty was encountered in the old system in giving effect to the provisions and in getting rid of the married woman's credits.

4342. But the present system took the place of that old system?—Yes.

4343. Do not you think, speaking quite generally, there would be considerable danger if the principle of the surrender value were accepted?—It has hitherto been foreign to any sickness insurance with which I am familiar. I have never known of any surrender value attached to any form of sickness insurance, either in the National Insurance Scheme or in any other sickness insurance scheme. On the other hand, there has been an endeavour in the past to give these women something. There have been very considerable administrative difficulties in providing them with something when the occasion has arisen, and this is, if you like, an easier way out of that difficulty.

4344. I quite appreciate the object with which it is put forward, but looking at the whole thing and remembering that half the contributions are paid by employers and not by the insured persons, what I really want to know is whether the adoption of your

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proposal would not lead us straight on to a very undesirable principle, namely, the grant of a cash surrender value to every insured person on leaving insurance?—I believe there was some such proposal as this in the 1918 Bill which was objected to and was altered. It never went into the Act. That probably might be taken as evidence of the fact that it was not an acceptable proposition.

4345. That was a payment on the marriage of the women?—Yes.

4346. But here you are proposing to pay a sum not even on the winding-up of her insurance, but paying it to her a year after marriage whether she has ceased to be insured or is continuing?—Yes. I believe one of the objections to the provisions of the 1918 Bill was that the time of marriage was a dangerous time at which to pay this money out with the consequence that it might result in a certain amount of misuse. There probably would be less if it was paid out twelve months afterwards.

4347. Was not the main objection that it was applying to one purpose money which had been contributed by the insured person and her employer for a totally different purpose?—Yes, that argument was used.

4348. And that would be still valid, would it not?—Yes, as valid now as then.

4349. In fact, is there any great complication in administering the present provisions for this Class K woman other than complications introduced by the Prolongation of Insurance Act?—We have very many secretaries who would say: "No; let the thing remain as it is. It was difficult in the early days but now we are quite conversant with it." We have other secretaries, who are probably not quite of the same standard, who would welcome some easy method such as this is for simplifying it. I am speaking now from an administrative position entirely.

4350. A secretary who is really capable of giving you a reasonable and considered judgment on the matter would go no further than to say that it may have been made a little complicated by the Prolongation Act?—I think that correctly represents the view of a considerable number.

4351. And if the Prolongation Act is only temporary in its operation, as we all hope it may be, should not we be justified in leaving Class K as it is?—Yes; there certainly would not be the same force in the objections to it.

4352. (Mr. Evans): In paragraph 58, where you refer to additional benefits, do you think that all these benefits should be dependent upon surpluses?—Yes, quite right.

4353. But surpluses to any appreciable extent can only be realized by big societies and by societies pretty favourably placed as far as the membership is concerned?—I do not think that has been proved by experience, and I think it is going to be entirely disproved by the second valuation experience.

4354. Is that so?—If surpluses were dependent upon big societies, and you regard each one of our branches as a little society, I suppose for valuation purposes we should be in a position of having no surplus; whereas we had a surplus of £1,000,000, collectively, at the last valuation.

4355. Your branch is a society within the Order?—A branch is virtually a society within the Order.

4356. So that you say surpluses are not necessarily made by a big well-organized society?—No. I think Sir Alfred Watson referred to a society of a type which apparently is in a less favourable position than this one that you are now examining. It may sound strange and a little paradoxical, but the size of the society is not necessarily any criterion as to its financial prosperity.

4357. I think there is a point where the society may be so small as to be quite unable to have any surplus?—It would depend upon its sickness experience. If it had no sickness experience at all and an utter absence of claims, it would be tremendously healthy financially; but it is true that the amount of money which would emerge as surplus would be

very small, and in the circumstances the Treasury Valuer would not certify any portion of it as disposable. But that would not alter the fact that it was there although it would be unsafe to disburse it. It is quite wrong to assume that because a society or a unit is a small one it cannot prosper financially.

4358. I have in mind all the time these black spots that you referred to?—They are neither smaller nor larger than the bright shining ones.

4359. But you may have a society in one of these black spots and that society cannot possibly have a surplus?—That is not on account of its size. Other factors than that may prevent it having a surplus.

4360. The kind of occupation the people follow?—It might be so.

4361. The point I have got is this. Ours is a National Scheme. If it is a National Scheme, it should be such a scheme as to embrace the whole nation. Do not you think there is a weakness here?—Is not this, if I may say so quite respectfully, the same question hung upon another peg?

4362. The point, I think, is this: should not we endeavour to make, if we can, the insurable portion of the nation the unit?—I think from my previous replies my views upon that are quite clear.

4363. Following up a question put by Miss Tuckwell, you think you ought to limit the amount of cash benefit to £1 per week?—I would like it limited to that.

4364. That would include all benefits?—No, cash benefits. The payment of normal sickness cash benefit, I think, should not exceed £1 per week.

4365. From the Approved Society?—From the Approved Society.

4366. He may get benefit from some other society—say a voluntary society; you would not object to that?—That is his business. He would need to pay for it.

4367. Following that up, do not you think that a man when ill really requires more than when he is well, and if his income cannot be augmented from any source and he has to be limited to £1 a week, do not you think that is rather a hardship, because that is really the time when he does require more?—I agree that it is more expensive for a sick man to exist than a man who is well.

4368. And he requires more to recover in order that he may be able again to follow his employment?—That is so.

4369. So that you would not agree to limit it to the £1 per week?—Yes, I would, because I think there are other considerations which must come in to influence a decision upon that. Notwithstanding the fact that I accept your view, which is quite an obvious one and quite a proper one, yet, nevertheless, I think the amount which a man should be able to get as insurance benefit should fall short of his normal earning capacity.

4370. You gave another reason; you said it was a selfish one?—Yes. What I said was that that was not absent from my mind. But I do not want you to think that is the sole reason for my reply, because as an insurable proposition that differentiation is a desirable thing, ignoring for the moment any voluntary activities.

4371. (Mr. Besant): I want to call your attention to paragraph 58. You use the word "must" a good many times and somewhat dogmatically. You say, "must always issue": "must always be determined," and "must therefore." I take it that that is merely your contention. In other words, it is not an absolute argument, is it?—The first one, I think, is merely a statement of fact. Under the present Scheme it must issue because there is no other source from which it can come.

4372. But you qualify it by the words "must always"?—You are looking into the future?

4373. I think the word "always" does involve the future as well as the past?—I see your point.

4374. I was only taking the point that it does sound to me a little dogmatic that there is no quali-

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fyng word. Having got the first two "musts" you lead on to the third "must" and say "therefore"?—It was intended to convey that there is no alternative, inasmuch as that is the only source. The word "always" is, perhaps, an unnecessary emphasis.

4375. I think it only goes so far as to say that in your judgment that is the conclusion?—That is quite right. Perhaps the emphasis is rather strong.

4376. (Chairman): I have now put to you all the questions I desire to raise on your Statement of Evidence, but I wish to put to you some further questions of a general character on which I should be glad to have your views. Can you tell us what is the value of your Society's investments, that is, those made by the Society itself and those held on behalf of the Society by the Ministry of Health?—Made by the Society, £2,267,000.

4377. And held by the Ministry?—A somewhat similar sum. There is only a difference of £200 odd in the figure held by the Ministry on our behalf.

4378. Can you indicate to us what average rate of interest you are receiving on the former?—4.9 per cent., with very heavy appreciations of capital.

4379. Are you satisfied with the present arrangements under which about half the total of the money available for investment receives the prescribed rate of 4½ per cent. while the remainder receives interest according to the market conditions?—Now that the prescribed rate of interest is 4½ per cent. (and obviously there were reasons in the early days why the rate was considerably lower than that) and at the same time there is a very substantial reserve in the Investment Account which presumably will permit the payment of that 4½ per cent. for a considerable period, thus stabilizing it, I think that is quite reasonable; especially bearing in mind the fact that the amount of one half which the Society receives for direct investment conforms to its share of the individual insured person's contributions as against the amount which comes from the employer. In addition to that, there is an advantage—which particularly would apply to small societies or to small branches—compared with the branch having its own investment. You have in one large pool approximately one-half of the total sum for investment, and, consequently, the risks are spread. Altogether we have no objection to raise. We think it is a very good plan and a reasonable one.

4380. Are you satisfied with the present arrears scheme, and do you feel that some arrears scheme is essential so that the rates of benefit payable may be connected to the state of a person's contribution account?—Personally, I am quite satisfied. As you will realise, these matters are not in our Statement and I am voicing my own opinion rather than the considered opinion of my Council. I am not dissatisfied with the existing arrears scheme. As a matter of fact, it is a generous scheme. The Prolongation of Insurance Act has made it even more generous. There is just one difficulty, and possibly it may be worth considering whether or not there should be a certain modification. An individual who comes on the benefit fund in the early part of a benefit year, carrying with him penalties arising from arrears, if he has a long illness, pays very heavily indeed. It might be worth considering whether or not it might be possible to limit the period in which those penalties are effective, even though the penalties themselves be made a little heavier, rather than have it apply over a long period to the few unfortunate people who have a protracted illness following a protracted period of unemployment. There is, perhaps, some moral obligation to modify the arrears scheme by reason of prolonged unemployment and to make the penalties themselves lighter than they are at present.

4381. Have the temporary arrangements for meeting the arrears difficulties consequent on the present abnormal unemployment, imposed any serious strain on the finances of your Society do you think?—Generally speaking, no. I should say that in all probability the incidence of unemployment among

our members is less than that applicable throughout the country.

4382. At present there are figures of unemployment which will, we hope, substantially decline. Do you think there will come a point at which the temporary arrangements for prolongation of insurance and for excusing arrears should be discontinued, and if so, at what point; or, in the alternative, do you think that these arrangements or some similar arrangements should form part of the permanent scheme?—I think that is a large question which ought to have a little more consideration. I would rather not reply definitely to that.

4383. You do not mention the question of the deposit contributors in your Statement. Have you any general views as to whether the present scheme should be continued indefinitely or whether some other method of dealing with this large and difficult class of persons should be adopted?—The deposit contributors' class provides one of those problems which bristle with difficulties. There have been, I believe, several solutions mooted, but I am inclined to think there will always be a residuum which must be controlled and have their business conducted by the Ministry. On the other hand, we should deprecate placing the deposit contributor class on a basis similar to Approved Societies. I think that opinion arises from the fact that the type of person which, in the main, constitutes the deposit contributor class is not quite the class of person that the Deposit Contributors Fund was created for. Many of the persons in the Deposit Contributors Fund are there by some deliberate act of their own, and I am not at all sure that they should have made available for them the normal advantages of an Approved Society system.

4384. We have had a suggestion that the benefit year and the financial year should be made to run from the 1st July to 30th June, and that the contribution year should coincide roughly with the calendar year. Do you think this would be a desirable change, or are you satisfied with the present arrangement?—Excepting for summer holidays, I can see no objection to the present scheme. We have never thought very much about it, but I have never heard of any demand to change it.

4385. So far as you are concerned, it is satisfactory?—It is quite satisfactory. (Mr. Torrance): I think we are quite used to the present arrangement.

4386. What is your opinion of the utility of the record cards? We have had a suggestion from a society that they might well be abolished as they serve little useful purpose. Is your experience the same, or is it different?—(Mr. Duff): I think I might say with safety that we would want the retention of the record card. After all, that is the only link at the moment between the insured person and his insurance business—his Approved Society or anything else. Apart altogether from that, I think perhaps you would lessen the reality of the insured person's insurance affairs if you did not leave with him some form of record.

4387. You have members in the four countries, but as you know, while there is a Central Index Committee for England and Wales there is none for Scotland. Will you indicate to us whether you have had much difficulty in getting your members on the index register of the appropriate Insurance Committee in Scotland, as compared with England and Wales? Do you think that there ought to be a Central Index Committee for Scotland, or alternatively, do you think we might dispense with the Central Index Committees for England and Wales?—I would like to take the third question first, if I may. I think the institution of a Central Index system has perhaps served branch societies to a greater extent than it has served centralised societies. It has obviated the necessity of our 2,500 branches dealing with something over 200 Insurance Committees, and although the charge falls upon Approved Societies it is not a very great deal. We think we get value for our money. We would not like to see

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the English Central Index system broken down. Probably it is not quite the same in Scotland. I do not think I have any evidence either one way or the other which would be of service to the Commission in respect of Scotland. But I am emphatic as to the value of the services rendered by the Central Index Committees for England and Wales.

4388. In the matter of additional benefits, have you heard much in the way of complaint from insured persons who have transferred to or from your Society or from one branch of your Society to another, since the last valuation as to their loss of additional benefits on transfer and the length of the waiting period before they qualify again?—No, I have had less trouble from that than one would normally have expected.

4389. Do you advocate the retention of the present waiting period of five years in spite of the fact that it appears a little unfair to a member who has left a society with good additional benefits, which he has helped to build up, and finds himself limited to the ordinary benefits for that long period?—There is no compulsion to transfer. I think it is a healthy condition of things that a member entering a society should serve a certain period approximating to the quinquennium before he becomes entitled to such additional benefits as the society he joins is paying. It is true that a person entering insurance for the first time, and a person transferring from another society, are not on the same footing in that respect. But I think that is covered by the fact that nobody is really compelled to transfer, although it may be to their advantage and convenience. I think the present system is satisfactory.

4390. Have you considered at all the possibility of the transferring member bringing with him a special transfer value in respect of additional benefits, and because of that receiving from the new society the additional benefits of the old society or their actuarial equivalent?—No, we have not considered that. I do not think I would like to express a definite opinion as to whether or not that would be a desirable departure.

4391. What is the interpretation adopted in practice by the branches of your Society of the statutory phrase "incapable of work" in connection with claims for sickness or disablement benefit?—In the early stages of an illness, of course, a doctor's certificate is regarded as conclusive. No question arises, as a rule, in a normal case unless and until a case is referred to a regional medical officer. There is a possibility then that there may be some divergence in the certification. The regional medical officer may perhaps make some half-hearted sort of statement which merely increases the embarrassment of the branch official instead of clearing the air for him. He may say the man is capable of light work, or will be capable in a brief time. The latter means a further reference back at a later stage, and the former calls for the exercise of the discretion and judgment of the branch officials. In that case they would be reasonable and pay regard to such type of employment as was available having regard to the normal employment of the insured person. Generally, I think the Court officers act not harshly but reasonably in this matter.

4392. (*Professor Gray*): You told us, with regard to these people approaching the age of 70, that they did not elect to become voluntary contributors. Can you give us any idea how the voluntary contributors' scheme works in your Society? Have you many?—Very few indeed.

4393. What happens to them? Do they remain voluntary contributors, or do they drop out?—I should say that the great bulk of those who in the early days became voluntary contributors dropped out.

4394. And what happens now to those who do?—Very few do.

4395. And in those who do, there is a tendency to drop out?—Yes.

4396. Do you find the provision about the Workmen's Compensation Act works all right? Do you have many of those cases?—Yes. Cases of difficulty

under the Workmen's Compensation Act are frequently referred to the Head Office. We are not always able to advise, because, working from a distance, it is sometimes difficult to get the actual facts.

4397. It is more difficult for your Society than for a centralised society, perhaps?—In many districts the branches find their own solution. Many districts have got a local solicitor who makes a feature of that particular kind of work, and they utilise his services. They pay him a retaining fee, and all the cases are drawn into his hands. We have several districts where that is done.

4398. (*Mr. Jones*): With regard to maternity benefit, have you any knowledge as to how generally this is being applied throughout the country? I mean particularly with reference to the medical fee?—I incline to the view—and this is merely gathered by conversations with our local people—that there is a larger proportion of the membership to-day treated by midwives than formerly.

4399. Is there any explanation of that trend of affairs?—I should say probably the increase in the confinement charges.

4400. By the doctors?—Yes, by the doctors.

4401. Have you any information as to the amount of these fees?—No, I do not think I have; but there was a feeling expressed among some of our local people—it may have been loosely said—that when the additional benefits came along the fees of medical practitioners practising in this particular direction simultaneously increased.

4402. Do I infer from that that they were already up to the level of the maternity benefit?—I think in many instances they were, and even exceeded it.

4403. Can you say from your knowledge that the maternity fee charged by a medical practitioner really amounts to the maternity benefit or is even in excess of it?—I should say in the majority of cases it exceeds it.

4404. And that when more money became available the charge increased?—I do not think that the more money becoming available left any margin in respect of the insured person or his wife.

4405. Is not that rather a diversion from its original purpose? Was not the original purpose of maternity benefit to find something additional for the benefit of the woman and child?—I think it was.

4406. And it has become wholly a branch of medical benefit practically—of medical service, let me call it?—At the time when, as you say, it was intended to provide the necessary supplement, to meet the additional requirements of the mother, somebody had to pay the medical charges. They were paid. In the course of events, I presume there came a closer relationship between the amount of the maternity benefit and the amount which was due to be paid in respect of the medical service consequent on maternity.

4407. Is not that the same as I was trying to get out? It is tending to become a treatment benefit?—To some extent it is.

4408. How would you view the complete transfer of attendance, whether by a midwife or by a doctor, during confinement to the medical benefit service?—I have never had an opportunity of addressing my mind to that point. I would not like to give a definite opinion.

4409. (*Sir Alfred Watson*): I gather from the answer you gave to the Chairman just now that you would be desirous of seeing the abolition of the deposit contributor class; is that so?—I think you could describe that as desirable, but the question bristles with difficulties, and I think in any event there would be a residuum which must remain in the charge of the Ministry.

4410. It has been stated to this Commission by a witness representing a society that the Approved Societies would be prepared to give up the right of expulsion. Now it is highly important, I think, that we should know whether in the view of yourself and the High Chief Ranger, the Ancient Order of Foresters would be prepared to give up the right of expulsion from the Society?—I do not think that

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they would be prepared to give up the right of expulsion on the voluntary side; and even though, if there were no voluntary side, they might be prepared to do it on the State side, I think the fact that it would be an unreasonable distinction would probably lead them to an expression of opinion that they would not want to relinquish the right of expulsion. I would like to hear the High Chief Ranger, as no doubt you would, on that. (*Mr. Torrance*): I agree with Mr. Duff. Although expulsion is not a feature of our practice and is very rarely applied, I do not think if you were to take a plébiscite of the Order you would get any other answer than that which Mr. Duff has given you.

4411. You realize, Mr. Duff, that the deposit contributors who have been any length of time in that state are a very small body? (*Mr. Duff*): Yes, that is so.

4412. It would appear that the class is always turning itself over?—Yes.

4413. Having regard to the fact that insured persons must have some kind of resting place for a few months, or even longer than that, before they find a society, do you consider there is any better way of providing it than the present deposit contributor system?—As at present governed? You do not mean bringing it into line with Approved Societies?

4414. No; as at present governed?—I think the present position might very well remain, although it really deals with a type of person different from that for which the Fund was created to find a home.

4415. The Fund was created to find a home for the derelicts whom no society would take?—Actually that does not conform to the type which is in there.

4416. The type in it are for the most part the people who for one reason or another do not want to be in

Approved Societies, and so far as one can judge, seem to have very little sickness?—There may be quite a considerable element of the so-called superior person who wants to have no dealings with National Insurance or with an Approved Society.

4417. Then when he joins an Approved Society, if there is a balance standing to the credit of his account of large amount in consequence of his having had no sickness benefit in the past, the Approved Society system gets the benefit of that balance, I take it?—Yes.

4418. Through the Reserve Suspense Account?—Yes.

4419. Suppose a person remains a deposit contributor to his death, the general National Health Insurance Funds get the benefit of half at any rate of his money?—Yes.

4420. So that you would agree that the Approved Societies, as such, suffer no damage from the existence of deposit contributors as such?—It is rather the other way round.

4421. (*Mr. Evans*): When the regional medical officer, if a case has been referred to him, decides a man is fit for light work and there is no light work available, what happens to the man?—He remains on the fund.

4422. Does he remain on the fund?—Yes. I do not say for ever, but he remains on the fund for a very considerable time after that.

4423. We have had an answer here from another society to the effect that the man is struck off?—No; we would not think of doing that. We would pay regard to the nature of the man's occupation formerly and the availability of suitable occupation.

4424. (*Chairman*): We are very much obliged to you, gentlemen, for the time and assistance you have given to us.

(*The Witnesses withdrew.*)

Sir THOMAS NEILL, J.P., Mr. E. F. SPURGEON, F.I.A., and Mr. E. T. PALMER, called and examined.
(*See Appendix VI.*)

4425. (*Chairman*): Sir Thomas Neill, perhaps you would tell us briefly, for the information of the Commission, what your connection with the administration of National Health Insurance has been?—(*Sir Thomas Neill*): I was in at the inception of the Act. I was four years an Insurance Commissioner, and since then I have been Chairman of the National Amalgamated Approved Society, and I am also Chairman of the Consultative Council of the Ministry of Health. I do not think I need go any further than that.

4426. And you, Mr. Spurgeon, will you tell us what is your present position and what has been your experience?—(*Mr. Spurgeon*): I am the Treasurer to the Prudential Approved Societies. I was originally Assistant Treasurer. I have been connected with the Prudential Societies since they came into existence. It has, as a matter of fact, been my task to do most of the organising of the work on behalf of those societies—the preparation of instructions to the agency staff of the company and so on.

4427. And you, Mr. Palmer?—(*Mr. Palmer*): I happen to be a member of the Committee of Management of the Prudential Approved Society, which is one of the societies contained in this group.

4428. I see that you gentlemen are appearing on behalf of the National Conference of Industrial Assurance Approved Societies, and I see in paragraph 1 of your Statement a list of the Approved Societies which are affiliated to that Conference. Do these comprise the whole of the Approved Societies of this particular type?—(*Sir Thomas Neill*): Not quite. I should say there would be possibly anything up to 200,000 insured members who are members of societies of this type outside the Conference.

4429. May we take it that the Statement of Evidence which you have submitted represents the views of each and all of the societies named in paragraph 1?—On the particular subjects on which we are tendering evidence, yes.

4430. May we then understand that the several societies will not desire to submit separate evidence, unless so requested by the Commission, except in so far as any of them may desire to supplement or modify in any way the statement which we now have before us?—I think that is quite correct, except to the extent that there are two of the societies which have already intimated to your Secretary that they propose to give evidence on their particular experience. There may be others which, as the Commission proceeds, would like to give evidence.

4431. I see from paragraph 2 that the societies within your Conference had, at the date of the first valuation, a membership approaching 7,000,000 insured persons. Could you give us the membership figures (men and women separately) for the years 1913, 1918 and 1923, so that we may see how the membership has changed since the inception of the scheme of National Health Insurance?—In 1913 the figure was 5,788,375. 1918 you have got. In 1923 the figure was 6,502,295.

4432. What do you think are the main reasons which have led to such a vast number of insured persons (not far from half of the total number) becoming members of your societies?—There are two reasons; but taking the chief reason these Approved Societies are either separate sections or formed in connection with industrial offices which have been doing business, with two exceptions, for at least 25 years, before National Health Insurance came into force. Naturally they were known to the industrial population during that quarter of a century. These people have not been habituated, as we explain in the Statement that we have sent in, to the discipline that is connected with sickness benefit. There were 4,500,000, say, of the population who were members of Sick Benefit Societies. There were 10,000,000 outside that who were members of nothing, and there was no organisation entering into the houses of the people similar to that of the Industrial Societies.

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An appeal was made that these organisations should assist the Government to make this Act effective and to form Approved Societies. The Act was constructed so as to allow them to form these Approved Societies, which they did. The Government of the day were very anxious that they should have the assistance of those people who had conducted the various industrial organisations, in bringing this thing into being. Lecturers were appointed by the Government to explain the Act in different centres in London and elsewhere, and these societies and companies sent their principal men to these lectures, and in turn they went and lectured to their own staffs on the advantages of being in Approved Societies. I think it was admitted and stated that but for that assistance the Act might have broken down at the time of its inception, having regard to the contentious atmosphere in which it was born.

4433. Paragraphs 5 to 10 of your Statement deal with the agency system, and you lay great stress on the value of that system in the way of bringing a knowledge of the requirements and benefits of the Act into the homes of the people. Can you indicate approximately how many agents the 11 societies have, in total?—43,864.

4434. I assume that these agents may be whole-time or part-time and that they are paid on a piece-work basis. Is this so? Could you indicate generally the rate of payment per member and the average annual remuneration of a full-time agent?—I could not do that, because that is a domestic arrangement and each society has got its different methods of payment. Some officers do more supervisory work. The superintendent does more possibly than the agent in a particular case, while sometimes the agent does more. If, however, that is necessary that can be ascertained at your pleasure.

4435. Would you give us a brief description of the work done by the agents and their relationship to the head office machinery?—The agent first of all gets the application form. That is submitted to the office with such particulars as they require him to give in connection with the application. If that is accepted, a record card showing that the person has been accepted as a member is issued by the society and forwarded to the agent and the agent takes it to the member. That constitutes the title of the person to membership of the society. Then the agent supplies a contribution card, because under the regulations he is not allowed to give a card to the member until he is an admitted member of the society. He may have to assist in getting him a card from the local post office to satisfy the employer when the employee first enters into insurance. Suppose no claim occurs or there is no removal or change of status and nothing happens during the currency of that card, the agent collects the card; that is, he collects it if he can get it. He then delivers a new card and enters the contributions on the record card. As regards the collection of the cards, he does not receive on his first round possibly more than from 60 to 70 per cent. of the cards that he should collect. Some of them are held up by the employers; some of them have been delivered to the insured, but they cannot put their hand on them, and it takes him sometimes four, five, six or seven visits before he can get the total number in. Then he has to deal with the change of address in the case of a person removing from his agency to another. That is not dealing at all with claims. If there is a marriage he has got to notify that. If there is a death he has to notify it. He has to do all the work that keeps the head office records—and through the head office the Ministry records—correct as regards the status of the members that are in insurance and as regards the question of how they have gone out—whether they have ceased to be insured persons or whether they are unemployed. He has to make a return every half-year of the total of the members in his agency. That is only part of his duties. He has also to deal with the question of the claims. When he is notified of a claim as in this particular system he generally

is when he calls, because the people, knowing that he is going to call, say, on Monday or Saturday or some other day, do not trouble to go to him but wait till he comes, he supplies them with a claim form which they fill up and he completes it and sends it in. When he gets the necessary authority from the office, he calls on them and pays them their benefit each week. If it is a case where there has been an accident or it is an industrial disease case, he has certain other forms to fill up for the office to be able to assist the member to get compensation for accident or disease from the employers or from a third party. Those are briefly what you may call the major duties that the agent has to discharge. All that information passes on to the office.

4436. Is it the case that the agents of any one society may be in competition with each other as well as in competition with agents of another society? Is there any system by which a society divides the country into areas so as to avoid such internal competition?—We do not know anything about the competition that that question seems to imply. There is the natural competition between the man who has got an agency to see that any members on his agency who are likely to enter into insurance come to him, and naturally he makes himself as agreeable as possible in order to secure them. But there is no competition amongst the industrial group in the sense of trying to take each other's members, or to take them from other societies. As a matter of fact, we deprecate that very much, and we do not allow agents to interfere with established business in other societies.

4437. Is there any system for dividing the country into areas?—No, except that there are geographical districts for the superintendents, and within those the agent works.

4438. I suppose that the agents are ordinarily themselves insured persons. Would they, as a rule, be members of the society by which they are employed?—So far as they are eligible for insurance. But I am glad to be able to tell you that the status is rising considerably, and there is a great number of agents who are outside the limit as regards their earnings and are not insured persons at all.

4439. Would the agents of a society who are insured members in that society have any share in the government of the society? For example, would they be eligible for appointment as members of the Committee of Management?—There is nothing on the subject in the rules of the principal societies. I have been looking through the rules for the purpose of being able to answer, not this particular point, but anything that you might ask. I do not know that there are any societies—there may be some, but very few—who specifically prescribe that agents shall not be eligible. But the others have no restriction at all as regards membership. If they are members they have all the rights of members.

4440. Would they be debarred from voting on matters affecting their own conditions of service or remuneration?—I think that would follow. I think it would be contrary to the common law that a man should be able to vote on his own remuneration.

4441. Have the ordinary insured members of your societies, other than agents, shown much interest in the societies' affairs? For example, do they attend meetings in any considerable numbers?—They do, but when you are managing a business that is giving satisfaction I think the common experience is that the attendance is small.

4442. Will you explain to us briefly the means by which in your societies effect is given to the requirement of the Act that Approved Societies should be under the absolute control of their members?—That is a very large question. I should think that we had better start at the beginning of this thing. Being one of those who had some hopes when this Act was introduced that it was going to be a big measure and do great things for the community, I can say that the Approved Societies have been left at the present moment with very little effective authority. On the

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question of democratic control, the little that is left for them to "democrat" on is very small. If you look at the number of regulations with which the management is hedged round you will see that they must not do this and they must not do that and they must do the other thing. They get 4s. 5d. to spend as they like, but beyond the spending of that 4s. 5d. model rules are provided for them. I do not see what there is that they are allowed to do at all except as confidential clerks carrying out the duties prescribed for them by the regulations. I think that is where the absence of democratic control really begins.

4443. In connection with the cost of administration, referred to in paragraph 9, is it the case that the cost is higher than in other types of societies by reason of part of the work being entrusted to agents at a greater cost than would be incurred if that work were done from the head office of a society?—If you would allow me I should like to put it this way. Having regard to the services rendered, I should say that the value of the work done is not paid for on the present rate of remuneration as is paid to-day for any services of that kind. It is a cheaper service than any other service that they are getting so far as I know, commercially. As regards whether it is more costly than in other societies, we are working—I am speaking subject to any exception that may be found in the records of the department—well within the allowance; that is, we have made no levy on our members and there is no prospect of there being any levy. We work, therefore, within the sum which has from time to time been allowed to us, although it would not be fair to say that we regard the work as being adequately paid for. We do not; but there are many people engaged in the work who rather love the work and are in it not for what they can get out of it, but because it offers them a means of rendering social service, an opportunity they are glad to have.

4444. (Mr. Evans): In paragraph 2 you give the figure for 1918 of the total membership. There is a big drop between the membership of 1918 and the membership of 1923. How do you account for that?—A number of people, as you know, came into employment during the War. All sorts and conditions of people came in. They offered their services and were employed, and they joined Approved Societies for the time being. When we got rid of all the War people we were carrying on the books it took a long time to decide what had happened to them; that is, whether they were still insured or not accounted for or dead, so that when the books came to be cleared you had a great slump.

4445. In paragraph 4 you refer to sums of money that have been paid out in additional benefits, that is to hospitals and convalescent homes, and also for dental treatment for members?—Yes.

4446. Are these benefits within the reach of all members of these societies?—No, they are only within the reach of those societies which have a disposable surplus.

4447. You have, I think, 11 societies?—Yes.

4448. So that of those 11 societies only some of them have these benefits?—That is so.

4449. What proportion of the agents of these societies earn salaries which are above the insurable limit? I suppose quite a number of your people?—I could not tell you that now.

4450. Do you mean the staff at the various offices or the people who collect the cards?—The people who collect; I mean the agents. I am not speaking of anyone inside the office.

4451. Quite a number of these people earn salaries above the insurable limit?—Yes; we are happy to say that.

4452. Do they earn that by a fixed salary or by a commission?—Sometimes both. Mr. Spurgeon says possibly you are thinking that they earn this out of the Approved Society.

4453. Yes?—No, they do not.

4454. The other side as well?—We are dealing with the insured person. There is nobody eligible for

insurance who is earning, unless he is a manual worker, over £250; so that if they are on spare time rates for the Approved Society, and earn £300 a year from the private side, they are not eligible for insurance. But I thought that was covered by the question of the Chairman as to a part-time man.

4455. Do you pay the agents for Approved Society work according to the number of cards they collect? Is it so much per card collected or how are they paid?—That is rather a domestic question again. Some societies pay them for the membership; that is, as I explained to the Chairman, they have got to account at the end of the half-year for all the insured persons who may be on their list and they are paid on that. Others pay them on the number of cards, but they give them other payments that make up possibly the total earnings. That is purely a question of domestic arrangement as to how they are paid.

4456. (Sir Alfred Watson): May I refer you to paragraph 8, 9 and 10 of your Statement where you develop in a very interesting way the claim that there is a home service rendered to the members of the societies in the industrial insurance organisation which has to be taken into consideration in dealing with administration allowances and that sort of thing. How much more home service is there in the industrial insurance organisation than there is in the ordinary Approved Society of the Friendly Society type?—You have so much greater knowledge of what services the Friendly Society render than I have. I am only thinking of the services that the industrial people render. On the average they are in the homes of these people once each week, and they are there available to notify changes; they are there to collect the claim; they are there to pay the claim. There is nothing that the person has to do, unless he wishes to do it. He need not leave his house or lose a single hour of his home work or duties in connection with his claim.

4457. But an insured person under the Act does not need any service rendered to him except at the time of changing his card or when he wants sickness benefit?—Yes; notification of removal from one district to another is required.

4458. That is their job, is it not?—The population moves, as you know, in commercial centres like London and large towns, say once in five years. The movement is, I should say, of the whole of the population once in five years.

4459. But is there any reason why the people who move should not themselves perform that elementary duty of informing their society that they have done so?—That means a cost of ½d. and the writing of a card, which is saved.

4460. I do not see that the saving of a card and ½d. represents a substantial service?—The point that I make is that the home service—and I hope you will exhaust the examination of it, because we are very anxious to get it out—that is rendered in this way is of great value to the insured person.

4461. Yes, I can quite see that; but it is of great value to the insured person as a private citizen and not as a necessary consequence of his insurance connection?—Not of his insurance connection, but the part of the thing that he has to deal with as a private citizen. You bring this compulsory scheme in, and it is fastened on to him, and he has certain duties to do in order to keep himself in benefit. This is an easy way of discharging those duties.

4462. You say in effect that since we are compelling the worker to insure we must provide him with a servant who will notify a change of address to the society in which he is insured?—For a time. I say that you started with 10,000,000 undisciplined people compulsorily brought in on a certain day with no knowledge of the value or importance of keeping themselves in benefit, and this system has helped to—well, I do not care whether you call it bottle-feed or spoon-feed them, or anything else—but it has helped to keep them in insurance and train them in the importance of trifles that are very vital to them.

4463. Is the performance of these necessary functions training the people at all, or is it making them

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more and more dependent on the home service?—I think it is training them, for this reason. They see ultimately when they fall sick the advantage of these things having been done, because they are able then to get their benefits which otherwise possibly they would have had very great difficulty in getting or possibly might not have got at all.

4464. I suppose you will agree that in regard to sick visiting and taking sickness benefit and other money benefits to the home, there really is no difference between the industrial insurance Approved Society and the generality of Approved Societies of other types?—I would rather you would not put it that we appear before you to criticise, because we have the greatest admiration possible for other types of societies. We do not wish to criticise them at all. We do not deal with the payment of benefits through the sick visitor. The sick visitor with us is a special person—a woman looking after women—to see if they are observing the rules. They have nothing at all to do with the payment of benefits; they are in a different category altogether. The payment of benefit is done by the agent.

4465. By the way, why should not the sick visitor pay the benefit?—I would rather you did not press that question. I think, having regard to the qualities of human nature as a rule, that there would be a temptation to the sickness visitor to be the arbitrator. All they have to do is to report the fact; they have nothing to do with the consequences.

4466. You have, I take it, carefully considered in the past what the functions of each class of person should be, and have dealt with those functions?—We have.

4467. And you consider it perfectly satisfactory for the agent to carry the sickness benefit to the home?—Yes, we do.

4468. That is the common system with practically all Approved Societies, is it not?—With all that I have any knowledge of.

4469. So that so far as the payment of benefit is concerned the home service of the industrial bodies is not peculiar to the industrial type?—I would not go so far as to say that.

4470. I thought you said just now that you agreed that the payment of sickness benefit was done at the home by a representative of the society?—In some cases, yes; but in other cases no.

4471. Of course I am not suggesting in all cases, but in a great number of cases at any rate—in all the Orders, for instance?—I do not want, as I said before, to criticise things that I have no intimate knowledge of. I only want to establish in the mind of this Royal Commission the character of the services that we are rendering.

4472. I was rather concerned to find out whether it is a fact that there is a distinctive home service rendered which is not rendered by other types of societies, and which is worth being paid for out of Health Insurance funds, because the conclusion to which I am led by paragraphs 9 and 10 is that you claim that?—I think you will find if you analyse the thing—and we will give you any information on it that is necessary—and if you will keep in mind that these people did not know anything when the Act came into force about the importance of notification and change of status and what was going to happen if they did not deliver these cards, and the value of the benefit while they are young, that we have rendered important services by what we have been able to gather up in the way of change of status and deaths. These things were common things to which the members of the Friendly Orders were trained from the time they entered the Order. It was part of the general routine. I say that in the case of accident the service of investigating as to the place where the accident occurred, how it occurred, who the witnesses were, and furnishing the particulars necessary to deal with the hundreds of thousands of claims that are made on behalf of the members through this agency system, is of great value to the insured person.

4473. I am not quite sure whether the establishment of a claim against an employer for workmen's compensation is a fit subject for the expenditure of the Health Insurance funds, however beneficial it is to the insured person. What do you say to that?—All I have to say to that is that I think section 11 of the 1911 Act reduced the claim for sickness benefit; that is, it increased the value of the contribution by reason of the fact that this particular charge would have been a relief to the funds, and therefore I take it it must be necessary to get that relief for the contribution that was not provided to meet it.

4474. Yes; I think that is a fair point; but it is rather a different point. The Chairman asked you a question a few minutes ago directed to ascertaining the amount of control the members of the society had over the government of its affairs, and I understood you to say in reply to that that the society had no control. I do not know that the answer quite fitted the question, but, so far as I can gather, you said the society had no control over its own officers, and that to a large extent it was almost a case of confidential clerks carrying out the regulations?—I put it like that so as to draw attention to the position.

4475. I know you did. I think we had better have two or three more questions on that, if we may. Claims for benefit arise, and sick visitors are sent to examine the cases, and their reports are sent up. Are there no questions on which decisions have to be taken?—Oh, yes.

4476. Managerial decisions?—Yes.

4477. When sick certificates come in from panel doctors and a certain time elapses, it occurs to somebody that it might be advisable to send the case to the regional medical officer?—Yes.

4478. I imagine such references are made in accordance with the rules laid down by somebody in the society?—Well, I would not put it as high as by rules. There is some responsible officer whose judgment on the facts of the case determines whether it should be made.

4479. He is acting under general directions from the Committee of Management?—Yes.

4480. And the way he does his work justifies his retention or not?—Yes.

4481. Then there comes a type of case when the insurance doctor says, "Incapable of work," and the regional medical officer says, "Capable of light work," and a decision has then to be taken as between the two medical certificates?—Yes.

4482. Who takes that decision?—The Committee of Management.

4483. So that there again is a case for managerial decision?—Yes.

4484. At present there is a condition of prolonged unemployment, and in a large number of cases members are kept in benefit, if their arrears of stamps are due to unemployment, and a special grant is made in respect to that from a central fund. Who decides in which cases the grant is to be applied for and the member kept on the books?—There is no decision. It is an automatic procedure. They are sent forward as persons that we have certified as unemployed.

4485. Quite so. They have to be genuinely unemployed?—Yes; that is a pure statement of fact.

4486. But who decides on that question of fact?—The Committee decide on the evidence that is produced. It is a question of fact. There is no discretion.

4487. It is a question of fact on which a decision ought to be found by the Committee?—Quite so.

4488. Then that is a managerial decision too?—Yes.

4489. Then there is a large number of societies—perhaps to some extent your group is among the number—in which societies find it absolutely necessary to inflict penalties on members for various breaches of the rules?—Yes.

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4490. The penalty is often a softer punishment than expulsion or extreme measures of that kind?—Yes.

4491. Who inflicts those penalties?—The society in the first instance. Might I take this because I may not remember to answer all these points in detail? May I take the opportunity of this last question to say that however gross the offence is, by the regulations the Committee of Management have only got three courses to follow. One is a maximum fine of 10s.

4492. Or less?—Yes; the maximum is 10s. The second course is to suspend benefit; or, thirdly, to expel. Those three things are left to them. They can exercise their discretion in those matters.

4493. That is what I want to get at: there is an exercise of discretion?—There is no exercise of discretion at all. A fine of 10s. is totally inadequate. But to suspend the member from benefit is a very serious thing, because you do not know how near he may be to being entitled to benefit. That 10s. is an arbitrary thing which in practice does not allow any discretion at all. Then you come to the last case viz., expelling the member. That is a very serious thing, which might be met by a fine and allowing the person to remain in. I want to put it that there is no play for discretion in these things that would amount to the society managing its own affairs. I do not say that it is wrong. I do not say that, having regard to the new system that you are introducing, some of these things should not be laid down. But when we say that the society is absolutely controlling its own affairs, it is under blinkers and reins that it is allowed to run the road that is prepared for it. Then that is not all. Suppose a society decides a question, there is still an appeal to the Minister, whose decision is final, from which there is no appeal on their part, and whatever they are put to in the way of expense is limited. The societies are running themselves but only within certain prescribed limits.

4494. I gather from your answer that if a question of the penalty to be imposed for an offence comes up for decision by somebody, any one of a considerable number of penalties up to a fine of 10s. in cash can be inflicted, say, in 6d. steps, or there is a possibility of suspension of benefits or of expulsion, and these things cannot be ruled out merely because they are very serious and might have very serious consequences. Somebody has to consider whether they are or are not appropriate to the particular offence with which you are dealing?—Yes.

4495. There has to be a decision, in fact?—There has.

4496. And it is a decision, as we all know, subject to a right of appeal to another Court; but still it is a decision?—Yes.

4497. Passing from that point, when a valuation shows a surplus, you can have a scheme for the distribution of that surplus. I think it is right to say that you can choose any one, or any combination of about 20 additional benefits according to the surplus you have available?—Of course, as we never have had anything but one valuation, and as many of the societies had not available surpluses for distribution—

4498. Many of them?—Well, a good number of them had nothing that they could distribute. Even amongst our own group there were several who had not anything to distribute—the experience of that has not been large.

4499. The experience has not been long, but is it not the fact that there was about £8,000,000 of surplus distributed in many thousands of schemes, and every one of those schemes had got to contain within it, and did in fact consist of a selection from among the list of the additional benefits?—That is so.

4500. That selection from among the list is made by the society itself?—Subject to approval by the Minister.

4501. Yes, it is subject to approval by the Minister; but the Minister has no power of selecting for the society?—No, but he can refuse to approve.

4502. Probably you would say that his refusal to approve must be the subject of very closely defined rules and conditions?—There is no appeal.

4503. He has no absolutely unfettered domination over this thing, has he?—I do not want to go into the inwardness of that. He has the power of refusal, and if he exercises it there is no appeal.

4504. But still he has to act reasonably?—Yes.

4505. It merely means that he confirms the scheme if he sees nothing against it?—Quite.

4506. But the scheme is made by the society?—It is made by the members.

4507. Made by the members?—It has to go before the annual meeting of the members of the society.

4508. It is made by the Committee of Management in the first instance?—It is submitted by them.

4509. All these points which I have mentioned seem to me to be matters on which there is a great deal of managerial decision which could be submitted to the control of the members?—For the discipline of the members.

4510. The general policy of the management could be submitted to the members or could be brought before the members either to be confirmed or to be upset?—I will go as far as this and say that I think the system is a process of delegation of certain rules that are exercised by the appointed people subject to the approval of the Minister. There is an appeal from every act of discipline on the part of the Committee to the Ministry.

4511. Yes; but if there is a claim for benefit and a dispute arises over it, there is an appeal to an appellate tribunal—not to a Ministerial decision?—Subsequently, yes.

4512. To a definite appeal tribunal?—Yes, and the member if dissatisfied can appeal to the Minister.

4513. In a judicial capacity?—Yes. What I want established is that this thing has been run with the greatest possible care to see that nothing can be done which is not in accordance with the wish of the Ministry.

4514. I do not know how far that is the function of an Approved Society, so that I will not comment on it. But I want to suggest to you that in performing the duties which we have been discussing for the last ten minutes, a Committee of Management is doing a great deal more than acting as confidential clerks carrying out regulations?—I am glad to hear it. It is nearly time something was said in their favour.

4515. It was yourself who gave that rather derogatory description, not I. Then the question arises to what extent are the actions of the Committee of Management in managing the society and carrying out the items of business subject to effective supervision by the members for whom they are acting. I think that is really the gist of the question put to you by the Chairman?—The answer to that is that there are no rules registered or approved by the Joint Committee or by the Ministers for the several countries that do not contain the right of the members to remove any Committee of Management, or which do not make provision by which they can be removed, and for the calling of special meetings for the removal and for dealing with their own affairs. All those are contained in the approved rules of each society.

4516. These members of your societies, as I rather gathered from your description, are poor people for the most part. You said there were 6,500,000 people who were not trained, who had never associated themselves with the Friendly Societies, and who depended on the industrial organisations and their home service?—I hope you will not regard my answer as being any reflection on the members. There may be, as there are to-day, a lot of people who would prefer to carry their own risks and not to be connected with anything, who earn decent money and think the insurance will not be of any value to them. It does

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not necessarily follow because these are not earning the average amount of money that their neighbours who were members of benefit societies were earning before—

4517. I am sure that nothing in your Statement or in your verbal answers can possibly be taken as a reflection on your members. But, generally speaking, from your evidence I gather that these people are of a class who cannot afford to pay heavy railway fares and either hotel or boarding-house charges for going to annual meetings of societies?—I did not say that.

4518. No, I know you did not say that; but I gather from this evidence that the general body of the 6,500,000 people is of that type?—No. They might be able to do it, but not appreciating the value would not take the trouble to do it.

4519. If it is important for them to have this home service, I should have thought it was impossible to consider them as a class of people who could attend the annual meetings of a society in London or Manchester or Glasgow for the purpose of controlling the affairs of a society?—You can visualise the condition that happens every day in London. When the annual meeting of a society or company is called the attendance largely depends upon the satisfaction or dissatisfaction with the management. If you reach a stage in the affairs of any society where the members are not satisfied you will be sure to get a crowd to meet you. If things are going to their satisfaction and they can trust the people who are dealing with the business, they say they are not going to waste their time to go there just to say nice things about them.

4520. I am wondering whether the working man or working woman who is a member of one of your societies could in fact afford to lose a day's wage or it may be two days', and take a railway journey to attend the meeting. That leads me, to be quite frank, to wonder whether this part of the Act is or is not effective; that is this part of the Act which says that a society shall be subject to the absolute control of its members?—I think you have to take the same analogy as Parliament. You widen the scope of the persons entitled to record their votes. You give them the opportunity of recording them, and yet you see in some districts that only 40 to 60 per cent. record their votes on great national questions. It has not been suggested up to the present that there should be compulsion on the others to vote who do not want to do so. Suppose you offer them the means of recording their votes and they do not record them. In the rules of this group of which I am speaking there is provision, in the majority of those rules, for district meetings on request of a certain number of the members. Such a meeting has to be called in the district where those people reside if they wish any special question raised. All reasonable means have been taken to allow people to exercise their right if they feel that they are not satisfied with the management of the society with which they are connected.

4521. Of course I do not know these rules. Does that rule apply to all these societies?—I think so.

4522. That means, I take it, that if certain members are dissatisfied they can take some steps to call a meeting of their fellow-members?—Yes, in that particular district.

4523. And they call on the society itself to notify all its members that reside in that district?—Yes, quite.

4524. There is no automatic way of bringing the members together, whether they are dissatisfied or not?—No.

4525. There has to be a previous expression of dissatisfaction?—Quite.

4526. You used the analogy just now of Parliament. It struck me that that was not a very good analogy, because in that case there is a strictly local vote for a delegate to the assembly that manages the national affairs?—Quite. I think your remarks now make my point stronger, because there they are

within easy distance of recording their vote, and they do not do it. Would you say that a thing of this kind—you will excuse my putting this question, but I want to be clear what the point is—would you say that this society which is run for the benefit of the people, two-ninths of the cost of which has to be paid by the State, should be put to further expense to provide machinery for people who do not want it?

4527. I am not making any suggestion at all, and I know nothing about the constitution of the societies. It has never been my province to find out. I am wondering how far the provisions as to self-government are effective. May I ask whether these societies have ever considered the advisability of adopting a delegate system so that the persons going to the annual meeting will, in fact, be representative of their fellows and have their expenses paid for attending?—Before the Act came into force—I do not remember for the moment whether you were present or not, but you were cognisant of it—we had a meeting at the Foreign Office before the final constitution was adopted by which these separate Approved Societies were brought into being. This question of delegates was then discussed at that meeting, and by reason of the cost and incidental abuses it was not included in the scheme of the Act. You will find the minutes of the discussion with the then Chancellor of the Exchequer in the chair at the Foreign Office, when that clause which allowed the formation of approved societies in general terms was adopted.

4528. Then that has been explored?—Absolutely explored and turned down as not a scheme which was in the interests of the funds of the insured persons.

4529. It may be that we shall get evidence as to the way it operates in practice presently?—That may be another question.

4530. (*Miss Tuckwell*): What is the expenditure of your society on administration for 1923?—If I am to come here again I will tell you that figure, I have not got it at the moment.

4531. How much per head of membership is the expense of administration? Perhaps you know that?—If you will allow me I will give you that later on.

4532. Could you tell me if the cost is increasing or decreasing?—I think I should have to take the answer to that over some considerable period of time. I should have to tell you that during the time of the war the staff, both inside and outside, were most inadequately paid. They never had a war bonus; they never had anything additional until 1921, I think it was. Therefore they never were really paid any increase during all those years, so that any increase of that kind was regarded as an increase in the sense that it brought their wages up to what you would call "after the war" experience. I do not think it is increasing now. We are working within a limit, and within that limit it is divided up as equitably as the respective managements can do it. But the cost has materially increased during the last eight or nine years, as regards rates, printing, postage and all those things over which we have no control. The expense per member has materially increased, so that in looking at the cost it is not the cost that goes to the individual who is doing the work. I will have to look into that and give you some detailed information on it.

4533. I should be the last person to say that anybody should be underpaid. These questions hang together. What are the main heads on which expenditure has increased?—The main head is first of all rent. There is the head office machinery for dealing with all the things that occur. There is the cost which I am now beginning to be doubtful whether we should disclose or not after what Sir Alfred has said about assisting members who have been run over or who come within Employers' Liability. That is a very serious item for some societies. Then there is the cost of sickness visitation and there is the cost of outside machinery in calling on members and getting their claims attended to. Those are the principal things.

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4534. Could we get the numbers of the staff in proportion to membership? We have got the membership; can you give the numbers of the staff?—Yes, I think we can.

4535. Do the members of the Committee of Management receive any payment for their services?—Some do and some do not.

4536. What rule do you apply?—We have a rule in some of the societies that they get so much per attendance; but a number of them have never taken any fees.

4537. Do you think there is no way in which your society could reduce its expenditure of administration?—We could reduce it. We could stop sickness visitation; we could stop assisting the members in getting compensation, and we could ask them to bring the cards to the superintendent's office or the agent's office. We could reduce it very considerably, but it would be at the expense of the interests of the members.

4538. These officers, some of whom are of many years' standing, must have been employed on your private side and obtained their experience there?—Yes.

4539. Are the agents employed on the private side and the Health Insurance side as well?—Yes.

4540. They have both duties to perform?—Yes.

4541. Suppose the same person was calling to deal with the maternity benefit and in a private capacity was dealing also with the question of the insurance of children, do you feel that there might not be some risk of the one benefit being used as against the other?—First of all I take it from the case that you visualise that the man would be in the house already on the private side; that is, he would be going there, because as a rule they do not go out and canvass for National Health Insurance except amongst those who are already patronising them on their private side. Therefore he would be there, and the risk would be that if he were paying £4 or £2 in respect of maternity benefit and he got a proposal on that life it would cost them 1d. a week. That is the risk of an abuse of the payment, if it were an abuse.

4542. I do not quite understand?—A child could not be insured for more than 1d. a week or 2d. a week at the outside. Therefore, there could not be any very serious abuse of his position there in extracting any money from the maternity benefit. I do not think there is anything in that. Have I made myself quite clear?

4543. I see your point. This home service of yours you look on as very useful for the purpose of education, I gather?—Partly.

4544. Have you any other ways of educating members to take an interest in their society?—We have.

4545. How do you do it?—We do it through the journals that are published by the various offices, setting out what has happened during the quarter or during the half-year, and explaining to them what their benefits are and what we have done and so on, and trying to get them to realise the advantage of getting their cards and preserving them and handing them in at the proper time.

4546. Does the whole membership of your vast society have any direct connection with the executive?—Yes.

4547. How?—Every year there is an annual meeting when the accounts are submitted and the proceedings of the previous twelve months are before them.

4548. What sort of attendance do you get at these meetings?—It varies according to the type of society.

4549. What is a quorum?—That varies. It may be 50, 30, or 40. It is set out in the Appendix of the Statement furnished by the Department.

4550. Would the quorum include the Committee of Management?—That is according to the rules. That is also referred to in the document before you.

4551. Really it comes to this, that the thing is not democratic, but that you think it is created for the good of the people—and that there is no particular reason for its being democratic?—Well, that is a very nice way of putting a nasty thing. You will not ask me to accept that, will you?

4552. I thought it was what you had been saying?—Oh, no. I say that the whole machinery is provided for the members to control their own affairs if they are not satisfied with the service they are getting from those they employ at present, and I see no other way unless you waste a lot of their money in setting up useless machinery. They have all the constitution for exercising their rights. If they are satisfied, why should you compel them to waste money to attend meetings which they do not want to attend?

4553. You think if they were really discontented they would pay their expenses from Scotland, or wherever it might be, to protest?—They would not require to pay their fares from Scotland, because they could have a meeting in Scotland.

(The Witnesses withdrew.)

TENTH DAY.

Thursday, 18th December, 1924.

PRESENT:

Sir ANDREW DUNCAN, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
Sir HUMPHRY ROLLESTON, BART., K.C.B., M.D.,
P.R.C.P.
Sir ALFRED WATSON, K.C.B.
Sir ARTHUR WORLEY, C.B.E.
Mr. A. D. BESANT, F.I.A.
Mr. JAMES COOK, J.P.

Mr. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
Mr. WILLIAM JONES.
Mrs. HARRISON BELL.
Miss GERTRUDE TUCKWELL.

Mr. E. HACKFORTH (Secretary).
Mr. J. W. PECK, C.B. (Assistant Secretary)

Sir THOMAS NEILL, Mr. E. F. SPURGEON and Mr. E. T. PALMER, recalled and further examined.
(See Appendix VI.)

4554. (Sir Thomas Neill): Mr. Chairman, if you will permit me, I should like with your indulgence to amend certain answers which I gave to questions by Sir Alfred Watson last week. With regard to district

meetings, I find that the rules vary, and in order that there should be no misunderstanding as to what the position is, I beg to hand you a copy of the Rules of each of the Societies in the National Conference,

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[Continued.]

which can be referred to if the matter is pursued further. (*Copies of Rules handed in.*)

Regarding the Conference at the Foreign Office in 1911 and the discussion which took place there, what I should have said was that the question of delegates was fully discussed at that meeting. It was decided that it should not be made compulsory on societies, and that they should have full liberty, subject to the rules satisfying the Insurance Commissioners, now the Ministry of Health, to have their own particular form of government, including, if the members so wished, representation by delegates. So far as the group of Industrial Assurance Societies is concerned, only one society has representation by delegates. I should have made that position clear, but I had not the facts at the moment.

(*Chairman*): Thank you. We will continue the examination, Sir Thomas, on Section I of your statement, paragraphs 1 to 10.

4555. (*Professor Gray*): I think your contention in these paragraphs, Sir Thomas, is that your Societies have got in one respect a distinct type of member. By that I mean you have taken up those people who were not previously connected with Friendly Societies, so that these people have not had the past training that one gets elsewhere?—That is so.

4556. From that point of view you feel, no doubt rightly, that they require a certain amount of education and training, and that, I take it, is what you mean by the home service which you provide for these members?—In part that is so.

4557. Your contention would be that this amount of "nursing" which takes place requires possibly increased expenditure which might be reflected in the administration costs of the Society?—Yes.

4558. The agents are the people who provide this home service, are they not?—The societies through the agents.

4559. From that point of view the agents are a very important element of your Societies?—Very important.

4560. Am I right in saying that the agents are not compelled to take on State Insurance business?—I think you would be quite correct in saying that.

4561. The position is, is it not, that they have an option, in the sense of volunteering to do State work?—As a matter of fact, some of the Industrial Offices do not touch it at all. There is one large office in the Midlands. They have no Approved Society connected with them at all. Any of their agents who do the business do it for some other organisation. But those who have a separate section or who are connected with an Approved Society would, I think, make it obligatory on the successor to an agent, where there were State members, that he should attend to those State members as part of his duty.

4562. As a matter of actual fact, most of the agents are doing, and elected at the beginning to do, State work?—That is so.

4563. Doubtless moved by the consideration that if they did not, somebody else might come in contact with their Life Assurance clients and their families?—That is really the fact.

4564. With regard to the home service which these people render, I think your view is, is it not, that these agents are in a sense men of perhaps wider knowledge than the average insured person, and are, therefore, in a position to advise them generally on matters that arise?—They are in a position to do such things as this. If an insured person says, "Well, I cannot get my card from my employer, he will not let me have it for three or four weeks," the agent is able to show him the importance of getting that card because if anything depended on its surrender, as, for instance, if it had anything to do with qualifying for benefit, he might be held not to have surrendered it at the proper time. The agent can tell him little things, such as that, so important for him to know and to act on.

4565. I think your contention goes further than that, does it not? I remember hearing you describe

on one occasion the agent as being the guide, philosopher, and friend of the insured person. They are at the services of the insured and are welcome visitors?—Quite.

4566. And they advise and help on any question that may arise?—Having been an agent myself, you can imagine I wanted to put the standard fairly high, and since then I have no reason to think it has been lowered by those who have come after.

4567. They are friends of the family?—Yes.

4568. With regard to this question of self-government, I understand from your answers to Miss Tuckwell and Sir Alfred Watson that you repudiate the suggestion that there is not self-government in your Societies?—I do. I say we have all the machinery provided in the rules that is really necessary for seeing that the management of the business, what is left to the societies to manage—I want to keep it at that—is properly done, and if you elaborate that and provide for district meetings or delegate meetings, in our judgment—we may be wrong—we should be spending money that it is not necessary to spend, because there is nothing of proportionate value which would result from it.

4569. I think you raise that contention along two main lines of argument. You say, in the first place, that the small attendance at these meetings merely betokens contentment: that if there was reason for dissatisfaction you would be sure to get a crowd, so that the fact that people do not turn up is really an indication that the members are content?—Yes.

4570. Then the second line of argument which I inferred from your answers to Sir Alfred Watson was that you must not look at the government of this thing as represented by the centre alone: that you have in fact provision for district meetings, in some societies special district meetings. Is that so?—In some societies, yes. I will give you the number if you wish it. The rules have been handed in.

4571. These arrangements under the rules are made so that the members shall, as you say, have reasonable opportunity of attending and voting?—Yes.

4572. So that apart from the central government you have these district meetings which can be requisitioned by members in the districts, you have special district meetings in certain cases, and over and above that you have provision, at any rate, in your own society, for a poll being taken of the members?—Yes. They have the right under the rules to call a special meeting and the question there decided can be referred on demand to these district meetings, or in some societies the members in the district can initiate a meeting to deal with certain subjects which are defined in the rules—several of them have special general meetings—and there a poll of the members can be demanded and taken.

4573. So that apart from general meetings you say you have a whole armoury of democratic weapons at your disposal?—In case members are dissatisfied.

4574. What is the size of a district in your Society, the specially organised district?—The specially organised district is defined as the superintendency area. It is not to be beyond a certain area. It is set forth in the rules.

4575. In the Prudential it is, I gather, the Insurance Committee area?—Yes.

4576. It is not so in your Society?—I think it is.

4577. The Insurance Committee area?—I think so.

4578. It is not in the rules?—If it is not in the rules it has to be in accordance with a scheme approved by the Ministry.

4579. At present is the idea more or less on the same lines as the Prudential, that it should be the Insurance Committee area?—Some long while ago, before I went to the National Amalgamated, we submitted, I think, to the then Insurance Commissioners the definition of what these districts are. It should be in the archives.

4580. May I take it you follow in the main what is more precisely stated in the Prudential, probably the Insurance Committee area?—Yes.

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4581. Coming down from these propositions to the actual working of this system of self-government, your general meeting is held on a fixed date, is it not?—The date of the meeting is known except in regard to the meetings that we hold in Scotland and in Wales. In the case of the National Amalgamated we advertise in the leading papers in the country, a month before the meeting is held, the date of the meeting and the place. That happens each year in regard to Scotland and Wales.

4582. But with regard to your general meeting, it is held on the last Monday in May?—Yes.

4583. At 7 o'clock?—At 7 o'clock.

4584. How do the members know that?—It is in the rules. Any variation from that must be advertised in the prescribed manner in the counties where we do business.

4585. How many of your members have copies of the rules?—I cannot say that.

4586. How do they find out how they can get the rules?—From the general information that is available.

4587. From consulting the rules?—Not necessarily from consulting the rules, but from consulting other documents that they get.

4588. (Chairman): Does not every member get a copy of the rules?—He could if he wished.

4589. Does not he automatically get it?—Not unless he asks for it.

4590. (Professor Gray): I think he pays 2d.?—Yes.

4591. He pays 2d. on application to the Secretary. As a matter of fact, I take it the members do not have copies of the rules?—I would like to look into the matter to see what the position is.

4592. Have you any idea how many copies of the rules you have used or printed?—No. I could not tell you that off-hand. I will get the information. I may say that the National Amalgamated and the Prudential will be appearing before you to give individual evidence, when we will see that you have the complete answers as regards those two Societies.

4593. (Chairman): Thank you, Sir Thomas, but I think it will help to elucidate the point if we do not take too narrow a construction of the capacity in which you are appearing. If there are questions more strictly appertaining to your own individual Society which you can answer I think it will be better?—I will do so with pleasure.

4594. It will save time later.—Yes.

4595. (Professor Gray): At the general meeting the quorum, I think, is 50 under the rules?—Yes.

4596. That is out of a membership of about 2,000,000?—Yes.

4597. How big a meeting do you usually have?—I should say it would be anything from 120 to 250, unless we have some matter of special interest raised, and then we go to a large hall and the attendance runs into hundreds. That has only happened on one occasion in my experience.

4598. The 50 includes the officials and members of the Committee of Management?—It does.

4599. These are fairly numerous, are they not?—Yes, about 20 as far as the National Amalgamated is concerned.

4600. It might be more, might it not?—It might be more, but it is not.

4601. (Chairman): These are salaried officials?—No, members of the Committee of Management.

4602. (Professor Gray): The members of the Committee of Management, to be precise, in your case are the President and Vice-President, the Chairman, two Vice-Chairmen, not less than two or more than six trustees, three treasurers, one actuary, and a committee which may run from eight to 20?—Yes.

4603. That is under the rules, and that gives you a minimum of 19 and a maximum of 35?—Yes.

4604. Towards a quorum of 50?—Yes.

4605. (Chairman): So you are always fairly certain to get a quorum, are you?—Yes, we have always had a quorum so far.

4606. (Professor Gray): I suppose a fair number of your staff will be insured in the National Amalgamated?—Yes, but it is not a condition that they should be.

4607. If there was a danger of not having a quorum you could get the staff to eke it out?—There would be quite a number there available.

4608. (Sir Arthur Worley): I suppose they do beat the staff up a little bit for it?—They know the date of the meeting, and we certainly want them to take an interest in the proceedings.

4609. It is not uncommon at company meetings to find that a quorum is rather in danger and therefore the staff are called upon to come to the rescue?—Yes. It differs in no respect from the ordinary commercial procedure in that way.

4610. (Professor Gray): Your proceedings are, I take it, eminently harmonious on these occasions?—I should say yes, in the main they are.

4611. The same provisions apply to your Society, Mr. Spurgeon?—(Mr. Spurgeon): Yes.

4612. In your case the annual meetings are held in the one case, the women's society, at four o'clock, and the men's at six o'clock?—There are four Societies, three held the same evening, I think, at five, six and seven o'clock. I have forgotten the exact times. We put the men a little later to give members a greater opportunity of arriving.

4613. Is it the case that the Committee of Management of your four Societies are the same people?—Yes, the same Committee for the four Societies.

4614. So what happens is, the women meet at four o'clock and elect a Committee of Management, and at six o'clock in some telepathic manner the men meet and elect the same Committee of Management?—The Committee of Management is elected. Two members retire each year, and generally they are eligible for re-election and submit themselves for re-election.

4615. The men and women are harmonious in re-electing the same members of the Committee of Management?—That has been the case so far.

4616. On the face of it, Sir Thomas, is it not rather extraordinary to have a provision whereby 2,000,000 people are represented by a general meeting of 50, of whom something like 35 are officials on the spot?—(Sir Thomas Neill): Put in that way it is. (Mr. Spurgeon): Might I say it is a minimum of 50, it might be 5,000, but there would be no more members of the committee of management or officials.

4617. The quorum in your society is the difference between 50 and the members of the committee?—(Sir Thomas Neill): Yes.

4618. Which, if you had a full-sized committee in your case would be 15?—Yes.

4619. Out of something like 2,000,000 members?—Yes. I hope we shall endeavour to see what the evil of such an arrangement is, if there is any evil, because we do not admit there is any. What I do say is—and it is the experience of all societies—if there is any subject of special importance the members turn up.

4620. I am not suggesting any evil, Sir Thomas, do not misunderstand me. (I merely want to get down to the extent of the control by the members?—Quite.

4621. I take it rights are given to insured persons in order to be exercised. When you give a person a right to come to a general meeting you must postulate that in certain cases he may at least exercise that right. That is so, is it not?—Yes.

4622. You referred at our last meeting to the analogous case of Parliament and the apparent lack of interest on the part of electors as instanced by the small poll that may take place at a General Election. Supposing you had anything like the same degree of interest taken in your general meeting, supposing you had 80 per cent. of your members turn up, what would happen?—What would happen would be that arrangements would have to be made for it, but 80 per cent. would not come. That is a physical impossibility. But supposing there was

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any question raised that interested the members in that degree, then you would have the meetings demanded under the rules of these larger societies, for instance, the Prudential, Liverpool Victoria, and National Amalgamated, district or special district meetings, or special general meetings, and the subject would stand referred to them, and they are so circumscribed that it would be possible for these people to be there. I say, viewing the scheme as a whole, it does provide all that is necessary to enable these people to correct abuses or introduce reforms if they so think. They need not come to London. All that it is necessary to do is for 1,000 to agree that there should be a special general meeting, and also that there should be district meetings.

4623. I want to view it as a whole, but in order to do that I want to do it in parts. I am dealing first with the general meeting. It is the case, is it not, if anything like 80 per cent. turned up, and if you took the Albert Hall, then for every member in that hall 600 would have to go to the overflow meeting in Hyde Park?—Yes.

4624. That, of course, is an absurdity. You would not have that?—No, you would not have it.

4625. It comes to this, does it not, that so far as this annual meeting is concerned it only works, and it does work very harmoniously, so long as, let us say, only one in 100,000 exercises the right. There is another point which works in the same way. Under your rules you have power, have you not, to withdraw from the annual general meeting any business which you think is proper for a special general meeting?—Yes, the committee have power to withdraw such a subject because they say it is one which should be more generally known. These annual meetings are held in accordance with the rules: they are not advertised. The subjects that come before them are limited to what the annual meeting can properly deal with. The committee say: This is a subject which should be advertised and therefore there must be a special meeting so that the members may have knowledge of it. That is the reason why a particular matter is withdrawn.

4626. (Chairman): Who prepares the agenda?—The agenda is prepared by the Committee of management.

4627. So that the committee of management should know when they put the item on the agenda whether it is one proper for that meeting or not?—Yes, and therefore they do not put it on the agenda. They say, "This must be put to a special meeting."

4628. Then it is not a case of withdrawing it?—No, it never goes before the meeting. (Mr. Spurgeon): It is a question of notifying the individual who is desirous of bringing the matter before the society.

4629. The member has an opportunity of intimating to the committee that he desires a certain item to be on the agenda?—Yes, and he is told that it is a subject that should be referred to a special meeting.

4630. (Professor Gray): With regard to the special general meeting which arises because things are excluded from the annual general meeting, the position is as you have indicated. That is held on the requisition of 1,000 members, or one-tenth of your society?—(Sir Thomas Neill): Or on the initiation of the committee of management.

4631. How can a member who wants to raise a question get 1,000 members?—I do not think you would ask me seriously to say there was any difficulty if there was any substance in the grievance. In any district where a society has 2,000 or 3,000 members you get an agent or two interested in the subject, and you have your 1,000 members' signatures before two days are gone.

4632. Through the agents?—Through the system of the division of the membership into groups. For instance, in Manchester and Salford I suppose the National Amalgamated have the largest membership of any society, excluding the Prudential. In these

congested districts it is quite easy to get 1,000 members by anybody going round if they have a case to present that would appeal to the members.

4633. Your members are different perhaps from other members in this respect, that normally they have not got much in common. I am not saying it offensively, but membership of the Prudential or membership of the National Amalgamated is not a kind of bond of union as between people?—No, but they have common interests. I cannot visualise for the moment what the grievance you have in mind might be. Suppose they might want to turn the chairman out of office for instance. Suppose they say "Yes, he has been long enough there; he is most incompetent and so on."

4634. (Chairman): Let us take that subject. If that were the subject, you could not expect the agents to canvass that complaint?—I do not know, speaking personally. I think I would reserve that.

4635. (Professor Gray): I am not visualising any such complaint. I am merely visualising the complaints which you are visualising when you provide this machinery. That is all it comes to. My difficulty is, first, that normally these insured persons do not know each other. If they advertised there would not be much result, would there?—It depends entirely on the nature of the case for which support is asked.

4636. (Chairman): There is no list of members in any district known to all others?—No, not known to all others, but each district office has its list of members in that particular district.

4637. The agent is under no obligation to canvass a complaint?—No.

4638. (Professor Gray): Your suggestion, Sir Thomas, is that if this agitation comes along probably the agents are behind it?—I would not say that.

4639. I am not trying to misrepresent you, but you do suggest, do you not, that the way members would get into touch with each other would be by reason of the fact that they were in touch with the agent?—That might be one way.

4640. As a matter of fact, if you got a request for a special meeting from any area, would you not rather think the agent had been in some way helping?—I can imagine this, that you might get a local Member of Parliament or a local man who is on the Council to interest himself in the case. He says: "This member has been very badly treated," and he refers to that at some of the meetings which he attends, and it gets into the local Press, and he asks that the members should come and support a requisition. You can get this thing done if you have a genuine grievance without the interference of the agent at all. That is done every day in connection with other matters.

4641. (Chairman): I should like to follow up that point. The local Member of Parliament is approached. I presume his first step would be one of caution: he would approach the society and see what there was in the complaint?—Unfortunately, they all do not do that. If it makes good copy it is much better not to probe the thing too far in the first instance lest it might not sound as well as it does when it is first told.

4642. Assuming there is a case in which the cautious Member would wish to know the facts first. He approaches the Society. He may get the evil dressed in that particular case and his interest may vanish. There is no means by which that complaint is made generally known in the district, is there?—There is. If I may be permitted for a moment to deal first with the Member of Parliament, he does not go to the Society as a rule: he goes to the Minister and asks the question through the channel of the House, and it is reported locally that he asked this question and what the answer was. That is part of the legitimate propaganda. Thus that case becomes known.

4643. (Professor Gray): Having got your 1,000 names through the agent or otherwise, you have a special general meeting?—Yes.

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4644. That meeting is held in London, I think. What is the majority required there?—That is provided in the rules. (Mr. Spurgeon): Two-thirds as a rule.

4645. A two-thirds majority and the quorum would still be 50, with the nucleus provided by the Committee of Management?—(Sir Thomas Neill): But you could not assume that a special general meeting on a subject like that would only be attended by 50. Take my own case again, because if you are talking of something you are connected with you know the position. When I was appointed to the National Amalgamated they had to advertise the fact and the terms and so on. A special general meeting was called. I was not present at it, but after the meeting I saw some of them who were, and judging from the state of their collars and the heat of the room there were certainly more than 50 present at the meeting.

4646. In any case is not the person who raises this question somewhat at a disadvantage? Might not the agitation come from Cornwall to hold this special general meeting, and the meeting be held in London?—Yes.

4647. A two-thirds majority is required, and, for what it is worth, you have this nucleus there?—Yes.

4648. Which apparently, in conformity with Company business, can be extended by calling on the employees and the staff—

4649. (Chairman): Only if they are shareholders?—I am afraid to say anything to Professor Gray, knowing his ability in legal matters, but is it a fact that these honorary members who form the committee of management can vote at all, either at the special or general or annual meeting?

4650. (Professor Gray): It is not for me to say.—We hold that they cannot.

4651. What is your practice?—We hold that they cannot.

4652. They are part of the quorum but they do not vote?—They do not vote.

4653. So perhaps only 15 members may vote?—Yes.

4654. (Chairman): You can have a quorum of 50 of whom 35 may be ineligible to vote?—I put it to you if they are honorary members—

4655. I would rather put it to you, they are your rules after all, not mine. I am asking if it is a fact?—The position is that no honorary member is allowed to vote: they can attend meetings but they cannot vote.

4656. (Professor Gray): Is not the position in Approved Societies frequently this: they cannot vote as honorary members but they can vote as members of the committee of management once they get there. Is not that a very common feature?—We have never tested it. An honorary member can attend the meetings but he cannot vote. Whether the position is changed when he assumes the mantle of the committee of management, we have not looked into. (Mr. Spurgeon): May I say, Sir, that the rule of our Society reads in this way: "Honorary members shall be members of the Society not contributing for and not entitled to benefits and shall be admitted to membership on such terms and in such manner as the Committee of Management shall think fit." In fact, honorary members have never been allowed to vote at the annual general meeting, not even though they are members of the committee of management.

4657. They are members of the Society?—It says: "shall be admitted to membership on such terms and in such manner as the Committee of Management shall think fit." If they are admitted as honorary members they are members of the Society, but as it is "on such terms as the Committee of Management shall think fit" they are not allowed to vote on matters affecting insured members.

4658. (Chairman): Do the rules of the Society provide for making up the quorum from honorary members as well as ordinary members?—That is so. They would be part of the quorum, but they are not allowed to vote.

4659. (Professor Gray): I think we are confusing two questions, if I may say so. Is not the question rather mixed up with this, whether or not the committee of management are honorary members?—Yes, I think the committee of management are all honorary members. (Sir Thomas Neill): They have not been at all times.

4660. (Chairman): My question is simple enough. I do not care whether he is an ordinary member or an honorary member. Do the rules provide for a quorum which can be made up partly of persons who are not eligible to vote?—(Mr. Spurgeon): Yes. (Sir Thomas Neill): I think you are right. I am not prepared at the moment to say that is wrong.

4661. (Sir Arthur Worley): Assuming that is right, you might get a special meeting by 1,000 people having called for it, and actually you might have only the exact quorum, of which 35 would be non-voting members and possibly the other 15 come from the office. I am putting an extreme case?—You are. I am afraid I cannot visualise such a possibility in regard to a special meeting.

4662. But if you could visualise it, is it possible?—It is possible.

4663. (Chairman): You would argue, I assume, if that were so that the question upon which the general meeting had been called had not been reckoned by the general membership to be of sufficient importance for them to attend?—Yes, that would be the fact.

4664. (Professor Gray): Possibly it might excite one part of the country and not London?—It might be a local question.

4665. Does not that bring us to the question of district meetings?—It does.

4666. Will you tell us about the district meetings?—We have had no experience of them. Either fortunately or unfortunately for us, we have had no trouble.

4667. (Sir Arthur Worley): You never have had any of these special meetings?—We have never had any body of people so discontented with their treatment by the Society that after they had made their complaint either to the Minister's representative or direct to the Office their grievance had not been adjusted in a manner that called for no further steps to be taken.

4668. (Professor Gray): I think the provision made is interesting?—It is. We might perhaps contemplate a vision of what might happen. For instance, you have made the point that you could call a special meeting in London and there might be only 15 voting members in the case of the National Amalgamated at that meeting. I cannot see that that could be the case, because the 1,000 people who signed would surely see that there was some means employed to have their case put before the meeting.

4669. You meet, Mr. Spurgeon, the difficulty of this local affair by a provision for special district meetings, do you not?—(Mr. Spurgeon): Yes.

4670. I do not think the National Amalgamated has such provision?—(Sir Thomas Neill): No, but the business which may be transacted at such meetings is limited to the creation of benefits.

4671. Your provision, Mr. Spurgeon, is something to this effect: you can have a special district meeting in any organised area if one-tenth of the members or 500 members request it?—(Mr. Spurgeon): I believe that is right.

4672. So that in the event of an agitation in Cornwall the 500 members could insist upon having the meeting down in Cornwall and discuss their grievance there?—Yes.

4673. What is the quorum in that case—100?—"At a special district meeting 100 members shall constitute a quorum."

4674. So that you require 500 to requisition a meeting and you can have that meeting in the area if you have 100 members present?—Yes.

4675. Again you have to have a two-thirds majority?—Yes.

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4676. If you get the two-thirds majority the question must be referred to a special general meeting?—Yes.

4677. Held in London, is not that so?—I am doubtful whether the place of meeting is specified in the rules. As a rule it would be held in London.

4678. There again you have the trouble, have you not, that if this is a local grievance the persons raising it are in a difficulty in presenting it at the general meeting in London?—(Sir Thomas Neill): I think there is some difficulty here. I think the question of the date and place of the special general meeting would have to be settled by the Minister.

4679. (Chairman): Rule 15 says: "The Society shall comply with any regulations made by the Ministry as to the place of meeting."—Yes. (Mr. Spurgeon): May I say in reference to my reply to Professor Gray just now, I said I doubted if there was any statement in the rules as regards place of meeting. I can say definitely there is not. It is not necessarily held in London.

4680. (Professor Gray): It is open?—It is open.

4681. If the thing goes beyond that there is the still further possibility that you may go in your Society from this special general meeting to all the districts?—(Sir Thomas Neill): Yes.

4682. Is not that so?—(Mr. Spurgeon): We should undoubtedly test the feeling in the districts.

4683. There is provision whereby a person can force an appeal from the special general meeting to all the district meetings?—Yes, that is so. I will read the rule: "District meetings of the Society shall be held whenever necessary in every specially organised district for the purpose of dealing with appeals from the decision of special general meetings as provided in these rules."

4684. What must be satisfied in order to do that? Must not the person raising the question go to four districts and obtain support in four districts by obtaining in each district 500 signatures?—(Sir Thomas Neill): That is so.

4685. That is so in your Society, is it not, Mr. Spurgeon?—(Mr. Spurgeon): Yes. I am wondering if the Committee of Management could not itself call these district meetings.

4686. It could?—I think undoubtedly it could when it was an appeal which was reasonable from the special general meeting. That would be specially considered by the committee so as not to put the members to the trouble you indicate.

4687. The prescribed procedure is for the insured person whose grievance has been turned down to go back and obtain support from four specially organised districts?—I would put it that is the procedure necessary to force the hand of the committee if they have been unreasonable.

4688. Put it in that way if you like. Then the next stage is what happens in the districts throughout the country on that appeal? What happens in your case, Mr. Spurgeon? What is the quorum?—That again, I take it, would be 100.

4689. No, it is 500. The quorum in your Society is different in the case of district meetings and special district meetings?—I am sorry. I did not come prepared to answer questions concerning the rules of our particular Society.

4690. It is Rule 9?—"Any district meeting at which less than one-tenth of the members resident in the district, or 500 members, whichever number may be the less, are present shall be void, and the votes there cast shall not be counted in the aggregate."

4691. The aggregate for this purpose is one-tenth of all the members of your Society. That is the preceding rule?—(Sir Thomas Neill): We are at a disadvantage, Mr. Chairman, in regard to these rules. They were drawn up by our legal advisers in consultation with the Department, and they were intended to give means to members to adjust any grievance that arose. Never having had any grievance, they have not been before us. But I do want you in this connection to allow us to look at what it is that the Committee of Management could do. What are the

things that members would have to redress? It could not be a question of benefit, because that is dealt with by the Minister.

4692. (Sir Arthur Worley): I take it at a general meeting a list of names is taken of those who attend?—Yes.

4693. Would it help you if you could get that list and divide it up, so many members of the Committee of Management, so many office staff, so many agents, so many general members? That would prove your point. If at these meetings a substantial proportion of them were ordinary members, not officials or employees of the Society, that would prove to me, at any rate, a good deal that the spirit of these rules was being carried through?—The point is this, how are you to get these people to come there in the evening when they are perfectly satisfied with the procedure and with what is being done for them, and they have no grievance to redress? Unless, out of compliment to the Committee, they want to come there and say something pleasant there is no object in their coming.

4694. I agree, and I know that in the case of companies even where there is some object in the shape of dividend there is a difficulty in getting shareholders to come?—(Mr. Spurgeon): I can remember a meeting of our Society when we had 1,200 present. We did not count them; that is what was estimated. The following year it dropped to 500. Now it is generally not in excess of 100. I think the larger number would have been maintained had there been anything serious for them to attend for.

4695. (Professor Gray): May I put it, Mr. Spurgeon, as far as your Society is concerned, that any movement critical of the management requires to be raised first of all in the district, and the person raising it is required to get 500 signatures; if he gets a quorum of 100 and a two-thirds majority, it then goes to a special general meeting. If he wants to carry on beyond that and to appeal to all the districts he is required to go back and get the support of four districts, in each of which he must go through the procedure of carrying the resolution by a two-thirds majority. Then beyond that you appeal to all districts in the country, and at that stage you require that one-tenth of the members shall be present and that there shall be a two-thirds majority, and over and above that you lay down this stipulation, that in any district where less than 500 persons are present the meeting is wiped out and the one-tenth of the membership has to be obtained from the remaining districts. So that it works out in this way: if you have two districts, Surrey and Kent, and if in Surrey you fail to get your 500 members, then in Kent the proportion required, instead of being one-tenth, would have to be one-fifth. You would have to balance up to get one-tenth of the remaining districts. Is not that the ultimate result of your system of self-government?—As far as I am familiar with the point, I believe that is so. If I find there is anything in that I wish to correct I would like to do so afterwards.

4696. (Chairman): Certainly?—I should like to say, that is, of course, limited entirely to matters that cannot be dealt with at the annual general meeting.

4697. (Professor Gray): To matters which you have decided shall not be dealt with at the annual general meeting?—Yes. (Sir Thomas Neill): Mr. Chairman, would you not like to have it on record so as to keep the thing balanced, as it were, that these rules may have a very different interpretation from that which Professor Gray's argument would seem to imply: that they are there to prevent wreckers destroying the Society or squandering its funds? You get a speculative solicitor with a case. He says, "Very well, we will at any rate have a run; we will do this and that and put the Society to this expense and the other expense." These rules have been drawn, as I say, with great care to allow grievances to be redressed and yet to prevent wreckers from dissipating the funds of the Society.

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4698. It is a device to safeguard the Society from the wreckers?—Exactly. I am sure you would like that view of it to be put on record.

4699. (Chairman): You are entitled to have that on record, Sir Thomas?—Thank you.

4700. I am relying upon you to put on the record any consideration which you think should be there?—Thank you.

4701. (Professor Gray): That is the Prudential. The position in your Society is slightly different?—Yes.

4702. You have not got the isolated district meeting?—No.

4703. In your case you can only go to the districts on appeal from the special general meeting?—Yes.

4704. For that purpose in your case I think you require an appeal within 21 days from the special general meeting?—Yes.

4705. Which must be supported by the requisition of 1,000 members?—Exactly.

4706. Then you go to the districts up and down the country, and I gather from your Rule 12 (9) that when you come to the districts you lay down this, "A district meeting must consist of not less than one-third of the members resident in such separately organised district and entitled to vote"?—Yes.

4707. You have a very large membership?—About 2,250,000.

4708. Out of 15,000,000 insured persons?—Yes.

4709. Out of a population of about 40,000,000 in the country. It would not be out of the way for you to have 20,000 or 30,000 or 40,000 insured persons in one Insurance Committee area, would it?—No.

4710. Looking back at the figures in the old Command Paper of 1913—I know these figures are out of date but they give the correct order of magnitude—you had at that time in Leeds 24,800, in Sheffield 38,200, in Birmingham 50,800, and in Manchester where you have, as you indicate, about one-fourth of all the insured persons, you had a total of 62,500?—Yes.

4711. What happens if you divide by three? That means, does it not, that under your rule in order to have an effective meeting in Manchester you must have a meeting of 20,000?—You are speaking now of 1913?

4712. Yes, but these are the same order of magnitude, you have not gone down?—Do not you think in some of these districts the figures of estimated membership were very roughly taken? If we are going to deal with them I would much sooner we dealt with them as they are because they are on record and known in the Department. The membership of the Society in the Manchester Committee area and in Salford is known in the Department. You can have those figures absolutely up to date.

4713. Quite so, but they will be of that order of magnitude. After all, you have more members in Manchester than any other Society?—I believe that is so.

4714. The total insured population of Manchester runs to about 240,000. All over the country you have about 1 in 7 of the insured persons. If you are in a favourable position in Manchester you certainly will have 1 in 5, so you cannot possibly, I imagine, have less than 50,000 or 55,000 insured persons in Manchester?—Quite.

4715. Is it physically possible to have a meeting which shall consist of somewhere in the neighbourhood of 20,000 persons?—I have never been at a meeting of that size.

4716. Is not that what you are asking for?—Mathematically, if you have 60,000 and you want a third it does seem that 20,000 have to be present.

4717. It is hardly a matter for argument, is it?—Hardly.

4718. The moment it is stated does not it appear to be a physical impossibility?—It does.

4719. You could not get that 20,000 into the Fros Trade Hall?—No.

4720. Apart from the Stadium at Wembley, which you would doubtless reserve for your Middlesex meeting, is there any hall in the country which would hold that concourse?—I do not think so.

4721. Take the case of the counties. In Lancashire, apart from the County Boroughs, in 1913—and presumably it is of the same order of magnitude now—you had about 90,000 members?—Yes.

4722. That would mean a congregation in Preston of 30,000 in order to be a quorum. A question arises there as to whether the railway companies could tackle it?—With the present combination possibly they could, but you still would have the difficulty of the hall.

4723. I am not putting it unfairly, am I, when I say that in the case of the ordinary business of the Society, an ordinary meeting of the Society, where you can withhold from the meeting business which you think ought not to go to them, your quorum is 50, of which under the rules something like 30 to 35 may be officials or members of the Committee of Management?—Perhaps we will deal with what the facts are. There are not 35. We need not labour that.

4724. I am prepared to give you a present of 20 or 30. When it comes to a matter of policy which is perhaps critical of the management, and we look at what is, I gathered from your answers last week, a critical part of the machinery whereby insured persons give effect to their control of the Society, you require a quorum not of 50, but a quorum in Manchester of 21,000, in Birmingham of 17,000, in Lancashire of 30,000, and all the rest of it. It is a physical impossibility, is it not?—It is.

4725. So that the machinery for self-government breaks down there?—Evidently it does.

4726. Then beyond that, have you anything to say about your poll? I gather from your rules you have a poll in reserve as an alternative to the use of district meetings if the Committee of Management so elect?—Yes.

4727. The insured persons cannot demand a poll. That is a matter for the Committee of Management, is it not, under Rule 12 (13) (a)?—"Notwithstanding anything contained in these rules a poll of all the members of the Society shall be taken on any question that, in the opinion of the Committee, should be so submitted to the members."

4728. So that it is at the option of the Committee of Management to use this alternative in place of the district meetings, and they can do that unless within seven days of your announcement of your decision to do so 500 members of the society send a requisition to the Ministry of Health. Do you think it is possible to get together 500 members within seven days of an announcement like that?

4729. (Chairman): I presume these rules have been approved by the Minister?—Yes, they have been approved by the Minister, and I have no doubt the Minister has got his own answer. I should like to say, if it might be permitted, we have some members in London. Perhaps Professor Gray, if he has the figures, would tell us. You have not to go to Manchester; you have not to bring all these people up; if it is a grievance it is just as natural that it might occur in London where we have a very large membership indeed.

4730. (Professor Gray): In London you had at this time 203,000, so that your quorum for a district meeting in London would be something about 70,000?—Yes. You said it was impossible to get together 500 members. If the case is a really good case surely there are 500 out of 200,000 resident within a three-penny tramride of the Chief Office of the society. If you went to the office now you would find a stream of at least 10 or 12 people coming and going. They come in for all sorts of things, to ask questions, and so on. 500 would be quite a small number of people to get in London. You have not to go to Cornwall

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or Lancashire to get these people to support an appeal if there is any merit in the appeal.

4731. This is not on the question of appeal, this is on the use by the Committee of Management of a poll in place of district meetings?—Yes.

4732. (Chairman): Professor Gray's point is that there is only seven days in which to do it?—It might be too short.

4733. You have already said there are no lists of members available, but I presume if any member asked the Central Office for the London area to provide 1,000 names in his own immediate district they would do it?—No, the Minister would not allow us.

4734. That being so it would be difficult, would it not?—The Minister would not allow us to give the addresses of our members to any person.

4735. Therefore it would be somewhat difficult for an individual member to get together 500 in seven days?—Yes. I hope you will not think I am labouring this too much. There will have been some agitation preceding the bringing of this question up at the meeting. You have not only the seven days; you have the period from the date when the question first came up. First of all notice is given to raise it at the annual meeting, that is refused, and intimation is given that it has to go to a special general meeting; so they have that notice.

4736. Who has?—The people who are bringing it forward.

4737. It is advertised?—It is bound to be.

4738. In the newspapers?—It is bound to be advertised for a month before the event. During all that time the people who want these things redressed have the opportunity to prepare. They will have a copy of the rules and will know what the procedure is. It is not only seven days that they have. I hope you will see that I want to put the thing quite fairly?

4739. (Professor Gray): My only point about the poll was whether you thought you could get 40 per cent. to vote as you require. Is not that in the circumstances a very high percentage?—I cannot visualise the sort of question that can arise. The only question that can possibly arise which the Minister would not deal with either by the withdrawal of or the threat to withdraw approval, would be the clearing out of office of wrongdoers. It could not be a question of administration of benefit, because that is already governed by the machinery and the Minister steps in and deals with that. It can only be for fraud, and in the case of fraud the persons responsible would be removed in the ordinary way without a meeting. It seems to me these are all visionary matters that are being created. I cannot see what the grievance can be that could start the machinery.

4740. It is quite simple. I am not suggesting any particular kind of grievance; I am only concerned because you have told us that you have ample machinery for democratic government.—We thought so.

4741. On examination it appears that you require an impossible quorum of 20,000, and 17,000 in various towns, and I put it to you whether that might not be a matter for re-consideration, because if your democratic government at the critical stage rests on an impossibility it requires revision?—I only wish that Professor Gray, when he and I were colleagues at the Commission, had drawn attention to this.

4742. I think these rules date from 1923?—It would have saved a lot of time.

4743. (Chairman): You would have agreed then that they needed overhauling?—We might have saved all this.

4744. (Professor Gray): A few questions, Sir Thomas, about the relation of the agents to their work. You have told us how important the agents are. As I understand it your society is what is called technically a separate section?—No.

4745. Is it not a separate section made up by a number of companies?—No, it is a society that was

formed by a number of companies, but it is an independent society.

4746. Has it not got some relationship to the companies?—None, except that the staffs of the companies are employed.

4747. These companies that formed it are, as I understand it, ordinary companies?—Yes.

4748. I presume they have shareholders?—Some have. I will give you the names of them in a minute.

4749. Refuge, Pearl, Royal London, Britannic?—Yes.

4750. I understand from you that these agents do the work for the Approved Society, but they are in fact the servants of these bodies?—Yes.

4751. They are not your servants?—To put it before you in its proper form, we have with several of these companies agreements approved by the Minister by which the company undertakes that its employees shall do certain work for the society in a certain manner in accordance with the requirements of the society, for which we pay them a per capita payment of so much. That is the end of their connection with the society. They obtain applications for membership and send them in, and they do all the things which they would do if they were the direct agents of the society.

4752. I understand the agents are not the servants of your society?—Not in the sense that we appoint them.

4753. And the superintendents also are not the servants of your society?—With the same limitation.

4754. I think you were asked last week how these agents were paid. How are they in fact paid?—They are paid by the company that employs them.

4755. In respect of the work they do for the company. In respect of the Approved Society's work how are they paid?—By the company in the same way.

4756. On the basis, I suppose, of so much per insured person?—So much per insured person.

4757. I do not want to ask inquisitive questions, but in the case of the work for the company is it a payment depending on the amount of life insurance business they do?—No.

4758. It is a fixed payment, is it?—They are remunerated independently of anything else they do.

4759. Their remuneration does not depend on the amount of work they do?—In no shape or form.

4760. Is the position this, that these agents are not under your discipline?—I would not say that.

4761. Putting it shortly, who dismisses an agent?—The company, if he did any wrong, would dismiss him. All that the society has to do is to intimate to the company that he cannot any longer be allowed to transact State Insurance business. That finishes his connection. They can keep him on if they like in their own business, but the committee of management have the right to say, "This man shall no longer transact any business for us."

4762. (Chairman): You have that right?—Yes.

4763. (Professor Gray): Take an agent who has done some very dreadful thing, if that is possible. What is the worst thing an agent can do?—Take a concrete case, the man who takes stamps off a card and puts them on to another card. That man is prosecuted and, at the instance of the National Amalgamated, is dismissed by the office that he represents, and he is also, in some cases, punished at law besides.

4764. So that he is dismissed by the company at your request?—Yes.

4765. Could you reprimand him directly, or would that be passed on too?—That is passed on.

4766. (Chairman): Have you ever had a case of this kind?—Yes, we have.

4767. Many?—No. Speaking from memory I think over the whole period we have had three cases of prosecution.

4768. I do not mean prosecution; how many cases of your calling for the dismissal or discontinuance of any agent of the company?—They are very few.

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First of all, I should say the men are selected. We are dealing to-day with a very different condition of things from what we were dealing with five or ten years ago. The status of the agent has gone up considerably, because his remuneration has gone up considerably on the private side of his work. Men are not appointed in the same way as they were appointed previously. Their character is examined and they are given a certain living wage to start with if they are full-time men, and we have all the advantages of selection by the companies of these men before they are allowed to touch National Health business at all. So that we are in a very different position from what we were 10 or 12 years ago.

4769. (*Professor Gray*): You find no difficulty arising from the fact that these men are in a way serving two masters?—They are not regarded as serving two masters, because the machine works so closely together that there are not two masters. The agent brings in the cards or the proposals to the superintendent at the time he brings in his other business. He has not to go to two offices. We supply the office with funds on the average sufficient for three weeks' claims; they furnish their superintendents with the money; the authorities to pay benefit which are issued by the Society are honoured by the superintendent or agent in the district. They have not to apply for money elsewhere. There is nothing in the nature of delay or of having to go to two offices or serve two masters in the system.

4770. Do you think there is anything in the suggestion that in a certain way there is a kind of incompatibility in the two sides of an agent's work? Let me put a common kind of case. His first job on the private side is to get insurance effected, to do that he has to keep in with the family; he has to be a friend of the family. You must have cases, I suppose, of lapsed policies, and before they lapse there will be a time when the person is in arrear. I take it the agent has a duty to impress on these people that they ought not to allow their policy to lapse; that it is a good thing to be insured, a bad thing to allow it to lapse. So that the agent firstly, as guide and counsellor and friend, ought to tell the people that they ought not to allow the policy to lapse. Secondly, he is there as the servant of the company interested in this thing. You would expect the agent, I imagine, up to a certain point to press insured persons not to allow their policies to lapse. Do you agree?—I have no relationship with them in that respect. That does not come into our province at all. We have nothing to do with the man, except as regards the manner in which he discharges his National Health duties.

4771. (*Chairman*): In your view, would that approximate to what his own company might expect from him?—I should say if Professor Gray was the Manager it would, because he would see that he did his duty on his private side.

4772. (*Professor Gray*): You cannot make any suggestion as to how far an agent ought to go in this matter, or whether there is anything incompatible?—I might make a suggestion because this is not only a hardy annual but is something which the agent's success has brought on him ever since the original Insurance Act commenced to operate. We have had it put in a more unfriendly way than you are putting it, as for instance that sickness benefit or disablement benefit or maternity benefit was used to pay up the arrears on the member's industrial policy. We simply say that as a practice it has no existence in fact. In the few cases which have come to my knowledge the money has been returned and the agent has been severely reprimanded by his office. So I want you to believe it, that it is not true to say that such a thing is done except in rare cases.

4773. (*Sir Arthur Worley*): It has been done?—In certain cases, yes, but I say those cases are as few as any wrongdoing would be in any body where 43,000 men are employed.

4774. (*Chairman*): You deal quite harshly with them when they do arise?—Yes. The Ministry

knows that they have only to be brought to our notice and the money is returned and the man is dealt with.

4775. (*Professor Gray*): My only point was whether the agent was not in an extraordinarily difficult position?—I do not see it.

4776. I go as far as this, that up to a certain point he ought to try to prevent people from falling into arrear with their policies because it is a dead loss if they do, and therefore if he is a true friend of the family, as I understand he is, he ought up to a certain point to see that the man does not fall into arrear. I should have thought it required an extraordinarily tactful person to know where to draw the line, because when he is paying out his State benefit, so as not to allow his policy to fall into arrear?—I cannot understand why so much has been made of a theory. You have to look at it in this way: this Act has been in force now for 12 years, and the percentage of new members that agents are getting to-day compares quite favourably with the percentage of members that other types of Societies are getting. If agents are not doing the right thing surely their wrongdoing would have been discovered by the people in those 12 years. Bring the thing to the test of the actual confidence and trust placed in, and the satisfaction with the system, which, after all, I think, should weigh for something when endeavouring to find out how this business has been conducted.

4777. I am not putting it to you in a critical manner but because of my sympathy for the agent, and I want to hear what you say. Take another point which may arise; you have sick visitors?—Yes.

4778. They are specially appointed, I suppose?—Yes, 400 sick visitors appointed by the Society.

4779. You have agents going to the house every week?—Yes.

4780. Do these agents in any way—I am not saying officially—act as sick visitors?—No. They may help in some respects. We have had cases where the agent, being an honest man, found the sick visitor was being tricked by the people arranging to be at home when she came and yet following their employment. He would write and say, "I think you ought to stop benefit in this case until you have made some further investigation." But it is no part of his duty except the duty that an honest man would discharge when he sees a fraud being perpetrated on anybody.

4781. Is it not rather difficult to be honest sometimes?—I think we all experience that.

4782. Is not that again a difficult position? There is the agent on the Life side whose business it is to keep friendly with the insured person, his business depends on it, and, on the other hand, in so far as he is more or less an unofficial sick visitor he has to keep an eye on them if he is honest. On the one hand he has to be friendly, and on the other hand he has to be critical in defence of the sickness fund?—Yes. But in my experience—and I think it is not uncommon—I do not know that the public have really any very great liking for the dishonest man. I have always found that the man who is straight, who they know is straight and with whom they cannot take liberties, is the sort of man they would trust. I do not see the difficulty.

4783. You think the fact that an agent is strict on the health side does not affect his other branch?—Not a particle. (*Mr. Spurgeon*): I think it affects his other work beneficially to himself. If he is rigidly honest on the health side it affects beneficially his work on the other side. It has been proved over and over again. I would like also, if I may, to suggest to Professor Gray that he should not lose sight of the medical evidence in connection with people on the funds. It is a little difficult for the agent when medical evidence is produced.

4784. There are occasions when the agent might be useful?—Many occasions when the agent is useful.

4785. When he acts more or less as sickness visitor?—He indicates possibly that a surprise visit might be beneficial.

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4786. To go to another point, Sir Thomas, your members are insured through these different types of companies?—(Sir Thomas Neill): Yes.

4787. That is to say you have members whose insurance is effected through the Refuge, through the Pearl, through the Britannic, and so on?—Yes.

4788. How far is there inside your Society a distinction corresponding with these various companies?—There is the Royal London section, the Britannic section, and so on, but the small ones are grouped, possibly four of them, under one chief.

4789. So that an insured person is under the Pearl agent who is under the Pearl superintendent who communicates, I suppose, with the Pearl Company?—No, with the National Amalgamated.

4790. On all points?—On all points, except on the question of remuneration.

4791. You have a similar arrangement with regard to the Refuge agent and superintendent, and again the National Amalgamated?—Again the National Amalgamated, but superintendents send a good deal more to the Refuge Office.

4792. The arrangement differs. In certain cases the agent and the superintendent will communicate with the Society on certain points, and in the case of other companies they will communicate with their own head office?—Yes, but we issue all authorities to pay benefit.

4793. Some of these head offices are in Manchester?—Yes.

4794. How many?—One.

4795. Only one?—Yes.

4796. So that you might have an agent writing on certain points to Manchester and on other points to you?—No, the agent does not communicate.

4797. The superintendent?—Yes, the superintendent.

4798. Is not that rather confusing?—Not at all. So long as you group the questions that are dealt with in London there is no difficulty. He sends his stamped cards, for instance, to Manchester, and there they are checked and scheduled and sent on in hampers to the Society. They see how that man is conducting that piece of work and it gives them complete control over him.

4799. Take the case of a complaint against the agent, would he communicate with Manchester or you?—He would communicate with us if there was anything affecting the member.

4800. If it was an unsatisfactory agent he would write to Manchester?—Yes.

4801. Is there no overlapping of correspondence?—Not a bit.

4802. You think this arrangement of 9 or 10 companies works quite smoothly?—As we are working it. I dare say we could improve it from time to time; at least we think we are doing so, and it has given reasonable satisfaction up to the present moment.

4803. If a Refuge member transfers to another part of the country he has to join up with the Refuge again?—Not necessarily. If there is no Refuge man within reasonable distance of him and the Pearl have somebody there, he is transferred to the Pearl or vice versa, the object being to suit the convenience of the member.

4804. Does that take long?—No.

4805. A transfer of that kind within the Society?—It would depend on the notification we get. If a man goes away and leaves no address and we do not hear anything of him at all, of course, we can do nothing. I had a case last week before me where a man has not been heard of since 1921, he was considered to have gone out of insurance, but he turns up ill in Manchester and sends up all his cards which he has stored during that period. For some reason he did not want people in the district in which he previously lived to know where he was and we could not trace him at all.

4806. Have you thought of the possibility whether there might be more efficient administration—I am not suggesting inefficiency—but more efficient

administration if you split up into companies? Why is there this enormous concern between Manchester and London? Why should not there be the Refuge Society for the Refuge, the Pearl for the Pearl, and so on? Would not that save a good deal of cumbersomeness?—That has been thought of, but we had to consider the changes it would involve and the possibility that some of the smaller societies might hold that such a policy did not carry out the object in view when the National Amalgamated was formed.

4807. Which was what?—I was not there, but I know what the object was.

4808. What was the object?—The object was to give expression to what they regarded the aim of the National Health Insurance Act to be, that all persons who were employed should be insured in an Approved Society, and they thought it would be an advantage to all these people to get them into one society. They decided not to have separate societies for men and women, but to pool the whole of the risks. Men bear a share of women's sickness; there is no separation of funds between men and women; and they were not over-particular about the class of lives accepted because they took the view that if the man is compulsorily insured and working he ought to have the benefit of the scheme.

4809. (Chairman): Was this a Society for philanthropy?—Partly it was.

4810. On principle?—Anyway that was their outlook, and it naturally reflected itself in the amount of benefits paid in proportion to membership.

4811. (Professor Gray): They were philanthropic there too?—The accounts are before you; they are public property.

4812. You have agreements for paying certain sums to these companies for administration?—Yes.

4813. If it is not an improper question, do they make a profit or loss on that, or do they make ends meet?—They do not make ends meet.

4814. It is a loss?—I prefer to confine myself to saying they are not making a profit. I think that is sufficient if you do not mind, Mr. Chairman.

(Chairman): Yes.

4815. (Professor Gray): Do they mean to go on not making a profit?—They grumble a bit occasionally, but I am still hopeful that it will work out all right if we get peace, which we have never had since National Insurance started; we have never had a run of quietude. There has been one enquiry after another, and one new Act after another, and so on. We have really never settled down. What with the war, and amendments, and so on, we have never really had time to set the thing going and to say: well, now, at any rate for the next five or six years there will be peace.

4816. If there was peace do you think the company would stop not making profit?—I think we would be able to get things into shape and possibly be able to get a little more administration allowance. That would enable us to meet all requirements.

4817. (Chairman): In other words you would create the dispeace?—If there was peace, Sir, we possibly could be heard then.

4818. You are being heard now?—We went along during the whole period of the war and never asked for and never received any bonus. We are the only institution in existence that went through the war without any increase of remuneration.

4819. (Professor Gray): It is unusual, is it not, for companies with shareholders who expect a dividend to go on not making a profit of some sort, to go on doing philanthropic work that does not concern them from year to year?—I do not know. I could imagine an actuary advising his company in effect if you can improve the health of the people and reduce the death rate you are going to make a profit on your business beyond anything it might cost to be a little generous in getting these improvements effected, if you take the long view.

4820. (Chairman): What is the result of the long view in that particular instance, Sir

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Thomas?—From Sir George Newman's statistics I see the death rate is falling.

4821. That will be a good thing for the Life Insurance side?—I should think it must of necessity.

4822. Is that the motive?—I do not say it is the motive. I am only imagining what may be in the minds of some of these people.

4823. If that were the motive you would not regard it as an unworthy motive?—I should not.

4824. That would be taking the long view?—Yes, but if I were conducting insurance business to-day one of the things I would devote myself to would be to improve the conditions of the people and house them properly, and so on, as part of the propaganda work I was engaged in.

4825. It was in that sense that I asked the question earlier, whether this was intended as philanthropy. I do not regard it as otherwise than a business proposition.—That is exactly what it is.

4826. (Sir Arthur Worley): There is not only that aspect of it, but it gives you an important invisible asset and that is the connection you form and want to keep?—Exactly. As we put it in our Statement, the agent gives the human touch to the thing, and if he attends to these people well he is establishing a friendship there which will make his other connection easier and make it more friendly than it otherwise would be. (Mr. Spurgeon): May I point out that Professor Gray's questions on this subject have been directed entirely to the National Amalgamated. The Prudential will be appearing before you later on. He might like to ask them similar questions. We are really appearing on behalf of the National Conference. His questions, many of them, have been directed solely to the conditions affecting the work of the National Amalgamated.

(Chairman): I understand.

4827. (Mrs. Harrison Bell): I would like to go back to the question of the sick visitor. Will you tell us exactly what is the function of the sick visitor?—(Sir Thomas Neill): The function of the sick visitor is to ascertain the truth of the statement that this person has ceased to be employed and is at home ill, to see what the conditions are, and to report what she thinks about the member's condition. If the housing conditions are very bad she tells us what the conditions are. We have practically stopped now communicating with the authorities on the question of inadequate housing because we get the same answer to the effect that there is no other place to which members can be moved. We have been doing that, but latterly we have stopped it because nothing can be done at the moment. The sick visitor calls periodically, according to the nature of the case. If it is a case of cold or other minor ailment she calls frequently; if it is a case of accident or some serious disease she does not trouble to call so often.

4828. I take it that the sick visitor is sometimes a man?—Not for women.

4829. No, but I was thinking of the case of men also.—Yes, sometimes the visitor is a man.

4830. The agent does not generally act as sick visitor?—No.

4831. How is the sick visitor remunerated?—By salary.

4832. The sick visitor is remunerated by salary paid by the Society?—Yes; we appoint all the sick visitors. Some of them are paid by the visit. In little scattered districts there will be perhaps 14 people on the funds, on the average, and the sick visitor would be paid a small part time salary to cover that outlying district.

4833. Is there any general practice with regard to the obtaining of the insurance of infants when they are born, by the agent who pays out the maternity benefit?—I do not know that an agent would, having regard to the conditions of the people, neglect his duty by not seeing that the child was insured. I should think that he would be failing very seriously in his duty if he neglected to bring that fact home. If he did not somebody else would within a very short time. As I think I mentioned last week, the extent

to which he could entrench on the £3 or £4 for premiums would be 1d., or at the most 2d. per week.

4834. (Sir Arthur Worley): With regard to your home service, you stress, and very properly stress, that aspect of the benefit of the agent, and you say there is a good deal of education being done in regard to the insured person. I suppose a good deal of that education has now been accomplished; that is to say, it has been going on for a great number of years and therefore the bulk of the members should now be educated?—There is a certain number—I do not know the percentage—coming into insurance every week. They are arriving at the age when they have to be insured, and except so far as they have heard it discussed in the family they are ignorant with regard to insurance.

4835. But the bulk of them are now in a much better position and therefore that strenuous work has largely been done?—It has.

4836. But it wants keeping up, I daresay?—Yes.

4837. I understand from your evidence that you rather laid emphasis on the point that where there had been an accident or an industrial disease there were certain other forms to fill up to assist the man to get compensation from his employer. Later on you mentioned there were hundreds of thousands of cases, I think?—Yes.

4838. Do I understand that it is necessary for your agents, in hundreds of thousands of cases, to assist the workman to get compensation?—I should not put it at hundreds of thousands of cases that get compensation.

4839. I understand you spoke about the service of going there and getting information as to the place where the accident occurred, how it occurred and who the witnesses were, to deal with the hundreds of thousands of cases?—Yes, that would be quite right, but then it does not follow that more than 50 per cent. of those cases when they are investigated by us can go any farther, because it is found to be the person's own fault, or there is no compensation or third party risk at all.

(Sir Arthur Worley): Not third party risk, but I should imagine that a very small proportion of the accidents occur during unemployment.

4840. (Chairman): I think these are street accidents, are they not?—Yes.

4841. (Sir Arthur Worley): What I wanted to establish was that a good deal of this home education and home service was assisting the man to get compensation from his employer for disease or accident that had occurred during his employment and also from third party accidents, but the number of third party accidents is only a fraction of what occur, is it not?—Yes.

4842. I suggest to you that in 95 per cent. of the cases there is no necessity for anyone to give the man instructions at all and that there is no home service; that is to say, what happens in the case of an accident is that the employer reports it and he is told to go ahead and pay the man his money. I am only wanting to see whether what you are stressing is an important matter—whether you really mean it in that way—because I cannot imagine that any appreciable portion of an agent's time is taken up in looking after compensation to insured persons for accidents which occur through their employment?—I want to be quite definite about it, and I say that our experience is, taking my own Society—the National Amalgamated—that we recovered compensation last year in 21,000 cases.

4843. You recovered it?—Yes; that is, we took up the case for the member and proceeded with it.

4844. (Chairman): Against the employers?—I do not say they were all employers; but they were cases of compensation for industrial disease or accident. That was out of over 50,000 cases in which we had the facts examined. The others were not proceeded with.

4845. (Sir Arthur Worley): That is to say, there were actually 50,000 where you got compensation?—

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No, where we actually enquired into them and had those forms filled up.

4846. That is as against these hundreds of thousands?—But that is only for the National Amalgamated.

4847. But you are giving evidence on behalf of the National Amalgamated, are you not?—No.

4848. I am sorry, but I thought you were. What proportion may we reckon the National Amalgamated have got?—One-seventh.

4849. One-seventh of the total?—Yes; of the insured population.

4850. You have got a third of the membership of the Conference?—Yes.

4851. That puts it at 150,000?—Yes.

4852. I wanted to get that point cleared up.—I think it must be within the knowledge of Sir Arthur that we have done a good deal of this, because we have recently, on behalf of the members, carried a case up to the House of Lords and got a very important decision.

4853. Yes, I agree.—So that there is something really very substantial and solid in the service that is rendered in this way, and the agent is employed locally to get the facts.

4854. What startled me was that there were hundreds of thousands of cases and it boils down to less than that as a matter of fact. But still I do not want to stress it; I only want really to clear it up. I rather gathered that you said there had been a very considerable improvement in the class of agents of recent years. Is it not also correct that there has in some parts been a change in the system of collection in recent years; that is to say, the block system has been introduced to a large degree?—To a large degree it has.

4855. That is the case in some of your Conference offices, and in others it has not?—In others it has not.

4856. The general idea has been that the block system has materially reduced the expense ratio?—Yes; that is the idea.

4857. And therefore what was a reasonable figure to pay for one which had not got the block system might be unreasonable to pay in another case?—Yes.

4858. That is to say on the two systems, the block system as opposed to the other, of two societies one is really very much cheaper from an administration point of view than the other?—In effect it is that you give the man the opportunity, by reason of combining business in a certain area, to collect with the same ease say £20, £30 or £40 in a week as he collected £10 in a scattered area. For that you can pay him more than you would have paid him for the £10, but less than four times that.

4859. But you undoubtedly gain?—You improve the position of the man.

4860. You improve the position of the Company, too?—Yes.

4861. Instead of a man having to walk 10 miles to collect a small premium he has only a comparatively small radius to cover?—Yes, but that could not have been possible until the business was created.

4862. I do not know anything about that. I only mean that the change of system has come about and that when this Act started they were mostly divided; that is to say, in the old days an industrial agent was allowed to run wild to a degree. Then came along this question of economy and the block system was formulated. What I am rather getting to is that some of your members are on the block system and some are not?—There are very few on the block system as far as numbers are concerned; but as far as the amount of business collected is concerned it would be possibly very considerable.

4863. But as a broad principle we can accept it that the block system is the more economical?—I think it is too early to say. You perhaps know more about it than I do; but I have not come to any very decided opinion about it yet, because it is in its early days.

4864. The figures in the balance sheets, I think, generally prove that?—At the present moment it is reducing the expense ratio, but what effect it will have on the progress of the Company remains to be seen. (*Mr. Spurgeon*): One might point out that there recently has been a reduction in the administration allowance in National Health Insurance.

4865. Quite; but that does not get away from my point that as between two bodies operating, either one is paid too little or the other too much. You, with a certain amount of sadness, Sir Thomas, deprecated the question of democratic control as really not existing. That is what I gather from your evidence, namely, that you did not think there was enough democratic control and that you were tied up with red tape?—(*Sir Thomas Neill*): I did not deprecate the machinery; I said it was possibly necessary. But I do think it is hardly fair to pick out a bit of it that touches the people and say it has not got enough democratic control. I think you have got to start a bit higher up than that.

4866. What I had rather got in my mind was that if you had more of what you wanted, namely, democratic control, would that help to efficiency in the administration of the Act?—I am not complaining about the control that we have. I was only complaining about the criticism of our bit of it when I say that you should look at the machine as a whole.

4867. Then there is nothing in the argument, that if you had more democratic control you would pay more or less or anything of that nature?—I do not know what might have happened because we have not had the opportunity of seeing. There are many things that we would do but we cannot do them. Perhaps it is as well that we should not do them.

(*Sir Arthur Worley*): I am sure the Commission would be willing to listen to suggestions in regard to anything that will help to decrease the cost of administration.

4868. (*Chairman*): We will now pass on to the next section of your statement. I note from paragraphs 11 to 13 that while you regard the present arrangements for meeting the arrears position due to unemployment as temporary and not in accordance with strict insurance principles, you would welcome any proposal based on insurance principles which had for its object the maintenance of the title to full sickness benefit of insured persons genuinely unemployed. Do I understand from this that you are in favour of the complete abolition of a system of penalties for arrears due to unemployment?—No, that is not the way in which the thing is put. We say that there ought to be some means provided by which the necessary contributions would be forthcoming to keep the man in insurance.

4869. Have you any suggestion as to where these should come from?—There are several suggestions that might be examined. Since this thing was agreed to by the Conference there has been in another place a discussion on this question of arrears. At the present time the system is that the man or woman, out of the Unclaimed Stamps Account, has his or her contributions for the year brought up to 26. The suggestion now is that there should be a further addition made to that out of surpluses which are available, bringing it up to 39 weeks, so that they would be entitled to benefit as if 39 weeks' contributions had been paid in respect of them. Of course a difficulty with which we are faced in advocating full benefit is the lack of inducement to the insured person to see that his cards are stamped and delivered to his society. It is pointed out that if there is no inducement for him to surrender his cards, and no difference made whether he surrenders them or whether he does not, you are going to add something that may possibly break down the machine. That has rather changed our views as to going the whole length of putting the man into full insurance. We think that phase of it wants to be examined, and possibly we will, if you will allow us, give you a memorandum later on when we have considered it

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from the point of view of the arguments that we have heard.

4870. We should be very pleased indeed to have that.—In National Health Insurance as I understand it, the contribution is provided for the sickness period, or to put it shortly, as we laymen understand it, a man is insured for 15s. 10d. instead of 15s. and the 10d. goes into the Fund to meet the contributions for the weeks that he is ill. We thought that in respect of unemployment the same thing might be done for the man; that is, the Health Insurance contribution be provided as part of the unemployment benefit and the 10d. passed to the credit of the Health Insurance Fund. We made that proposal to the Minister in charge of the Bill when the last Unemployment Bill was being introduced, but he was not sympathetically inclined. He said that it was quite another thing, and that sickness insurance should provide its own fund for this purpose, with the result that nothing came of it.

4871. You were not suggesting that sickness insurance should not provide its own fund, were you?—No.

4872. You were suggesting that the first charge on the Unemployment Fund should be to keep the man in insurance for health?—Yes, as he does not pay contributions during sickness that payment ought to include the contribution which would keep him in benefit when he was ill and it should be handed over to the fund that made that provision. Assuming that that cannot be done, and for the purpose of exploring all the other things that might be done, there is a suggestion which we would like to put forward for your consideration, and that is that when the man gets into work he should be allowed to pay his contributions in respect of weeks of unemployment before the end of the year when his penalty arrears are notified to him. A man may be doing bits of work during the time, and he might be allowed to pay off some of the arrears. At present he cannot pay contributions in respect of unemployment after he has paid 10s. until the end of the year when his account is made up and he gets his arrears card. I suggest that that is a proposal which might be looked into to see if we could not alter the Regulations to enable the man or his friends to pay off some of the arrears, in other words, to liquidate arrears by instalments. When you get to the end of the year and the arrears have to be paid within a given time, it may be very awkward at that time to do it. You would have to consider very carefully the question of whether those contributions should be paid by a special stamp which would be the equivalent of the arrears, as the arrears are not equal to the full contribution. That I have no doubt could be considered. There ought to be some machinery by which when he is sick and cannot draw unemployment benefit he should be able to get money from his sick fund.

4873. With regard to unemployment, the State has to provide something that he has not contributed to, so that it is on all-fours with health?—Yes. Therefore there ought to be something to cover the loss that the man sustains, or he should be allowed to apply the 10d. on some card during the time that he is unemployed so that he does not get into arrears. Consider a man who to-day has drawn his week's pay and who says: "Well, now, I do not want these arrears against me until the end of the year; I would rather pay it as I go along." I do ask you to believe that we have thought a great deal about this, and are trying to put something forward that may be looked into to see if something practical can be done, because we see the danger either way.

4874. Dealing with the Deposit Contributors, I notice you consider the time has arrived for the elimination of this class. On what ground?—On the ground that I understand when this Act was introduced there was to be a period of three years in which to see what the weight of the problem was, and that some means would then be

taken for dealing with it. That is 12 years ago I remember attending a meeting a great many years ago, at the time I was a Commissioner, when this question as to what was to be done was specially considered, and there were great hopes that it would be dealt with. Nothing was done and we suggest that it is not really a wise thing to keep it going on year after year. It ought to be tackled.

4875. But assume it is to be tackled now, what is your suggestion?—My suggestion shortly is that you should change the method by which people come into that Fund. The Fund is abnormal in membership because of the fact that the representative of a Society is debarred from giving a contribution card to an applicant for membership until he has been admitted by the society. The man goes to work to-day and he says: "I want a card." The agent says: "I cannot give you a card until you are admitted a member," and the man has to go to the Post Office. Up to recently he was asked at the Post Office to "Fill up this form and we will give you a card," and they naturally regarded him as a Deposit Contributor, so that his first touch with the thing is the Post Office. I think quite a number get a card and hand it in there and do not bother any more about it until they find they want to claim benefit. I suggest that might at least be remedied.

4876. What is the remedy for that?—To allow these people to issue the first card before the applicant is admitted as a member of the Society.

(Sir Alfred Watson): Who are "these people"?

4877. (Chairman): The society to whom the application has been made?—Yes.

4878. In this case through the agent?—In our case it would be the agent.

4879. I take it in any society it would be the official to whom the application had been made?—Yes. It is not a question of getting the members. The reason we think it ought to be dealt with is that at present it is a most costly proceeding for these people to go into the Deposit Contributors Fund and then come back again to an Approved Society. In our group we transferred 39,000 of them last year. Suppose such a man makes application to become a member of an Approved Society. That comes before the Committee. Then we get into communication with the Department as to the cards he has surrendered and other matters. The amount of correspondence and the time it takes before the transfer is completed makes the operation a very expensive thing, and that is going on in a large number of cases year after year.

4880. 39,000 people were transferred from the Deposit Contributors Fund to your group. Do you admit all who apply for membership from the Deposit Contributor class?—No, not if it is shown that the person is in ill-health.

4881. What is your suggestion for dealing with those that societies refuse to take?—I think that it would be a very good thing if the Government were asked to look again at the question of reserve values and see if they cannot fix an appropriate reserve value for these impaired lives. Such a principle is applied to pensions. You say that a particular man has got a certain degree of impairment and is therefore entitled to a certain pension; similarly with regard to Deposit Contributors who are unfit to be taken as an average risk; I do not think it is any different from fixing the age at 16. It is only fixing the normal standard of eligibility at a certain standard, and those who do not come within that category in the Deposit Contributors Fund should bring with them an increased reserve.

4882. That seems too easy. There must be a snag somewhere.—You are asking for suggestions. They may be the wildest things in the world, but we are looking at this costly thing going on year after year and nothing being done about it. It is not that the membership, divided up between the whole of the societies, would make any material difference to their position, but we do think it ought to be dealt with.

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4883. Would you object to a State Society for the Deposit Contributors, putting them on an insurance basis instead of on an individual account basis?—How many first-class lives would you have among the Deposit Contributors when it was known that they were going to carry all these people who had been refused elsewhere?

4884. It would be on their behalf you would object to it?—No. I should want to see if the Government proposed to guarantee the benefits.

4885. Suppose there were no guarantee of benefit?—Then I say start it by all means.

4886. You have no objection?—No, because it will show the serious condition in which such a society could get.

4887. (Sir Arthur Worley): You believe it would kill itself?—Yes, in a very little time. Even if it is only a small concrete fact I always like to get down to it. I looked at some figures which a friend of mine in one of the healthiest counties showed me. They have 8,000 Deposit Contributors. Their sickness experience is very small indeed, but they have 181 people who have exhausted their money and can get no sickness benefit, although they need it, and there are 42 who cannot get their maternity benefit, even in that prosperous county.

4888. (Chairman): That is because they are on an individual account basis?—Yes.

4889. The question I asked was whether you would have any objection to a proposal to institute a State Society on an insurance basis?—None at all, if you guaranteed the benefits as you do with the Army and Navy Fund.

4890. You think that the State would require to guarantee the benefits?—Yes, because the healthy lives, once it became known that they were going to have to carry abnormal risks, would be out of the Deposit Contributors Fund at once.

4891. There would be no objection to that from your point of view?—No.

4892. (Sir Arthur Worley): Is not the question of a guarantee one for the insured and not for the Approved Societies?—But you are asking for advice and I am tendering it. I say that it would be a crime against those people to lead them to think that they were going to get the normal benefits, unless such benefits were guaranteed.

4893. (Sir Alfred Watson): You have given the Chairman some very interesting suggestions on the subject of arrears. I think we had better go a little further on that matter. It is, I think, correct to say that when the Act was framed provision was made on the financial side for definite loss of contributions for about an average of three weeks' unemployment for every insured person in every year?—That is so. It was assumed, I think, that 48 contributions would be sufficient to sustain it.

4894. When it came to working the thing out from the point of view of practical administration it was seen that it would not do merely to exempt people from contributions on the assumption that they had been unemployed for certain weeks, because that would destroy the necessary inducement on the part of the insured person to see that contributions were paid for him by his employer. Consequently in the Act as it first stood a very complicated provision was inserted for settling the benefits according to the average number of contributions?—Going back to the time the man entered insurance.

4895. Subsequently that system was changed by legislation, and by degrees the present arrears system has been brought into operation under which the insured person gets full benefit if he has had 48 contributions in a year, and reduced benefits if his contributions are below 48, unless he pays a penalty. Now remembering that the difficulty in 1911 was the lack of an inducement to a person to see that his contributions were paid, has not the situation changed in some degree—perhaps considerably—by the extension of Unemployment Insurance to nearly 12,000,000 insured persons? Cannot we now say that if a person is in a position to prove his unemployment

in a particular week he might be allowed to have credit for that week as though it were a week in which a contribution under the Health Insurance system had been paid?—That is one of the suggestions that we put forward, but the extent to which that is to be carried—whether you carry it for the whole or only part—requires consideration. There is still the question that the man has not got an inducement to see that his card is stamped, and delivered to his society, and it would be introducing something which the administrators are very frightened of as being hurtful to the whole scheme.

4896. But suppose in respect of a particular week a person produces his Health Insurance card with an impression in the appropriate space on that card which has been put there by the Labour Exchange when they were paying him his unemployment benefit?—That ought to be accepted as reasonable evidence, subject, I think, to the man also giving notice to his society that he is unemployed.

4897. Then if by evidence of that kind that could not be tampered with, the man could prove unemployment in respect of these weeks, the question of an inducement to see that the employer was stamping properly would not arise, would it?—Not if you excluded from that anything other than the stamp, that is to say, that you accepted no evidence that the man was unemployed unless his card was stamped by the Labour Exchange. That would exclude all the members who did not come under the unemployment scheme.

4898. No, because I take it that although a person when he is unemployed may not be entitled to unemployment benefit if he is not insured for that benefit, he is entitled to go to the Labour Exchange and put his name down and apply for employment. He could, at any rate, bring a corresponding impression on his Health Insurance card to validate the fact that he had been at the Labour Exchange and had signed the book and endeavoured through that Exchange to get employment?—I think that latter class would require very careful looking at, because in the case where the man had drawn unemployment benefit you have there the protection that the Exchange is satisfied as to the *bona fides* of the man's unemployment. In the other case they have no payment to make, and consequently it is doubtful as to what would be the value of the stamped impression. I confess I have not examined that phase of it.

4899. Let us go by stages. We must, of course, begin first with the principle, and you have just thrown out a valuable suggestion that the man should give notice to the Approved Society. If he had to give notice to his Approved Society as well as to go to the Labour Exchange and get an impression on his card, it would go some way to meet the problem?—Yes.

4900. If we get a system of that kind running it would mean, would it not, that under the Health Insurance system a man who was genuinely unemployed would be released from penalty in respect of his arrears for every week of his unemployment?—Personally, as you know, I am very strongly in favour of that. But I am speaking here on behalf of the Conference and also I have since heard the view of the Advisory Committee as to the leakage that might creep in; so that I do not want to press my individual opinion upon it too strongly. But I do claim that if the man is willing to work and cannot get work, his sickness benefit should not be lessened because of that.

4901. If we had a system of that kind there would simply remain those weeks of non-stamping for which there was no evidence that the non-stamping was due to unemployment?—Yes.

4902. And then we could deal with that, I suppose, on something like the present voluntary contributors' penalty scale?—Yes, if you say that he could pay these contributions at any time before or within the period of grace. I am strongly of opinion that many a man and woman would save themselves from the

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difficulty they find themselves in at the end of the year if they could, in some way so devised as to prevent fraud, be allowed to pay such contribution over a longer period.

4903. But I think you would agree that the class to which that would apply would be comparatively unimportant if we could find some means of dealing with the class that are genuinely unemployed without at the same time imperilling the contribution income of the society?—Quite; but I do suggest very strongly that you should encourage the man or the woman to pay the contributions when they have a little money without having to wait till the end of the year.

4904. On the question of Deposit Contributors I gather that the proposal of the Conference is that the Deposit Contributor class should be abolished?—If there is any practical way of doing so. Reading the evidence that has already been given here it would seem like removing the Rock of Gibraltar, a fixture that could not be dealt with. If that is true we will leave it at that. But we do think that the problem can be dealt with, or at any rate reduced very considerably. You would have to re-cast the whole of the rules with regard to expulsion. If there were no Deposit Contributors Fund, expulsion would have to go, and every society would have to be provided with powers of fining and dealing with its own members so as to discipline them within their own society. You would have to go further than that; you would have to insist that a society which was of a particular type—Trade Union or Total Abstainers—should retain the men on something like the same conditions as they have to be retained under the Employers' Provident Fund, until they find another society to take them.

4905. You speak of fining and disciplining them; but if my recollection of that particular difficulty with regard to the Friendly Society practice is correct, the right of expulsion is retained not as a means of applying discipline but as a means of getting rid of a person who through some grave moral lapse becomes, as they regard it, unworthy to remain in the Brotherhood. How are you going to deal with that class?—I am dealing now with State Insurance Societies. They do not have branch meetings or weekly meetings; as a matter of fact, they hardly have annual meetings. I do not see that the character of the member *qua* member, except in so far as he hurts the funds, is so material as it would be where there were members of the same Lodge meeting once a month or once a fortnight. I do not think it applies.

4906. And yet in the amendment of an Act of Parliament we must think of the one type of society as much as the other?—I quite agree; but on the State side these men do not have lodge meetings—not necessarily.

4907. We understand that they do, and that the meetings are open to them and they come to them. But that, I take it, is their particular point of view?—Yes, and it must be sympathised with. With regard to the arrears question, one of my colleagues reminds me that I may have left the impression that we wish to appeal to the Unemployment Fund for that contribution. I did not mean to convey that idea at all. I said that that ought to have been done at the time, but inasmuch as the proposal was then rejected, I do not say we have to-day any claim to go back on the Unemployment Fund as it is at present constituted.

4908. (Chairman): I quite understood it in that way.—(Sir Thomas Neill): Then there is another point which may possibly arise later in regard to the deposit contributors. There was quite a lot that I was instructed to say on that subject, on behalf of the Conference as to taking them over and allocating them; but, since I was instructed I have read the Evidence and I have read the criticisms of schemes that have been put forward. The suggestion was practically on the lines that you have already, in my judgment, killed, namely, that 12

months' notice should be given in which to choose an Approved Society. After the termination of that period those that remained should be allocated to the societies—either in proportion to the membership or in proportion to the choice that the others had made. The Approved Societies would still have the right to expel and this Fund would still be kept open to receive the contribution cards of those who had not had time to make a choice. Then there would be a clearance at the end of the next contribution year and allocation in the same way. So as to prevent the bad lives being thrown on any one society, a society should retain the right of rejection. Possibly on the allocation system the person so rejected would come back to the same society, but it might be somebody else's luck to have him. All that was put before you and was handled in such a way that I did not feel I would be wise in taking up your time in putting it again; but as you have been good enough to allow me to put it, it is there for what it is worth, and I shall be quite willing to answer any questions with regard to it. Our people feel very strongly that that is the way, because they have to remember that if you compel all these people who are in this Fund to join a State Society you do away with free choice. You must let them out if they want to go out.

4909. Of course, they would still be free to transfer?—Yes.

4910. (Mr. Besant): I will put this question to Mr. Spurgeon, because it is an actuarial question. At the same time I would like to have Sir Thomas's view. It is with regard to paragraph 12 of your Statement where the view is indicated that the non-disposable surplus might be applied for a particular purpose. I should like to ask Mr. Spurgeon first of all how he looks upon this particular non-disposable surplus. Do you look upon it as a fund which can be tapped for any particular call made upon it, or do you look upon it, as I must say I do myself, as a safety margin which ought to be kept for a time and ought not to be tapped in advance on any such method as is here suggested?—(Mr. Spurgeon): I look upon that non-disposable surplus as a special reserve to meet special contingencies. Normally it should not be tapped at the outset, as you have just said; but it seems to me that in view of the extraordinarily long and heavy unemployment it might well be drawn upon as a temporary measure for the benefit of insured persons.

4911. Do not you think, if you once justify as a measure of expediency for this particular purpose the use of a fund which ought to be kept as a safety margin, that over and over again in the future arguments for tapping it will be brought forward not only for other purposes, but for the same purpose?—I think that is quite possible and I am not at all sure that I should not recommend that if a similar position arose again. We are looking forward now, however, to a trade revival and it seems to me that a serious condition has arisen owing to this heavy unemployment experience. We have behind us the experience of the quinquennium during which we have had a large amount of non-disposable surplus which was not drawn upon at all.

4912. No; but which I understand was kept because there might be all sorts of contingencies which could not have been foreseen beforehand and for which a safety margin was essential?—I quite agree that it was right to keep it for that period. But in the quinquennium when, if at all, special circumstances would have been expected to arise, they did not arise, and now I think, with what I believe will be the much larger non-disposable surplus of the second valuation, that one might well consider drawing on it for this special purpose.

4913. The non-disposable surplus as it exists, has been built up by a great many causes. Some of those causes have turned out plus and some minus?—Yes, and some have been met in other ways.

4914. But I think you would agree that in all cases, except in the largest societies, there

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may be contingencies which cannot be foreseen, but which may arise next year, or the year after that, or the year after that, and that there should be a fair margin for contingencies which cannot be foreseen. Some safety margin must be kept, must it not?—With that principle, of course, I am in perfect agreement. But the safety margin is kept, after all, for the benefit of the insured person to ensure that he shall receive that which he has, I think, a right to expect from a scheme of National Health Insurance, and I think the time has come when we might consider drawing on that for the purpose here indicated.

4915. Putting it in another way, before you get a surplus at all, he has a right, has he not, to have the whole of the benefits that he is entitled to expect from the Scheme?—Yes, in one way. In the arrears penalty scheme, for example, the penalties, I take it, are calculated to meet what was considered at the time of their calculation a normal period of unemployment. There has, in fact, been an excessive condition of unemployment such as was not anticipated when the National Health Insurance Scheme was first drawn up. That being so, I think the position calls for a special kind of treatment.

4916. This non-disposable surplus was built up before those particular conditions of which you are speaking came into existence?—That is true.

4917. And then this, in effect, deals with a good many years ago, when it was felt that under the conditions of a new Act there must be a safety margin. I think the non-disposable surplus was held back in 1918?—Yes, at the 1918 valuation.

4918. In other words, the particular condition which you mention was one which did not come into effect before 1918, but afterwards?—Yes, that is so.

4919. In the main, the conditions of 1918 gave a non-disposable surplus which, to some extent, is swollen by artificial conditions?—Yes.

4920. Conditions more or less connected with the War?—Yes.

4921. I am not at all sure myself that we are justified in assuming, although I believe a good many indications have been given, that the surplus now available will be largely in excess of the previous. It seems to me a somewhat big assumption to make before the Government Actuary has submitted his official figures?—On that I beg to differ from you. In 1918 I imagine it was not anticipated that there would be the serious state of unemployment that we have experienced. Dealing with the quinquennium, 1918 to 1923, it is quite true that in 1922 and 1923 the sickness experience has been very much heavier, which I attribute very largely to the effect of unemployment. 1919 and 1920 were very good years indeed, as also was 1921, except just towards the end. The result is that over the whole quinquennium we have had a comparatively light experience. During that quinquennium also we have earned high rates of interest on our funds, on larger funds than we had during the first period, and those funds have been growing. There has been an appreciably larger interest margin and interest profit than in the first valuation period. The result is, I think, that one can look with absolute certainty to surpluses at least twice as large as at the first valuation, just on that experience, without the Government Actuary's figures. Perhaps you will think I am bold for an actuary.

4922. Without committing myself to twice as large, I can imagine the conditions that you have set out are going to give good surpluses—I am speaking in the aggregate and not of individual societies.

4923. Now take 1924. 1924 began rather badly on the sickness side, did it not?—Yes.

4924. There was a good deal of influenza, and so on?—Yes.

4925. And it has come from other sources that the new quinquennium has not started very well. I take it that on the investment side with your new money you are not likely to do quite as well as you did in 1919 and 1920?—That is so; but speaking for the four

Prudential Societies combined, last year over the whole of our invested funds—those invested by Trustees—the rate of interest earned was £5 7s. 6d., free of Income Tax and valued at 3 per cent. So that even if we cannot earn quite that rate, the rate over the whole of the funds will still leave a very large interest margin for the following quinquennium.

4926. The most I was urging you to say was that there should be a certain note of caution as between the non-disposable surplus which the actuary certifies as existing and tapping that non-disposable surplus for many purposes, this not being the only one which has been put forward?—I think I have stated that there can be no question in an actuary's mind as to the advisability of quite a large non-disposable surplus; but if my anticipations of the surplus at the second valuation are realised, and bearing in mind what I understand to be the reason for a non-disposable surplus, I think this is a special circumstance to which, as a temporary measure, that non-disposable surplus might be applied.

4927. Passing on from that, to what extent do you consider that the available funds of this non-disposable surplus can meet the financial cost of what you set out in paragraph 12? Do you think we should maintain such members in full benefit? You begin by saying that the full benefit should be paid out of the non-disposable surplus, until we come to a little closer quarters as to what that benefit involves. To dispose of a benefit in 1924 out of a surplus existing in 1918 is a somewhat startling proposition?—I am obliged to you for drawing my attention to that, because I think Sir Thomas would agree that we could hardly, in view of later discussions we have had, have put it so high as maintaining members in full benefit.

4928. I think that was my main point, because I felt quite certain that you, as an actuary, would hesitate to commit yourself to such a sweeping proposition where cause and effect are not connected?—It is for that reason that I am obliged to you for drawing my attention to it. I do not think we could advocate the full benefit as it stands at present. There has been a scheme whereby where there is a credit of less than 26 in a year the number of contributions has been brought up to 26, and that, I believe, has cost about £200,000 in one year. If it were made up to 39 it would, of course, cost more. We should not only continue to make up those with less than 26; we should also be making up those between 26 and 39. The extent to which we should have to go would have to be the subject of careful investigation. I doubt whether I, personally, would be inclined to take it above 39; that is, without examining it, of course.

4929. Taking for a moment the evidence as it stands, to what extent would you qualify that in the case of societies which have not got a surplus, or which have only a small margin of disposable surplus? In other words, I do not think you can deal with this only from the general point of view. I think you will have to deal with it, more or less, from the individual society's point of view, will you not?—Yes; I was considering it from the individual society's point of view.

4930. Take it that you have one particular society with a deficit. What would you do in such conditions? The first thing, as I understand it, is that the deficit is made up from the Contingencies Fund.—Yes; and the Central Fund. I should like to see a system continued whereby all insured persons were brought up to at least 26, and that there was a possibility of a further credit to 39 in individual societies which could afford it. I am answering your question on the spur of the moment, but I think that is what I would say.

4931. Of course, it might be a deficit which might be quite a legitimate deficit, due to sickness, and not to bad administration?—I think my desire to help the weaker societies will be shown in a later part of this evidence. I do not want them to be penalised. I regard this as National Health Insurance, and I should

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like the members' contributions of those weaker societies to be brought up to 26, as it is at present.

4932. In other words, suppose you had a case in which there was nothing available out of the non-disposable surplus, would you still say there ought to be some method or machinery by which these particular people—unemployed, and so on—could get the equivalent of the benefit which would be given by a society with ample funds?—You limited it, I think, to the society which was in a bad way because of its sickness experience?

4933. Yes; I wanted to eliminate any question of poor administration or anything of that kind which had unduly swollen the expenses and therefore unduly depleted any possible surplus. What I meant was that you had no outside factors by which you could say that a society was brought to this particular pass by its own mistakes and not by the health conditions of its members. Would you do something for those people and not leave them out in the cold?—I hesitate because I think you said they should be brought up to the same level as those better-placed societies.

4934. You would endeavour to do the utmost you could for the members of a society which was in low water in order to help them as much as possible towards what the members get in a society with a large non-disposable surplus?—Undoubtedly I should accept that suggestion whole-heartedly. The only hesitation I feel is that other recommendations are being made—we are making them on behalf of our Conference—which will also help those badly placed societies. We want to help them. We consider that in a National Health Insurance Scheme they should not suffer to the extent which they do by the segregation of people employed in certain hazardous occupations in special districts. But I do not want to put it too broadly, because I attach very considerable importance to an average society, if I may use the phrase, being so placed that by efficient administration it can still secure some surplus which it can use for the benefit of its own members alone. My reason for that is that it is a direct incentive to efficient organisation and management, and where there is competition between societies I want it to be towards securing the highest possible degree of efficiency. I want to retain that safeguard; otherwise I am anxious that the weaker societies should be assisted.

4935. Take a fairly small society—shall we say the miners for the purpose of illustration—where the sickness must be heavy and where the actuary, I take it, would say that any margin must be fairly large and therefore that a certain non-disposable surplus is quite legitimate above the ordinary standard. He would say: "In this particular small society I cannot measure the hazards of the next few years, and I have not enough information to justify me in cutting things close, and therefore I will have a large margin for contingencies." That, I think, you would say would be quite legitimate?—Yes.

4936. In such a case as that, would you dare to tap that particular fund?—You bring me to another point rather, and, if I may make it quite clear that I am expressing my personal opinion and not the opinion of my Conference, I will say that I think the segregation into particular societies was a serious mistake.

4937. It exists, of course?—It exists. I should like to see societies with a certain minimum membership so spread as regards risks that each society has some opportunity of more nearly approaching the average experience of the country. In saying that, I am not suggesting for one moment that small societies should be transferred to big societies. I am suggesting that there might possibly be such combinations of smaller societies as would produce larger societies with more average sickness experience. I put that forward for the consideration of the Commission. It is my personal view.

4938. At the same time, I think it is quite fair for me to add that my question was based upon the existing position, and I can see a considerable divergence as to how perhaps you would deal with a society

with adverse life conditions and perhaps a larger society with particularly favourable health conditions, because the non-disposable surplus in the one case might much more safely be divided than in the others?—Assuming existing conditions, I should like to see the societies helped in this matter. If it should be found impossible to assist them from the Unclaimed Stamps Account, as has been done in the past, I suggest, with all due respect to other actuarial opinion, that the Central Fund at present is kept at a very large amount. It is, I believe, £1,500,000. The total claims on that Central Fund for deficiencies at the first valuation amounted to about £33,000. As the making up of contributions to 26 for all unemployed insured persons only took £200,000 in one year, that possibly is a source that might be tapped in order to assist the weaker societies.

4939. The Unclaimed Stamps Account, as far as I can see, is looked upon as a sort of well without a bottom from which anybody can take any amount of water. A good many claimants seem to be attempting to take benefits out of that particular fund?—May I suggest that I was not trying that. I said if it could not be met from that, there was another possible source.

4940. Sir Thomas, would you like to add anything to that? I will not ask you particular questions, because I put my questions upon the actuarial side?—(Sir Thomas Neill): I am very much interested in the points that you have raised, and I hope that the Commission in examining them will look at this thing not only from the actuarial angle but from the human standpoint. What many expected from this Act was a revelation of the conditions in these segregated societies—conditions of employment, conditions of housing, conditions among men with big families and small wages—and that in consequence proper methods would be adopted for altering these conditions. It was never imagined that the things which would be revealed, such as excessive sickness amongst miners, would be transferred from that industry to the bank clerks or to the engineers or to the railwaymen. It was thought that something would be done to improve the condition of those people and to make their calling, their wages and their condition of living something like the average of the country. Now if we are going to say: "Here is that type of insured person and we see their poverty and their misery, and it must be relieved," we must also ask at whose cost? The cost of the contribution of the insured persons in some other calling who are all within a certain income limit? Or shall we relieve that from the larger number? Instead of relieving it from the 12,000,000 insured persons that we have now in this country, should you not extend it to the whole population of 30,000,000 or 40,000,000? You are up against a very considerable problem as to how you should deal with this thing. If you are going to put these unfortunate societies on the backs of possibly more fortunate people in some other station of life, I think you are cloaking a thing which later on will give you very serious trouble, and that it would be much better to face it and get it cured at the source.

4941. I hoped I should have got an answer which took me a little beyond the limits of paragraph 12.—I do not think you have. We say there: "some other source."

4942. Are you in sympathy with what Mr. Spurgeon said as to the uses of the non-disposable surplus and the limitation of full benefits?—Yes. I stated earlier that, from the point of view of whether we would go for full benefit or not, we would, I thought, have to amend our proposal, but subsequent to that when we had an opportunity of reading over what has transpired and what Sir Alfred Watson has since said as to how the weeks of unemployment could be checked and what might happen as regards the balance, I think we might not stop at 30. But I want to suggest to you that you might consider the means by which even a society which has no disposable surplus could be assisted in this difficulty. I think such a society might

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be given authority, if they satisfy the Minister that they have properly conducted their business, to put their members in the same position as those who have a disposable surplus, with the right, as they would have if there was no maladministration, of having any deficiency met out of the Central Fund at the next valuation. (*Mr. Spurgeon*): That would bring just the same result and might be a more desirable way of meeting it. You would make the contributions up to 26 and come on the Central Fund automatically without changing the present regulations as regards the Central Fund. (*Sir Thomas Neill*): But I still want to press the question of looking at the real reason why these societies are in that position. We must not shut the public eye to that by taking something away from people earning £250 or less, to meet these deficiencies.

4943. Might I put the same point of view to you, Mr. Palmer, and ask if you would give us your opinion on this?—(*Mr. Palmer*): I only want to emphasise the human aspect of those cases. I feel very strongly that the cause of arrears should be taken well into consideration by the Royal Commission. In so far as the segregation of societies establishes any data pointing to the cause of arrears, I should imagine that if you took one group of workers as against another group of workers you would find that arrears are non-existent in some groups whereas they are very prolific in others. I think that is a point which cannot be over-emphasised in considering this matter. The actuarial conditions suggested by Mr. Spurgeon seem to be as far as we can go. It would be very dangerous perhaps to go the whole length of wiping out arrears irrespective of circumstances. I suggest that if we can have some regard to the causes in this matter, the two things worked conjointly will probably provide a very valuable solution which will reflect credit on the Commission.

4944. (*Miss Tuckwell*): I want to know, having regard to the Prolongation Act and the Arrears Regulations and the payments to doctors from the Stamp Sales Account, how you define "insurance"?—(*Sir Thomas Neill*): I am sorry that I cannot give you a complete answer. I think when you begin to make exceptions you destroy the principle. The principle of insurance is that the contribution shall meet the risk, and there the contract is closed. Here we are trying by various devices to supply that contribution which is not forthcoming, and we want to ensure the benefits by somebody else paying the contributions; but we still want to maintain the principle that in normal conditions, and when trade sufficiently revives, which we hope it will, there will be the 48 contributions coming from the insured persons on the average into the Fund which will thus be able to cover the risks which were originally contracted for. We intend all these suggestions to be regarded as temporary and not as cutting away the principle of requiring a normal contribution to be paid by the average insured person sufficient to sustain the benefits promised.

4945. But the arrears proposals which Sir Alfred so interestingly developed are permanent, are they not?—They are permanent. But may I say that at the time they were devised so few people were very seriously in arrears, that they were calculated—I think Sir Alfred Watson will agree—at a rate that would not to-day give a proper return to the Fund for the risk it is running, having regard to the abnormal unemployment. They were not calculated to meet the condition of things that exists to-day.

4946. On the other hand, you feel that they are permanently essential if the nation is to be kept in that condition of health which I understand to be your first object?—Quite; and I think, following on the suggestion that I made earlier in the day on behalf of the Conference, that if there were means by which the insured person could pay before the end of the contribution year the amount that he was in arrear, or its equivalent, it would make it

much easier for him and we would get back sooner to normal contributions.

4947. You include contributions from the employer and a grant from the Exchequer, do you not?—I do not think that you can compel the employer to pay any part of the arrears when the insured person has been rendering no service.

4948. (*Sir Arthur Worley*): There is no employer?—That is so. Consequently, the insured persons have got to bear the arrears penalty themselves.

4949. (*Chairman*): For the full contribution?—I reserve that for your consideration and for the Government's consideration as to whether it should be the full contribution or the equivalent of the arrears penalty.

4950. (*Sir Arthur Worley*): But supposing it was for the employee's contribution and he paid, he would be no worse off; it would be merely the society who would be worse off by losing the employer's portion?—No, I did not mean that. We mean by a contribution, the full 10d. or alternatively the equivalent arrears penalty. When speaking of a contribution we refer to a complete week's contribution and not the man's 5d. or the woman's 4d. I am sorry that has been understood, but it was never intended in the Statement that we put forward. You would only be making further difficulties for the Fund by not bringing in at least the arrears contribution from some source if you are going to pay the benefit.

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4953. You want the equivalent, whatever it is, of the whole of it?—Yes.

4954. (*Miss Tuckwell*): You do not want to get it from the workman?—Yes. I mean that the workman should have the opportunity if he wishes, instead of his society having to go elsewhere to look for the proportion of the unpaid contribution in respect of him, of paying at any time during the year the portion of the arrears that would have accumulated against him at the end of the year, having regard to the number of weeks that he was unemployed. But suppose he does not do that, we are suggesting to you how, if the society has to make it up, they should make it up. I am suggesting that the man ought to have an opportunity of paying during the year. You see we still have quite a number of people who want to be independent and who want to pay their contribution, and I think they are a very valuable asset to the nation.

4955. Do you mean then that in the case in which a person wishes to pay up his arrears, he is to have to pay up his own and a portion of the employer's?—Yes.

4956. And in cases in which he does not want to do that, then these other sources should be drawn upon?—Yes.

4957. (*Sir Alfred Watson*): I understood you to agree that in regard to the proved unemployment you would concur in an arrangement under which the member got full benefits without any penalty for the weeks of such unemployment?—I did. But I also stated this morning, you will remember, that if that person, instead of having his card stamped, wished to pay the equivalent of those weeks of arrears, in order to do what quite a lot of men and women want to do, namely, pay their own way, he could pay that contribution.

4958. Have you met any such altruists among your society members?—I am glad to say that I have. We have had to refuse and tell them they could not pay the contributions.

4959. If an insured person has been out of work and does not care to go and take his Health Insurance card to the Labour Exchange to have the fact of unemployment endorsed on it for the particular weeks, you would let him, as an alternative, pay the contributions?—I would.

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like the members' contributions of those weaker societies to be brought up to 26, as it is at present.

4932. In other words, suppose you had a case in which there was nothing available out of the non-disposable surplus, would you still say there ought to be some method or machinery by which these particular people—unemployed, and so on—could get the equivalent of the benefit which would be given by a society with ample funds?—You limited it, I think, to the society which was in a bad way because of its sickness experience?

4933. Yes; I wanted to eliminate any question of poor administration or anything of that kind which had unduly swollen the expenses and therefore unduly depleted any possible surplus. What I meant was that you had no outside factors by which you could say that a society was brought to this particular pass by its own mistakes and not by the health conditions of its members. Would you do something for those people and not leave them out in the cold?—I hesitate because I think you said they should be brought up to the same level as those better-placed societies.

4934. You would endeavour to do the utmost you could for the members of a society which was in low water in order to help them as much as possible towards what the members get in a society with a large non-disposable surplus?—Undoubtedly I should accept that suggestion whole-heartedly. The only hesitation I feel is that other recommendations are being made—we are making them on behalf of our Conference—which will also help those badly placed societies. We want to help them. We consider that in a National Health Insurance Scheme they should not suffer to the extent which they do by the segregation of people employed in certain hazardous occupations in special districts. But I do not want to put it too broadly, because I attach very considerable importance to an average society, if I may use the phrase, being so placed that by efficient administration it can still secure some surplus which it can use for the benefit of its own members alone. My reason for that is that it is a direct incentive to efficient organisation and management, and where there is competition between societies I want it to be towards securing the highest possible degree of efficiency. I want to retain that safeguard; otherwise I am anxious that the weaker societies should be assisted.

4935. Take a fairly small society—shall we say the miners for the purpose of illustration—where the sickness must be heavy and where the actuary, I take it, would say that any margin must be fairly large and therefore that a certain non-disposable surplus is quite legitimate above the ordinary standard. He would say: "In this particular small society I cannot measure the hazards of the next few years, and I have not enough information to justify me in cutting things close, and therefore I will have a large margin for contingencies." That, I think, you would say would be quite legitimate?—Yes.

4936. In such a case as that, would you dare to tap that particular fund?—You bring me to another point rather, and, if I may make it quite clear that I am expressing my personal opinion and not the opinion of my Conference, I will say that I think the segregation into particular societies was a serious mistake.

4937. It exists, of course?—It exists. I should like to see societies with a certain minimum membership so spread as regards risks that each society has some opportunity of more nearly approaching the average experience of the country. In saying that, I am not suggesting for one moment that small societies should be transferred to big societies. I am suggesting that there might possibly be such combinations of smaller societies as would produce larger societies with more average sickness experience. I put that forward for the consideration of the Commission. It is my personal view.

4938. At the same time, I think it is quite fair for me to add that my question was based upon the existing position, and I can see a considerable divergence as to how perhaps you would deal with a society

with adverse life conditions and perhaps a larger society with particularly favourable health conditions, because the non-disposable surplus in the one case might much more safely be divided than in the others?—Assuming existing conditions, I should like to see the societies helped in this matter. If it should be found impossible to assist them from the Unclaimed Stamps Account, as has been done in the past, I suggest, with all due respect to other actuarial opinion, that the Central Fund at present is kept at a very large amount. It is, I believe, £1,500,000. The total claims on that Central Fund for deficiencies at the first valuation amounted to about £33,000. As the making up of contributions to 26 for all unemployed insured persons only took £200,000 in one year, that possibly is a source that might be tapped in order to assist the weaker societies.

4939. The Unclaimed Stamps Account, as far as I can see, is looked upon as a sort of well without a bottom from which anybody can take any amount of water. A good many claimants seem to be attempting to take benefits out of that particular fund?—May I suggest that I was not trying that. I said if it could not be met from that, there was another possible source.

4940. Sir Thomas, would you like to add anything to that? I will not ask you particular questions, because I put my questions upon the actuarial side?—(Sir Thomas Neill): I am very much interested in the points that you have raised, and I hope that the Commission in examining them will look at this thing not only from the actuarial angle but from the human standpoint. What many expected from this Act was a revelation of the conditions in these segregated societies—conditions of employment, conditions of housing, conditions among men with big families and small wages—and that in consequence proper methods would be adopted for altering these conditions. It was never imagined that the things which would be revealed, such as excessive sickness amongst miners, would be transferred from that industry to the bank clerks or to the engineers or to the railwaymen. It was thought that something would be done to improve the condition of those people and to make their calling, their wages and their condition of living something like the average of the country. Now if we are going to say: "Here is that type of insured person and we see their poverty and their misery, and it must be relieved," we must also ask at whose cost? The cost of the contribution of the insured persons in some other calling who are all within a certain income limit? Or shall we relieve that from the larger number? Instead of relieving it from the 12,000,000 insured persons that we have now in this country, should you not extend it to the whole population of 30,000,000 or 40,000,000? You are up against a very considerable problem as to how you should deal with this thing. If you are going to put these unfortunate societies on the backs of possibly more fortunate people in some other station of life, I think you are cloaking a thing which later on will give you very serious trouble, and that it would be much better to face it and get it cured at the source.

4941. I hoped I should have got an answer which took me a little beyond the limits of paragraph 12.—I do not think you have. We say there: "some other source."

4942. Are you in sympathy with what Mr. Spurgeon said as to the uses of the non-disposable surplus and the limitation of full benefits?—Yes. I stated earlier that, from the point of view of whether we would go for full benefit or not, we would, I thought, have to amend our proposal, but subsequent to that when we had an opportunity of reading over what has transpired and what Sir Alfred Watson has since said as to how the weeks of unemployment could be checked and what might happen as regards the balance, I think we might not stop at 39. But I want to suggest to you that you might consider the means by which even a society which has no disposable surplus could be assisted in this difficulty. I think such a society might

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be given authority, if they satisfy the Minister that they have properly conducted their business, to put their members in the same position as those who have a disposable surplus, with the right, as they would have if there was no maladministration, of having any deficiency met out of the Central Fund at the next valuation. (*Mr. Spurgeon*): That would bring just the same result and might be a more desirable way of meeting it. You would make the contributions up to 26 and come on the Central Fund automatically without changing the present regulations as regards the Central Fund. (*Sir Thomas Neill*): But I still want to press the question of looking at the real reason why these societies are in that position. We must not shut the public eye to that by taking something away from people earning £250 or less, to meet these deficiencies.

4943. Might I put the same point of view to you, Mr. Palmer, and ask if you would give us your opinion on this?—(*Mr. Palmer*): I only want to emphasise the human aspect of those cases. I feel very strongly that the cause of arrears should be taken well into consideration by the Royal Commission. In so far as the segregation of societies establishes any data pointing to the cause of arrears, I should imagine that if you took one group of workers as against another group of workers you would find that arrears are non-existent in some groups whereas they are very prolific in others. I think that is a point which cannot be over-emphasised in considering this matter. The actuarial conditions suggested by Mr. Spurgeon seem to be as far as we can go. It would be very dangerous perhaps to go the whole length of wiping out arrears irrespective of circumstances. I suggest that if we can have some regard to the causes in this matter, the two things worked conjointly will probably provide a very valuable solution which will reflect credit on the Commission.

4944. (*Miss Tuckwell*): I want to know, having regard to the Prolongation Act and the Arrears Regulations and the payments to doctors from the Stamp Sales Account, how you define "insurance"?—(*Sir Thomas Neill*): I am sorry that I cannot give you a complete answer. I think when you begin to make exceptions you destroy the principle. The principle of insurance is that the contribution shall meet the risk, and there the contract is closed. Here we are trying by various devices to supply that contribution which is not forthcoming, and we want to ensure the benefits by somebody else paying the contributions; but we still want to maintain the principle that in normal conditions, and when trade sufficiently revives, which we hope it will, there will be the 48 contributions coming from the insured persons on the average into the Fund which will thus be able to cover the risks which were originally contracted for. We intend all these suggestions to be regarded as temporary and not as cutting away the principle of requiring a normal contribution to be paid by the average insured person sufficient to sustain the benefits promised.

4945. But the arrears proposals which Sir Alfred so interestingly developed are permanent, are they not?—They are permanent. But may I say that at the time they were devised so few people were very seriously in arrears, that they were calculated—I think Sir Alfred Watson will agree—at a rate that would not to-day give a proper return to the Fund for the risk it is running, having regard to the abnormal unemployment. They were not calculated to meet the condition of things that exists to-day.

4946. On the other hand, you feel that they are permanently essential if the nation is to be kept in that condition of health which I understand to be your first object?—Quite; and I think, following on the suggestion that I made earlier in the day on behalf of the Conference, that if there were means by which the insured person could pay before the end of the contribution year the amount that he was in arrear, or its equivalent, it would make it

much easier for him and we would get back sooner to normal contributions.

4947. You include contributions from the employer and a grant from the Exchequer, do you not?—I do not think that you can compel the employer to pay any part of the arrears when the insured person has been rendering no service.

4948. (*Sir Arthur Worley*): There is no employer?—That is so. Consequently, the insured persons have got to bear the arrears penalty themselves.

4949. (*Chairman*): For the full contribution?—I reserve that for your consideration and for the Government's consideration as to whether it should be the full contribution or the equivalent of the arrears penalty.

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4960. (Sir Arthur Worley): Not only as an alternative, but if he liked to do it he could do it; in other words, if the man is willing to pay you are willing to take the money?—Yes.

4961. And you have a number of those who are willing to pay it. Does Mr. Spurgeon's experience confirm that there are such people, or many of them?—(Mr. Spurgeon): I have not met one. (Sir Thomas Neill): We have a nice class of people.

4962. (Professor Gray): Is it not the case that if an insured person is allowed to pay arrears, the society must be satisfied that there has been a contribution paid for each week of employment, so that if, for instance, an insured person loses a card he cannot technically get a proper arrears notice until he has paid up for the card which has been lost?—(Mr. Spurgeon): That is so; and if there should be a question of having a contribution card stamped, as Sir Alfred Watson suggested, thereby securing to the societies the full contribution—

4963. (Sir Alfred Watson): But I did not suggest that. I said it should be impressed with evidence of the fact that the person was unemployed. I do not propose that that impression on the card should carry money with it. What I suggested to the witness was that in view of a certain amount of unemployment being provided for in the actuarial basis of the Act, would it not be right to allow every insured person the advantage of freedom from contributions in respect of genuine unemployment, presuming he can prove the fact of his unemployment. That was the proposition I put.—(Sir Thomas Neill): And that we accepted. (Mr. Spurgeon): I thought that was accepted because it carried with it some means of crediting those contributions to the societies.

4964. No.—Where the unemployment should prove to be very heavy, if it were simply excusing all those contributions, then I suggest that might be a serious loss to the society as compared with the payment of arrears penalties.

4965. I agree. That would be a loss on the actuarial estimates.—Quite so.

4966. But if you have a heavy rate of sickness you have a loss on the actuarial estimates, or a heavy experience of maternity claims, or if your members do not die in anything like the proportions expected, you get in later years far greater claims than expected in the actuarial estimates?—Yes; but I am not anxious to multiply the risks for the same weekly rate of contribution while the man is in employment.

4967. You are looking at the very heavy rate of unemployment of the last two or three years. You have not said anything about the very low rate of unemployment—almost the absence of unemployment—during the years of the War. Do not you think on the whole, taking Health Insurance from the beginning up to the present time, you have gained more than you have lost from unemployment?—I think there is a very strong point in the good employment experience in certain years, and in answer to a question by Mr. Besant I think I said that the arrears penalty scheme was drawn up at the time on what was considered a normal rate of unemployment. But when you have a number of successive years of heavy unemployment, of which we have, of course, not seen the end, then I hesitate to say that we should take on additional risk such as you have indicated.

4968. But you will agree, I have no doubt, that up to 1920 the rate of employment was high and the losses were low—lower than were provided for in the actuarial basis?—Yes, that is so.

4969. The profits made under the heading of good employment up to 1918 were carried forward in the non-disposable surpluses?—Yes.

4970. As an actuary you may presume that?—One has to bear in mind also that when you are getting that good employment you also have light sickness. That is a point in favour of what you were saying. But then when you have this heavy unemployment there can be no doubt whatever that your sickness experience increases as well.

4971. I am under the impression that your sickness experience has got lighter than ever?—No, I cannot agree with that. 1922 and 1923 were materially heavier than 1919 to 1921.

4972. That may be, but they are not heavier than the War years?—Yes, I suggest that those two years are heavier than the average of the first valuation period.

4973. Two years?—Either of those years taken individually—1922 or 1923. I would like to suggest also that leaving out the first half of the year, where it is very difficult to make a comparison because in some years we have had serious influenza epidemics, the cost of sickness on the whole appears to be rising from year to year. On that I have to confine my attention to the second half of the year. I can show you certain diagrams, if I may, showing how certain members have been on the funds.

4974. You will agree that so far as the point we were discussing is concerned there have been profits in the earlier years of National Health Insurance from the abundance of employment, which have been carried forward and are available to meet the losses of the present time?—I think we have actually suggested that those non-disposable surpluses should be employed towards the payment of arrears.

4975. I am suggesting that they are being automatically employed.—I am afraid I have not gone into it to your extent. It is a matter of calculation of the risk.

4976. Both you gentlemen have suggested to the Royal Commission that you are getting the contributions made up to 26 by a grant from the Exchequer or from the Unclaimed Stamps Account. As a matter of fact that grant is not by any means the equivalent of making the contributions up to 26?—I quite agree. I myself submitted figures to the Ministry. I think, proving that.

4977. Then the difference, which would be the loss to the society, is being fully recouped out of the surplus carried forward at the last valuation?—I think there are other points taken into consideration. Under that scheme, though we do not receive the full amount of the contributions, there is no deduction from the amount we do receive towards reserve values and matters of that kind; so that you would not expect it to be so large as the total amount of contributions.

4978. (Miss Tuckwell): On that passage in paragraph 12, you would agree that a man needs the provisions of the Act more because of impaired physique during poverty owing to unemployment than at other times, would you not?—(Sir Thomas Neill): Yes; that is why we are so pressing for a solution of this question of arrears.

4979. It struck me as being very valuable that you were trying to keep a man on full pay, as he would be in health.—That was my individual view, but I am conscious of the value of the reasons that have been given to us why that might lead to difficulties. I would, however, rather have three-quarters than the half, where he stands at present.

4980. But you do not seem to have entirely exhausted the sources from which you might get benefit?—Perhaps that is because we do not know of them, but it is not because we do not wish to.

4981. There has been a good deal said about the difficulties raised by segregation. Do not you think that if you were the head of a single society, and there was not this multiplicity of societies all competing with each other, you could have dealt with the matter a good deal better and a great deal more economically?—I believe at the beginning you could show an apparent saving; but when the officials began to feel that this little show was their own, their importance would grow and the necessity for additional staff would grow and the cost would grow. Instead of developing as you are now throughout the country some thousands of branch officers and men taking executive responsibility and learning to be really valuable citizens of the State, you would have so many little things who would be afraid to

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call their souls their own because if they offended the man above them they would be done with.

4982. Who would be the "little things"?—They would be what we call the agents and the branch secretaries.

4983. (Sir Arthur Worley): They would be State officials?—I was not calling them that at the moment.

4984. (Miss Tuckwell): Your considered opinion really is that your agents under a State system would be the creatures of those above them—of yourself, in fact—as they never would be while they were in the Prudential?—At the present moment there is a liberty and joy in doing their work because they feel they can express opinions, even sometimes very rudely, if they do not think things are going properly. The whole system is productive of improvement and advancement, whereas the other, in my judgment, would have a very serious and a very hurtful influence amongst the community. (Mr. Spurgeon): May I suggest that, speaking of one society, there is a very important element; and as the name "Prudential" was mentioned, may I say that if there were not in existence such societies as the Prudential, there would not be the same spur to manage a single society with that extreme efficiency which we know is desirable. I think it would be a great mistake to have one society. There is undoubtedly a very important element in what I have already mentioned, namely, the competition towards greater efficiency.

4985. (Sir Arthur Worley): As a practical proposition in an establishment of that nature the work presumably would have to be done by agents or by officials throughout the country, whereas at the present time it is done by people who are officials of some other concern as well, and the work dovetails in. Instead of having one official to look after so many thousands you get one official partly occupied in ordinary life looking after a smaller number in a smaller circuit and doing it more efficiently?—(Sir Thomas Neill): I put it this way. In my judgment we are getting a type of person to give us service for small groups of people who have a training and experience which we could not purchase if we were dealing only with that particular bit of work. (Mr. Palmer): You never get the same type of service from a State official as you do from the type of men who are handling this business at the present time. I never see the same enthusiasm in a postman, for instance, as I see in the average insurance agent.

4986. (Chairman): Of course, a postman only delivers letters.—With a lot of State officials you would stereotype everything to such a degree that the system would simply be an automaton and there would be no human element in it at all.

4987. (Sir Arthur Worley): I think, Sir Thomas, you have 40,000 agents?—(Sir Thomas Neill): Yes.

4988. If the State commenced a scheme you would have to employ either those 40,000 agents or, if you employed a less number because you could not afford to pay 40,000 whole-time people, they would do it less efficiently than the 40,000, because they could not get round in the same way?—(Sir Thomas Neill): There is a good deal in that, but I do not want to put it too high, because I do not think one could say you could not take the Prudential, the Foresters and the National Amalgamated members and put them into one society; but you would at once deprive a person of the choice of having this particular man to attend to him. Parliament could say that we should all have to wear black ties, and that finishes colour, but there is in this system, as I put it to-day—and I do not want to labour it unduly—that human touch that a person can, if he is not satisfied, change from this man to the other man, and he can get a good service which is acceptable to him and cheap in administration.

4989. (Mr. Evans): You made one suggestion, Mr. Spurgeon, to the effect that there should be a minimum membership. I infer from that that there are quite a number of societies now which have such

a small membership that it means they are almost insolvent or that the administration is very difficult because of their small membership; is that so?—(Mr. Spurgeon): Of course, some of the small societies are far from being insolvent; they are in a very good condition. But in all small societies they must have extreme difficulty in finding men to do the complicated work which is involved. I find a little difficulty in saying this, but I believe it is the fact that in very many cases the accounts have actually had to be made up by the Audit Staff, who are responsible for auditing the accounts, and that is, I think, very undesirable. I have a very good opinion of the National Insurance Audit Staff, but I think societies should be so placed that they can employ efficient men to organise or keep the accounts.

4990. You would not suggest what an ideal society's membership should be?—Of course, my remark on the size of a society and on combining societies was a personal opinion. I should have said, since you ask the question, that a society of 100,000 members was desirable if you are going to get anything approaching the average experience of the country.

4991. You made another remark. You said that the segregation of insured people into so many societies was rather a mistake?—I think I spoke of persons employed in hazardous occupations being in particular societies.

4992. You thought it was a mistake?—From the insurance point of view, yes, under a National Health Insurance scheme with a uniform contribution.

4993. I am not going so far as Miss Tuckwell has gone; I do not suggest one State Society, but do you think you might split up the whole country into so many regional societies and thereby obviate the occupational society?—I do not like the idea of regional societies, because if you have societies limited to membership in a certain region, you certainly have not that incentive to efficient management, and so on, that you have, where societies are working side by side in the same area, and you would also introduce very serious complications in connection with removals from one area to another. There would be a transfer from one society to another every time a man moved over the border from one region to another. Every time that happened you would have to have a transfer of the man's funds and a transfer of the man's record, and he would have to go somewhere else for his benefit.

4994. But that is only the same as one man transferring from one society to another?—Yes, but we place all the restrictions we can on transfers from one society to another.

4995. (Chairman): But not on transfers to your own society?—We discourage transfers as much as we possibly can.

4996. Even to your own Society?—Yes; that has always been our practice.

4997. (Mr. Evans): With all those disadvantages, do you not think that it is rather a pity that you have occupational societies?—Yes.

4998. Do you not think we ought to mix them up?—Yes. I think the idea of regional societies would be a great mistake. I think the complications introduced in connection with removals alone would be sufficient to make them unworkable.

4999. (Chairman): I see that you consider that the present provisions of the Act relating to insured women who marry are complicated and expensive to administer and that you favour the granting of a marriage bonus in place of the special benefits now provided. I can appreciate that such a plan would make the administration easier for the society officials. Is that the view on which this comment is founded?—(Sir Thomas Neill): I am glad to have the opportunity of saying it is not so. It is not a question of convenience. It is a question of cost and the benefits to the insured person.

5000. You mean convenience in that broad sense?—Yes. I am glad we have Mr. Spurgeon here who will be able to deal with it actuarially. Broadly what

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we lay people think is that the present scheme does not give to the insured woman as a whole very much greater benefit, if any, than she would have if she had a free year of insurance in the ordinary way. We have looked into it somewhat carefully. I will ask Mr. Spurgeon to deal with what he thinks the value is to women under present circumstances, and what it would be under the suggestion that we make. I want to correct a conception that this proposal which we are putting forward now was agreed to by the Ryan Committee and was thrown out by Parliament. As a matter of fact a Committee sat on this where the women's organisation was very ably represented by the late Miss Macarthur, and we had several meetings on it and we agreed that this should go forward. It went to the House of Commons and passed through the House of Commons, and when it was introduced into the House of Lords we got somebody to deal with it and it was accepted, because we had threshed it out in all its bearings; but the Government did not feel inclined to give more time to it. So this is not a new thing. It is not a thing that was not properly discussed before and accepted at that time as a reasonable solution.—(Mr. Spurgeon): Something was said just now about simplification to societies. I expect the Commission by this time has heard how we have to deal with this matter, and I will not go into present difficulties, but I have a few figures here relating to my own Society. In England over a certain period there were just over a quarter of a million marriages; we found that 17 per cent. of these women continued in employment as employed contributors. That can only be determined 12 months after the date of marriage. Out of 25,000 in Scotland only 6½ per cent. continued in employment. In England 83 per cent. were transferred to Class K, and in Scotland 93½ per cent. Of the number transferred to Class K in England just under 7 per cent. claimed sickness benefit, and just under 61 per cent. claimed maternity benefit. In Scotland approximately 8 per cent. claimed sickness benefit and 71 per cent. claimed maternity benefit. I think at the time the Ryan Committee made this recommendation it was thought by the Government Actuary that the marriage bonus could have been paid, and we feel that instead of 71 per cent. getting maternity benefit of £2 or thereabouts we should like to see 100 per cent. receiving a marriage bonus of that sum or such larger sum as is found to be possible. That is the position as regards the actual claims. We are undoubtedly guided very largely by the fact that the complications of dealing with married women keep those who are subsequently employed contributors in suspense for a year, and matters of that kind involve work and expense and maintenance of separate departments to an extent that is not warranted by the value produced to the insured woman.

5001. (Sir Alfred Watson): Mr. Spurgeon, you realise, of course, that if the present benefits were taken into consideration instead of the benefits that were in force at the time when the old marriage bonus was proposed the amount would be more than £2?—Yes. I only mentioned £2 because that was the amount discussed with the Ryan Committee. I imagine it would now be substantially more.

5002. The history of that question shows, does it not, that Parliament, either the House of Commons or the House of Lords, may be expected to be averse from deflecting money from the purpose for which it was contributed?—Marriage is, of course, one of the risks of a single woman, and I think when those who are members of Approved Societies are married a payment as a marriage bonus is a very great asset in setting up the home, and matters of that kind.

5003. It is not something within the scope of National Health Insurance, is it?—Not exactly, and yet it may be very beneficial to health.

5004. I daresay it might. Must we not in all seriousness face the fact that, however attractive the idea, it has to be admitted that it is something

extraneous to the purposes for which the contributions were paid?—To a certain extent I am afraid that is so.

5005. Let us take it for a moment that the benefits now being granted when a woman enters Class K are actuarially the equivalent, or were intended to be actuarially the equivalent, of the fifty shillings or so that could have been paid on a woman's marriage. If the benefits can be increased is there not some case for increasing sickness benefit to these women rather than paying them a bonus on marriage?—There might be some case for that, but I think I ought to point out that the sickness benefit of married women who are not employed is a very difficult matter to control. They are normally engaged in household duties, and you receive medical evidence of incapacity for work and you can send visitors, but it is very difficult to see that the rules are being obeyed and generally to exercise proper supervision over that benefit. If the rate of benefit were increased in all probability the rate of claim would be increased, and we should meet the difficulty I have mentioned to a still greater extent.

5006. Of course, your figures at the moment seem to suggest that this risk is not a very difficult thing to administer?—I think probably a lot of them forget all about it as regards sickness benefit and only remember it when they want maternity benefit. Whether they would do so with an increased rate of benefit I do not know.

5007. It is probable also, is it not, that they are a very select class in the first year after marriage?—Those transferred to Class K, yes. You mean, I understand, if they were not a fairly select class they would ultimately become employed contributors.

5008. The fact that they marry suggests that they are above the general average in health?—We do have cases of women marrying while they are on the funds.

5009. I know. We also had cases of men enlisting in the Army when they were in receipt of disablement benefit. We must look at the general thing, not to exceptional cases, must we not?—Yes. The experience as regards sickness does not look particularly heavy.

5010. Supposing there is a profit in the present arrangement, would you be disposed to continue the existing arrangement and to let the women have the right to, say, one maternity benefit if the claim arose within a longer period than two years, or possibly indeed to have the right to claim two maternity benefits over three years?—We are not anxious to keep non-contributing members on the books any longer than is really necessary. The Class K undoubtedly has resulted in book-keeping difficulties which, in the interests of economy, we should like to see dispensed with, and I hesitate to adopt your suggestion until I consider how far it would increase the cost of dealing with that class.

5011. I am impressed by your suggestion that you may be making a profit out of Class K women?—If in a woman's society we are making profit out of anybody it is needed very badly. The sickness experience amongst women is very heavy indeed.

5012. Yes, but at the beginning you rather suggested that you are making a profit out of these women which you did not wish to make, and you would like to prevent that profit arising by giving them the full amount which was the actuarial equivalent when they marry?—Yes. I should set against that the economy which we should experience in dispensing with the extra work involved.

5013. That is a matter of administration account, is it not?—You can always transfer from the administration account on valuation.

5014. What I understood you to indicate was that you would give to a woman on her marriage a surrender value of equal value with what is supposed to be the value of the present Class K benefits?—Yes.

5015. Supposing this Commission find it difficult to accept the principle of a surrender value, I want to know in what way you would increase the present Class K benefits if it should be found that the women

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are not getting at present as much in the way of benefit as they ought to have, seeing that only 7 per cent. of them claim sickness benefit and only 61 per cent. of them claim maternity benefit?—On that point I say at once, any extension of the kind should be in the direction of maternity benefit.

5016. There is your proposal that the woman should be entitled to select the option within four weeks from the date of marriage. Is it not highly probable, whatever may be in the best interests of the woman, she will elect to take the money, cash down?—I think that is quite likely.

5017. Is not that really the hope of your Conference, that she will take the cash and clear you of all subsequent troubles of administration?—That is one hope.

5018. (Sir Arthur Worley): Suppose instead of giving as has been suggested, a bonus on marriage, there was a bonus added to the first maternity benefit. That would not clear the book, but it would be simply one entry; it would add so much to her credit if and when she had a child?—I said if this suggestion was not adopted and any extension of benefits was considered we should like it to be in the direction of maternity benefit.

5019. I am putting that in order to meet your point?—Yes, but it would not meet my point as regards the unnecessary expense which these members appear to cause as compared with the value to the members themselves. Sir Alfred Watson has touched on the point that one affects the administration account and the other the benefit fund.

5020. (Sir Alfred Watson): In paragraph 16 (b) you propose the option should be open for four weeks from the date of marriage. Does that mean that the option is to be exercised by the woman who has actually left work on marriage or shortly after? Who is to exercise the option?—The woman is to exercise the option whether she has left work or not. She has to exercise the option to take the bonus on marriage and terminate the old contract of insurance, or to continue to be treated as an employed contributor, and I suggest if they know there is a marriage bonus we should get far prompter marriage notifications than before.

5021. I think we ought to realise what is not very plainly evidenced on the paper. You propose in the case of women in the Lancashire textile industries who normally continue at work after marriage and work right through their married life that they shall have the option to draw a certain amount of cash down on marriage?—Yes.

5022. But if they draw it then, notwithstanding the fact that they have never left employment for a single week, or perhaps for more than a single week, the week of marriage, yet their old insurance ceases and they begin as new entrants with fresh waiting periods both as regards sickness benefit and as regards disablement?—Yes.

5023. And five years' waiting period for additional benefits?—The suggestion was that they should be simply ordinary employed contributors.

5024. With a 42 weeks' waiting period for maternity benefit?—Yes.

5025. With the result that in quite a large number of cases the unfortunate woman would be cut out of maternity benefit on the birth of her first child?—Yes, but she would have had the marriage bonus.

5026. And she would have spent it. That is what you propose to give it to her for, to furnish the home?—That is the difficulty, of course.

5027. Are you quite happy about this proposal?—I see the difficulties. The main difficulty, no doubt, is the one you have just made with regard to the married woman who requires maternity benefit before that waiting period has elapsed?—(Sir Thomas Neill): I should like to add one or two figures for the Conference. Mr. Spurgeon gives you the figures for the Prudential. The members of the Conference include the Prudential. The figures are: since 1918, of 858,384 who married, 134,089 continued in employment, 514,329 went into Class K. Of those

transferred to Class K, 53,000 received sickness benefit and 314,000 maternity benefit; but 91 per cent. of those who received maternity benefit had it during the first year after marriage. I want to get those figures in because when you are considering the question you will see that if 91 per cent. is a true test for the whole, this extension for two years is not a very great matter.

5028. (Sir John Anderson): I wish to ask a question arising out of Sir Alfred Watson's examination. You were concerned, Mr. Spurgeon, with National Health Insurance administration when the 1911 Act was in operation, were you not?—(Mr. Spurgeon): Yes, when National Health Insurance started.

5029. Do you remember the provisions with regard to married women that were embodied in that Act?—I have some recollection of married women, credits and Class H.

5030. They were even more complicated than the existing provisions?—Yes.

5031. Would it be correct to say they provided a series of options nicely balanced to meet the various contingencies that might arise which in theory seemed excellent?—That is so.

5032. But in practice they broke down?—Yes, I think so.

5033. Was not the main reason why they broke down that that Act assumed it was possible in practice to settle immediately a woman married how she was going to be situated in her future life with regard to insurance?—Yes, I suppose that is so. There was an option exercised on marriage.

5034. Was not that the experience of societies? They were called upon to decide immediately they got notice of marriage. That was the first difficulty. The woman had to notify marriage and very often she did not—she was thinking of other things. The Act assumed that the society would be able to get all the necessary facts and come to its decision, and that the woman would be able to weigh up the respective advantages of the various courses open immediately. Is not that so?—I think it was probably thought that they would be explained to her by the society.

5035. Anyhow, there was to be an immediate decision by the society?—Yes. It is a long time ago, but I believe the decision had to be made at once.

5036. I do not know whether you can charge your memory, but I want to put it to you whether that was not one of the principal difficulties which all concerned encountered in trying to put into operation the provisions of section 44 of the Act of 1911?—I think at that time the great majority of people selected what were known as the married women's credits. Class H insurance, which involved a reduced contribution, was not popular, and I think it is largely because of that that the option was a failure.

5037. There were three possibilities under the Act of 1911. A woman might take her credits, that is to say, she had a little sum placed to her credit on which she could draw in certain circumstances?—Yes.

5038. Or she might go into a special class as a voluntary contributor?—Yes.

5039. Paying a reduced contribution and getting reduced benefit?—Yes.

5040. Neither of those courses was open to her if she was in fact going to continue in employment?—I think that is so.

5041. Therefore the first thing that had to be settled under that Act immediately a woman married was whether she was going to continue in employment or not?—Yes.

5042. And nobody could say in the ordinary case, the society certainly could not?—I am still waiting to see what you are driving at.

5043. Do not worry about that. Do you agree?—Yes.

5044. I want to take you back to the Ryan Committee. Was not the effect of the evidence that I think you gave to the Ryan Committee this, that the provisions of Section 44 simply did not work, that the woman did nothing, and dragged on as an ordinary employed contributor, at any rate she

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was on the books of the society as an ordinary employed contributor, and the society did not realise till possibly long after her marriage that there had been any change in her status as far as they were concerned?—Yes, I think that is so. I think I went further than that. I think I submitted a list of 27 classes of married women British subjects, and another 27 classes of aliens.

5045. We have got rid of those, I think. Was there not practical unanimity at that time among all concerned in insurance administration that the status of the insured woman after marriage could not be immediately determined?—Yes.

5046. In view of all that why do you suggest in the proposal you put forward that it is now practicable to present the woman immediately she marries with two alternatives? Is it not against the experience that we all had up to the date of the amending Act of such a system?—I do not think the two systems can be so directly compared as that. Here you have a definite marriage bonus suggested which is payable on proof of marriage within a certain time. I think it was felt even by the Ryan Committee that the fact of offering a marriage bonus would very rapidly become known, that that option would be the one that was generally selected, and that would secure to societies prompt notification of marriage.

5047. Yes, but was it not also felt by the Ryan Committee, according to their Report, that the woman should not be under any temptation to take that option in the cases in which it would be against her true interest to take it, in the cases in which in fact she was going to continue in employment? Sir Alfred Watson has put to you cases where a woman might be tempted, when you hold out to her the alluring prospect of being able to set up a home on £2 10s. or £3, to snatch at that and forego the later benefits which would be of much greater value. Is not that really a very serious flaw in the proposal from the point of view which I know you are considering always, the interest of the insured person?—It is certainly a most difficult problem.

5048. Is it not a serious flaw? The woman you have said would have on marriage an inducement to plump for the bonus?—Yes.

5049. Not knowing, as you have also said, and you not knowing, whether she was in fact going on with employment or not?—If she was undecided in the matter it might be quite well for her to secure the marriage bonus. It is not necessary that it should be spent on the provision of part of the home—I will say part of the home, not the whole. It was as a result of the Ryan Committee's recommendation, I believe, that the waiting period for maternity benefit was extended to 42 weeks, for very good reasons: and I admit straight away in this connection that that long waiting period, fully justified in the case of the employed contributor, does introduce a difficulty. I have been trying to think as I have been under examination whether it would be well in the case of these women to have a shorter waiting period for maternity benefit alone, but that would be introducing another difficulty in the way of a special waiting period for a particular class of employed contributor, so I have hesitated to recommend that.

5050. Does not it really come down to this, Mr. Spurgeon, that the change in the economic condition of the woman which normally takes place on marriage inevitably introduces a complication into insurance administration?—Yes.

5051. It is a difficulty you cannot get rid of altogether, and the problem is really to find the best way out which is compatible with the interests of the insured person?—Exactly.

5052. Do you think on the whole, taking all the advantages and all the admitted disadvantages, and giving due weight to the interests of the insured person, that the proposal you put forward here is to be preferred to the scheme which is now embodied in the Act?—I think it is from some points of view.

5053. Quite, I shall concede that.—I have agreed as to the principal difficulty, and I have also agreed that it is a very serious one.

5054. I will not press you further.—(Mr. Palmer): It is as well to appreciate the member's point of view sometimes in these things. There is quite a number of women who would like to determine their connection with National Health Insurance immediately on marriage. That does give us some ground for putting these two alternatives. There are a lot of people who know the circumstances under which they are marrying will preclude them from continuing in insurance. There is always in the public mind the idea: Well, I have contributed for a number of years, and what for? All I have contributed as a woman up to a certain age simply goes into the common pool. They do not even appreciate the insurance principle to that extent, but they do feel that whatever the consideration is there is a point at which they would like to determine their connection and feel that they had got some little return out of the contributions they have paid.

5055. It is hardly consistent with the principles of insurance to allow those who think they have paid in more than they are likely to get out to claim a surrender value?—I agree. The public, speaking generally, do not appreciate insurance principles to that extent. They do ask the question: What am I getting back for my contributions? And this proposal does give a satisfaction in many cases to the member on that point, and it does immensely simplify the administration.

5056. (Mr. Besant): You have put down in paragraphs 15 and 16 the arguments for the proposal you put forward. You say, "From the point of view of simplicity alone," and a little later you speak of "The complex nature of the existing provisions," and a little later you speak of its being expensive to societies. I think Sir John asked you whether you had borne in mind the interests of the insured persons themselves?—(Sir Thomas Neill): Yes.

5057. On the wording it seemed to me that it was done purely for expediency of administration and that the interest of the insured person was not borne in mind?—May I be allowed to answer that question in this way. We look upon the fund as the members' fund, and you have to consider whether the money that you spend out of that fund brings corresponding advantages to the insured persons as a whole. If you find that you are spending money in keeping up a separate class which, when you analyse the advantage that that class gets as a whole, does not seem to be justified by the extra cost, and that they could get by a simpler form an equal advantage, then I think you are justified in coming to the Royal Commission and saying, "We think this does not give to the insured members an advantage corresponding to the extra expenditure incurred in keeping these statistics." But when we speak of the society we speak of the members. We do not speak of officials in that sense at all. As regards expediency it is only a question of what is best to do in the interests of the members.

5058. I must press my question a stage further. When you deal with the interests of your members as a whole does that mean that if women have a type of benefit which cannot be shared by the other members and it turns out to be expensive you want to take that benefit away from them for the sake of the other members?—No. I am afraid I have not made myself clear. If the cost of conveying a thing to a member is greater than the value of the thing when it is delivered, surely you are using money to a bad purpose. I think under normal conditions giving them this £2 or letting them have a full free year of insurance in the ordinary way would be equally advantageous to them. This complicated machinery costs a good deal to maintain and it is being maintained out of the funds. There is quite a number of these people who continue in insurance on marriage. Their interests have to be considered as well as the interests of those who cease to be employed, but we have to go

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through all this machinery to find out a certain group of facts.

5059. Admitting that, the effect of that machinery is that you give maternity benefit, in other words, you give an emergency benefit when the emergency calls for a special expenditure?—Yes.

5060. Do you consider that any circumstances would justify you in giving a cash benefit which could be dissipated and wasted and leave that emergency unprovided for?—Speaking as an individual, and having had some responsibility for advocating the cash benefit at the time that it was first thought of, I regarded that time in the life of a woman as of some importance, and I thought when the other events came along they possibly would be provided for out of the husband's insurance. We did not see any of these hughbears. One of the things I want you to remember in this connection is that 91 per cent. of these maternity benefits, if you adopted the simple question of letting them run on for a free year of insurance, would be paid during that year. In addition to that those who had sickness, who fell ill during that year, would be able to draw not only six weeks, but would be able to go on till the end of that sickness. As it is now, supposing a member falls sick for the first time in the last week of her year, if she was running a free year that would continue to the end of the sickness and her free year would be extended by the time that she had been ill; but under Class K, if her year is up when she draws her first week, she does not even get her six weeks, she only gets one. I mention these things because I want you to believe that this was not looked at without having some regard to what we thought would be the value of the thing that would take its place.

5061. You are willing to give up the obligatory maternity benefit which now exists?—We would still be under obligation to pay it, but only during the first year. That would leave 9 per cent., according to this estimate, that would not get it in the second year except through their husband's insurance.

5062. But you would be willing to give that up; you would be willing to give up the certainty of each confinement as it comes along in the ordinary way?—I do not follow you.

5063. I thought the idea was that you would give a lump sum?—Yes. If it is thought that would be an inducement to extravagance and would not be helpful then we say let them have their free year of insurance.

5064. (Sir Arthur Worley): Is not the time of marriage one when there is most extravagance, when there is the least regard for money as a rule?—I do not share any of those opinions which seem to indicate that a woman on marriage is not capable of handling her money.

5065. I did not say that. I said "on marriage," not "after"?—(Mr. Spurgeon): This could only be paid after. (Sir Thomas Neill): This would be paid after. I have a better opinion of them.

5066. (Mr. Besant): I think the wording here is a little unfortunate because it leaves the impression that your proposal is for the domestic advantage of the concern and not for the advantage of insured members. I wanted you to convince us that you had thought of the interests of the insured person.—Yes, I have.

5067. We want to make sure.—(Mr. Spurgeon): I cannot understand Mr. Besant's distinction. (Sir Thomas Neill): We should not come before you with a proposal and ask for this proposal to be adopted if there was not a volume of favourable opinion behind it. We may be absolutely wrong in the conclusion we come to, but it has been considered.

(Sir Alfred Watson): It is only fair to the witnesses to recall the fact that they are going very little, if any, beyond the proposals of the Ryan Committee in 1918, and the change of circumstances has simply arisen because the House of Lords interposed on the Bill and turned down the recommendation.

(Chairman): I quite appreciate that.

5068. (Miss Tuckwell): I will not bother about the surrender value question, because I hold strongly Sir Alfred Watson's view that it is entirely outside the terms of our reference, and I do not see how an insured person should buy furniture for her home as an additional benefit. With regard to this free year of insurance, if maternity benefit was not claimed during the year, do you think it might be given for a confinement during a further year?—Then it would be something like this, that a woman on marriage would come into the same category as any other person ceasing to be employed if she did cease to be employed, with this exception, that she would have maternity benefit for a year after the free year had expired. That would be the amendment?

5069. That is it.—I think I would have to pass that on to the actuary. There is something in it. (Mr. Spurgeon): I think at present we have three dates to consider. One is the date of transfer to Class K, and the period for sickness benefit; a different period for maternity benefit, two years after date of marriage; and still another period for medical benefit. That does introduce a serious difficulty. I would like, if possible, if we retain Class K, to see one period only. (Sir Thomas Neill): If that point may be reserved, we will make a note of it and deal with it when Mr. Spurgeon is here again.

5070. The other matter of which you spoke, Mr. Spurgeon, was the great amount of sickness of women in your Society?—(Mr. Spurgeon): Yes.

5071. You remember there was a Committee specially appointed, of which Professor Gray was secretary, to inquire into the incidence of sickness among women. It had been found that women's societies had difficulty in paying their way, and there was a great deal of evidence to show that their earnings were not sufficient to keep them in good health. You remember that, Sir Thomas?—(Sir Thomas Neill): Yes, I remember, the chain workers, and quite a lot of evidence was given with regard to the conditions of employment. If the Chairman will allow me, it was because of the hopes that these conditions would be altered that we were so enthusiastic about the Act.

5072. The facts were so serious that a Women's Equalisation Fund was raised?—Yes, but conditions have changed materially since then.

5073. You spoke about increased contributions. Do you think women are now in a position to pay more than the contribution they are already paying?—I do not remember speaking about increased contributions.

5074. (Chairman): No?—I am quite prepared to say at once, in the state of the country as it is at present, I would not personally recommend any step which would involve increased contributions or increased taxation.

5075. (Miss Tuckwell): Now one or two questions about maternity benefit. Under the National Insurance Act, and before that under the Factory and Workshop Act, four weeks was acknowledged as being a desirable time for an insured woman to rest after child birth. Do you think that is long enough?—I do not think it is long enough, but, then, my views are not everybody's views. I do not think a married woman ought to have to work at all. Therefore, I am not what you call a fair authority on a subject of that kind.

5076. Supposing in the present unfortunate circumstances of industrial employment in this country a married woman has to return to work, do not you think six weeks is better?—If she can afford it, yes.

5077. What about the period before confinement?—I should say a similar period, but where is the money to come from?

5078. Do not bother about that.—If we do not get ideals about these things and get ready for them you will never accomplish anything.

5079. It was because I saw you felt that that I wanted to get your views. Do you not feel that payment on a higher scale sufficient to maintain mother

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and child is necessary during those 12 weeks?—I do, but I would like to get that from the wages of the man, and improve his condition, so that he could provide for his wife and child on those occasions.

5080. In the interval while the man is not getting more than enough to keep himself?—I cannot conceive any social condition of life that is satisfactory if a man is not able to earn sufficient to provide for his wife and his child at such a time as that.

5081. Is the present state of things satisfactory?—No.

5082. Seeing that what I put to you is desirable what steps do you think we could take to carry it out?—I do not think you can do anything that will increase the drain on the funds at the present moment very considerably because we cannot stand any increase of contributions, and there are limits even to these surpluses.

5083. You see no source from which we could get the money?—I am afraid I could not tell you to-day.

5084. Will you think about it from the point of view of national health and what it is at present costing the nation to have these people in the condition in which they are, and tell us another time?—I will promise to look into it. I can quite see the point, but I am afraid anything I say would be regarded as an ideal that might fructify in years to come, but is not practical politics to-day.

5085. (*Mrs. Harrison Bell*): Having in view the statements that have been made by the witnesses about the desirability of people being maintained in such circumstances as will admit their being in good health, I should like to know whether the payment of a bonus as suggested here would be on the whole less beneficial to the general health of the married women community than the provisions of the Act as they now exist—looking at it entirely from the point of view of the health of the married women community?—In regard to that I can only say we have considered it—we may be quite wrong in our opinion—and we did think that this suggestion was one that was more favourable to the insured women who marry and to their colleagues in the fund than the present system is. I cannot put it any higher than that.

(*Chairman*): I think *Mrs. Bell's* question is a little more specific than that. You may give an answer or you may not. She is asking quite a definite question.

5086. (*Mrs. Harrison Bell*): A definite question on the question of health?—From my knowledge of the people I should say that having the money they are in as good a position to take care of the money as the Approved Society is for them on the average, and I do not think it would be any less beneficial to their health to have £2, £3 or £4, whatever it was, on marriage than that the society should keep it.

5087. Do I gather from that answer that the sickness and maternity benefits of Class K are on the whole of less value than £2?—No, I did not say it was £2; whatever its present value might be.

5088. (*Sir Alfred Watson*): There is still one point that is rather troubling me. Under the existing law if a woman remains in employment and does not go into Class K, then at the end of the year from her marriage the society is entitled to claim a reserve value?—(*Mr. Spurgeon*): That is so.

5089. It occurs to me that if a system were set up under which women either took a marriage bonus or slipped away after the free year, having left employment on marriage, would you not lose the contact with the fact of marriage that you get at present in the case of those women who remain in insurance, and would you not have some difficulty in claiming the further reserve value?—Yes. I should think if a woman married and was not again employed it would probably necessitate an adjustment of the transfer value which would be given up at the end of her free year because of the increased risk.

5090. I do not think that will arise. What does concern me is this: if a woman marries and continues in employment, entitled to ordinary benefits,

and gives you nothing, and is required to give you nothing, to make a record of the fact of her marriage in your books, will you not run a serious risk that at the end of the year you will not be acquainted with the fact that a year has elapsed since that woman married and you are then entitled to a new reserve value of a considerable sum?—If a married woman slipped away, as you say, at the end of the year, and we had no notification of her marriage, we should have no means of claiming.

5091. Now you are supposed to have notification of every marriage, are you not?—We are supposed to have, but we do not get it.

5092. I know. Part of your plan, as you have outlined it to us here, is that certain of the women would not take the marriage bonus, they would take the free year's insurance, and from the point of view of administration it really does not matter whether their marriage is notified or not; you would simply wipe them out of your books at the end of a year from the date of last employment?—I do not think I said that. I do not think I made any reference or any suggestion that it was not important to us to secure notification of marriage in those cases where they do not take the marriage bonus. They would be of great importance. You would have a married woman on a free year instead of a single woman.

5093. Of course you would.—Therefore there must be some financial adjustment. We should still strive to secure notification of all marriages, and we think we should automatically, by means of the bonus, receive notice of a very large proportion of them.

5094. Precisely. It really means this, does it not, that the notifications would come to you in cases where the women wanted the bonus. Where the women either did not want the bonus or did not know, in all probability they would not notify you?—I think we should get notification in the other cases in the same way as we do at present. We should certainly get the bonus cases, but in respect of those who worked after marriage and had another contribution card, we should learn of the marriage as we do at present, by alteration of name. The big centralised societies would receive notification through their representatives, and we should also receive other notifications when applications were made for benefits. It would only be those persons who were not employed at all after marriage and concerning whom our representatives were totally unaware that we should fail to receive notification.

5095. So you do not think you would run any risk of losing the reserve value to which you are entitled by being unable to complete the return of the women who continued in insurance for a year after marriage?—I do not think we should run any more risk than we do at present.

5096. How would you meet the small difficulty that the year is an indefinable quantity having regard to the fact that it is liable to expand by any weeks of sickness that are suffered during its currency?—If we received notification of sickness that would expand the free year and we should in that way get notification of marriage. It is only in cases where there is no employment and no illness that we should run the risk of not receiving notification in time.

5097. You feel confident that you would get notification in the really important cases, those where you want the new reserve value?—Yes. The other cases where there was no employment and no sickness would go out, and we should give up a single woman transfer value at the end of the free year which might or might not date from a date prior to the date of marriage.

5098. (*Sir Arthur Worley*): Sir Thomas, with regard to this question of bonus on marriage, the real reason for the suggestion is not any demand that has arisen for a bonus on marriage, but it really arises, I take it, from the difficulty and inconvenience of administration which you feel, and that the cost of it is wasteful in the machinery that is necessary to carry it out. That is what starts it

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in your mind?—(Sir Thomas Neill): Yes. I might say it was started because of what Sir John Anderson drew attention to, the conditions that existed at the time when we put it forward. We were then working with something that was quite impossible to administer, and we suggested it then. Class K is less difficult than the conditions we had then, but it is still, we think, capable of further amendment and that is why we have brought it again before you.

5099. It is capable of further amendment in the shape of being less wasteful in its administration?—Quite.

5100. Supposing it had not been one of those things that caused you a good deal of inconvenience (not that you mind that), a good deal of embarrassment and what you think an excess of labour, you would not have brought forward this particular suggestion. There has been no demand from women to have a bonus on marriage in place of it?—No, not that I know of.

5101. That has not been in your mind in making this suggestion?—I would not have raised it now only that you are here to receive suggestions.

5102. This is not really done to give the women an advantage; it is really done to release a certain amount of wasteful extravagance, complicated book-keeping, and all the rest of it, which for the amount of benefit involved is a great trouble?—Quite right, Sir, without doing anybody any serious financial injury.

5103. Therefore if you did this you would save that, and that saving would go not towards the particular person involved, but towards the general body of members?—Towards the whole of them.

5104. (Chairman): I gather from paragraph 17 that you would not approve of financing any extension of benefits by an increase of the existing contribution?—That is so, Sir. We consider the present contribution at 2s. 5d. for men—that is, Unemployment and National Health—and 2s. for women is the limit that should be asked for at the present time.

5105. And, therefore, in addressing your mind to additional benefits or other considerations, you have had in mind that there are surpluses now?—Yes.

5106. Your suggestions have been concentrated upon disposing of these surpluses?—Or, if I might put it so, some of the suggestions that we shall have the pleasure of putting before you would have the effect of not allowing them to emerge.

5107. Have you considered at all the desirability of lessening the contribution presently made?—No, because we feel that we are not yet in a position to give to insured persons all we think they ought to have, and if the surplus continues, if it is stable, we shall find more useful things to use it on than any reduction of contribution.

5108. Assuming benefits are extended and the contribution does remain the same, how would you propose to meet the case of those societies who are in consequence found in deficiency on valuation?—From the Central Fund as at present. In addition we hope that this Royal Commission will recommend that something should be done to improve the conditions under which the members of societies in deficiency are working. Something should be done to bring them up to a higher standard.

5109. Is it your view that if there is any margin available within the existing contribution, it is better that it should go in standard benefits available on uniform conditions to the whole insured population than in additional benefits which are admittedly unequal in their application?—I am afraid that is one of those compound questions I would have to think over. It would have to be taken in compartments.

5110. You may take it as you choose?—First of all, there are certain things, as you see in other paragraphs of our Statement, that we suggest might be standard benefits. We think, for instance, that dental treatment should be experimented with. While we do not believe it is possible for you to bring in that benefit in the same way as medical benefit,

because you have not got the experience, you have not got the knowledge to enable a rate to be fixed for it, yet we do think there ought to be some provision made to give every insured person some benefit. To that extent we think this ought to be dealt with as a whole. Beyond that and some other minor things we deal with, we think the surpluses ought to flow to the societies. We ought to keep faith with the public when we advised, "all you people who think you are above the average, get together and you will get the advantage of it," and so on. We think we ought to carry that out subject to the limitation that we suggest to you.

5111. (Sir Arthur Worley): With regard to extension of benefits, Miss Tuckwell asked you whether you agree to extend the four weeks to six weeks on either side of a confinement and increasing the benefit during that period. I understand you would consider that a reasonable thing to do provided we had the money?—If we had the money.

5112. And you think the same thing about dental benefit?—As regards dental benefit, I hope you will allow us to put that before you in greater detail.

5113. You think the same thing about dental, but perhaps not of the same order?—No.

5114. And perhaps there are other things. Therefore your idea is to build up as much as one can a scheme, a perfect scheme, and then to take the parts in a certain order as opportunity occurs?—Yes.

5115. Have you taken into account what the effect of dental benefit would be: it is to be hoped an improvement in health and, consequent upon that in a short time, a reduction of sickness payments?—Yes, that is why we are so anxious to try it. We are going to suggest to you that it should be tried on a scale that will enable the Ministry to control its development and extend it as it is found to be practicable. We do not suggest to you that you should say, "This, and nothing else, will be done."

5116. (Chairman): I do not think we will go into the dental benefit to-night. I know you wish to discuss it in greater detail than we could in the time available. As to medical benefit, I see you suggest that attendances at confinements and illnesses arising therefrom should be included in the contract of service of insurance practitioners. Do we understand your proposal to be that any insured woman or the wife of any insured man should be free to require any panel doctor to attend her in confinement and that the doctor should not be at liberty to decline to do so: that a uniform fee for attendance at confinements should be fixed by the Minister of Health, and should be paid direct to the doctor by the society by way of deduction from the maternity benefit?—I will tell you the object we have in presenting this to you. It is this: we find on the test that has been made that about 73 per cent. of the certificates are signed by midwives and 27 per cent. by doctors, and we see a general tendency among those doctors who advertise their practices for sale to include in the advertisement the information "no midwifery cases." Of course a doctor could not be compelled to attend a woman, that is unthinkable. There must be willing service on the part of the doctor. But we did think that the fee might be fixed, a reasonable fee, and that a woman should be entitled to get attendance from anyone she chose if he was willing to attend her for that fee, so that she is not exploited unduly. In this connection there is a further matter which we desire to put to you, and that is, that consideration should be given to the need for more institutions for maternity cases, and that there ought to be arrangements by which insured persons could have their benefit more readily paid over to these institutions. We do not think from our experience, having regard to the conditions that exist at the time of the birth of a child, that the woman has, on the average, the class of attention she should have, and if there are any means by which we can improve that condition we would ask you to direct your attention to it.

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5117. Is it more from the point of view of the class of attention the woman may have than from the point of view of the fee she may be charged?—We have both elements in our mind, and we think the attention of the medical profession must be directed to the tendency to leave these women in this condition at that time in the hands of midwives.

5118. Apart from this suggestion there is no other material change in the scope of medical benefit that you suggest?—Except this, if it could be done within the contribution, that the uninsured wife of an insured member should be entitled to medical attendance; and we would suggest in that connection that when you come to meet the doctors you might put it to them that the cost might be met by a reduction in a good deal of the clerical work they are doing now, which is very irksome to them. I think you might be able to indicate a bargain that would make it possible, within the present contribution, to get the wife of an insured man medically attended.

5119. Full medical attendance?—Full medical attendance.

5120. Have you any views on the social, financial, or administrative aspects of the proposals to extend medical benefit to dependants of insured persons, or to include in the scope of medical benefit for insured persons specialist treatment and the services of consultants?—There again you come to the question of means. We had Sir George Newman present the other day at a meeting I was at. He gave us a very interesting insight into what was done for school children under the present education system. They are not only attended to for specific ailments, but they are automatically examined each two years of their school life, and, therefore, having regard to the present poverty-stricken condition of the nation, and to the fact that the children are getting this attendance, we think you want to consider carefully whether you are going to embark upon using the existing funds for that particular purpose. Therefore we do not press that phase of the question at all, but we do press for consideration of the wife of the insured man.

5121. Would you care to express any opinion upon the statement sometimes made that the service given to the insured population is of a lower quality than that given to private patients of the same class?—It is just like a lot of other stories one hears. Even in the case of dignitaries of the Church and elsewhere you find there is a great deal of attention drawn to the wrongdoings of individuals. It is the same with medical service. There have no doubt been quite a lot of men who have had no regard to their obligations, but I think the medical profession and the Insurance Committees are dealing with this, and I honestly believe—I may be wrong—that the General Medical Council is very anxious that there should be an efficient service; and until we see the effect of the new regulations and new methods, I do not wish to make any general criticism.

5122. (Sir Humphry Rolleston): When you spoke about new methods did you mean the new regulations?—Yes, the new schedule of duties, the limitation of the panel, the inspection of waiting rooms, the appointment of referees. The whole atmosphere is conducive, I think, if properly handled, to assist the profession to discipline any wrongdoing there may be.

5123. You referred to the desirability of more consideration being given in general hospitals to midwifery. Did you mean by that that these hospitals should if possible undertake a very considerable share of the delivery of a woman?—I am influenced in that not from any knowledge as a layman but from what I have learned from the medical profession who have been identified with these hospitals, and the advantages to the child and mother of having, among that class of people, clean and proper care at such a time. I think it is one of those things that will add greatly to the welfare of the nation.

5124. Do you mean they should be taken into the hospital?—Yes.

5125. Of course you know that there are small delivery wards in most general hospitals now, but you know how small they are?—Yes.

5126. If your suggestion is carried into effect, it would mean the building of a considerable number of lying-in hospitals?—I would not say that, because it is within the knowledge of most of you who know London and round about that there are quite a lot of what we call workhouse hospitals that are practically empty. It is not a question of building; it is a question of getting the available accommodation converted into something that would be useful to the nation.

5127. You know there are other claims on those vacant beds?—In the workhouse hospitals? I am not aware of that. I am only aware of the number of vacant beds.

5128. You said that three-fourths of the cases were delivered by midwives and one-fourth by doctors?—Yes, that is the test we have made. It is such facts that suggest our bringing the matter before you.

5129. You know those midwives are under the direction of doctors, do you not, or do you consider those midwives are responsible for the case, whether it is a simple case which requires nothing more than a skilled nurse or whether it is a case which presents some complication and where it is desirable that a doctor should be there?—What surely happens is this, that the midwife is engaged to attend to the case. Until the event happens she does not know whether it is a complicated case or not, and many things may happen before she is able to call in a doctor. She is bound to call in a doctor if it is complicated, but the question is getting him there in time. A midwife would be satisfactory if the woman had seen a doctor previous to that and he was satisfied that there was nothing in the case that was likely to be complicated and he was available to be called in, but I am afraid that examination before confinement is not a common practice.

5130. Your case would be met if the woman who is expecting confinement came under the observation of a doctor so that he could form an opinion as to whether the case was likely to be simple or otherwise?—It would partly.

5131. You have no desire to eliminate the midwife class?—Not at all. I am only dealing with the cases that we know do exist—the woman working up to within a few days of the confinement and having a midwife to attend her, and then something happening and a doctor having to be found and he does not arrive for some time. I think so long as we are running this scheme and are presumed to provide medical benefit and pay for it at the rate we are paying, we should secure a proper service to the woman in those circumstances.

5132. You thought you might make things easier for the doctors if the amount of clerical work that was demanded of them was reduced?—Yes.

5133. Did you mean by that that they should have to fill up a modified card?—They complain now—I am only dealing with complaints that I have had from several of them—of the amount of clerical work entailed in keeping records. They say that the information they obtain could in many cases be supplied from other sources, and if this were done they would be relieved of a great deal of work.

5134. What are the other sources?—Every certificate that is issued by the doctor in respect of an insured person goes to one of two places, either to the Insurance Committee in respect of a deposit contributor or to the Approved Society. That certificate when it is finished with is of no use. If the information could be scheduled and sent on to the Central Department, showing the experience of all those societies in respect of sickness, whether it was a second sickness or a third sickness, linking them up, you could in my judgment relieve him of a lot of detail. Of course, it would not be complete in regard to those cases where the certificate was what is called a special certificate. Those who have to be

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dealt with through the regional medical officer, but you could relieve him of a great deal of work if you utilised the information which Approved Societies could pass on with very little cost to themselves.

5135. That would be very incomplete compared with the record card which gives the medical history of the patient?—All that he would keep in respect of panel patients would be the record he keeps in respect of private patients.

5136. I do not follow you. I rather gathered you propose to rely on the certificates given?—Yes, but the doctor will have to keep for his own information data as to the condition of the person when he examined him. He cannot treat him without following the development of his disease. He has to keep certain particulars.

5137. He will still have to keep up the medical record card?—Part of the medical record card.

5138. What part do you propose to abolish? The attendances?—I have not seen the card for a long time, so I could not tell you.

5139. What do you propose to do away with—the record card which has nothing to do with medicine, which I believe concerns the Approved Society?—Before I could answer that question I would like to see the card that they do keep. I only mention it because I have been told by the Chairman of the Panel Committee for London. He said: "You get them to relieve us of a lot of this work, and then we could possibly do something more."

5140. Those cards were very carefully considered and the amount of work necessary was reduced to a minimum, and it is definitely to the advantage of the patient to have a record?—Yes. This Act has now been in force for 12 years, and the question is what have these cards been used for, what is the exact value of them. No doubt the Department will tell you that. It does seem to me that the certificates might be used so as to relieve the doctors of something. That would enable you to say, "We will eliminate that, now you will have to do so-and-so."

5141. Those 12 years you mention have been rather exceptional years. Do you know how the records were kept before the War?—No.

5142. Do you know when the present card came into use?—About three years ago.

5143. So really you are only going on three years?—No, they had a lot of details to keep before the War.

5144. Was it not good up to the War?—I have never heard of any real use being made of the details kept.

5145. I see you have the welfare of the profession at heart. At the same time we have to consider the patient?—I would rather have a willing service from the medical man in the interests of the insured person.

5146. You have to have willingness. You have not gathered that they have got reconciled to these cards and somewhat appreciate the value of them?—I would like to see the man. I think he would be an exception. I have not run against him myself.

5147. (Mrs. Harrison Bell): Is it not true that now the insured person can and does as a matter of fact receive treatment from her panel doctor for illnesses arising out of pregnancy?—I think so.

5148. On the subject of making a contract of service with the doctor for maternity cases, have you in mind any sum that might be arranged?—I think it should be reasonable.

5149. Would you tell us what your experience is with respect to the present payment for midwifery and for the doctor's attendance at cases. Does your experience lead you to believe that where the person is known to be an insured person the tendency is for the fees to be higher than if the person is not an insured person?—I believe that is often the case.

5150. You have quoted to us the services that have been brought to your notice by Sir George Newman, and you have suggested that we should try in regard to further benefits to keep within the present contribution. In the event of maternity services not

being compressed within the limits of the contribution, would you favour some such method of providing them as is adopted in the case of the health of school children?—I do not think so. I think if this thing is properly handled and nobody takes an undue amount out of it, it ought to provide reasonable provision for medical attendance on women in their confinement.

5151. (Mr. Cook): You have expressed the opinion, Sir Thomas, that the present panel system is, generally speaking, satisfactory?—Yes.

5152. You represent a good many millions of insured persons. Have you had complaints from your members that in many cases this panel system is unsatisfactory?—We have complaints.

5153. And yet in face of these complaints you still hold the opinion that it is satisfactory?—Yes, because when you realise the number of medical men that are on the panel—approximately 12,000—and the manner in which the system was brought into being, and that every doctor who is qualified is entitled to go on to the panel, you must allow some time for discipline to be effective.

5154. Do you think it is at all likely that preferential treatment in the case of some doctors will occur: that they will prefer private patients to panel patients?—Yes, I think that is quite natural, knowing human nature to be what it is.

5155. In the interests of the health of the whole community, particularly the working-class community, do you think it would be advisable in extending medical benefit that provision should be made for the families of the insured person?—I have answered that question.

5156. (Sir Humphry Rolleston): I should like to have it clear whether the answer to the effect that it was human nature was based on intelligence or information?—I should say on both.

5157. (Mr. Cook): In reply to Mrs. Bell you suggested that in your opinion, at any rate, consultative and preventive treatment could be provided under the present arrangement?—In my reply to Mrs. Bell in regard to maternity cases I was thinking of the doctor. The consultant, as we understand it, was not included in that question.

5158. You did limit your answer to that particular point?—I did.

5159. Apart from that, I hope you will agree it is desirable that there ought to be extended benefit in the direction of providing consultative and preventive treatment which is not at present given?—I imagine before this Royal Commission finishes it will recommend that the Government should provide at convenient centres specialists who might be consulted by the panel doctor, and proper machinery for laboratories, and so on, where they will be able to give to these insured persons a really efficient service. But I think that is due to them from the nation. I do not think at the present time they can pay contributions sufficient to carry that.

5160. As a matter of fact, your own Society and other societies are able to give a certain measure of treatment of this character out of their surpluses?—I dare say we could do it if we dare, but there are very few people doing it.

5161. It has been done by a good many societies?—What we are doing is to contribute out of the surplus to hospitals and to convalescent homes and for dental treatment, but there is nothing for consultants, except in very rare cases.

5162. (Miss Tuckwell): It is a fact, is it not, that either the Prudential or the National Amalgamated give additional cash benefit?—(Mr. Spurgeon): The Prudential does.

5163. Not the National Amalgamated?—(Sir Thomas Neill): We do not.

5164. (Professor Gray): Do you contemplate that treatment at a confinement shall be made automatic as part of medical benefit, that is, deleting the condition in the agreement with doctors, or do you contemplate that the prescribed fee to be paid for confinements shall be fixed?—The prescribed fee should be fixed, because I do not see how you can

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compel a panel doctor to attend a woman on the panel unless she wishes him to do it and he wishes to do it. I do not think at the present time you can do it. But I think if she can arrange with the doctor the fee ought to be fixed.

5165. This is not really a proposal for the extension of medical benefit; it is a proposal for restricting in a sense maternity benefit by prescribing the fee to be paid to the doctor or the midwife?—Yes. But I would prefer to carry it further than that if it could be got in agreement with the doctor. A woman should have the right to have a doctor provided she can get somebody to attend to her, and I think it ought to be realised that the falling off of the attendances of doctors at confinements is a very serious matter.

5166. If you had a prescribed fee would you allow a different fee for a doctor and midwife?—Yes.

5167. If attended by a doctor the fee would be so much, and if attended by a midwife the fee would be so much less?—Yes.

5168. And leave it to the woman to fix up the arrangement?—Yes.

5169. That is what happens now, except that the fee is not prescribed?—Yes. Attention should be directed to the number of women who have not had a medical man at confinement, notwithstanding the large amount of money that has been paid to the Profession.

5170. In spite of what you said to Sir Humphry, you really want to restrict midwives, you think there are too many of them?—I do not say that. I think there are too few women who get the attention of a doctor at that particular time. (Mr. Palmer): I think we might say the fixing of a fee would automatically have the effect of giving preference to the doctor as against the midwife and there would be perhaps a better service.

5171. Would you have some fixed fee?—Yes. (Sir Thomas Neill): The point that Mr. Palmer makes is, the woman or husband is afraid to call in a doctor because of the fee.

5172. If you fix 30s. for the doctor and 10s. for the midwife—I am taking arbitrary figures, any figures you like provided there is a difference between them—would not there be an incentive to take the midwife and save the difference?—Yes. (Mr. Palmer): This does not involve fixing the midwife's fee. My point is if you fix a fee for the medical practitioner which is a reasonable one the preference would go there. If she adopted other means that is outside our control.

5173. You think if the doctor's fee was reasonable, quite apart from what a midwife might cost, the insured person would take a doctor?—(Sir Thomas Neill): I think so in many cases.

5174. There is nothing in the suggestion, is there, that in certain areas there are not enough doctors to do this work so that you must fall back on the midwife?—Yes, you have to fall back on them, but a satisfactory service would provide for a consultation with the midwife and the doctor would let her know whether there was anything he thought was abnormal.

5175. The other way in which I gathered your proposal was intended was so to modify the contract of service with the doctors that treatment at confinement would become part of medical benefit?—Yes, if we could get that. We have made an arrangement with the doctors so recently that it is very difficult to make any new suggestion.

5176. They would charge more?—They would charge more.

5177. And that would only cover the insured woman and not the uninsured wife of an insured person?—That is so.

5178. (Mr. Besant): Does "midwife" mean certified midwife in all cases?—Yes.

5179. (Mr. Jones): I am afraid I have got some rather conflicting impressions from your answers. I think you first defined this as a complete maternity service to the insured woman, and also to the wife of

an insured man. Am I right in that?—I was speaking of the extension of Medical Benefit to the dependants of insured persons, and I said we had hopes that you might get the uninsured wife of the insured man included. That is that phase of the question. Then as regards maternity, there is the insured person who has a panel doctor and who may wish to consult him for the purposes of attending her at confinement. We want a fee fixed for that so that it will be a reasonable fee. Those are two distinct matters.

5180. Two answers that you gave to the Chairman, one at the very beginning and the other almost your last answer, seem to me to contradict each other. Do I understand your evidence to be, so far as maternity is concerned, that the insured woman and the wife of an insured man should have medical attendance during maternity?—If we can get it within the present contribution.

5181. You have quoted figures to the effect that 73 per cent. of your maternity cases are cases attended by certified midwives?—Of the test we made, yes.

5182. That is quite a good proportion. I am in a position to know the nature of the attention at every birth in the City of Glasgow. For the whole city it is 60 per cent., and taking a typical industrial area it works out at about 80 per cent., some a little higher, some a little less. That practically confirms your figure. Have you any complaint against midwifery service by the midwives? Do you regard it as inefficient?—Personally, I do not.

5183. Is not maternity a natural function?—In some cases, yes.

5184. Is it not sufficiently met with under present circumstances by an efficient midwifery service?—If the case is a normal one I quite agree.

5185. Your purpose would be met if provision were made for the extension of medical service to cover special cases?—My difficulty in answering that question is, how are you to know the special case unless there has been an examination before the event?

5186. That is another point. In your statement you talk about attendance at confinement. That raises the question of ante-natal treatment. I will come back to that. Are you aware of the provisions under which midwives work at the present time? They are under the supervision of the Local Authority working under rules laid down by the Central Midwives Board?—Yes.

5187. That supervision is very strict?—Yes.

5188. The rules are pretty wide and they specially provide that in the event of anything the least untoward occurring it is the duty of the midwife to call in a doctor?—Yes.

5189. If she calls in a doctor the fee at the present moment is paid by the Local Authority who have power to recover it from the person if they can. Your proposal would be met, would it, by an alteration of the present arrangement with the Local Authority so that that charge might be borne by insurance funds?—I was not really thinking of new ways of spending money, but having regard to what I have said of the need for this service, I think that would be quite reasonable.

5190. That would lead to a duplication of arrangements for the same service, would it not?—No, because your Local Authority doctor, the Glasgow man, would not appear on the scene at all if the case was done under contract with the panel doctor, so there would be no overlapping there.

5191. The doctors that are called in are, I am sure, in practically all cases already panel doctors?—In my case he would be the doctor who would attend to this woman in that condition.

5192. The family doctor. You also mentioned examination before confinement?—Yes.

5193. That, I think, is very important. If you placed all this burden on your existing staff of medical men in an area, would it be possible for them to undertake that work and any extra work that you think they might do?—I think so.

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5194. That is a matter of practical politics on which you would require the advice of the doctor?—I think so.

5195. I will not follow that at the moment. In regard to payments to hospitals, what is your suggestion there? I am thinking of maternity hospitals or hospitals doing the work of maternity hospitals?—The suggestion I make there is: we have one or two of them where the insured person arranges to go into hospital and arranges that a certain portion of the money should be paid to the hospital. That must in my judgment be examined carefully and new regulations should be made by which it would be easier for the hospital and the society and the insured person to co-operate than it is at present.

5196. Most of these hospitals are voluntary institutions. How would they view a plan that was more or less compulsory?—I do not say it should be compulsory. I say the further you can extend it, until you have these places for women established by the Local Authorities and run for that purpose, the better; provided you pay them a reasonable charge for the accommodation.

5197. I know this system does work quite happily in the City of Glasgow?—And in Edinburgh.

5198. Have you any experience of that arrangement elsewhere?—There is another place, I forget where it is. Those are the two chief places. I happen to know of Edinburgh because of my acquaintance with Dr. McVail, who was interested and was one of the Insurance Commissioners.

5199. Can you give us any indication as to what would be a reasonable proportion of the total of your

present maternity payment that might be allocated either to a midwife doing the service, or to a doctor doing the service, or to a hospital providing the whole treatment and maintenance during the lying-in period?—I think you must take into consideration what the present charges are. I think it is common knowledge that the Insurance Act—and I suppose the cost of living—has increased the charges of the medical man, and what would have been a reasonable charge 10 or 15 years ago would not be regarded as a reasonable charge now. I do not think you could ask a doctor to give the service for less than about two guineas. I think you have to exhaust one of the maternity benefits.

5200. If you extend it to all these persons as part of medical benefit, would you condescend on an individual fee at all as far as the doctor is concerned? Would you not rather cover it by a capitation fee to the doctor?—No, I do not think the medical profession would accept that.

5201. It would be a very simple matter perhaps?—I do not know, but I do not think this arrangement would allow it. The doctors have always, in my experience, excluded maternity treatment from medical benefit.

5202. Up to now they have?—Yes.

5203. They might be induced nowadays to take a different view?—They might. I would not suggest that it is impossible.

5204. You would not feel inclined to condescend on an amount that might be paid beyond that indication of two guineas for the service?—No.

(The Witnesses withdrew.)

ELEVENTH DAY.

Friday, 19th December, 1924.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
SIR HUMPHRY ROLLESTON, BART., K.C.B., M.D.,
P.R.C.P.
SIR ALFRED WATSON, K.C.B.
SIR ARTHUR WORLEY, C.B.E.
SIR ANDREW DUNCAN.
MR. JAMES COOK, J.P.

MR. JOHN EVANS.
PROFESSOR ALEXANDER GRAY.
MR. WILLIAM JONES.
MRS. HARRISON BELL.
MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
MR. J. W. PECK, C.B. (*Assistant Secretary*).

Sir THOMAS NEILL, Mr. E. F. SPURGEON, and Mr. E. T. PALMER, recalled and further examined.
(See Appendix VI.)

5205. (*Mr. Evans*): Arising from paragraphs 18 and 19, I note from remarks you made, Sir Thomas, that you had complaints from members of your Society that the medical service given was not quite satisfactory. What is your view with regard to a State medical service?—(*Sir Thomas Neill*): I come to this question of a State medical service possibly prejudiced by my early experience, being born in Ireland and seeing the dispensary system of Ireland working amongst the poor there. I have been an opponent of that class of service all my life. I think it is not fair to the man who is administering it. With the system as we have it here there is the opportunity of the medical man treating insured persons as private patients, acquiring all the knowledge that he gets by sending patients in certain circumstances to the specialist, and seeing the case develop. He has a variety of experience of different

types which a State medical service possibly would not give. And you are providing for the insured person the same class of treatment by the same class of man as the uninsured person is getting, which gives a quality of service of high value.

5206. I thought I heard you say yesterday that panel patients did not always get the same treatment as private patients did?—I am afraid you must have misunderstood me. I said in certain cases there were complaints, and having regard to the large number of men—every man who qualifies has a right to go on the panel—I think there is possibly no greater number of mistakes than in any other calling where you get the same number of men with the rights they have.

5207. To what extent are you prepared to go? You said you want to emphasise the human side more than the business side?—Yes, it is because of that

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[Continued.]

that I want to avoid a State medical service; and because I want the insured person to have the same class of man to attend him as the man next door or in the next street who is not State insured. I am afraid I am not making it perfectly clear, but I feel the distinction myself quite definitely.

(Chairman): I quite see your point.

5208. (Mr. Evans): One other question (there is no paragraph that covers it, but it relates to medical benefit). If a member of your Society who has been examined by the regional medical officer is certified to be fit for light work and there is no light work available, what do you do? Do you continue paying benefit?—That depends entirely on circumstances.

5209. Take the circumstances I mention?—The man is certified for light work; the question is what sort of light work can he do? What is it that is the matter with him? We say: "Well, now, within a certain time, two months or three months," according to the degree of incapacity at the moment, and according to what he has been doing, and what he has been suffering from, "you ought to be fit to find something." Each case is dealt with according to the facts relating to that particular case.

5210. Supposing there is no light work available, no suitable work, does benefit cease?—If there is no light work available and the man is fit and gets a reasonable time to find light work, then I think he naturally goes on the unemployment register, because he is available for work and work cannot be found for him.

5211. I have a case in mind: a man 65 years of age spent the whole of his time as a miner; apparently for a man of his age he has been in fairly good health, but quite unable to carry out his work as a miner; he is examined by the regional medical officer and he is certified as being fit for light work, but there is no light work anywhere in the neighbourhood for him, nothing that is suitable. Would you in such a case strike that man off?—At the end of a time we are bound to. The point is this: we are not contracting parties, that is to say, the management is not a contracting party with this man; he is one of a body of members in a common fund; that money belongs to the whole of those members and has to be administered according to certain defined rules and regulations. It is not a pension fund, nor is it a benevolent fund.

5212. What about the human side?—We have extended the human side to the limit we can go, that is, to allow a reasonable time for the man to find something else.

5213. Who decides what is a reasonable time?—The Committee of Management decide on the facts, and the man, if he has any grievance and is not satisfied, can have his case heard by referees appointed by the Board of Health in Scotland or by the Minister here.

5214. I am not quite satisfied. A man of the age I mentioned might have been on the fund two or three years?—Yes.

5215. His chances of getting unemployment benefit are very remote; as a matter of fact it is almost impossible?—Yes.

5216. Because he has not made the contributions that would entitle him to benefit. That man, if he is to be struck off by you, is left?—My suggestion is that you should re-examine the Act and constitute another benefit out of the contributions for benevolent purposes in respect of people who are fit for work but for whom work cannot be found.

5217. We have had conflicting replies from witnesses.—I can only speak from my own experience.

5218. That is how you deal with them in your Society?—That is so.

5219. (Miss Tuckwell): Sir Thomas, to go a little further back than the regional medical officer, when the panel doctor has dealt with the case and it has been decided to send it to the regional medical officer, how long does it take to get it to him?—How long is the period between notification to the member and

his being examined by the regional medical officer? That depends largely on the locality in which the insured person resides. It may be only two days or three days, if it is in a district where they have not to make appointments; but if it is in a country district where the regional medical officer goes once a week and takes a group of cases it may be 10 days, or in an extreme case a fortnight, before we get back the report. That has all been altered now. They are appointing spare-time referees in these districts, and I think in a short time you will be able to say that within a week at the outside from the time when the person is notified he will be seen by the regional medical officer.

5220. Do you have many cases in which people declare off rather than be seen by the regional medical officer?—I am afraid we have a very considerable number, but there again you cannot take all those that declare off as people that would not have declared off in the ordinary way. Every week, every day, there is a termination of sickness, so that between the time that you notify them and the time they have to appear they may in the ordinary way decide to declare off. You cannot take it that all the people that do not turn up to the medical referee are people who are afraid to go to the medical referee. That would be most unfair to the insured people.

5221. We have had official evidence that there are pregnant women who shrink from examination and declare off because they are afraid?—I can understand that, but I have no experience of it. I dare say it is true with people who do not know the value of getting a second opinion.

5222. Do you think it would lead to much loss of benefit?—No, I do not. I think as soon as the function of the regional medical officer becomes known, that is, that he is not there to declare people off the funds, but is there to give a second opinion and to assist the panel doctor by his greater knowledge as to how the case might be dealt with, you will find the reluctance to go, even in the case to which you refer, will cease.

5223. But you are of opinion that it is a thing that would happen. We know it does, but you do not know of it personally?—I think it is largely due to lack of knowledge of what the function of the regional medical officer is.

5224. You take, I think, a very wide view of what medical service ought to do for national health. I should like to get from you whether you feel that the services of the general practitioner are sufficient?—You look at these things from a different point of view. Perhaps I may explain the way in which I see it. The Government, I understand, are continuing research work. All that flows from that should in some way be linked up with the panel system, that is to say, the panel doctor should have means of getting all the information that is discovered; but I think that phase of it at the present stage should be dealt with by the Government. I want to put it in this way, and I am glad you raised the question, because I should have dealt with it sooner. The insured persons are ratepayers and ordinary citizens, and pay their rates and taxes, and, therefore, they are entitled to the consideration from the Government that any ordinary citizen should have. But in addition to that, whether they work a day or a week, there is a certain amount of money deducted from their wages for these special services, these individual services, and, therefore, I think that as this question of research and kindred matters are properly a Government question, there should be some means of linking up the knowledge that flows from that with the doctor for the advantage of these insured persons.

5225. I appreciate that. I was thinking of the extension under your scheme to specialist services. Because there are many cases in which the general practitioner cannot entirely deal with a case. You favour the bringing in of specialist services also?—I should, but I should not say that in addition to paying for his own doctor, and paying for his own

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[Continued.]

medicine, and paying for all the things he does pay for under National Health Insurance, that he should also as a citizen have to pay for that specialist service. I think it ought to be provided from some other source; he should not have to pay for it out of his contribution.

5226. A question was put to you about clinics in any comprehensive scheme. Would it not be desirable to link up the whole medical service, clinics and other centres, with the service about which we are talking?—I think in time that will come.

5227. But you would like to hurry it?—I think that we have been doing so much hurrying and changing from one method to another, and the medical service has been under such recent review, some sympathetic and some not, that a time of evolution would be very helpful to establishing a good service. I do not think we have had a fair run with the present panel practice in peace and quietness to see really what it will do under these new regulations, and I would not be inclined to advocate it being extended for the present.

5228. Did it not start in 1913?—It did, but it was born in a hurricane or cyclone, and then the war came. I should not say that the medical service under the panel system has had a chance to function peacefully until about six or twelve months ago when this last arrangement was settled satisfactorily to the medical profession.

5229. How long do you think doctors want to function peacefully before progress can be made?—I think they are very anxious about progress.

5230. If they are anxious how long will it take them before this larger scheme can be started?—I do not think it will take long. If they are allowed a peaceful run for three years they may have developed a lot of ideas.

5231. You think that in three years persons like myself might contemplate a really big scheme which would bring in specialist services and clinics and rope in everything which would really conduce to what you have at heart, the national health?—When one sees such an institution as there is in Brook Street where specialists of various types attend and patients are assigned to one or the other according to their complaint, when you see those at the top of the profession dealing with the problem in that way I am hopeful that it will work its way down till we get something of the kind established in centres where it is practicable.

5232. What you really want is that the top of the profession should be available for everybody?—Yes, and it will come.

5233. If we are patient for three years?—I will not say for three years. I want to defer a definite answer as far as I am concerned for that period. I do not put it higher than that.

5234. With regard to a State medical service do you think Ireland is quite a fair country on which to form your judgment of a State medical service?—No. I think Providence must have some spite against it in many respects. Perhaps you are quite right, it is not fair, but one can only speak from one's own experience.

5235. (Chairman): As to additional benefits, I gather from paragraph 20 that you take the view that sickness benefit should not in any case be allowed to exceed 20s. a week. Would you explain to us your reasons for this proposed limitation?—We think there are more important things that the insured person requires and could be supplied with if there was money available—dental treatment, optical treatment, surgical appliances, convalescent homes, and attendance in hospitals. Excessive cash increases really would fritter away a fund which could do some real good. You might say that you are expending money on these individual members as against giving increased sickness benefit to the whole of the members, but we are suggesting that it should be spent in that way because it will reduce the general sickness rate and will ultimately enure to the benefit

of all members. It is just a suggestion begotten of experience of what we think are the relative values of different benefits.

5236. In the matter of additional benefits, have you heard much in the way of complaint from insured persons who transfer to and from your Societies as to their loss of additional benefits on transfer, and the length of the waiting period before they qualify again?—I have only heard it by reading the evidence given before this Commission. (Mr. Spurgeon): I have not heard it.

5237. Do you advocate the retention of the present waiting period of five years?—(Sir Thomas Neill): I do.

5238. Have you considered at all the possibility of the transferring member bringing with him a special transfer value in respect of additional benefits and so avoiding the need for a waiting period?—I have thought of it as a layman would think of it, and I do not think well of it. I think it would be a mistake. If a society is doing well a man does not wish to leave it unless possibly he is led to believe that he will do better by going somewhere else. There is, of course, the question of removal, but we remember that in the old days of Friendly Societies if a man moved away from the centre he still remained a member of the society and the society made arrangements for keeping in touch with him. That applies to-day, so that even in the case of removal there is no necessity for him to leave the society. I confess I do not see the hardship which would justify us in offering you any recommendation to change the present system.

5239. As to dental treatment, I observe from paragraph 22 that you consider it is desirable that a measure of dental treatment should be available to all members of Approved Societies, and that it should be financed in a certain way, which you describe. Do you consider that the method you have suggested is preferable to the alternative of simply assigning a certain part of the contribution to this benefit as a normal benefit and meeting deficiencies on valuation from the Contingencies Fund and the Central Fund in the usual manner?—We have very strong opinions that ours is the better way of dealing with it, and when we come to consider that matter in detail we will present them to you. We feel, putting it shortly, that there is not at the moment sufficient knowledge of the extent of this liability, or of the people who will have to be dealt with, and there is in our judgment no means by which you can provide this as a guaranteed complete dental service on the present contribution without risking the whole stability of the present fund.

5240. That is to say you have insufficient experience of the fund to envisage the liabilities of the fund?—What we see gives us cause for proceeding cautiously.

5241. If any of your constituent societies are already giving dental treatment either as an additional benefit or under Section 26, perhaps you could give us some information as to the amount expended in this way and the scale on which the benefit is allowed to the insured person?—Yes, we can do that in respect of three societies in the group who are providing dental treatment. Shall we deal with it now?

5242. Do you propose to put in a paper or are you leaving it to the individual societies?—I am leaving it till we come to deal with it. I have not prepared anything except the facts.

5243. You suggest that 1d. per contribution would support a benefit of 100 per cent. of the first £1, and 50 per cent. of the remainder. Is there not a danger that under this arrangement some of the poorest members who might be most in need of the benefit will not be able to find the necessary balance?—That is a contingency, but we do say that when you find the first £1 and 50 per cent. of the remainder as against nothing you are surely making, as an experiment, a large advance. That is the point. We think it is much better that you should try some experiment which you have a reasonable hope of

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carrying out rather than that you should say: "We will bear the whole of the cost," and in the course of the year find the applications are so many that you have to stop at the end of June or July and do nothing more for the remainder of the year. That is most unfair to the people who claim within the latter period. Then they come in and absorb in a few months all that there is for the next year. We are trying to measure just what it would be possible to promise and possible to fulfil.

5244. Out of the funds?—Out of the funds that we think could be created in the way suggested.

5245. (Sir Alfred Watson): In reply to the Chairman you said that as far as cash sickness benefits are concerned you would deprecate anything that tended to fritter away the fund that might otherwise do some real good. Do I understand from that that you do not regard sickness benefit as doing real good?—I suppose the answer I gave is open to that criticism. I did not mean that. I meant that the additional 1s. would not be equal in value to that 1s. spent on preventive treatment.

5246. It might be several shillings?—We go up to 5s.

5247. When you consider the needs of the sick person (I will take the married bread-winner of a family), he has to pay his rent, he has to pay for the heating of his home, and he has to provide himself and his wife and children with food, clothing, and so on. Is not a sickness benefit of 15s. a week rather a poor provision?—It is, but it is a great improvement on nothing.

5248. I know. If you are in a position to pay 20s. a week to that sick man, is it not a great deal better to use your money in that way rather than to spend it in providing optical treatment, that is to say, spectacles for men who are in full work, or to provide pleasant little holidays under the designation of convalescent home treatment?—I was not thinking of spectacles. I was rather thinking of the man who was suffering from some disease which if not attended to would possibly mean that he would lose the sight of his eyes altogether, and I was also thinking of the many surgical cases where a man could not perform his duties even after he recovered from incapacity unless he was provided with a truss or artificial leg. We have, unfortunately, many such cases. I was thinking of those cases where, whatever you paid the member by way of cash, he would still require some expensive surgical appliance before he could start work again.

5249. Are there not many other beneficent agencies that help in that sort of thing?—There are, but they all require payment. Our group of Societies contract with the Surgical Aid Society and we get for the members appliances at first cost. We are very well treated in that respect.

5250. It comes to this, does it not, that with a limited sum of money you cannot do everything you would desire to do?—That is so. In other words, the picture that was in my mind, as you are speaking about the bread-winner, was that as the week's wages come in he has to say: "Very well, how much can we spend on bread, how much on coal, how much on other things?" It is a question of how you apportion a limited sum so as to give the best service to the family or to the individual.

5251. Supposing this Commission were to come to the conclusion that the maintenance of the sick person and his family was the first consideration, and that sickness benefit ought to be 20s. a week for everybody instead of 15s., what would you say to that?—I would say if you can give him 20s. a week instead of 15s. and also give us the money for additional benefits, I would endorse that most heartily.

5252. I said supposing this Commission came to the conclusion that that was the first consideration, and that with or without an increase of contribution we must aim first at increasing sickness benefit?—I would say, speaking from my own experience in the National Amalgamated during the

last nine years, I should like to be relieved of any responsibility of continuing to administer insurance if there was no fund by which relief could be given in respect of these other things. Without the means to assist, no one with any concern for his fellow creatures could stand the cases which continually come to us requiring treatment benefit and not money. I am not going to take up the time of this Commission by telling you of these cases, but they would be very interesting if you were examining this problem in detail.

5253. I gather that in your view sickness insurance cannot be successfully administered without the supplementary provisions?—I do not think sickness benefit can be successfully administered without certain additional treatment benefit, including medical treatment, medicine, dental, optical, nursing, and in the case of those who are physically disabled, the appliances necessary to set them on their feet.

5254. May we set aside medical treatment and medicine because we are not discussing that? It is common ground that that is essential.—The other, we say, is equally important.

5255. That being so, how do you account for the fact that without these supplementary provisions sickness benefit was successfully administered by the Friendly Societies of this country for 100 years before National Insurance was thought of?—Because they were administering sickness benefit to a class of people who had the tradition of making provision for themselves. You had not the same class, you had not the same strata of membership that you have to-day; and the Friendly Orders were very careful to see that they did not overload their funds by taking women members and more particularly married women members. The problem was very carefully watched in those respects.

5256. Are you quite sure of that? Are you speaking there from your personal knowledge?—From the reports I have read.

5257. I am putting these questions to you with some personal knowledge of my own. Is it not a fact that the Friendly Societies drew much of their strength from almost the poorest class in the country, namely, the agricultural workers?—Yes, but the agricultural labourer was regarded as a very good proposition, and in some of the societies that have rural workers only I think that is maintained up to the present. What it will turn out to be when they get older will be, of course, another matter. I think if we are making this comparison we ought also to ask whether, when the National Health Insurance Act came into force, all those societies were solvent.

5258. The fact is that they did start 100 years ago, and had to take the risk of fixing a contribution for an unknown liability?—I am only putting it, that if there is a comparison it should be a complete comparison.

5259. You agree that agricultural workers and people of that type were not in a position to provide themselves with convalescent homes, trusses, appliances, optical treatment, and that kind of thing?—Quite, but I say they are a different type of person from what we have in the main to deal with at present. The builder's labourer, casual workers of all sorts, the dock labourer, and the porter who handles large quantities of stuff, are running risks, and are subject to strain and require attention that did not apply at all to that group.

5260. You are assuming that the dock labourer and porter and all those people were not members of the old Friendly Societies?—Quite.

5261. You would be surprised, I expect, if you found that in the dock areas some of the Affiliated Orders were very strong?—I dare say they were, but what is weighing with me in the answers I am giving is the fact that there were 11,000,000 people outside that provision when the Insurance Act came into force, and so far as they were non-manual workers were earning less than £3 per week.

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[Continued.]

5262. You made a suggestion that Approved Societies should be compelled to restrict the provision for additional cash benefits to not more than two-thirds, broadly speaking, of the disposable surplus. In the next paragraph you make a recommendation as to dental treatment, which if I understand it properly, would materially reduce the amount of disposable surplus by creating a new statutory benefit. You say the money is to be given to the societies for the administration of this benefit, and if it is not used in that way it is to be used in other treatment benefits; so that, whether it is dental or whether it is other forms of treatment benefit, you first of all cut down the surplus very materially by making this new provision, and, having done that, you then proceed to say that societies shall still limit their cash benefits to two-thirds of whatever disposable surplus they have under those changed conditions. In other words, you take two bites at the surplus for treatment benefit before you allow the society to give anything in additional cash benefits?—That is quite correct. We say that this question of dental treatment, from the experience we have of it, is such that it should be dealt with, so far as it can be dealt with, on experimental lines. We then say, in effect, that as these rich societies will still have, after that $\frac{1}{2}$ d. per contribution is taken away, a surplus, there should be other additional benefits provided. We do feel from the experience that some of us have of sickness and disablement—as you will see when you get the details before you of, say, two of the largest societies—that there is much to be said for prevention, because sickness and disablement amongst women are beyond anything that was thought to be possible when the Act was introduced.

5263. This dental benefit and the State grant will take away from the benefits that can be given out of surplus in the course of five years the equivalent of about 13s. 4d. a member; that is in a case where the normal number of contributions is received. It is a very serious cut into the surplus, is it not?—It is.

5264. Having done that may it not be the case that many societies, especially in rural areas, will find that their members do not require any more expenditure in treatment benefit than this new arrangement would provide?—If the Commission would accept the scheme of deducting $\frac{1}{2}$ d. per contribution and applying it as is suggested here, then I think we might reconsider the question of limiting cash benefits. But there is still the question of optical treatment: there is still the question of convalescent home treatment, notwithstanding those who go there for a summer holiday. There are really genuine cases that have to be met.

5265. I quite realise that. I am not suggesting for a moment there are not. In your own scheme you contemplate that there will be cases where the society will not require to spend in dental treatment the whole of the money provided for dental treatment?—Yes.

5266. And therefore there will be a balance over in such cases?—In such cases, but they will be few, I think.

5267. There may be other societies which feel that they are quite competent to administer the ordinary benefits of the Act, that they know and are accustomed to, but yet may feel themselves unequal to administering all kinds of alternative types of treatment benefit, and may at the same time feel that their members are a class that do not really want those benefits. If those societies, having already made provision for dental treatment on the assumption that we adopt your suggestion, want to pay the whole of their truncated surplus in cash benefits, is there any reason why we should interfere with their liberty to do so?—I can imagine no one transacting National Health Insurance business as administrator, who would not be glad if this scheme was adopted whereby

they could give relief to their members. I can visualise, for instance, the bank clerks' Approved Society, and certain types of society of that kind, where possibly this would be looked upon as something superfluous. But for the moment I was not thinking about that type of society, which, after all, are not very great in numbers. I was thinking of the millions that we have to deal with who were never in any society till they joined these Approved Societies and of the conditions under which they work and the terrible mark of their calling that is upon many of them. We are dealing with a population to whom dental treatment was never before available, and it will be some years before the need is satisfied.

5268. Of course, everybody who has worked with you, Sir Thomas, knows the depth of your sympathy for the particular class of people with whom you come into contact through the societies represented in the Conference. We, however, have to think of every class of society?—Quite.

5269. What I am asking you is whether you do lay stress on this little measure of compulsion, this interference with the liberties of societies to spend their money, the money that is left to them, assuming your other scheme be adopted, in the way they think best?—I think we would be content to leave it like this. With the Minister rests the final decision as to how surpluses shall be applied. All that we can do is to tender to him, through you, our recommendation as to what we think would be the best way of dealing with the matter, but we are not going to make any trouble over it if we can only get the scheme of dental treatment which we are asking for.

5270. As regards dental treatment, I notice what seems to me to be a curious provision, that the money first of all goes from the societies into the Central Fund, and, in the first place, so much of it as is necessary to meet the deficiencies in societies is in a sense pooled. Then the balance that is not required for deficiencies is to be handed back to the societies earmarked for dental treatment, or, if not required for that purpose, for other forms of treatment benefit?—As prescribed.

5271. I want to know what prompts you to propose that after the money has been paid into the Central Fund out of the contributions of insured persons, the balance not required for deficiencies should be handed back to the individual societies on an apportioned basis instead of being distributed in dental treatment either by the central body or by local bodies, such as Insurance Committees?—I should like to take you over what we think will happen. First of all there must be, we believe, a reasonable qualification for dental treatment. We assume there is not sufficient money available at the present time to allow every person on entering into insurance to be eligible: anyhow we do not contemplate that it would be possible that every person on coming into insurance will be free to get dental treatment immediately. Therefore we are of opinion that the society's records will have to be consulted when the member applies for benefit. The society alone will be able to give the necessary authority to the member to go on to the dentist of his choice. Additional cost would necessarily be incurred if some other authority had also to keep statistics which the Approved Societies must have in any case. That is the first step. Then we anticipate that there will be societies who, through excess of sickness or other causes, would have a deficiency in any case even if they did not contribute this $\frac{1}{2}$ d. per contribution. The result of the extra contribution will therefore be a greater deficiency, and this will have to be met out of the central pool.

5272. That we understand.—Then I want you to see that what goes back again to societies will not necessarily be $\frac{1}{2}$ d. (Mr. Spurgeon): It will not be.

5273. Not under the scheme?—(Sir Thomas Neill). Oh, no. First of all you liquidate the deficiencies, some of which have been created by this proposal.

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5274. Never mind what has created them, there they are?—And they are liquidated out of the proceeds of the $\frac{1}{2}$ d. contribution.

5275. Out of the product of this $\frac{1}{2}$ d.?—Very well. Then when the deficiencies have been liquidated you cannot have a $\frac{1}{2}$ d. to return to all societies.

5276. Of course you cannot. Let us say you have $\frac{1}{2}$ d.?—Our scheme visualises that out of this fund an equal contribution per member will be paid to societies, whether in deficiency or surplus. The members of a society in deficiency will be in the same position as regards treatment as the members of the society with a larger surplus.

5277. That we understand too. The idea is if $\frac{1}{2}$ d. out of $\frac{1}{2}$ d. extinguishes the deficiency then you hand back to every society without regard to its actuarial position $\frac{1}{2}$ d. per member?—Quite.

5278. My question is, why hand that $\frac{1}{2}$ d. per member back to the society instead of providing for the administration of this benefit under some central arrangement?—And set up another body and another set of officials.

5279. I do not say that; indeed, I made the suggestion of using the Insurance Committees of whose functions you speak very highly?—Their present functions, yes.

5280. Why collect $\frac{1}{2}$ d. per member from the societies and then, having discharged the deficiencies which might encroach on it to quite a small extent—according to present experience, a very small extent—why go through the process of handing it back to the societies and telling them to administer dental service?—I think I have allowed you to lead me through so many of these trees that I have lost the road we intended to travel. Societies are already credited and debited with various items throughout the year. They would be debited with this particular $\frac{1}{2}$ d. and credited with the appropriate portion left in the Central Fund. That would simply be an accounting transaction that means no labour beyond the mere transfer of funds. Then the Approved Societies who are now administering additional benefits would, under our scheme, continue to do so, and those who are not would be empowered to administer these additional benefits under regulations made by the Minister.

5281. Would be required to?—Would be required to. That is the simple scheme as we see it.

5282. Cannot all you are aiming at here be done by simply leaving the present arrangements as to the Central Fund exactly as they are and putting into the Act a requirement for societies to administer dental benefit?—Yes, but I do not think you have got the scheme quite as we understand it. Societies are not to administer dental benefit except under regulations laid down by the Minister. He has to fix the basis of payment and the standard of treatment, and the administration of the fund will be experimental to see how far it will go. There is nobody living to-day who could tell you what this is likely to cost.

5283. It will not be an experimental fund as I see it; it will be something like 8,000 separate experimental funds?—No.

5284. You provide that the balance in the Central Fund which is available for this benefit is to be distributed among societies?—In proportion to membership, yes.

5285. That is, broadly speaking, in the proportion to the amount to which they severally contributed?—Yes. And we do more. We say this scheme ought to come into operation as from 1918.

5286. I know you do. I am going to ask you about that?—There will be five years of that money. Supposing we start with using the current balance, there will be five years' reserve fund from which this $\frac{1}{2}$ d. a week can be supplemented by the Minister in such manner as he thinks fit.

5287. It seems to me you are proposing that there shall be at once levied on Approved Societies a total sum of £9,000,000?—That is so.

5288. Out of that £9,000,000 there shall be taken the amount required to redeem the deficiencies appearing on the second valuation?—Yes.

5289. I will pass for the moment the point that this levy would upset all the results of the second valuations that have been issued now. The £9,000,000 will be taken, and upon it would be charged the sum required to make good all the deficiencies on the second valuation?—Yes.

5290. I should be very much surprised if 10 per cent. of it were taken, but let us say half a million of it is wanted for that purpose; then having collected £9,000,000 from the societies you immediately had them back £8,500,000 and tell them to go away each with its share of £8,500,000 and administer dental benefit?—Yes.

5291. What I want to know is why all that elaborate financial structure is required seeing that all you are after, so far as my ability enables me to judge, is a clause or series of clauses in the Act creating the right to statutory dental benefit and imposing on all societies the obligation to administer it and to pay for it out of their funds?—We are losing sight, are we not, of the fact that we limit the amount that we think can be safely spent.

5292. Put a limit in the Act so that the society shall not pay in respect of any claim more than £1 plus 50 per cent. of the excess cost over £1. Why do you draw the money from the societies and then hand it back to them instead of putting on them a direct obligation in the Statute to administer the kind of dental benefit which you advocate?—We want to prevent the nervousness that will be created in the society that is just living, as it were, on the verge of a deficiency. We say: if you pay this in it will not affect you at all because your deficiencies will be made up out of the Central Fund and you will get back for the Dental Benefit Scheme as much per member as the rich society will get. It is a way of establishing, in respect of this benefit, equality of treatment. That is all we claim for it. It may, as you say, be a cumbersome way of doing it. There may be shorter ways.

5293. Supposing we tell the societies who already have separate Contingencies Funds that the Act requires them to pay $\frac{1}{2}$ d. per week of every contribution received into what I call a Dental Benefit Fund, would not that achieve your purpose?—It would, but it would not get the sort of thing we think is necessary. We think there should be a reserve because you are going to touch a mass of liability that it is impossible to measure at the moment, and we think that $\frac{1}{2}$ d., if you took it back far enough, would give you the reserve that would enable the Minister to supplement the current contribution of $\frac{1}{2}$ d. to such an extent as he saw was necessary.

5294. May I suggest to you that there must be something incomplete in your proposals here because as I have read them you are not creating a reserve, you get your contributions, and you proceed to liquidate the deficiencies and hand the balances back to the societies?—If you think there is some easier way of dealing with it, believe me, we are for simplicity. As my colleague, Mr. Spurgeon, who is an actuary, has considered this thing for a good while, perhaps you will address some of your remarks to him. I would rather learn myself than explain. (Mr. Spurgeon): Will you permit me to make a brief statement on this proposal? It is this. Suggestions have been made from various quarters, whether to this Commission or not I do not know, as to raiding the disclosed surpluses of various societies. We think when a surplus has been actually disclosed that should be the surplus of that society to use in the best possible manner for its own members. On the other hand, we realise that the existence of

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the large surpluses which we anticipate will be shown at the second valuation, indicates the possibility that the existing contributions under existing conditions as regards interest yield and matters of that kind are sufficient to provide something more than the normal benefits laid down in the Act. That being so, although our societies would in a sense like to retain all the surplus they could possibly lay their hands on for their own members, we tried to take the broad view and regard this as a national scheme, and we have therefore set out to see how we could provide, within what would appear to be the amount available for the purpose, that benefit (dental treatment) which seems to be most necessary for the prevention of sickness to the whole of the insured population. The ½d. per contribution is merely a suggestion. It was based on a very rough estimate that the surpluses at the second valuation might be in the aggregate at least twice as great as at the first valuation. That was a rough estimate based on the approximate experience of the last five years as regards sickness, interest, and so on. We do not think dental treatment could be laid down in the Act as a statutory benefit because we do not consider that we have sufficient data to estimate what the cost would be of providing dental treatment to all insured persons. The minimum mentioned in our suggestion is not the limit of what we hope to provide by this scheme. It is a minimum which we consider would be sufficient benefit to the insured person for adoption. The idea of dating the deduction of ½d. per contribution back to the beginning of 1919 was this, that not being able to estimate what the cost of dental treatment would be, and realising that by bringing in all the insured population there would be a rapid rise in that cost over the next few years (though ultimately in our opinion that cost would drop to what we might consider a normal level which we cannot at present estimate), we thought it was advisable to have a fund with which to supplement the normal yearly amount set aside for this purpose. I had in my mind the five years and the ½d. and an average of 48 contributions producing about £7,500,000 which would be the fund to fall back on.

5295. Do you mean that that fund that you have got is not to be distributed year by year?—I am just going to deal with that, if you will permit me. I was going to say, the normal way of dealing with the deduction would be to distribute the money as suggested amongst the societies concerned in proportion to membership, but clearly that cannot operate immediately, and we have suggested that there shall be a central fund committee which would, in my view, receive from societies quarterly returns, let us say, of the dental treatment so as to watch the progress very carefully. They would estimate from time to time what proportion of the cost of dental treatment could be paid, and they would make recommendations to the Minister to vary that proportion and where necessary to apply this fund to increase the proportion. We do not think you could lay down at the outset fixed and definite lines as to the proportion of cost of dental treatment which should be paid all round, and it would undoubtedly be varied from time to time in accordance with experience. That would mean, in answer to Sir Alfred's last question, that the fund would not be immediately divided amongst all societies: it would be under the control of the central fund committee subject, of course, to the authority of the Minister.

5296. Would you not pay bills? It would still be distributed among societies when the distribution took place in proportion to their membership?—Not necessarily. I think at the outset with these weaker financial societies coming in, if I may use that phrase, the central fund committee might find it necessary to make recommendations to the Minister to apply this larger fund to assist those societies more liberally than would be the case by a mere distribution in proportion to membership.

5297. When you speak of weaker societies, I suppose you mean societies whose members have weaker teeth?—I mean societies whose members have not yet had the advantage of dental treatment and, therefore, whose teeth may at the moment be assumed on the average to be in a worse condition.

5298. We are getting to something entirely different from the evidence put forward in this printed Statement. We have proceeded hitherto on the assumption that what is here stands, namely, a redistribution of the money to societies on the basis of membership. I understand you now to say that you would use part of the money at any rate in the first instance, and perhaps tentatively, in the payment of the dentists' bills presented by societies, that is, on a pooling scheme?—That is so.

5299. I am not objecting to it, but I want to know which horse you are riding?—That is partly why I asked to make a statement, because I thought I could make that a little clearer. I want also to say that we do not consider—I think Sir Thomas will agree with me in this—that this 100 per cent. of the first £1 and 50 per cent. of the remainder, is sufficient. We would like to provide 100 per cent. treatment subject to adequate safeguards all round. (Sir Thomas Neill): As I have been referred to I want to make it clear that we are of opinion that that cannot be embarked on at present, because there is little information. The information in our possession limits us to the suggestion that is made in this paragraph. (Mr. Spurgeon): One other remark. Experience does demonstrate this point, that as you increase your proportionate contribution to the bill so you have an increase in the number of applications for dental treatment. When you find that is running away with your funds too quickly and you bring it down to, say, one-third of the bill, you get far fewer applications and, of course, in the same way the proportion of people who apply and take advantage of your offer is materially altered. It is matters of that kind which, to my mind, the central fund committee would watch very carefully. They might start with a certain proportion and see how the claims were coming in in the various societies. Then they might find it advisable to increase that proportion. They would still have to have returns to see how they were going on with their funds. They might be able still further to increase, or they might possibly have to go back. On the estimates which have been made one society was mentioned to me—a small society, I believe—where the cost of providing 100 per cent. treatment had worked out at about 1.8d. per contribution. It was thought that ½d. per contribution over the next five years plus the ½d. per contribution over the last five years together with the State grant and interest on the amount lying in the fund would go a good way towards providing that amount. But I think the cost of providing 100 per cent. treatment would be greater than that when you are bringing in all insured people who have not before had dental treatment. I think those are all the points.

5300. I think I understand now, but that does give rise to one further question. You said your societies are opposed to raiding a surplus that has been disclosed?—Yes.

5301. You put forward a scheme on which you ask us to report. You do not expect our report to be in the hands of the Government, I take it, before the second valuations are completed and the reports in the hands of all societies and branches?—I admit the point is a very strong one.

5302. The point is this, is it not, that you are asking us to raid to the extent of £7,500,000 the surplus that will have been disclosed to every society and branch by the time our report is presented?—I think the position is this, that while I object to raiding surpluses, I have not so much objection to anticipating a surplus in a national scheme of this kind under circumstances I have outlined. On the

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other hand I do not anticipate that this Commission can get its report in time to hold up those valuations and deal with the matter in this way.

5303. The Commission's report cannot hold up valuations. Valuers have to perform their duty under statute, have they not?—Yes. There is the possibility, I suppose, that the Commission might make some recommendation to the Minister. I admit it is an outside possibility. However, having discussed this fully, we thought that difficulty should not prevent us laying the suggestion before this Commission. (*Sir Thomas Neill*): If you regard the two questions of dental treatment and arrears as urgent questions, having regard to the present condition of the people, we suggest respectfully that you might be good enough to make an interim report on those two questions.

5304. (*Sir Andrew Duncan*): On the question of maximum cash benefits I think that in addition to the considerations which you have already said you have in mind there is one further, is there not, namely, that too high a rate of sickness benefit would be likely to prolong periods of sickness?—That is a very important consideration in certain cases.

5305. At the present time, with unemployment benefit so much higher than health insurance benefit, the likelihood is, is it not, that many persons may rest upon the Unemployment Fund who should be resting on the Health Insurance Fund? Have you any experience of that?—We have experience of them being on both funds at the same time. I have not any experience of the kind you speak of.

5306. Can they be on the Unemployment Fund and on the Health Insurance Fund at the same time?—As a matter of fact they have been, quite a number, but not legally.

5307. Have you reported these cases?—Yes. There is another tendency you know—

5308. I will get to the other tendency presently, I want to follow this at the moment. Do you say you have no experience that there are persons now resting on the Unemployment Fund who would in other circumstances be resting on the Sick Fund?—We have not.

5309. Human nature being what it is, and you yourself being rather experienced in judging human nature, would you say from intelligence that it is not unlikely?—I should say it is quite possible.

5310. In administering your sickness fund, and in your very proper concern to safeguard the interests of all insured persons, you would at the same time agree that you should not escape liability on your sickness fund in order that it may land upon another fund which is equally an insurance fund?—Quite.

5311. Would you agree also that the needs of the sick person are no less for the maintenance of himself and his family than those of the unemployed person?—They are no less.

5312. Would you agree with me as a result of that that as soon as possible the two should be the same? I am not saying that the unemployment benefit is right or that yours is wrong?—I think I could not go with you in that.

5313. Why not?—I think you will have to get very close up to that question. The proposition of a man getting as much when he is ill as when he is available and presents himself for work would, I think, change the experience of sickness from what it is now very materially.

5314. I am talking not of an employed man, but of an unemployed man?—So am I. I say it would be detrimental to the unemployed man that his sickness benefit should be equal to his unemployment benefit.

5315. Why?—If a man has no inducement to present himself for work, he will sit where he is and not trouble at all to go on the register at the Unemployment Exchange of those seeking work.

5316. The deduction from that would be that sickness benefit might safely be more than unemployment

benefit?—No, the deduction is the other way. They would remain on the sickness funds.

5317. I do not follow it, but still it is on the notes. You can leave it at that quite safely. Have you not got it in mind in administering your sickness benefit at the moment that there are other sources apart altogether from unemployment insurance from which maintenance of the sick man is helped. Poor Law relief and other things of that kind?—Yes.

5318. Therefore if your benefit, together with the other helps that he gets, was too high there would be a prolongation of sickness?—Yes.

5319. That is in your mind also?—Yes.

5320. From that it follows that at the present time you are looking at this question not merely from what the sick man in ordinary circumstances should get?—No.

5321. You are influenced in making your suggestions with regard to the distribution of these surpluses, such as they are, in other than cash benefits, by the fact that you are quite uncertain as to how long present circumstances may continue?—Yes.

5322. (*Miss Tuckwell*): Dental treatment is preventive, is it not?—We are taught that it is, and I think it is established that it is.

5323. When the scheme that you have in mind comes into force three years hence would not dental treatment come in properly as a part of medical benefit?—I dare say it would. I suggest, however, that if you get busy on it now, with all that the schools are doing, it will not be such a large problem at the end of that time.

5324. If it came into your big scheme of medical benefit it would be rather on a different footing than if you put it in on the lines which you are suggesting here. It would ease a great many things and simplify a great deal?—I am afraid I have not gone into the details of it sufficiently to answer that question. I think a great deal of money can be wasted on dental treatment without doing any real service to insured persons unless it is very carefully handled.

5325. I wish you would think, too, whether in a comprehensive scheme of medical benefit such as you envisage in the future, dental treatment would not form part. I should also like to know if you consider that the present system under which some insured persons are entitled to far greater benefits than others in payment for the same contribution under the National Health scheme is just?—I do.

5326. It is just that you and I should pay the same contribution and that you should get much less than I do?—As regards payment, yes, because they all pay alike and they all get, in effect, the same return for their contributions. The only difference is that in certain societies they have used it up before the valuation comes—they have had it back by way of the ordinary cash benefits—whilst others have taken less in this way, leaving it to accumulate and to emerge as surplus. True the former have lost interest on it by withdrawing it before the others have withdrawn theirs, but apart from that there is no other difference at all.

5327. Supposing you represented a society which could only give standard benefits while others all round you were giving more?—That is the position now. As a matter of fact we give no additional cash benefit, only dental, optical, hospital and convalescent home treatment, and the provision of medical and surgical appliances.

5328. Hospital treatment is a great deal and we have just heard what dental treatment means?—We do not pay more than the standard 15s., 12s. and 7s. 6d. in cash benefits.

5329. You think however bad the condition of the society you represented, supposing you had only these women who seem to be such a trouble, or miners, you would still feel that this was a perfectly just arrangement?—It is a perfectly just arrangement, because the moneys that come in from

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those members are handed out to them either in benefits during the quinquennium or in benefits plus what is left as additional benefit. The only difference is that interest has not been earned on the money that has been withdrawn. The thing is perfectly just.

5330. How far does this statement of yours in paragraph 25, that these things are an incentive to good management, guide you? How far, in your view, does everything turn on good management?—Societies are very fortunate or otherwise in the class of people they have to look after their investments, and in the rate of interest they can get for their members, and they may have got their members to believe that if they do not draw benefit unnecessarily now they will get it with all the interest as additional benefits. It is good management to get that spirit established among them, and they are entitled, surely, to all the advantages that accrue from such teaching and management, because they are only dealing with their own money. Each society has its own fund and the members should get the full value of the money they put into it plus the State's two-ninths.

5331. I feel you are going to disappoint me. What I was going to say is this: thinking of these poor societies, supposing you could leave enough surplus to every society so as to give an incentive to good management, and then pool the rest and divide it so as to get the same benefits for everyone, do you not think that would be ideal?—We have made the suggestion, but we commence at the other end. The Act provides that nobody shall get less than the statutory benefits, except as a result of mismanagement. That is secured by the Central Fund, and we suggest that that Fund should be continued. You asked me, did I think the thing just? Yesterday in answer to the same question I said that the way of remedying this was not by taking from the people who were economical in their methods and giving it to societies that had a bad experience, but by curing the defects that produce this experience. That is where the remedy lies. Improve the condition of the miner; improve the condition of these people in their homes.

5332. We know what the statutory benefits are. You do not agree with the point I put, that pooling would be very desirable?—I think the method we have suggested is the better way of dealing with the thing at the moment.

5333. (Sir Arthur Worley): Is not your scheme of dental treatment in effect a pooling; that is to say, you are going to establish a reserve, ear-mark some surplus for it at the start, and you are going to take a contribution of ¼d. per contributor, and then, apart from the alteration which Mr. Spurgeon mentioned, your idea is to give it back *pro rata* to the members. Therefore a society that had a large number of unemployed would receive more back than it had paid in, and if that is so, some other society would receive less back than it had paid in. In effect there is the germ of pooling there?—To that extent, yes. The distinction is that so much is being paid in out of contributions, and the surplus left, after having made those payments, ought to accrue to the benefit of the particular society.

5334. I agree, but the actual effect is that some societies are going to be helped and other societies are going to suffer; they are going to contribute towards the weaker ones?—Yes.

5335. Any scheme by which the wealthy contribute to the poor is a pooling scheme to some extent. So that really you are in favour of a pooling scheme with certain limitations?—If I may say so, at the Conference we had to prohibit the word "pooling," otherwise we should not have got this thing brought forward in the way it is.

5336. (Sir John Anderson): Would you prefer the expression "Mutual assistance"?—No. We have

got this on record unanimously, and I do not want to father it as a pooling scheme.

5337. It is not a pooling scheme, is it?—No.

5338. There is an element of sharing risks to a very limited extent?—Yes. (Mr. Spurgeon): It is really providing another benefit within the limit of the amount available. We do not want to run into a risk which we cannot estimate, but to set aside such sum for dental treatment as in the first place can be afforded and still leave societies with the opportunity of showing a surplus that can be used for their own members alone. That surplus, of course, could be used in various ways. It could be used for other treatment benefits. It might be used to pay the remainder of the bill for dental treatment beyond what the Central Fund Committee have been able to authorise.

5339. (Sir Arthur Worley): That was Miss Tuckwell's point. This is a scheme in which there is an element of pooling, the stronger helping the weaker, and at the same time it leaves to individual societies the incentive of good management. It is the scheme she has in mind, but perhaps in a modified and colourless way?—I think you put it correctly.

5340. (Mr. Evans): On paragraph 22 (f) I do not quite understand the machinery which you suggest might be set up. You suggest in the first part of that paragraph that there shall be a committee set up representing the Ministry and Approved Societies to negotiate a scale of fees and the character of dental service. Having done that, I suppose, the committee would finish; there would be no further use for it?—(Sir Thomas Neill): That would naturally depend on the circumstances. They would have to follow the matter up experimentally. I think they would have to determine the scale of fees and the period for which it would operate, and they would have to review the position from time to time.

5341. It would be a kind of permanent committee, would it?—Yes, I think so. You see you have really no proper organisation at the moment. Many thousands of dentists have only been on the Register since 1921, and there is a lot of preliminary work that would require to be done in fixing the scale of fees, the character of the treatment, and so on.

5342. In the second part of this same paragraph you refer to a committee that has been set up?—Yes.

5343. How does that committee work?—That committee is called the Public Dental Service Association. It is a committee consisting of representatives of the societies who are giving dental treatment (in our group the Prudential, the National Amalgamated and the Liverpool Victoria), and representatives of certain of the dentists' organisations. They meet regularly and have established a scale of fees which may be regarded as reasonable and have been getting the thing working over the country in a fairly satisfactory way for a beginning.

5344. Is the quality of the service uniform throughout?—Theoretically, yes, but actually, no. That is one of the difficulties. Then the higher qualified men are standing out at present. They will have to be brought in in some way, and that is one reason why we suggest that this committee will be necessary.

5345. Then you suggest that if this dental treatment is to be fairly general it should be supervised by some central committee?—Yes. It will be necessary to bring together the different bodies of dentists. We could go on, as a matter of fact we have been going on exceedingly well, considering the difficulties there were in getting started, and our experience will be available to this committee if it is set up.

5346. Arising out of your reply to Miss Tuckwell, you think it is quite just that members should contribute the same and should not get the same benefit? That may be not quite a fair way of putting it, but I think it amounts to that. You to-day are

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representing the Conference of Industrial Societies?
—Yes.

5347. The members of this Conference do not get the same additional benefits?—No.

5348. Do you think that is quite right?—I do. I think it is quite right in this way. The Act was established to allow free choice of government and free choice of Approved Society. People have exercised that right and the heavy experience in some societies is due either to bad wages or bad housing.

5349. You have been emphasising all the time the national character of health insurance?—Yes.

5350. Having regard to that should it not operate fairly to every individual within the national unit?—I think it would be most unfair that the men who have in co-operation with their employers established a higher degree of continuity of work should have any portion of their contributions taken away to fill in gaps in the contributions of other people. I think you want to get at the cause of these things.

5351. You seem to be getting away yourself from the individual society?—On certain broad lines.

5352. You are driven willy-nilly now. You have a Conference of several societies representing millions of insured persons. I do not understand why you say it is just for one member to receive less benefit than a member in another society in the same group of societies?—It was put to me, is it just that one person should get more than another? I say they all get back the full value of the money they put in.

5353. That is in the aggregate?—No, as societies.

5354. (Mr. Jones): The Preamble to the Act of 1911 contains something to the effect that it is an Act for the cure of sickness and for the prevention of disease?—Yes.

5355. You have had 12 years' experience of it, and within the limits of the Act and the contributions I think we may take it a fairly good start has been made?—I think you are correct in saying that.

5356. You are now beginning on a new venture, the side of prevention, and you are rather in doubt as to where that may lead you. I think that is the position?—That is the position.

5357. You are at the experimental stage on the preventive side. Irrespective of the character of the society of which an individual may be a member, up till now he has been fairly successful in getting his sickness provision, including medical treatment?—Yes.

5358. But because of other things for which the individual is not responsible there is now likely to be some differentiation in regard to these further provisions. The individual is not responsible for that. The Act contemplated, at any rate, that the bank clerk and the miner, to use the familiar examples, would get equal treatment under the Act. It is not the fault of the individual if he is not getting it. Is that quite fair?—If I may say so, I do not think it would be quite fair to say that the intention of the Act was that all insured persons should get equal treatment. The expressed intention of the Act on the floor of the House was, "Each society shall have the benefit of its own experience." That was held out over and over again. If you read the debates you will find it was put like that. "You, the farm labourer or the domestic servant, you people that have got this better experience, form your own society, and you will have the advantage of that." That was preached as the cardinal principle.

5359. Yes, but the individual could be scarcely expected to appreciate the effect of that in later years. Is it quite fair to him that the miner, let us say, should not have the benefit of preventive treatment?—No, I cannot say he should not have the benefit of that, but the miner for reasons of his own formed his own Approved Society.

5360. Agreed.—I think it is only fair when you are speaking of miners to say that there are many more miners in the country than there are in the miners' Approved Societies. We have to keep in mind that they were not forced to be in a miners' society.

5361. As ratepayers the bank clerk and the miner are equal contributors to another fund?—Quite.

5362. Take the Public Health service, they are equal contributors to that service?—Yes.

5363. How would you view any suggestion by the Public Health Authority that they should not extend equal treatment to the miner and the bank clerk?—I am afraid I do not understand the question.

5364. The bank clerk and the miner are equal contributors to a fund. How would you view the officer of a Public Health Clinic saying: "There are too many miners coming up here, some of you will have to go away"?—I do not think that question could arise. The Public Health Authority must attend to the public health of the community.

5365. Is it not a fair analogy?—No.

5366. The miner requires the same treatment as the bank clerk?—Yes, but the miner for good and sufficient reasons, I have no doubt, decided that he would be in a miners' society.

5367. I admit that, but is he not entitled to the same amount of treatment under the one public service as under the other?—That depends on the charter he is working under. His charter was that he had free choice of Approved Society; he elected to join a particular society; he has the full advantage of all that accrues in that society. That is his self-determination charter, so to speak.

5368. What would you say if the Public Health Authority were to limit its responsibility for the treatment of the people for whom it is responsible; if it were to ration its finances to three-fourths of the present amount in order to avoid a deficit, and say: "We will only treat three-fourths of the cases," and the first case that came up was a case of smallpox, and in order to ensure that it would not run into a deficit, it refused to treat that first case of smallpox?—There would be a repetition of what happened in Edinburgh many years ago. It might cost them 200 or 300 lives for not treating that case. I do not want to take up time, but I could tell you there are some very unfair things done by Public Health Authorities at the present time under the Blind Persons Act.

5369. Do not let us wander.—Well, I want to submit to the Commission that the Public Health Authorities are differentiating; they are not administering the Act in accordance with its provisions.

5370. Have you a remedy for that?—Not yet. I am going to find it, I hope.

5371. The remedy exists. What is really the difference between a miner dying from some consequence of neglected treatment, e.g., septicæmia, and being allowed to die through neglect of treatment of a disease for which the Public Health Authority was responsible? What is the difference in principle?—I cannot see that the illustration applies because the man, if he is a miner, has free medical treatment whatever the state of his society is. That is the first charge on the fund.

5372. Yes, but he has not dental treatment?—No.

5373. Lack of dental treatment might result in the death of the miner from septicæmia?—It might.

5374. Is there any logic in your position when you say that the miner should not get the same treatment as the other individual if it is for the public good as well as for the good of the individual?—My answer is that I hope you will support the scheme we have put forward to secure it for him, because that is exactly what we are advocating.

5375. No, you are not advocating it in its fullest sense?—To the same extent for the miner as for the bank clerk.

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5376. Dental treatment only?—Dental treatment.

5377. But you limit it to that?—Because we feel we have not got any more money to experiment with.

5378. That brings me to my next point. Your whole experiment is to be limited by the amount of money available. You are afraid you might incur a deficit?—No, we are afraid we might break down the Act.

5379. That is incurring a deficit, is it not?—No. We are afraid that if anything further is charged to the Fund there will not be sufficient left to meet other statutory benefits.

5380. On the general question you are agreed that all insured persons should have the benefit of these services if it is at all possible?—Yes.

5381. The bogey at the moment is a financial one?—It is a bogey, and another bogey, to be quite frank, is that we do not know whether we are going to get the services of the dentists on terms that will be fair and just to the people who have to pay for them.

5382. To get rid of all these difficulties and inequalities how would you view a transfer of these services to an authority already engaged in preventive work?—I would like to consider the authority and the Acts of Parliament under which it works before I handed over to them people who are specially paying for treatment in addition to being ratepayers. We have the experience of how tuberculosis cases are being treated, and the experience of the Blind Persons Act, and, as far as I can raise my voice against it, I am going to protest against these insured persons being merged in the public health service.

5383. Yesterday you told us you had listened quite recently to a lecture by Sir George Newman, and you thought that was a very fine description of a very fine service?—In regard to children, yes.

5384. The authority that is treating children is also the authority, in England at any rate, that is responsible for the public health?—Yes.

5385. They have passed through the experimental period at least in dental treatment and dental organisation?—I do not know enough about it. I only heard the outline of it. It seemed to me to be something that would prevent the problem of dental treatment being such a terrible financial burden later on as it promises to be at the present moment.

5386. Do you accept Sir George Newman's statement, or do you not?—You must not ask me that.

5387. I gathered yesterday that you did accept it?—I accept the part that appeals to me.

5388. Do you not accept the value of the work that these authorities have done in connection with the dental treatment of children?—I think they must be doing some very good work.

5389. To that extent at any rate they have passed the experimental stage?—I would not say they had passed the experimental stage because the scheme has not been long enough in existence.

5390. They have had a good long time to learn it?—Yes.

5391. And according to Sir George Newman the results are good?—Yes.

5392. Does the Approved Society look after medical benefit?—They do, as far as they are allowed to.

5393. That is, they are allowed to pay?—Yes, and if the man is not properly treated and he complains, they are allowed to attend at the hearing; and Approved Societies have got the right to see that the complaints of insured members are properly attended to.

5394. Would not you think that the authority that has had this experience of dental treatment—a wide experience—would be a competent authority to take over the dental treatment of insured persons and relieve you of all this trouble and worry that you seem to have so much difficulty over?—I am afraid not. I would rather have the worry.

5395. And you would rather have a certain number of people without this benefit?—No, I am not saying that. I am not at all arguing that there should not be a dental service set up for the people who are not insured or for those that are destitute. I must not be regarded as saying anything of the kind. I am only claiming for the person who is paying contributions in addition to discharging his other civic obligations that he should have the treatment which we think he is entitled to.

5396. In other words, you let financial considerations take precedence over health considerations?—No.

5397. I think that is the necessary consequence?—Perhaps it depends how our propositions are viewed.

5398. What is your objection to handing over a service like this to the local Health Authority?—Because I do not think the people would get the service to which they are entitled.

5399. Are these Authorities inefficient?—I am not saying they are inefficient, but I am saying what is everybody's business is nobody's business. You have not the same continuity. You have sub-committees working; those sub-committees have to get their reports adopted by the general body who come to review them with no knowledge of the particular subject they are dealing with. As far as these people who are specially paying for this treatment are concerned, I hope this Royal Commission will not suggest that they should be dealt with in the same way as the tuberculous insured who are not being properly attended to; nor in the same way as the blind people who should be provided for under the Blind Persons Act, and who are not being properly attended to.

5400. I do not want to pursue the argument further, but I should like to say that my experience of Public Health administration in Scotland is diametrically opposite to the results you appear to have experienced in England. But I cannot ask you to change your views, nor can you ask me to change mine.

5401. (*Professor Gray*): You make the suggestion that in the case of your dental benefit there should be a payment of 100 per cent. of the first £1 with 50 per cent. beyond that sum, and we have had the same suggestion made elsewhere. Do you think that is a safe consideration in the case of dental benefit?—We had to estimate from the material we have and we reckoned that having regard to the experience of the societies that are giving this treatment we could safely start with that, and then it could be subject to such adjustment as experience showed to be possible and desirable.

5402. That is hardly the point I had in mind. Does not dental benefit differ fundamentally from medical benefit in this respect, that not always but in very many cases, you can wait for your dental benefit, you can split up your number of visits to the dentist over a period of time?—Yes.

5403. A £12 bill might be split up into bills of less than £1. Is there not a loophole there?—Yes. (*Mr. Spurgeon*): That is always watched by societies. If you had several bills in the same 12 months you would not treat them in the same way.5404. You have a linking up provision?—Yes. (*Sir Thomas Neill*): That is why I say this thing wants careful handling with the machinery that is there ready to do the linking up.5405. (*Mr. Cook*): It was pointed out that if you were to increase sickness benefit to 20s. a week or any larger sum, there would be a tendency to prolong the period of sickness?—In certain cases there would.

5406. Is there not the other side to be considered, namely, that where you have the bread-winner sick and there is not an income to provide him with the necessaries he requires both for his family and his individual requirements that also would have a tendency to prolong sickness?—Yes.

5407. Worry and anxiety and insufficiency of nourishment?—Yes.

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5408. That is the other side of the picture, is it not?—Yes.

5409. We have heard a good deal about the human nature argument, and the assumption that human nature would dictate to a man that if he was getting a decent income, as much as would carry him on, from his Approved Society, he would malingere—that is the plain English of it—and we have been told that is human nature?—It is a phase of it.

5410. It is a type of it?—I do not think it should all be put down to human nature. I think it is only a phase of it.

5411. That is what I am protesting against, because I feel confident you will find any number of insured persons who would not deign to do anything of the kind?—Quite.

5412. Who would prefer to work for their income rather than derive it in that indirect and dishonest way?—Quite true.

5413. There is another aspect of this case. Supposing you increase the benefit to, say, £1 a week, might not that have an adverse effect on the interests of the Friendly Society movement. At the moment, as you very well know, men in addition to being insured under National Health Insurance are also members of Friendly Societies and in sickness they get benefit from both. If on the side of National Health Insurance the benefit was to be increased it might have an adverse effect on the Friendly Society movement, might it not?—There is no doubt this Act was never intended to be a complete cover for the provision that should be made. It was intended to be something. Many thought at the time that once the advantage of this was seen the natural consequence would be that insured persons would make their own arrangements for considerably adding to their sickness benefit.

5414. On the other hand, I think you will agree with me there is a very large proportion of the community that have not sufficient initiative or foresight to make that provision, and are wholly dependent on what they get through compulsory State Insurance?—I would like to say this, Mr. Chairman, at the risk of repeating myself. The thing has never had a fair chance. It no sooner got out of the turmoil of the political agitation in which it was born, than the War came and then all this unemployment and the large number of young men brought back into industry who never did a day's work from the time they left school until they went into the Army. They have come back to find no employment available to them and are being maintained by the State and such casual work as they can find. It is not fair to judge the position of these people or what might have evolved from the system in 12 years under normal conditions.

5415. I am interested in this bank clerk and miner controversy. We have heard a good deal of it.—A very suitable way of dealing with that would be to get them to amalgamate.

5416. I gather from replies you have given your remedy to enable the miner to get additional benefits that many other people enjoy, is for the miners to transfer en bloc to the Prudential or National Amalgamated?—Not the National Amalgamated. (Mr. Spurgeon): I do not think that has been recommended for the Prudential either. (Sir Thomas Neill): I only say not the National Amalgamated because we have not any additional benefits in the way of cash to give them.

5417. Not necessarily in the way of cash. I am not thinking about the cash side of the transaction. I am thinking about additional benefits such as dental benefit, optical treatment, and so on, many other additional benefits that certain societies can provide. In reply to Miss Tuckwell you made it clear that in your opinion it was a perfectly fair and just transaction that the miner who happened to be a member of the miners' Approved Society, composed almost exclusively of miners, should be on that account unable

to get any additional benefit at all?—I do not say it is fair that the man's occupation or whatever it is that reduces him below the level of the others should not be seen to and adjusted either in wages or in housing, or whatever the cause is. There ought to be some remedy for it, but that remedy should not be applied out of the funds of other men of equal earning capacity.

5418. Why not?—Because I think it is a larger question and that the burden ought to be borne not by the 15,000,000, but by the 40,000,000 people.

5419. Supposing for the sake of argument that this particular Act or series of Acts with which we are dealing had been based on the principle of the State instead of 8,000 odd Approved Societies administering the whole thing, in that case the miner would have fared equally with the bank clerk so far as benefits are concerned?—Yes, but I cannot assume that the British nation or the British Parliament would have sanctioned such an arrangement at the time that the scheme was introduced.

5420. Supposing that had been the arrangement the effect would have been that everybody for the same contribution would have received the same benefit?—They would, and nobody would have had any interest in doing anything other than paying out what he was asked. (Mr. Spurgeon): And nobody would have had any additional benefits.

5421. That is very problematical. I do not think you have any data to justify that opinion. I certainly have none. You say in a general way that the miner—I do not mean exclusively the miner, I mean workmen like the miner whose occupation has a tendency to create a high sickness experience—?—(Sir Thomas Neill): Should be dealt with and the industry should be responsible for putting that man in an equal position to the average citizen following any other occupation.

5422. That is a pretty vague statement to make. You do not give us much enlightenment as to how the industry should achieve this obligation.—I cannot take up the time of the Commission to explain that, but I could explain it, because I have been instrumental in forming an unemployment scheme outside the Unemployment Act for the Insurance Industry which deals with everybody connected with it. The miners' industry could no doubt have arranged to see that these people's condition should have been altered very materially. If you went through Merthyr and saw the houses as I have seen them, back to back, no air—you say that condition of things should be subsidised by the railwaymen and other people who are living under better conditions. That is the argument—to let us continue all these things at the expense of other industries.

5423. All the sickness that afflicts miners is not due to bad housing conditions. Unfortunately in a good many instances the housing conditions are bad but all the sickness is not attributable to that?—Some is due to their calling, of course. (Mr. Palmer): I think it is only fair to say the differentiation obtains because the choice has been exercised. We cannot lose sight of the fact that the choice was exercised, miners' societies for miners, and so on, societies were formed in that way. A man cannot exercise free choice of government and free choice of society and then complain that a differentiation emerges when the results come under review. As far as our statement goes we do emphasise and press for treatment benefits as against cash benefits with a view to equalising things, and we have even here suggested a species of pooling for dental treatment. That does meet the point put by Mr. Cook and others as to why this differentiation obtains. We are travelling along that road.

5424. (Mrs. Harrison Bell): On the question of the person who gets additional cash benefits during his sickness, I think, Sir Thomas, you will admit that the maintenance of a sick person costs more on the

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whole than the maintenance of a person who is well. Is not that a reason for extending the cash benefits wherever possible?—(Sir Thomas Neill): I can only give the same answer. There is in the experience of Approved Societies a great volume of cases where treatment benefit is absolutely vital to the wellbeing and future of the man. I could give you instances, and when we are here as Approved Societies I can produce to you statistics, if you wish, which I think will satisfy you that it is a wise thing, if you have only got 20s. to see how much should be used in cash and how much in kind. We say that having regard to the condition in which people have been allowed to get without medical benefit for years, without any treatment at all till this Act came into force—many of them had no medical treatment except as out-patients of hospitals—in trying to remedy these defects there should be available a certain portion of the money for treatment benefit.

5425. It is possible that the truest economy might be served by getting the sick person well as quickly as possible?—Quite.

5426. My experience has been that sick persons recover much more quickly if they are able to have all the items of nourishment that the doctor prescribes, and that, it seems to me, would furnish a reasonable method of economising in treatment benefit?—Amongst the many cases I have had to deal with was a man who wanted an artificial leg; he was otherwise all right and ready to go to work, but he could not work without this artificial leg; he had been sitting on the funds because he could not work. In theory it is quite nice to talk about the money when a man is sick, but there is also the question of what is to be done with him when he is well apart from his bodily defect, and what is to be done with him to prevent him getting sick. They are equally fundamental.

5427. After all is not food one of the first fundamentals?

5428. (Miss Tuckwell): Sir Thomas, you have explained how Parliament desired to have Approved Societies. Would it not be in the interests of national health that all insured persons should receive the advantage of the additional benefits now only accruing to some. Can you and I agree on that general proposition?—We could agree on it, if you could get the Chancellor of the Exchequer, or some other Authority, to supply the money necessary to provide it where it does not exist in Approved Societies; but to take it away from those societies who have not taken the value of their contributions in cash, but have accumulated reserves for other purposes, and pass it on to other societies—we are back to interfering with surpluses.

5429. I particularly saved you from that dilemma, because what I asked was, would it not be in the interests of national health?—Yes, it would, of course. I will give you that.

5430. (Sir Arthur Worley): With regard to the question raised by Mr. Cook about benefits to the miner, do I understand your point of view is that the miner and the bank clerks pay the same, and in effect the miner gets more than the bank clerk, because the value of the cash weekly payment to the one and the cash weekly payment and additional benefit to the other have to be paid for in money and, therefore, the miners society have really expended their money and probably have paid more per head to their members than the other society have?—They must have paid more per head or there would be a corresponding surplus at the end of the valuation.

5431. Short of such a question as mismanagement?—Yes.

5432. I have a good deal of sympathy with Mr. Cook's view, but in actual cash payment the individual member does get more from the hazardous employment than from the other?—In actual cash.

5433. Another suggestion he put to you was that if you increased sickness benefit it would have some effect on the private side. I suppose this National Health Scheme has not affected to any extent the private side, has it?—I do not think so. I do not know enough about the Friendly Orders, but I base my opinion on the general prosperity that one sees in their annual reports.

5434. There was also raised the question of malingering. That is a question which I know in other circles has agitated insurance people. In actual practice do you find much malingering?—We find a very great deal of what you might call "hesitancy to return to work."

5435. There is a marked line that can be drawn between a man who has been bad and is better though he does not think he is, and a man who malingers?—Yes.

5436. Does the deliberate malingerer who would take advantage of the funds still exist?—Not nearly to the same extent as those who, though well, do not care to go back to work.

5437. The actual cases of malingering must be very small from the figures that have been given?—I do not say all the cases come to the notice of our committees because we have a system of visitation.

5438. It is not a large number that get past your sick visitors?—A big number, but it is a big Society. The percentage is not great.

5439. You threw out a suggestion yesterday to which I attach considerable importance, that at the moment workhouse infirmaries have a large number of beds unused?—Yes.

5440. I suppose they come under a different Authority. At the same time it does seem to me that they possibly might be utilised for maternity cases, and so on. As they now exist there is a good deal of stigma attached to going into one?—Yes.

5441. If we could raise the status of a Poor Law institution to something else, Health or State Hospital, you would probably get them more largely and beneficially used?—We are hopeful that that will be done.

5442. If it were done and arrangements were made for appointing honorary surgeons and physicians and gradually working up, you would not have much difficulty in getting the medical staff?—I do not think so.

5443. That is a line that might possibly be explored, you think?—I do not know whether you have the figures, but they are available.

5444. Would there be any objection to my putting the question to you and those figures being put in your evidence?—I think the Ministry will be able to supply them.

5445. (Mr. Jones): Would you be prepared to hand over the control of these maternity hospitals for these insured women to these incompetent Health Authorities?—We hope to run them ourselves.

5446. (Sir Arthur Worley): You would not like any difference of opinion as to who should run them to stand in the way of the insured person getting the benefit, would you?—No, I understand they might be run on similar lines to those in Edinburgh and Glasgow, which are private institutions.

5447. I am not concerned with how they are run, that is for later consideration. You do agree, if they could be set up and those empty beds utilised for urgent cases, it would be a good preventive and a helpful thing?—It would be a great thing.

5448. (Chairman): I see from paragraph 26 that you are in favour of maintaining Insurance Committees as at present constituted and with their existing duties. Do you consider that the duties at present assigned to Insurance Committees are sufficiently important to justify the existence of a separately appointed body with the consequent administrative expenditure?—I think as they are part of the scheme of the Act, and as they have important

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functions to discharge on behalf of insured persons, it would be a great mistake to wipe them out.

5449. You are in favour of them?—Yes. But that duties should be entrusted to them which they are not capable of discharging, or which would mean an extension of staff, would be opposed by us very seriously. They do, however, serve a useful purpose at the moment; as, for example, if a member is not properly treated by his doctor, or if surgery accommodation is not sufficient. Of course, some of them are not functioning, but I should not kill the whole system because of that.

5450. Do you think that under the present method of appointment of members of Insurance Committees it can truly be said that insured persons have much say in the matter, or are, in fact, represented on the committees?—I do from my knowledge. I do not know about all the committees, but I do say that in the case of the Middlesex Insurance Committee and the London Insurance Committee (I am a member of the London Committee and I was a member of the Middlesex Committee) the members there are active and the insured persons are well represented. But I can imagine certain other committees to which that might not apply, and possibly the type of person that has been appointed to represent the insured persons might be reviewed and the thing recast as regards membership. I think Insurance Committees have discharged a very useful and necessary function. Of course, it is part of the experience of all connected with Approved Society work that Insurance Committees have been the subject of criticism.

5451. Really your answer to the question is "yes"?—Yes.

5452. I see from paragraph 27 that you recommend that there should be only one Central Index Committee for England, Scotland and Wales. At present there is none in Scotland. Will you indicate to us whether your societies have much difficulty in getting their members on to the Index Registers of the appropriate Insurance Committees in Scotland as compared with England and Wales? (In other words, are you clearly convinced by your experience in one direction in Scotland and in the opposite direction in England that the machinery and cost of the Central Index Committee is fully justified?—(Mr. Spurgeon): As regards Scotland, of course, there is always a difficulty in determining the proper Insurance Committee to which index slips should be sent. As regards England, we were discussing with the Ministry some time ago the necessity for placing on the orange slips both the Insurance Committee at the time of entering into Insurance and the Insurance Committee at the time of exit. That was done because of the difficulty of allocating the insured person, and by that means we were able to trace the insured person through from committee to committee. The last committee which was supposed to have the index slip would communicate with the first committee, and so they would track the case through. The Central Index Committee in England has been a great boon to societies in clearing up many difficult cases, and it has done away with a very large amount of inflation of Insurance Committees' lists. In Scotland we fear there is a very serious inflation of the number of members on their lists, and we think that is very undesirable. We believe it is still growing. Therefore we think there should be a Central Index Committee for Scotland as well as for England, but we prefer it to be one for the whole three countries.

5453. (In connection with the subject of separate valuation for different countries in the case of International Societies, will you tell us whether any of your constituent societies at present have separate valuation and, if so, on what grounds they decided in favour of such a course?—(Sir Thomas Neill): On the first page of our Statement we give that information, i.e., those societies that are internationally

valued and those that are not. Means were taken shortly after the Insurance Act came into force to ascertain the wishes of insured persons in these countries, and Scotland with its usual patriotic tendencies, said, "We will have a separate valuation," and Wales said the same. But the financial result is not so satisfactory. What we suggest is that societies might have an opportunity of re-considering whether they would be valued as a whole or not: not that they should be compelled to but that they should have an opportunity of reconsideration. Some of them have been expressing the opinion that on the whole they think the first step was a mistake.

5454. I understand that your proposal is that societies which have in the past decided to be valued separately for various countries should be allowed to reverse their decision and to be valued as a single unit?—Yes, that is so.

5455. You do not suggest that the converse should be allowed, that is to say, that societies which are now valued as a whole, should be allowed, on any subsequent valuation, to elect for separate valuation?—We do not suggest that. (Mr. Palmer): I was under a little misapprehension as to whether you were going back on some of this Evidence. I did want to emphasise the relation of the agent who is acting for the parent bodies with some of these societies. It has been suggested that these are in the pay and control of the society. That does not obtain. I wanted to emphasise the nature of the work they do. I should like to supplement what has already been said by drawing the attention of the Commissioners to the fact that representatives of Industrial Insurance Offices in the National Conference are making on an average each week over 191,000 payments in respect of sickness, disablement and maternity benefits and that during the year 1923 the representatives collected and returned to their respective Approved Societies for transmission to the Ministry of Health or Board of Health considerably over 11,000,000 contribution cards. The success of the parent bodies precedes the success of the Approved Societies. I want to give emphasis to the point that Sir Thomas made, that all these societies were in existence long before National Health Insurance came in. The average duration of service of some of the agents employed would amount to 19 or 20 years in some of the societies, so it is fairly safe to say that they also were established before the Act came into force. Then I think it cannot be over-emphasised that the Ministers in Parliament responsible for this Act in its inception did take advantage of the fact that these men were so widespread over the country that they were actually calling at the houses of the people. That is why we emphasise the home service. There is nothing comparable to it. There is no group of men so widespread over the country that could at that time have done the service they have done. We have seen suggestions from time to time that the work is redundant or overpaid—

5456. That has not been made here about their being overpaid?—No, not here.

5457. I do not think you need defend yourself till you are accused. That will be gone into later on possibly?—I am quite happy to let that pass if that is the view of the Commission. We did rather feel from our point of view that though these men were not directly employed by the society there was a risk of the Commission paying too much attention to the suggestion that they were influencing the position. I wanted to make that clear. I happen to know these men fairly intimately myself.

5458. (Sir Arthur Worley): There is nothing in any of the evidence you have seen yet making these suggestions?—Yes, I have seen evidence before the Commission to the effect that these agents could so influence a society as to extract an undue proportion

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of remuneration from the society. That does not obtain in practice.

5459. Sir Thomas said he was appearing on behalf of the Conference and therefore some of us have refrained from asking question on such matters. That will come up in due course.

5460. (Chairman): We are much obliged to you, gentlemen, for your Evidence.—(Sir Thomas Neill): We are entirely in your hands. If we are treated with the same kindness and courtesy as we have received we do not care how often we come.

(The Witnesses withdrew.)

Mr. EDWIN HEATHER, called and examined. (See Appendix VII.)

5461. (Chairman): I see, Mr. Heather, that you are a Director of the Independent Order of Odd-fellows Manchester Unity Friendly Society, and have been actively engaged in the administration of National Health Insurance since the inception of the Act?—Yes.

5462. I gather that your society, of nearly a million members for National Health Insurance purposes, is organised in branches and that each branch is a separate financial unit for the purposes of the Act?—That is so.

5463. In paragraph 4 you state that the number of lodges is 3,527, grouped in 257 districts. Later in paragraph 42 you give the number of lodges as 3,710. Perhaps you will explain this difference?—The numbers given in paragraph 4 are the numbers of lodges and districts that exist at the present time. The numbers given in paragraph 42 are the numbers of lodges and districts that were actually in existence at the date of the first valuation.

5464. What became of the difference?—The difference is brought about by transfer of engagements to other lodges. I may say there is a steady and consistent amalgamation of lodges going on, and has been going on since the inception of the Act.

5465. Would you tell us briefly what you consider are the advantages of the branch type of organisation as compared with, say, a completely centralised society on the one hand and small independent units on the other?—In a society constituted such as the Manchester Unity the members have a right to attend at each of their lodge meetings and take part in the proceedings. The system also, I think, brings them into close personal touch with the officials who are administering National Health Insurance, and also with each other. I think it is true to say it creates and encourages a better dissemination of knowledge of the National Health Insurance Act. It has a tendency to bring about a more sympathetic touch in the administration of National Health Insurance generally. Members have an opportunity of passing through the various offices of their lodge, and that, I think, has a tendency to make them self-reliant; it teaches them discipline and respect for authority, and so has a tendency to build up character and self-reliance. Again, if a member has any grievance, he has an opportunity of bringing it to the notice of the officials of the lodge, and it is then inquired into without any delay, and if possible, remedied. By our system of sick visiting I think the benefits are administered in a more sympathetic manner perhaps than they would be in a centralised society. For these reasons alone I think our present organisation is for the general good of the insured community.

5466. What is the average membership of a lodge in your society, and does the membership vary much over the 3,500 lodges? Perhaps you can give us some figures?—I have a table here, which I will hand in. (Table handed in.)

INDEPENDENT ORDER OF ODDFELLOWS.

MANCHESTER UNITY FRIENDLY SOCIETY.

Membership of Lodges.

Membership.	No. of Lodges.	Total.
1 to 25	6	—
26 " 50	121	127
51 " 75	299	426
76 " 100	333	759
101 " 125	359	1,118
126 " 150	328	1,446
151 " 175	270	1,716
176 " 200	264	1,980
201 " 225	212	2,192
226 " 250	190	2,382
251 " 300	301	2,683
301 " 350	200	2,883
351 " 400	142	3,025
401 " 450	118	3,143
451 " 500	77	3,220
501 " 550	58	3,278
551 " 600	41	3,319
601 " 650	41	3,360
651 " 700	26	3,386
701 " 750	22	3,408
751 " 800	16	3,424
801 " 850	14	3,438
851 " 900	15	3,453
901 " 950	13	3,466
951 " 1,000	6	3,472
1,001 " 1,500	29	3,501
1,501 " 2,000	15	3,516
2,001 " 3,000	3	3,519
3,001 " 4,000	6	3,525
4,001 " 5,000	2	3,527
	3,527	—

Average membership per Lodge Approx. ... 250

5467. Will you summarise it in a few words?—Starting from lodges with a membership of under 25 we have no less than 6; from 26 to 50, 121; from 51 to 75, 299; and from 76 to 100, 333. You will notice in the table we proceed in that way by 50's until we reach the total number of lodges in the Unity, viz., 3,527.

5468. Can you tell us generally whether the members of the lodges attend the periodical meetings in substantial numbers, or do they tend to leave the work to the Committee of Management?—Generally speaking, I think the attendances are good.

5469. I observe from paragraph 11 that each district appoints representatives to the annual meeting of the society. Does this result, do you think, in an effective democratic control and management of the society by the general body of members?—Undoubtedly it does. In fact at our annual conferences quite a long time is spent on discussion of National Health Insurance subjects.

5470. I observe from paragraph 24 that you consider that the administration by lodges has shown a marked improvement. Do you find any difficulty in securing, for the limited amount of remuneration available in the smaller branches, people who

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[Continued.]

can perform the duties of secretary in a satisfactory manner?—Occasionally some difficulty has been experienced, but in all these cases the officials of the district at once take over the affairs of the lodge and attend to its administration until a competent secretary is appointed.

5471. Do you have many cases of that kind?—Generally speaking, no. We get some, of course, over a big organisation such as ours.

5472. Arising from paragraph 34, can you give us approximately the number of cases in which you have had to transfer engagements because the lodge administration was faulty?—The number of district state lodges at present established is 52, the number of lodges transferred thereto is 416, and the approximate number of members included in the lodges transferred is 42,680. The number of districts amalgamated since 1912 to date is 113.

5473. Will you indicate to us in what proportions the administration allowance of 4s. 5d. per member is allocated as between the Head Office, the districts and the lodges?—The allocation of 4s. 5d. is as follows:—For Head Office expenses 3½d.; for district expenses 8d.; for lodge officers' remuneration, rent, postages, stationery, printing and incidental expenses 3s. 5½d.

5474. Do you consider that the present allowance of 4s. 5d. is adequate to cover the cost of the necessary administrative work?—Personally, I think it is.

5475. I observe from paragraph 40 that the aggregate of the disposable surpluses of your branches at the last valuation was £758,735. Can you indicate in what proportion this was allocated between cash and treatment additional benefits; and what are the treatment benefits most generally adopted by the branches?—The schemes adopted by lodges, taking the whole four countries, England, Wales, Scotland and Ireland, were as follows: cash benefits only 2,447 lodges; non-cash benefits only, 29 lodges; cash and non-cash benefits, 570 lodges; no scheme of additional benefits, the surplus being carried forward, 20; in addition to which we had 164 lodges in deficiency, and we had 480 lodges with no disposable surplus.

5476. I see from paragraph 42 that out of 3,710 lodges, only 164 revealed deficiencies on valuation. Can you indicate to us generally to what causes these deficiencies were attributable?—In most cases the valuers stated in their reports that the deficiencies were attributable to excessive sickness and disablement benefit payments. I think I may say that those branches that revealed deficiencies were mostly situated in areas where hazardous occupations are followed, such as mining districts, quarry districts, iron-working districts and the like. There were comparatively few in the agricultural districts.

5477. Has any difficulty arisen in your Society through some branches giving considerably greater additional benefits to their members than others?—No difficulties have arisen, but owing to the disparities existing our annual conference passed a resolution requesting the Board of Directors to approach the Ministry to bring about, if possible, a valuation of the society as one complete unit; but certain difficulties were represented to the Board by the Ministry, and the matter was reported to the next annual conference and no further action taken.

5478. Would you indicate to us what provision your Society made for benefits corresponding to those of the Act prior to the inception of National Health Insurance?—We had medical benefit, of course. Generally the sickness benefit ranged from 7s. a week to 20s. a week for 26 weeks. It was then reduced to half that amount, continuing throughout life. In addition to that there was death benefit. I may add that lodges subscribed largely to voluntary hospitals, nursing associations,

eye and ear infirmaries, and the Royal Surgical Aid Society, so as to provide for their members in necessitous cases. Those subscriptions were made from the Benevolent Funds of lodges which were subscribed to voluntarily by the members.

5479. Were those discontinued or did you continue any of them as a supplementary provision for your members? If so, perhaps you would give us some general particulars?—These benefits were continued except in the case of those members who availed themselves of the provisions of Section 72 of the 1911 Act, whereby they could reduce their contributions by the amount they were paying under the National Health Insurance Act with a corresponding reduction in benefits.

5480. I notice from paragraph 46 that you think there should be a statutory limitation of sickness and disablement benefits. Does this indicate that you consider there is over-insurance to any appreciable extent amongst members of your Society, taking the State benefits and the voluntary benefits together?—We have had no indications of over-insurance, but I think it would be true to say that perhaps in the agricultural districts, where a comparatively low rate of wages is paid, there may possibly be some over-insurance. But I may say at the same time that any cases of that kind are very closely watched by the local officials of the lodge.

5481. Have you any definite suggestion to make as to the maximum extent to which the cash benefits should be allowed to be increased?—We would prefer that the present statutory benefits under the Act should be continued.

5482. I observe from paragraph 51 that you consider that it would be of advantage to allocate a total sum for all the treatment benefits so as to permit of variation within the total allowance. Under present arrangements you can vary your schemes of additional benefits from time to time, can you not?—That is so. The schemes can be varied with the consent of the Ministry, but there has been a general expression of opinion from many of our lodges that it would be very much better if for certain additional benefits there was one fund set up.

5483. Do you not think that when Parliament set out a list of possible additional benefits and required the scheme of each society and branch for providing one or more of these benefits to be approved by the Minister, it was contemplated that the scheme should provide for the division of the disposable surplus amongst the additional benefits selected, and that such a loose arrangement as is suggested in paragraph 51 of your Statement would hardly be in accordance with the intention of Parliament?—That is probably so. Of course, when the results of the first valuation were declared there was very little knowledge as to the liability that these additional benefits would bring. It is often found that sums are allocated in the lodge accounts for specific benefits, and there is no great demand for those particular benefits. That, of course, has only been revealed as the result of experience. In other cases it is found that there is a considerable demand for a benefit to which perhaps only a very small sum had been allocated, or possibly none at all. It is thought that if it could be allowed it would be much better to have one fund to provide for these benefits. Of course, that would be with certain safeguards. We think also it might tend to simplification, because it would save setting up separate accounts in the funds of lodges for each particular benefit. Those are our main reasons for that suggestion.

5484. (Sir Alfred Watson): May I ask you whether your Society has any complaints against the administration of National Health Insurance?—I think, generally speaking, there are no complaints whatever.

5485. No complaints against the Ministry of Health?—No complaints against the Ministry of Health have been brought to my knowledge.

5486. I was just wondering, because I notice that in a very interesting and, if I may say so, eloquent

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address given by the late Grand Master at your last Annual Meeting, he said: "We do not intend"—speaking of himself and the Manchester Unity—"to become mere vassals of arrogant bureaucracy." I want to know whether you can tell me who are the arrogant bureaucrats whom he had in mind?—I am afraid I cannot give you any information on that point. Of course the address of the Grand Master gives his personal opinion only. It does not necessarily reflect the opinion of the whole of the society.

5487. I see. Then we may take it from you that your Board of Directors does not consider that, for instance, the Controller or the Deputy-Controller of the Insurance Department of the Ministry adopt an arrogant attitude towards Approved Societies?—Certainly not. I venture to say, on behalf of the Board of Directors, that we are treated with every consideration; I may even go so far as to use the word "kindness," I think; and certainly we are invariably treated with courtesy by the Department.

5488. I am sure the Members of the Royal Commission will all be glad to learn that. Your Society is, I take it, a society consisting for the most part of insured persons; that is to say, it consists for the most part of persons of the class who by the Act of 1911 were made what is called "insured persons"?—I understand that you desire information as to whether most of the members are both voluntary members and insured persons.

5489. I want the Members of the Royal Commission to know something more about the Manchester Unity than can be learned from cold print. I want you to give us some idea of the kind of organisation that it is. Am I right in saying that it is a great working-class organisation providing the ordinary Friendly Society benefits for a very great number of people, the large majority of whom are insured persons under the Act of 1911?—That is so. Our members voluntarily insured are approaching a million in number, consisting mainly of the working-classes of the country.

5490. Have you a million members in Great Britain?—No, a million members altogether in the voluntary section.

5491. But some of those are members of the Society which is called the "Manchester Unity" in various Dominions. I think we had better have the British membership, seeing that many of your Dominion members are under different Acts of Parliament altogether?—The total number in the United Kingdom is 718,838 men, and 24,152 women, making the total voluntary membership 742,985 in the United Kingdom.

5492. How many State insured members have you?—The number of State insured members is 885,093. I am giving you the numbers as at the 31st December, 1923.

5493. So that your State insured members are considerably more numerous than your membership on the independent side?—Yes, approximately 142,000 more.

5494. How many would you say of your 742,985 members on the independent side are State insured? I do not expect you to give a definite figure?—The members who pay only for independent benefits number 268,768.

5495. But I surmise that that figure of 268,768 includes a large number of people who are State insured but have taken their State insurance through some society other than yours?—That may be so. The numbers I have been giving you are the numbers insured in the Manchester Unity for independent benefits only. Then in addition, of course, we have those who are insured for State benefits only.

5496. How many of them are there?—233,004 men, and 168,718 women.

5497. So that the position is broadly this: 500,000 people are insured in the Manchester Unity on both sides?—The numbers who pay for independent benefits and are also State insured would be 450,065 men and 15,922 women.

5498. That is a little less than 500,000?—Yes.

5499. About 465,000 people are insured on both sides of the Manchester Unity?—That is so, yes.

5500. Then you have about 270,000 people insured on the voluntary side who are not on the State side?—That is so.

5501. There are about 400,000 people insured on the State side who are not on the voluntary side?—Yes, approximately.

5502. Can you give me any impression as to how far the people who are not State insured with the Manchester Unity are not liable to State Insurance at all?—No, I am afraid I cannot give you any figures.

5503. I did not suppose you could, but can you give me an impression?—As to the approximate number I do not think I could give you any impression, but the fact remains that there are a very large number of what I might term, perhaps without offence, the better working-classes—small tradesmen and such like, who are lifted out of insurance either by being their own employers, perhaps small business men, or people of that description. There are a very considerable number, I think.

5504. They might presumably, for example, include members of this Royal Commission?—It is quite possible there are some members of the Royal Commission who are members of the Manchester Unity. I do not know.

5505. When we had a witness from a kindred society a few days ago, he said he thought two-fifths of his members on the independent side were not State insured. I suppose you would hardly put your proportion as high as that?—No, not quite so high as that; but there would be a very considerable number.

5506. You tell us in paragraph 6 of your Statement that "Members have the right to attend, vote and take part in the business of their lodge on each occasion it meets"?—That is so.

5507. I am not acquainted with the operation of your system since the inception of State Insurance, but I gather that a lodge has business to do on its meeting night in relation to its State insured members and its independent side. How does it do the business? Does it have one common agenda mixing up the items, or does it take the State business first, or how does it do it?—The system of course varies in the various lodges, but speaking generally, they would get through most of their business in the voluntary section, and would then go on to the National Health Insurance work and complete that, perhaps finishing up the meeting with some items of the voluntary business that had been left over.

5508. Are the members who are State insured only entitled to come into the room and take part in the discussion on all the business of the lodge?—Yes, generally speaking they are. We endeavour if we possibly can to get them through the form of initiation.

5509. I will come to that in a moment. If they are not insured on the independent side have they the same right of attending the meeting and taking part in the business as those members who are insured on the voluntary side?—Oh, yes, they have all rights and privileges.

5510. Taking the members who are insured on the voluntary side only, are they entitled to take part in all the business, including the State side of the business?—We debar them as a rule from taking part in any of the financial matters that may be discussed which relate solely to National Health Insurance.

5511. They are not entitled to vote on those matters under the Act?—They are not entitled to vote on financial matters.

5512. Do you allow them to discuss such matters and give the benefit of their advice?—We do not debar them from doing that. I think sometimes their expressions of opinion are very valuable, because after all most of them are men of long experience in lodge work, and generally an expression of opinion from them is valuable to others.

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5513. I take it that they are the leaders of the society?—To a great extent, yes.

5514. And you allow them freely to express their opinion and to give advice, but not to vote?—Not on financial matters.

5515. Not on financial matters of State Insurance if they are not insured persons themselves?—That is so. In fact in most lodges they would go so far as to say that unless a man is insured under the National Health Insurance Act he cannot even move a proposition, or second it, but must leave that for an insured person to do.

5516. There was a time when I had a fairly close knowledge of the working of your Society, and at that time, if I remember rightly, nobody could attend the meetings of the lodges unless he had been what is called "initiated"?—That is so.

5517. That is to say, had gone through a ceremony of admission with certain passwords and signs, and so on. How does that matter stand to-day with regard to State insured members?—I think perhaps you will remember that we had a special conference in London in the latter part of 1911, or the beginning of 1912, and it was then decided that the State members should have the full rights and privileges of membership. We decided to come in under the National Health Insurance Act as an Approved Society, and not as a separate section, and the conference decided that persons insured under the National Health Insurance Scheme should have the full rights and privileges of the lodges. Generally speaking, that is carried out now throughout the Unity.

5518. That is to say, the full right of attending meetings?—The full right of attending meetings.

5519. Are they in fact invited to become initiated?—Yes. They have the right of demanding initiation should they desire, but we do not compel them to be initiated.

5520. If a member is what you call initiated, that is to say, made in the sense a member of the Brotherhood, is he required then to be insured on the voluntary side?—No, we brook no compulsion whatever.

5521. You may have members whom you would call, to judge from your literature, Oddfellows in the truest and fullest sense of the word, who are insured only on the State side?—Yes, that may be so.

5522. Are there in fact any persons who are insured on the State side, who become initiated and take up the fuller membership that that implies?—There are cases, but I am afraid I could not give you any figures.

5523. Do you mean that the vast majority of the 400,000 who are State insured only are content to be insured, and do not care for the initiation and all that sort of thing?—Speaking generally that would be so. I do not wish you to infer that the majority of the 400,000 State insured members take a very keen interest in the work of the lodge. That is not so; but they have the right and privilege of doing so, and there are some that do it.

5524. You mean in the State insurance work?—Yes.

5525. Do you find as regards the great majority of them that they are simply people who have gone to the Manchester Unity as they might have gone in other connections to an insurance company and taken out a policy?—That is my opinion.

5526. They take no real interest in the work?—That would be a true statement.

5527. Do you think that the position in that respect is improving in any way?—No, I should not say it was improving. It remains about the normal.

5528. When you had your valuations two or three years ago and were able to adopt schemes giving additional benefits, did that movement awaken any interest in the minds of your members who are only State insured?—Of course, as you know, meetings of lodges had to be held for the members to decide

the benefits they would adopt under the scheme, and an agenda paper was sent to every member of the lodge whether State insured or otherwise, and I think in many cases a considerable number of those who were State insured only did attend and vote. But, of course, we must always bear in mind that there are a very large number of State members who are also members of the voluntary section, so that they really come there in a dual capacity as State insured members and as voluntary members, taking their part, of course, in both sides of the work. So that in any case at any lodge meeting a considerable proportion of those that were present would be State insured members in addition to being members of the voluntary section.

5529. You tell us that of the 400,000 who are only State insured there are relatively very few who take any real interest in the Society?—Speaking generally, that would be true.

5530. Is not that true of those who are both State insured, and insured voluntarily?—No, I think not. We find that those members who are insured on the voluntary side also take in many cases a very keen interest in National Health Insurance work.

5531. I am very glad to hear that because my impression—of course, this goes back a long time—was that they took very little interest in the voluntary work of the Society. The work was perhaps left to 10 per cent. of them, and the others were content to leave it there?—I think I may say there is a considerably growing interest amongst the members of lodges of the Manchester Unity in the work generally.

5532. May we take it that that interest extends to the State insurance part of the Society's work?—As far as those members who are insured in both sections are concerned, I think I may say it does. Generally the National Health Insurance work comes up in the ordinary business of the lodge, and those people take their part because they are there and are State insured.

5533. You told us that the administration allowances were distributed in the following amounts: Head Office 3½d., districts 8d., and lodges 3s. 5½d. Do you consider that the district which is interposed as a link between the lodge (the lodge being the financial unit) and the Head Office, does National Insurance work to justify the charge of 8d. a member a year—between one-sixth and one-seventh of the whole administration allowance?—I think we must remember that the district is supervising the lodges continuously, and that the lodges themselves compose the district. The lodges themselves vote the amount of money that shall be applied out of the administration allowance for district purposes. I certainly think the districts are doing a considerable amount of good work by seeing that the administration of National Health Insurance is efficiently carried out in the lodges in their districts in addition to which again there is a considerable amount of discussion that takes place at all district meetings on National Health Insurance work.

5534. So that in your opinion, although the district is not a part of the machinery recognised by the National Health Insurance Act, that is to say, it is neither the unit that is financially responsible, nor is it the Head Office which binds the whole thing together, yet it does work for National Health Insurance and is worth the administration money that it costs?—Undoubtedly it is working for the general interests of National Health Insurance.

5535. I know, but is it working to such an extent and to such effectiveness as is represented by 8d. per insured person per year?—I think it would be right to say the members themselves think so, because they vote that sum of money, and they agree to levy their lodges to that extent.

5536. Is that charge of 8d. that you have given us a uniform figure throughout the Society, or is it the average of varying amounts in the different

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districts?—That would be about the average. There is no uniform amount; it is left to the lodges themselves to vote the amount at each district meeting.

5537. The lodges, by the way, do not vote the amount, do they? The representatives of the lodges meet in district meeting, and by resolution impose the levy on the lodges?—Quite so. The members at a district meeting are the duly elected representatives of the various lodges.

5538. The amount is not voted by each of the lodges independently; it is imposed on the lodges by a body representing all of them?—Quite so.

5539. You see no reason to think that the district system does not produce results commensurate with the cost?—I think that the supervision of the district over lodges is very valuable indeed. They perform a good work in ensuring good administration of National Health Insurance amongst the lodges.

5540. There is one small point I must raise with you, though you will perhaps be rather displeased with me. How much of the time of your Annual Meeting—which extends over a week, I think, from Monday morning till Friday night, or the early hours of Saturday morning—is devoted to National Health Insurance?—Generally speaking, one whole day. Of course, it depends entirely upon the matters that are on the agenda submitted by the Board of Directors; but as a rule there is one whole day set apart for the discussion of National Health Insurance work. Sometimes it is more than that.

5541. What part of the expense of the Annual Meeting is charged to the State Insurance Fund?—50 per cent.

5542. The whole meeting extends over five days, of which one day is devoted to National Health Insurance. Do you think it is quite fair to throw 50 per cent. of the cost of the Annual Meeting on the National Health Insurance funds?—The delegates or deputies are elected to represent the Districts at the Annual Movable Conference. In any case they would have to travel, so that there would be their travelling expenses, and we assume that would be charged. The amounts other than the deputies' expenses would not be very great.

5543. A fair proportion would be half the travelling expenses, and presumably something less than half the time?—I agree that not half the time of the Conference is devoted to National Health Insurance work.

5544. You say half the travelling expenses are charged. Do you think it is quite fair to National Health Insurance—I put it somewhat apologetically—that 692 ladies and gentlemen should have gone in the year 1922 to the pleasant island of Guernsey to transact the Society's business and half the cost of their travelling expenses and time should have been charged to National Health Insurance?—I can only say that the organisation of the Society permits of deputies being elected in proportion to the numbers; it is proportional representation, as you know; and probably half our members are State insured. The custom has been hitherto to charge half the expenses because those members would be representing half the members of the Unity.

5545. Passing away from the point of charging half the expenses, I suppose when in the year 1920 the Society met at Leamington it meant a considerably less burden on the National Health Insurance funds than in 1922 when you went to Guernsey?—Quite so. But the organisation of the Society permits of the delegates themselves deciding where they shall meet the following year. It does not rest with the Executive at all, as to where the Annual Meeting shall be held; it rests entirely with the delegates themselves.

5546. Yes, I know that. We have also this point, have we not, that if economy in administration is pursued at every point and there is a real saving of the administration allowance it means more benefits for the insured persons?—That is assuming, of course, that a saving can be made in administration, but I

think there may come a point when you could cut the administration expenses down to such an extent that it would affect the efficiency of administration generally. It is not our desire, if we can help it, to cut down the efficiency of administration of National Health Insurance. We desire rather to increase the efficiency of it.

5547. Do you think that it increases the efficiency of administration if you go to these pleasant and distant places and charge the National Health Insurance funds with half the cost of the meeting, remembering also that you only have one day out of the whole week devoted to National Health Insurance business?—It may possibly have a general effect on the health of the deputies, and so keep them from going on the sick fund.

5548. Am I not right in thinking that a majority of the deputies are of the class that is not State insured at all?—Then it would keep them off the voluntary fund.

5549. Ought you to use State insurance moneys to keep them off the voluntary fund?—No. But I think it would be quite true to say that at least 50 per cent. of the deputies attending the Annual Conference are insured persons.

5550. I can quite believe it, but still I do not think that for that reason you ought to take them to Guernsey, Scarborough, or Folkestone, ought you?—That, as I say, depends entirely on the deputies. It has nothing whatever to do with the Executive of the Order.

5551. Please do not assume for a moment I am suggesting that.—It is permitted by the general rules.

5552. It is a self-controlled Society, and the deputies have the full decision?—That is so.

5553. But at the same time it does mean this, that the arrangements you have involve a certain cost on the State side which is a little bit open to criticism?—Yes, but of course when one speaks of the places in which the Annual Conference is held I think one must bear in mind also that we have members all over the country, and it does not really matter whether the Conference is held in the South of England, or whether it is held in the North of England, the expenses would approximately be the same on all occasions because the members in the South would have to travel North and *vice versa*. On the particular occasion of the holding of the Conference in Guernsey which you quote, the expenses were of course considerably more than they will be next year when the Conference is to be held at Bournemouth.

5554. I am not laying much stress on it really; I am only pointing out that even so admirably governed a Society as we understand the Manchester Unity to be does seem occasionally to spend a little more on management expenses for State business than it might. To pass to another matter, you told the Chairman just now, in discussing the inequalities of additional benefits, that in a certain year the Annual Movable Conference asked the Minister for the valuation of the Society to be made as a whole. Your reply to the Chairman's question was to the effect that that request was refused, the matter was reported to the next meeting, and no action was taken?—I do not think I used the word "refused." I think I said that certain difficulties were pointed out.

5555. Yes, that is what you said. I am sorry. But for the information of the Royal Commission, as the point is one of some interest, I think we had better have it more fully discussed. Was not the position found to be this: that every lodge is under the Act a separate financial unit?—Yes, that was pointed out.

5556. It is not quite as you have said in paragraph 39 that "each lodge is treated as a separate unit for valuation purposes"; but it was found to be that each lodge was a separate financial entity?—Quite so.

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[Continued.]

5557. And it was pointed out to you that if those separate financial entities, 3,000 odd in number, were all to be valued as though they were one, there must be a prior step taken, that is to say, that all those separate entities would have to be merged into one body with a centralised fund which would be the common property of them all?—Yes, those were the representations that were made.

5558. It was explained to you that that could be done if the lodges wished it. It was open under the regulations for the Order first of all to establish a central body for the purpose, with power to do National Health Insurance business, and then it would be open to every lodge in the Order by the necessary majority and the necessary procedure to transfer its engagements to that central body. That was the position?—That was the position. In other words, from our point of view it meant merging us into a centralised society.

5559. You reported that to the Annual Movable Conference?—We reported that to the following Annual Movable Conference.

5560. And no action was taken?—No action was taken.

5561. Do you mind telling us why, on the true position being reported to the Annual Movable Conference, that body dropped the whole question?—Originally they thought there would be no difficulty in retaining the organisation as it was, or as it is at the present time, and simply merging the surpluses into one common fund, the idea being that the whole of the additional benefits throughout the society should be of one uniform nature, and that no single section of the Unity should get more additional benefits than another section. That was the principle underlying the whole thing.

5562. That, by the way, was a different principle from that which governed the voluntary side at that time?—It is a different principle from that which governed the voluntary side at that time; it is not a different principle from what is governing the voluntary side at the moment.

5563. Surely every lodge that pays additional benefits on the voluntary side pays them entirely without reference to what any other lodge is paying?—On the voluntary side now, I think you know, we have what is termed a Unity reserve fund.

5564. That is to say you take out of the surpluses money to guarantee that every lodge shall be solvent?—That every lodge shall give the benefits that were originally intended and charge the original rate of contributions.

5565. But after a solvent lodge—and those are the majority—has satisfied the demands of the Unity Reserve fund, on the voluntary side that lodge applies its own surplus for the benefit of its own individual members?—Yes.

5566. So that the surplus lodges in your Society do not all pay the same rate of additional benefit on the voluntary side?—That is so.

5567. When it was explained that on the State side you could not have a flat rate of additional benefits without merging all the funds into one centre, why did the Annual Movable Conference drop the question?—I think I may say that the question did not arise on the initiative of the Executive in the first place. When the valuation was being discussed at the Annual Conference it was moved then from the body of the Conference that procedure should be taken by the Board of Directors to approach the Ministry, and, being a democratic society, when a resolution was passed that the Executive should do something, they were compelled to do it—having done it they reported it to the following Conference, and the subsequent Conference was evidently of an entirely different mind to the previous Conference and they did not pursue the matter. I think we must bear in mind that probably 50 per cent. of the deputies at one Conference would be different at the next Conference; in other words, there would only be a residue of those who had attended the

previous Conference of about 50 per cent. So that one can quite see that the opinions, or the line of thought, would differ very much between one Conference and another.

5568. But do you not think the reason would be that at the second of the two meetings when the Board reported what would have to be the prior step to the valuation as a whole the Annual Movable Conference was not prepared to transform the constitution of the society and make it a centralised body?—That is certainly what was underlying the minds of the Annual Movable Conference, and also the minds of the Board of Directors, and that is the point of view they took when they recommended to the Conference that no further action should be taken.

5569. They were not prepared to have the whole administration of benefits transferred to the centre, and the financial independence of the lodges disestablished?—There was a strong disinclination expressed to the centralisation of the whole society.

5570. Do you think a disinclination to centralisation of the society would extend further to a disinclination to centralisation of the whole system of National Health Insurance?—I am under the impression it might tend that way. One could, of course, enlarge on that matter. You could say if it is good to centralise a number of small units into a larger unit, it is also good to centralise larger units into one complete unit.

5571. That generality does not lead you anywhere?—No, but the same argument would apply. We object to being centralised as a society. We prefer to carry on our own organisation as we have it to-day because we think it is for the general good of the community and of the country.

5572. You believe that the present system under which societies such as yours administer throughout the land little bits of the national system, each unit in its own locality having, practically speaking, complete responsibility towards its own members, is a good system and is operating in the best interests of the whole community?—I think it is operating in the best interests of the insured persons themselves and the community generally. It has, I think, a very great effect in giving a considerable amount of knowledge to the working insured people on National Health Insurance matters generally.

5573. Would you say that the experience of affairs which the members of a Friendly Society get in controlling the business of their Society and the National Health Insurance part of their Society is of national advantage?—Yes. I think, speaking generally, the dissemination of knowledge on any particular subject is of value to the whole community whatever that subject may be—whether it is National Health Insurance or any other subject that may be of use to the general community.

5574. May I put it—taking it at quite a low figure—that fully 20,000 of your members are engaged in the active administration of National Health Insurance?—There would be many more than that.

5575. I am referring to active administration, apart from merely attending meetings and voting?—We have 3,527 Lodges administering National Health Insurance. You would have your Secretary, Chairman of the meeting, Vice-Chairman, and what is termed the Minute Secretary. You would have what are termed the Right and Left Supporters of the Chairman and Vice-Chairman. You would have your Sick Visitors attending, and you would have what is termed the Tiler or Guardian.

5576. Do not frighten us with a long list?—I was trying to arrive at the number, that is all. So that practically you would have 10 men in each lodge, and with 3,572 lodges you would have approximately 40,000 people.

5577. That is just double my figure. That only seems to emphasise the point, does it not? You have, roughly, 40,000 people actively and systematically engaged in this work learning one branch of the business of public administration?—That is so.

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5578. Do you consider that it is in the public interest that that system should continue, or that it should be superseded by a system under which, with possibly improved efficiency in details, the whole thing would be managed from the centre?—I think the organisation and the system of the Manchester Unity for the conduct of National Health Insurance is the very best that could be provided. We have large numbers of men occupying quite high social positions in life at the present time who have been educated and trained in their lodges in matters of self-reliance and methods of debate, which has taught them to come to quick and sharp decisions. They are occupying good public positions, and I venture to say it is true to assert that those men have learned their business in the first place in their lodges. My opinion is that if any action was taken to break down the voluntary thrift movement organised as we know it to-day, we should lose something as a nation that could not very well be replaced. That is my personal opinion.

5579. You say it is your personal opinion. Do you think that would be the general opinion of those with whom you associate?—I think it would, as far as the Manchester Unity is concerned.

5580. In paragraph 46 you express the opinion that there should be a statutory limitation of sickness and disablement benefits, and in paragraph 47 you say: "The present payment of statutory cash benefits, to which are added such additional sickness cash benefits as the lodge may be entitled to pay from its surplus, has a tendency to destroy the incentive to personal thrift." Would you mind developing that argument?—Of course, we are dealing there with additional benefits, are we not? The idea underlying our statements was that when additional benefits are given there should be a limitation as to the amount of the surplus that should be used for cash benefits. The limitation was already fixed. It was fixed at the last valuation at five units.

5581. Who fixed it?—It was fixed by the Ministry, I think, or by the valuers.

5582. Was not the position at the last valuation merely this: it was the first valuation of the kind that had ever been made, and there were cases where more than five units could be given; the valuers, however, agreed to follow the common line of action that if five units could be paid the position was so uncertain that they would not be justified in certifying any further surplus than provided those five units?—In the case of lodges where five units were permitted it left no other money available for treatment benefit.

5583. It was the decision of the lodge to pay five units?—Quite so.

5584. But the valuers said: "The position at this first valuation contains so many elements of uncertainty that we will not certify as disposable any more surplus than the equivalent of five units"?—Quite so.

5585. There was no question of ministerial direction in the matter, surely?—No. I think that was the limitation imposed, as you say, by the valuers.

5586. Then that was accidental, and the circumstances have no doubt changed, and it is fair to expect there will be no such limitation this time. Let us, therefore, brush that on one side as a thing that was purely temporary and is past. Why do you say there should be a statutory limitation of sickness and disablement benefits?—Because, having in view the fact that lodges were permitted at the last valuation to use for additional cash benefits up to five units, which brought their sickness benefit up to 20s. a week, we consider—and of course we are expressing this opinion because we understand, not from any official source, but from what we have heard, that the results of the second valuation will exceed very largely the results of the first valuation—that, if possible, there should be a limit to the amount of cash that may be paid for additional

benefits because we feel that the first essential of National Health Insurance is the preservation of good health, and we think the additional treatment benefits would be of very much greater value to the insured persons than the payment of a few shillings extra per week, which is of really no value to them as far as the prevention of sickness or their restoration to good health is concerned.

5587. Let us take the point of it being of really no value, because we have heard the same from other witnesses. Take the case of a man who has a wife and three or four children to maintain, and who is laid aside on a bed of sickness for 10 weeks or more, and who has just his National Health Insurance benefit. Is not the difference between, say, 15s. and 20s. going to be of immense value to that unfortunate family?—In that particular case I agree it would be of immense value, but we have also to look at the other side. If we increase the cash benefits above a certain limit may we not be holding out inducements to members to take a holiday occasionally because they would be getting a little sickness benefit? In cases of serious breakdown of health or serious illness I quite agree that the amount of sickness benefit paid at the present time is quite insufficient. I am not urging that it is sufficient, but we are dealing with this matter in a general way.

5588. How many of your members on the voluntary side took advantage of Section 72 in 1912 and cut out their voluntary benefits?—Not a very great number. I cannot give you the number off-hand.

5589. You have already told us you have something like 465,000 people insured on both sides. That is to say, they are insured for 15s. plus something that probably averages about 12s. or 14s. Do you find that the provision of 27s. to 30s. a week as regards nearly 500,000 of your members provides that inducement to linger on the funds that you have mentioned just now?—No.

5590. If that is so on the voluntary side or with the members insured on both sides, why should not the State insured member be entitled to more than 15s.?—We also think—though it may be perhaps a selfish way of looking at it—that if the cash benefits are increased to a large extent under National Health Insurance it may have a very detrimental effect on the voluntary thrift movement. We desire to encourage, if we possibly can, voluntary thrift because we think it is such a very valuable thing to the nation as a whole.

5591. I do not think you need apologise for bringing that point out. After all, the purpose with which people come to give evidence before a Royal Commission is to let the Commission know what are their real motives, and that I think is the real motive that prompts you to make the suggestion?—Strictly speaking, that is the real motive underlying the suggestion.

5592. I just want to take you a little way further on that point. There are 10,000,000 insured men in the country, and there are probably 4,000,000 men insured in Friendly Societies, of whom it may be reasonable to say that very few more than 3,000,000 are State insured. That is to say, there are 3,000,000 State insured men in Friendly Societies and 7,000,000 who are outside Friendly Societies. Of those 7,000,000 are not a great number over the ages of 40 and 45?—I should say yes.

5593. Can they get into your lodges?—We accept them up to the age of 50.

5594. For voluntary insurance?—Yes.

5595. For sickness benefit?—For sickness benefit.

5596. How long has the age been 50?—I think we introduced the age of 50 in 1912 at the Nottingham Annual Moveable Conference.

5597. It used to be 45, did it not?—It used to be 45.

5598. Now the age is 50?—It is.

5599. People have to pay in your Society on a graduated table according to age?—Quite so.

5600. When a man gets to be over the age of 30, the contribution begins to be heavy?—It is very heavy, according to the table under which he pays.

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5601. I am assuming that he wants a fairly adequate benefit. By the time he is 40 it is very heavy indeed, is it not?—Yes, it increases under the graduated system, and it advances very considerably from the age, we will say, of 40 upwards.

5602. If that be so, does it not mean that however you desire to develop the character of the people and develop the characteristic of personal thrift it is no use trying to apply that to those unfortunate members of the working population who are outside the Friendly Societies and are much over the age of 30?—Yes, that would be so. It would perhaps create a hardship.

5603. And, further, I think you require a medical examination?—Not in all cases now, but a member has to make a declaration of good health.

5604. From what age do you require a medical examination?—The system differs. Some lodges still require a medical examination, or a medical certificate; but most of the lodges are now satisfied with a declaration of good health from the member. And that of course applies to all ages, from a boy of 16 onwards.

5605. On a person joining, do you merely require a declaration made by himself that he is in good health?—He gives a declaration made by himself.

5606. Does that declaration have to be countersigned by his friends or neighbours, or responsible persons?—No, the candidate himself signs the declaration, and that is considered sufficient.

5607. Then a person may get into the Society on a declaration by himself that he is in good health, but he has to pay a contribution according to age, and it is very heavy for ages after 30, I suppose?—Yes.

5608. Does not all this mean that, as regards a very large proportion of the 7,000,000 who have never joined the Friendly Societies, State Insurance is the only form of insurance that they can hope to get?—That would be so.

5609. Then ought we to limit the State insurance benefit of those persons to 15s. per week?—That is our opinion—that it should be limited.

5610. I cannot press you further. I have got your answer.

5611. (*Miss Tuckwell*): I notice that the proportion of women to the total membership insured on the voluntary side as well as the State side is small, but the number is 15,000 odd. Can you tell me what kind of women they would be who are able to pay for State Insurance and also are able to belong to your voluntary side; can you tell me from what classes they are drawn?—The women on the independent side number 24,152.

5612. In answer to Sir Alfred Watson you gave the number of those who were in both as 15,000 odd?—Yes.

5613. Could you tell me from what professions or trades those women are drawn who are able to pay both for the State and the voluntary insurance?—It would be difficult to do that, I think. Of course we have them all over the country. In the South of England there are a large number of married women, wives of the members on the voluntary section, who are also members of the independent section. In the Midlands they would be mostly factory workers, I think, and women of that kind. But they are generally the working women of the country who are insured in both sections.

5614. You cannot enlighten me on the point I wanted, which is that they are very well to do working women if they are able to pay for both State insurance and other insurance as well. I wondered whether you had any clue as to where those women were drawn from?—I cannot give you that information.

5615. Do the women take an interest in their Society's affairs? You were deploring the fact, I think, that there was not a very great deal of interest evinced on the part of State insured people; do you find that the women take any interest?—We

have a number of women's lodges throughout the Society, which are entirely conducted and controlled by the women themselves.

5616. Do you know whether the women attend and show an interest in affairs?—The women of the voluntary section attend, and, of course, there would be also a sprinkling of those who were State insured; but, generally speaking, the State insured women take no interest whatever in the lodge work, or very little.

5617. Why is it that you can get women to be interested in the voluntary side and yet you find this apathy on the other side? What steps do you take to interest them?—We have social functions in our lodges. We hold meetings and concerts and the like, with an endeavour to interest them, but we find that there are counter-attractions at the present time which they prefer to attending their lodge meetings.

5618. You do not give them information about National Health Insurance, and have debates and that sort of thing?—Yes, we do. We try to interest them in that way.

5619. (*Professor Gray*): Debates on Health Insurance?—There is a paper read on National Health Insurance generally, and other matters.

5620. Is it a general debate on anything you like, or is it on what shall be done with Class K?—That is a very thorny question. As a matter of fact, we made an endeavour last year. We circularised the whole of the women's lodges to get information from them, and get them to express their opinions respecting the marriage bonus to women. There were not more than 30 per cent. of the women's lodges that even took the trouble to reply.

5621. (*Miss Tuckwell*): That had reference, you say, to Class K?—Oh no, it had nothing to do with National Health Insurance. The question we were endeavouring to elicit information about was the payment of the marriage bonus on the voluntary side.

5622. This absence of interest on the part of insured persons comes up very often. It does not do to talk about things being democratic until the insured persons themselves are really canvassing questions and taking an interest in them?—As I said before, we have a large proportion of our members who are voluntary members in addition to being National Health Insurance members, so that we always get a considerable percentage that are taking interest for the reason that they belong to the Society in both sections.

5623. I know, but I do not see how it helps National Health Insurance that they should be members also of the private side and take an interest in that. What one wants to get is interest in National Health Insurance?—Yes, it is very difficult.

5624. I should like to ask about the surgical aid societies. You have spoken about surgical aid societies, and so have other witnesses, as being societies with which you have had connection. Do you think the surgical aid societies satisfactory?—We find that the distribution of tickets is very useful, and there is a considerable demand for them.

5625. May I put this point? We have been hearing about dental treatment, and I myself had to deal with a surgical aid society in the case of a young woman who was quite good looking and who was fitted with a set of teeth exactly like piano keys. Do you find you can control those associations with which you are in connection so that they do their work properly?—We have no control over them at all. When I was speaking of subscribing to the Royal Surgical Aid Society and other voluntary institutions I meant to say that we do that from our voluntary funds in most cases, and not from National Health Insurance funds. There are certain payments, of course, under Section 26, but not to any great extent. I think if you

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remember the question put to me on that matter related to the benefits we were giving prior to the inception of the National Health Insurance Act, and I was asked whether those benefits were continuing.

5626. You have no experience of it now?—Oh yes, we are still continuing the same work.

5627. Not in the National Health Insurance section?—Not to any extent.

5628. The thing that interested me was the difference between what is furnished when you are dealing with a private practitioner and what is furnished when you are dealing in this sort of public way. May I ask what is the expenditure of your society in administration?—I can give you the administration payments from the year 1914 down to the last year we have, namely the year 1922. The total payments in the year 1922 were £191,963 12s. 10d.

5629. Is that the last year you have?—That is the last we have.

5630. How much would that be per member? Can you work that out for me?—It is approximately 4s. 4d., as nearly as one can get at it.

5631. Is the cost increasing or decreasing?—The cost, I should say, remains about the same.

5632. What are the main heads under which expenditure has been incurred for administration?—The main heads of administration payments for the year 1922 were: Salaries, wages, etc., £132,593 18s. 3d.; printing, stationery and postages, £15,020 7s. 3½d.; rents, rates, taxes and insurance, £8,062 14s. 6d.; incidental office expenditure, £836 6s. 5½d.; travelling expenses, £2,320 19s. 4d.

5633. (Sir Arthur Worley): Does that include the Guernsey expedition?—Yes.

5634. You do not know how much of that £2,320 applies to that, do you?—No.

5635. Would £2,000 apply to it?—Not quite. I should say something in the neighbourhood of about £1,800.

5636. £1,800 out of that item applies to that one expedition. It would not be far off £1,800 for the numbers you gave.

5637. (Mr. Evans): Would the lodges pay their own deputies' expenses?—No. The Unity does that. The figures I am giving you now are of course the figures of the total expenditure throughout the whole Unity. To conclude the items: District levy £32,100 10s. 1d. and sundry expenses £938 16s. 11d. Those figures I have given make a total, as I said before, of £191,963 12s. 10d.

5638. (Miss Tuckwell): Could you tell us what rate you pay your agents?—We have no agents.

5639. I beg your pardon—whatever name they are given?—We have branch secretaries. The rate we pay differs of course in the various lodges throughout the society. I think we might take as a general average about 2s. a year per member for ordinary members, and half that amount for members that are in the Forces.

5640. What I really wanted to get—we have been getting it from each society—was the number of the staff in proportion to the membership?—I am afraid I cannot give you those particulars.

5641. Could you get them?—I am not quite clear as to what you mean when you say the number of the staff, whether you mean all those that are paid throughout the society.

5642. You have a number of people who give voluntary service?—Yes, there is a considerable amount of voluntary service in the Unity.

5643. They are mostly part-time people?—Most of them are part-time people.

5644. Could we have the proportion of the whole-time and the part-time people in proportion to the membership?—It would cause a considerable amount of time and work to get it. We should have to circularise our districts.

5645. You could not do it roughly?—I do not think we could give you any reliable figures. But I may say that most of them, I should say two-thirds, or

perhaps three-quarters of them, would be part-time officials.

5646. Do any members of the Committee of Management receive payment for their services?—Yes. That again differs. There is a good deal of voluntary work done there, but in other cases members of the Committee of Management are paid for every meeting they attend.

5647. Do you think there is any way in which your Society could reduce its expenditure on administration?—I am afraid there is no way I know of consistent with efficiency.

5648. Do you carry on business in every town of the country practically?—Not in every town, but we cover a very large proportion of the towns throughout the whole of Great Britain.

5649. And villages?—Yes.

5650. Would there be some places in which you had only two or three members?—It is quite possible there may be two or three members only in a village, but there would be no lodge. They would belong to a lodge perhaps some distance away from their homes.

5651. Have you ever thought of the desirability of collecting such stray members—of course, there are all over the place members of various societies—into one single local society?—No, we have never considered that as a Unity. Of course, we like as far as possible to retain our own members in our own Society.

5652. I am only suggesting that where you have, say, two people in different societies in one place it might be useful to have a local society which might be able to find more members?—Probably in such a case there would be only a very small number of insured persons in that village, and it may probably mean there is no society existing in that particular village. An insured person may be resident there, but there may be no society of any kind having an office in that particular village.

5653. That is rather what I had in my mind, because I was going to ask you if you did not think that it might be a good thing to bring in those one or two members into a local society and associate it with the Local Authority for the area, rather than have these scattered ones or twos belonging to different societies?—We do not think so. We should like to retain our own members all the time if we possibly could.

5654. Even if there is only one member in one place?—Even if there is only one member in one place.

5655. (Sir Arthur Worley): With regard to the question of rent, you say that it is £8,000 a year, which is roughly 4 per cent. of your expenditure. I gather from what you have said that the State members take very little interest in your lodges and therefore they do not crowd out the lodges, and it has not been therefore necessary to get any larger premises?—In many cases that has not been necessary, but in some cases it has. It depends entirely of course upon the size of the unit.

5656. Seeing that as a general rule practically none of them ever go to the meetings—for that is the impression I have got—it would not be necessary to take larger premises?—But in addition to lodge premises there would be offices that would be necessary, and the item of rent, rates and taxes would be incurred in that way mostly.

5657. By what method do you assess and divide the rent between the voluntary side and the State side?—It is based entirely on numbers, and those numbers are very carefully checked by the auditors at the annual audits.

5658. It is done on a *pro rata* basis?—Yes.

5659. So that it has been a distinct relief to your voluntary side in many cases?—Perhaps in some cases it has.

5660. If there is £8,000 debited and in effect you have not had to take much more office accommodation your voluntary side must have benefited. I am not

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saying it has done so unfairly?—I think it is not quite right to put it that way, because there is a good deal more administration necessary with National Health Insurance. There is, for instance, the collection and distribution of cards.

5661. That does not take place in the office?—Yes. The cards are distributed from the secretary's office.

5662. But the people do not come to the office for them, do they?—Yes, they often come. In other cases the cards are distributed by post, but the fact remains that there is a certain bulk of State Insurance material, and therefore there is a certain amount of room required.

5663. I agree that you cannot put more than a pint of water into a pint jug, but you can put a pint-and-a-half into a quart jug. Passing from the item of rent to the item of printing, stationery, postage, and so on, how do you get £15,000 for postage, &c.?—Well, the postage is very heavy now.

5664. I do not tie you to the figure, but what proportion of that would you think would be for postages—seeing that all the forms are largely supplied to you by the Ministry now and therefore printing cannot be a large amount?—I should say quite three-quarters of it would be postage.

5665. That is, roughly speaking, £10,000?—Yes, that would be roughly £10,000.

5666. Therefore if the Postmaster-General or Chancellor of the Exchequer reduced the postage charges in the next week or two, there would be a considerable saving?—There would undoubtedly be considerable saving, but not perhaps so much as you would think, because the $\frac{1}{4}$ d. postage would still be in existence for the cards. It would only mean that perhaps there would be a reduction of $\frac{1}{4}$ d. off the letters.

5667. That would be a considerable reduction?—Yes.

5668. So far as you know there is no provision by which the National Health Insurance funds would get the advantage of that? You would still get your 4s. 5d., would you not?—We should still get our 4s. 5d., but, as I think Sir Alfred Watson pointed out earlier, if we made a profit on administration account it would go to the benefit funds.

5669. I am content with your answer on that. Passing on to the item of travelling expenses, what does that mean; does it mean merely travelling, or does it include hotel expenses or motor rides?—No, nothing of that kind.

5670. It is purely travelling?—It is purely travelling.

5671. In going to Bournemouth or Guernsey there would be a certain amount of hotel expenses incurred?—Yes.

5672. Of which the National Health Insurance funds paid 50 per cent.?—Yes.

5673. What item would that come under in your expenses here?—That would come under, I think, salaries and wages—or part of it, at least.

5674. It is rather arbitrary to put hotel expenses under the head of salaries and wages, is it not?—But it is not hotel expenses; it is shown as payments to deputies. So therefore more or less it becomes a matter of salary.

5675. Merely as a matter of information—I do not want to be at all nasty about it—can you tell us whether on these delegations it is not usual for the delegates to go to some little entertainments?—Yes, that is often the case.

5676. And for motor rides, and so on?—Quite so.

5677. Would that be paid for?—No. That is paid entirely by the deputies themselves, or at the expense of the district that invited the Conference to attend their town.

5678. That is what I expected. I wanted to bring that out.

5679. (Professor Gray): How would the district charge it? I understand the district entertains the delegates and pays the cost.—In many cases they get sums together by local functions and the like. They

get a fund together so that the deputies can be entertained when they attend the town.

5680. (Sir Arthur Worley): We can take it from you that no part of the charge for an entertainment in the district borne by the district in which the Conference is held falls directly or indirectly on the National Health Insurance funds?—No part whatever.

5681. Your Head Office is in Manchester, I think?—Yes.

5682. I dare say perhaps the majority of your members are in Lancashire?—Oh, no, there is quite a small proportion of them there.

5683. Seeing that your Head Office is in Manchester, why should you not hold your meeting in that notorious health resort? There are a lot of nice places in the district, Eccles, and so on?—I quite agree.

5684. Looking at it as a business proposition—and, after all, the National Health Insurance is a business proposition, it is a proposition founded on the fact that such and such a sum is paid in contributions practically the whole of which goes back to the members less the actual expenditure on administration—looking at it from that point of view, would it not be better to hold your meeting in such a place, as really one day only is enough for the whole business that you would want to do. Or is it that you consider it has to be linked up and associated with your Conference? An Approved Society that was an industrial society would not hold its meetings in such places as you do?—These Annual Conferences are quite an old institution, and it is provided in the rules that it rests entirely with the delegates where they shall go on the invitation from certain towns.

5685. I am connected with other sections of insurance business that have the same rules, and we usually do the same thing. A point that Miss Tuckwell put to you was as to why the women members of your Society took an interest in it on the voluntary side and not on the State side. Is it not a fact that most of the women members on the voluntary side are to a large extent the wives and daughters of your men members?—A very considerable proportion of them are.

5686. And on the voluntary side there are all sorts of things that probably appeal to women—roses and rosettes and concerts and social functions where they meet other ladies and other male members of the Society, all of which you cannot do on the State side?—I do not think I can go so far as to agree to that. We find that on the voluntary side the women in many cases take a very keen interest in the work, and why they take such a keen interest in the work on the voluntary side and not on the other side is difficult to understand.

5687. I am putting it to you that they are probably the wives, daughters and friends of Oddfellows and have been used to hearing a lot about it?—I think there is a good deal in that.

5688. That makes a differentiation between the two classes?—Yes.

5689. (Professor Gray): I understand that your Society consists of lodges up and down the country which are more or less independent?—Yes.

5690. You say in paragraph 13 that they are under the supervision and control of the Board of Directors. Can you tell me the extent of that supervision and control?—If the lodges are well administered there is very little control exercised at all over them, but in the event of any maladministration or any report being received from the Ministry—auditors' report and such like—we at once take steps to see they are administered in the proper way and that the errors that have been made are rectified.

5691. It is rather perhaps a legal question I am putting, but can you tell me what is the authority by which the Executive Council does that? Are not the branches rather proud of their independence?—That is so, but we have general rules giving the Board of Directors certain authority to exercise supervision over the lodges.

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[Continued.]

5692. And to take action if need be?—Yes; in the case of maladministration we could of course insist on transferring engagements, for instance.

5693. Supposing it is not maladministration; supposing you had merely a contumacious lodge which has fallen into the hands of a stubborn secretary who puts up the flag of independence; can you manage that man?—Yes. We can take him out of office and place another man in the office of secretary.

5694. Supposing the branch stand by him, what then?—We should then apply to the Ministry to transfer the engagements. Of course as a last resource—though we have never had a case—we should expel a lodge from the Order. But it is surprising how loyal these members are to the Executive of the Order.

5695. You told us about the size of the branches. Some are quite small. I think you said you have some branches with under 25 members?—Yes.

5696. And quite a number with up to 75 members?—Yes.

5697. What is the opinion of the Council with regard to the actuarial safety of branches of that size?—At the last valuation no lodge with less than 30 members was permitted to dispose of any surplus on valuation. But it is surprising how well some of these small branches come out from a valuation point of view. We have brought a considerable amount of pressure to bear on these small lodges to transfer their engagements and to amalgamate, and since the inception of the Act we have reduced the number of our branches by 1,203, which has brought their numbers down to the numbers given in our statement. There have been, I think, 113 districts amalgamated.

5698. I am going to mention the districts presently. The Society has, of course, a contingencies fund, as a protection?—Yes.

5699. Is it not the case that so long as you have independent branches of that small size they are liable to be upset at any time by, let us say, two members permanently on disablement benefit, or perhaps even one?—That would have a very grave effect.

5700. They are saved, are they not, from going into deficiency by the contingencies fund?—No, not saved. They would go into deficiency, but the contingencies fund would bring them up to solvency.

5701. That is what I mean. You may have a very prosperous quinquennium with as large a benefit as you like, and in the next quinquennium, merely by the fact of one person being ill all the time, you might come down to very low straits?—It is quite possible.

5702. You referred just now to the amalgamation of districts. Will you tell us about that? The amalgamation of branches into District State Lodges?—We have had in certain areas a consensus of opinion amongst the branches that for the sake of better administration they would amalgamate. The branches perhaps have been small, and the remuneration given to the secretaries has not been very much, and in talking the matter over amongst themselves they have thought they would amalgamate.

5703. And perhaps occasionally the branch secretary has not been taking interest?—A branch secretary may not have been taking interest in the National Health Insurance work. Again, in other cases we have maladministration.

5704. So that you have had in effect an amalgamation of these branches into District State Lodges which form the unit for that area for State purposes?—Yes.

5705. In any ordinary lodge, who passes the claims?—In the case of a small lodge it would be the secretary, under the supervision of the Committee of Management.

5706. In a State District Lodge who passes the claims?—It would be the secretary again, under the supervision of the Committee of Management of the District State Lodge.

5707. How is the Committee of the District State Lodge elected?—The District State Lodge would be a lodge in the true sense of the word, the same as other lodges.

5708. Registered just like any other lodge?—Yes.

5709. But confining itself to State business?—Confining itself to State business only.

5710. The effect of that is to reduce their numbers very considerably?—Yes.

5711. Because you have left out a number of lodges that still do private business but do not do State business?—Yes.

5712. Their State business is done by the State District Lodge?—Yes.

5713. Coming to the question of valuation, these District State Lodges are the units?—They are the units for valuation.

5714. Is it the case, as was indicated by Sir Alfred Watson, that you were rather surprised to find you were not valued as a whole?—No, we were not surprised. We knew the method. The Annual Conference, however, desired that the Society should be valued as a whole if possible, still retaining the present organisation; but it was pointed out to the Board of Directors that that was impossible.

5715. Do you accept as a fundamental principle of administration that the body or person or committee or whatever it may be, which passes claims on a fund must be the unit responsible for deficiencies?—Yes, as a general principle.

5716. It would not be sound, would it, to have people in a lodge or district passing claims on a central fund?—No.

5717. The body which is responsible for the box must be responsible for any deficiency or surplus in the box?—Yes, and the central body would possess the necessary authority for the payment of the benefits.

5718. On the question of transfers, I suppose when a good Oddfellow goes from one district to another he is expected to keep in touch with his Society?—Yes.

5719. Does he transfer to a lodge in the district to which he goes?—Sometimes he transfers, but mostly he pays his contribution through the lodge in the town in which he is residing, preferring to keep in association with his old lodge. He still remains a member of his old lodge, but pays his contribution through the lodge in the town in which he is residing.

5720. So that his benefit would be sent from his old town?—No, his benefits would be paid by the lodge through which he is paying his contributions, by the authority of his old lodge.

5721. And on their behalf?—Yes.

5722. And at the rate of benefit proper to his old lodge?—Yes.

5723. So that in that case he would remain nominally a member of the old lodge, and as a matter of fact would have all the privileges of that lodge?—He would have all the privileges of his old lodge, and in the new lodge he would have the advantages of attending and taking part in the work.

5724. So that in actual fact the suggestion that when your members transfer from one lodge to another they lose for the period of five years the additional benefits has no foundation?—We were talking of the voluntary section before; but now you are talking of National Health Insurance.

5725. I am talking of National Health Insurance. As you know, when a person transfers there is a period of time when he loses his old benefit and has not qualified for his new benefit. Practically speaking that will hold in the case of a person transferred from one branch to another. If a member left one of your branches and went to a town 20 miles away and joined another lodge, he would for the time being lose his additional benefits?—Yes.

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[Continued.]

5726. Do I understand you to tell me that a man who had changed his address can in effect join a branch in a new town and obtain through that branch from his old branch the rate of benefit to which he would have been entitled had he remained in the old place?—I am not quite clear on that point. We are dealing now with National Health Insurance; I want to be quite clear about that.

5727. Yes.—If a member alters his residence to another town he still retains the benefits of his old lodge; he does not join a new lodge and get any additional benefits of the new lodge.

5728. I am asking you whether he can get the benefits of membership in the new town combined with the higher rate of benefit in his old town by this device which you explain?—Yes, but he remains a member of his original lodge and receives the whole of the benefits applicable to the lodge to which he belongs.

5729. The new lodge in fact acts as agent for the old?—That is so.

5730. And pays the higher rate of benefit to which he is entitled from his old lodge and allows him to attend the meetings?—Yes; and recovers the money from the old lodge.

5731. He is never transferred; he keeps a nominal membership of his old lodge with a fictitious membership of the new?—We give him the advantages of membership of the lodge in the town in which he is residing.

5732. In paragraph 51 you make a suggestion that, in order to surmount the difficulty that you cannot tell what particular benefits people may require, a single lump sum should be set aside for all the treatment benefits?—Yes, quite so.

5733. Could you elaborate that a little?—At the present time sums are allocated for particular benefits. I would like you to remember that there was very little knowledge at the time of the first valuation, and many of the lodges selected benefits, and find now that there is not a great demand for the benefits they selected. The consequence is that the money that was allocated for those particular benefits has not been used, and they have found, as time has gone on, that there has been a considerable demand for other benefits. They find the money allocated for the particular benefit for which there is a demand is not sufficient, whilst they have money in another fund. The only method by which they can get that money is by applying to the Ministry to vary the scheme.

5734. Do you not think there is a serious danger in putting aside a sum of money which is, in a sense, for purposes undefined. May I point out that this statement covers in effect all the non-cash benefits, which are fairly extensive in number?—Yes.

5735. If you put aside a certain sum of money to cover a matter of, let us say, ten different kinds of benefits, because they are fairly numerous, it becomes a provision by which you may be asked by your members to meet all manner of contingencies. Is there any possibility of estimating in advance how much would be required?—What we are suggesting is this. We will suppose, for instance, a lodge desired to select dental treatment, surgical treatment, optical treatment, convalescent homes, and hospital treatment. Take those five kinds of benefit, and suppose there is a sum of £1,000. What we desire is that that £1,000 should be allocated to provide those benefits in bulk, and not that £200 should be allocated for the payment for each of those five benefits, because it might be found as time went on that there was not any great demand for optical treatment, for instance. What we suggest for your consideration is that if we find £200 is not sufficient to provide the dental benefit that is required, why should we not provide it out of a proportion of the money already allocated in one general fund. We are not suggesting any fantastic scheme.

5736. You desire not to allot specific sums to specific benefits?—We desire not to allot a specific sum for a specific benefit, but allot it in the gross for specific benefits.

5737. I see your point.

5738. (*Miss Tuckwell*): Do you know whether the Foresters—which from the point of view of their having branches all over the country are, I understand, comparable to you—have the same arrangement for doing away with transfers, or whether you are the only Society?—We do not do away with them.

5739. Whether they do away with the five years waiting-period before members can obtain additional benefits, as I understand you do?—We do not do away with the five years. I want to make this point perfectly clear; I hope there will be no misunderstanding. The insured person removes to another town, and instead of severing his connection with the lodge in his old town he is given the advantage of paying his contributions and receiving his benefit in the town to which he removes, still remaining a member of his old lodge. In other words, no transfer takes place.

5740. Is there any other Society in which no transfer takes place; are you the only one?—I think in the Foresters the same thing applies.

5741. (*Professor Gray*): Is it not this: there is a sentimental attachment between a member and his lodge, and he remains through life a member of his first lodge?—Yes. In other words, the whole organisation of the Unity is placed at the disposal of the lodges, and one lodge pays the benefit on behalf of the other lodge, and recovers it afterwards.

5742. (*Mr. Cook*): I see from your statement that you have something like 164 lodges that have registered a deficit?—Yes.

5743. And in addition I suppose a number of your branches will have practically no disposable surplus?—Yes. I gave the figures. The number of lodges with deficiencies is 164, and the number of lodges with no disposable surplus is 480.

5744. Could you give us the proportionate number of members represented by your 164 lodges with deficits? Have you statistics bearing on that point?—I have not those figures with me at the moment, but we could get them out for you.

5745. I think it would be interesting to have that information?—We will get it for you.

(See answer to Question 6098 for the statement promised.)

5746. The point I was leading up to was this. I take it from the explanations that you have made that each of your lodges is practically self-contained?—Yes.

5747. The lodges with no disposable surplus, and of course that also includes lodges with deficiencies, cannot give more than the statutory benefit?—That is so.

5748. The lodges that are more happily situated can, of course, in addition to giving statutory benefits, give all the additional benefits that your society approves of?—In accordance with the amount of money that they have at their disposal.

5749. Precisely. My point is this—and I have laboured it before this occasion—it seems to me to be somewhat unfair to the members that belong to those lodges that they are not able to obtain more than the bare minimum benefits. This state of affairs is not due to maladministration of the lodge, except perhaps in some isolated case; it is due very frequently to occupational causes, that is to say, the character of the work at which the members are employed?—You mean excessive sickness.

5750. Yes, but that excessive sickness originates frequently from the nature of a man's employment?—Yes.

5751. For instance, you mentioned miners specifically, and ironworkers, and people engaged in very laborious and very hazardous occupations?—Yes.

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5752. It appeals to me as being not exactly a fair arrangement, or at least not in conformity with the principle of mutual help, which I think is one of the fundamental principles of the Friendly Society movement. When a situation like this emerges there is no mutual helpfulness here at all?—But is there not another way of looking at it? These deficiencies are brought about by the payment of excessive sickness benefits; have not the members of those lodges with no disposable surplus already received an extra sickness benefit during the quinquennial period which the lodge which comes out with a surplus has not received? (In other words, a lodge with a deficiency has received certain benefits prior to the valuation over and above other lodges which receive benefits subsequently, because the latter have not received so much sickness benefit during the quinquennial period.)

5753. I can conceive that point. Take the case of a centralised society whose constitution is different from yours. In the case of a centralised society this additional sickness experience is borne by the whole membership; it does not fall on those unfortunate branches where you have a preponderance of people working at these hazardous occupations?—It is spread over a larger number.

5754. The reason I am putting this question is this. In answer to the Chairman, when he put a question to you asking you to explain your point of view or make a comparison between your particular system of government and the system of government of the other society that I have just referred to, you pointed out that there was a certain educational value on which you placed a good deal of importance?—Yes.

5755. After all, the National Health Insurance Acts were not established, I think primarily at any rate, for educational purposes; they were meant to provide sickness benefits principally for the people in sickness; and it seems to me this explanation you have given rather detracts from the value of your organisation in comparison with other Friendly Societies?—The original intention of the founders of the Act was to build on the organisation, I think, that was already existing in the country at the time. Friendly Societies had been operating sickness insurance for practically a century at that time, and National Health Insurance was built, if I may use the phrase, on the organisation that was already then existing. I think it was the intention of the founders—it has been stated so publicly on more than one occasion—if they possibly could, to uphold and maintain in every possible way the organisation that was then existing and not to detract from its value in any way whatever. Against your contention, I do submit that already these particular units have received out in sickness benefit the value of the additional benefits that the surplus societies are drawing.

5756. I am pretty familiar with that argument; I have had it several times during the last few weeks.

5757. (Mrs. Harrison Bell): Referring to the District State Lodges, do you find, first of all, that on the whole they are any cheaper to administer in that way; secondly, do you find that your members in those particular branches take a better interest in their own affairs than they do in the other kind?—As far as administration is concerned, I should say they were no cheaper to administer than the ordinary units, because the administration allowance is fixed. I cannot say that owing to amalgamation it causes any increase of interest to be taken in the lodge.

5758. Do you, in fact, take more pains, shall I say, to educate your members, especially your women members, on the voluntary side? Is there not a tendency to regard National Health Insurance as the law, to be administered more or less mechanically?—No. We are a Society approved as a whole, and we have our lodges which hold their meetings, and no difference is made between the members on the National Health Insurance side and the members of the voluntary side. Perhaps by a

purely State Insurance Lodge or State Insurance Society it may be so regarded, but it is entirely different in the Manchester Unity, where the thing is administered as a whole and there is no difference made between State insurance and the voluntary section.

5759. Can you give us the reason for the smaller degree of interest of your members in the National Health Insurance side than the interest they display in the ordinary Friendly Society side? A century of education, of course, means something, but is there any other reason that one could find?—The only other reason I can suggest is that in one case it is a voluntary insurance and in the other case it is a compulsory insurance. I think it would be true to say it is a peculiarity of human nature that if you endeavour to compel persons to do something they at once, so to speak, get their backs up against it and say "No, we will not do it if we can possibly help. If you compel us to do it we will do it, but with a certain amount of reluctance."

5760. Thank you. That is the point I wanted to get.

5761. (Sir Arthur Worley): With regard to what you say in paragraph 42, namely, that 164 out of a total of 3,710 of your lodges revealed deficiencies, you met those deficiencies out of the Contingencies Fund?—Yes, that is so. We brought them up to solvency.

5762. It is a common Contingencies Fund?—It is a Contingencies Fund within the Society.

5763. Common to all your lodges?—Common to all our lodges.

5764. And, therefore, to that extent it is a sort of pool that you form within your own borders which can be utilised, at any rate, in the first place to meet those deficiencies?—I should rather describe it as a re-insurance within the Society. All lodges subscribe to that, and they have a right, as they subscribe to it, to be brought up to solvency in the event of deficiency.

5765. I do not mind whether you call it a re-insurance; I will call it a re-insurance pool if you like. That being the principle which you adopt, why should you not adopt that principle with regard to the whole of your surplus? Supposing fortune has not been kind in one case and has been better in another; why, if on the first valuation you have a surplus which amounts to something like £700,000, should not that be common just as your deficiencies are met out of a common fund?—I think I mentioned in my evidence previously, more especially when being questioned by Sir Alfred Watson, that we did desire that as a Society.

5766. Then you found certain difficulties, and you decided that the difficulties were greater than the benefit?—Yes.

5767. But in principle you were in agreement with it?—That was the decision of the general meeting.

5768. I want just to go a step further. If within the scope of your own borders you think that is a right principle and in fact act on it, why should not that principle be extended to other societies. In regard to dental benefit for instance, I see you are suggesting making it a statutory benefit; but there is another suggestion put forward, and that is that from each contribution so much should go to the Central Fund, and after certain things have been done with the Central Fund it should be re-distributed amongst societies according to numbers—which is another system of pooling. Would that appeal to you as a reasonable proposition?—No, I think we should very strongly oppose centralisation as a whole.

5769. For the moment I am talking of the dental fund. You propose that dental treatment should be a statutory benefit. Instead of that, supposing your members took, we will say for the sake of argument, half what is contributed, and that was put into

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[Continued.]

the Central Fund?—If this cannot be made a statutory benefit owing to actuarial calculations, we are really suggesting here, what you are now proposing, within our own Society.

5770. I want to go a step further and make it so that instead of going to your Society that payment should go to a fund outside your Society common to everybody, and each contributor be charged the same amount and the fund redistributed back according to membership?—If this cannot be made a statutory benefit as far as we are concerned as a Society, we would very much prefer it to be left entirely to us to administer as an additional benefit, and for us to be given permission to open up a central fund within our Society. But a general centralisation I think we should oppose very strongly.

5771. It would be a centralisation which would be general in principle but not in effect, because you would receive back as much as anybody else in proportion to your membership?—I quite agree.

5772. The advantage of doing it in that way is that the benefits could be made uniform amongst all societies?—If we go so far as that it is only a step from our point of view to general centralisation, and we should oppose that very strongly.

5773. It is a very long step, I think. But it would have the effect that, while it might not be possible to make the dental benefit uniform as an additional benefit, this would be the means by which it could be made uniform and common to everybody?—If it becomes a statutory benefit it would be common to everybody.

5774. The only difference is that by this other scheme it would still be common to everybody just as if it was statutory. You would not pay more than a certain amount or certain proportion, so that things are on a par there. The only difference would be that instead of keeping your contributions within your own borders you would pay to a central fund which, after certain deductions, would flow back to you in proportion to your members?—We should oppose strongly a central fund. We are prepared to set up a fund within our own Society, so that dental benefit should be uniform throughout the whole Manchester Unity; but beyond that we are not prepared to go.

5775. Would you not rather have the benefits, not only uniform in the Manchester Unity, but also uniform with the Foresters and Shepherds, so that you were at no disadvantage compared with them?—The Foresters and Shepherds would be able to do the same as we are suggesting here.

5776. I agree, but would it not be well if by regulation or Act of Parliament it was made so that no competition between societies could arise on that particular benefit? Would it not rather suit you?—No.

5777. Would you rather have it that they could give more than you, or *vice versa*?—Of course, speaking from the point of view of the general community, it is a very desirable benefit to give.

5778. As you stand to-day your Society can only practically give the same benefits as any other Society?—As statutory benefits.

5779. If by statute they could limit you to giving the same dental treatment as was common to all societies, you would be in agreement with that?—If it is possible to make dental benefit a statutory benefit that is what we would prefer. It would then become a common benefit to all insured persons. But if it is not possible, and, of course, we cannot say whether it is or not, we would prefer to retain dental benefit as an additional benefit. But we offer the suggestion that we are prepared to make it uniform throughout our own Society, and contribute to a general fund in our own Society so as to make it uniform throughout all our members in our own Society.

5780. You would be quite ready to consider a scheme which would attain that object, but perhaps not by that road?—I do not think I am prepared to answer that question.

5781. Surely you would consider it?—We would consider it, certainly.

5782. You would not like me to attach the word "favourably" to that question, and say you would consider such a scheme favourably?—I do not think I can go so far as that.

5783. (*Chairman*): We are very much obliged to you, Mr. Heather, for your very interesting evidence. We will adjourn till 2.30 on the 8th January, and then continue your evidence.

TWELFTH DAY.

Thursday, 8th January, 1925.

PRESENT:

LORD LAWRENCE OF KINGSGATE, in the Chair.

THE RT. HON. SIR JOHN ANDERSON, G.C.B.
 SIR HUMPHRY ROLLESTON, BART., K.C.B.,
 M.D., P.R.C.P.
 SIR ALFRED WATSON, K.C.B.
 SIR ARTHUR WORLEY, C.B.E.
 SIR ANDREW DUNCAN,
 MR. A. D. BESANT, F.I.A.
 MR. JAMES COOK, J.P.

MR. JOHN EVANS.
 PROFESSOR ALEXANDER GRAY.
 MR. WILLIAM JONES.
 MRS. HARRISON BELL.
 MISS GERTRUDE TUCKWELL.

MR. E. HACKFORTH (*Secretary*).
 MR. J. W. PECK, C.B. (*Assistant Secretary*).

Mr. EDWIN HEATHER, recalled and further examined. (*See Appendix VII.*)

5784. (*Chairman*): I see from paragraphs 57-58 that you suggest that dental benefit be made a statutory benefit under the Act. You have not attempted an estimate of the cost of this proposal, but may I ask whether if it were found to involve an increase in the contribution you would still recommend it?—We have had no opportunity of

even approximately estimating what the cost would be; but we would deprecate an increase of contributions under any conditions. We recognise that this benefit would be a very desirable benefit, but we think the contribution at the present time is just as high as the ordinary working man can afford to pay.

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[Continued.]

5785. May I take it from paragraph 58 that your suggestion is that the cost should be met from the existing contribution and that larger sums should be allocated by societies to the Central Fund than at present so that the increased number of societies in deficiency may be recouped from that fund?—That is our idea, assuming, of course, it cannot be made a statutory benefit. Assuming that it is impossible to make it a statutory benefit we are making certain recommendations on the basis of its remaining as an additional benefit to be distributed by Approved Societies.

5786. You suggest in paragraph 58 that this benefit should be a cash benefit, and therefore, should, I presume, be administered by the Approved Societies. Have you considered at all the possibility of it being administered as a treatment benefit through the Insurance Committees, strengthened by dental representation, on the same lines as medical benefit is at present administered?—We think if this is made a statutory benefit it should be administered through Insurance Committees. We are of opinion that would be the very best form of administration.

5787. Do I understand from paragraph 57 that you would desire that a member should in any case be liable for some proportion of the cost? Do you make this suggestion on financial grounds, or is it based on the general principle that the member should pay something?—If this is made a statutory benefit we are of opinion that the Act should bear the whole cost. Assuming it is still continued as an additional benefit, the recommendation is that it should be administered by Approved Societies. The member, if possible, should pay a proportion of the cost, but the societies should have the opportunity of considering each case on its merits and deciding as to what proportion of the cost the members should pay.

5788. Why do you say that the member should be required to pay something?—We think, having in view the ideals and principles of the voluntary thrift movement, that that arrangement would tend to build up character and to make men self-reliant. They should not trust to the State or any other section of the community to do everything for them. That is our main idea underlying the suggestion.

5789. If the finances of the Act could stand the whole cost of treatment, would you still suggest that a proportion should be paid by the member?—No. If it is a statutory benefit the Act should stand the whole cost.

5790. You suggest that medical benefit should be extended to include consultant and specialist services. Would you recommend this if it involved an increase of contribution?—No; we are under the impression that the present contribution is as high as it should be.

5791. Have you formed any sort of estimate of the cost of the proposed extension?—No; we have no idea as to the cost.

5792. How do you suggest that these extended services should be administered? Through the Insurance Committees and as part of medical benefit?—Yes. The idea that we have is that the panel practitioner should have entire discretion to refer the patient, if he considered it desirable, to a specialist for his opinion and advice. We are not suggesting that specialist treatment of a prolonged character should be administered, having in view the very high cost of such treatment. We think, perhaps, that in some cases the patient should be referred back on the advice of the specialist for treatment possibly by his panel doctor, or to undergo treatment in a hospital. But we do think that it would be a good thing in the interests of the insured persons if the opportunity was given to refer them for special advice if considered necessary.

5793. Have the relations of your Society to the Insurance Committees in the administration of medical benefit been satisfactory and cordial?—Yes; certainly we have had no complaints.

5794. Would you care to express any opinion on the statement sometimes made that the medical service given to the insured population is of a lower quality than that given to private patients of the same class?—I am personally of opinion that the treatment given by panel practitioners is, generally speaking, of a satisfactory nature. I do not think, speaking personally again, that the treatment given by the panel practitioner to insured persons is of any lower character than to others.

5795. Have you heard of much dissatisfaction on the part of members of your Society with the medical service to which they are entitled under the Act?—No general dissatisfaction. Of course, we have had minor complaints.

5796. But nothing of any importance?—Nothing important.

5797. How do you think the present service compares with that to which members of your Society were entitled in the days before National Health Insurance?—Personally speaking, I consider it compares favourably.

5798. (Sir Arthur Worley): Referring to paragraph 58 of your Statement on the question of a Central Fund, do I understand that the meaning of that is that if societies had a deficiency or no disposable surplus, they could draw from a Central Fund to which others had contributed? In other words, it would be a sort of pooling scheme?—That is our idea.

5799. So that you are in favour of a pooling scheme with limitations. In essence, that is really what it is, is it not?—Quite, for this particular benefit.

5800. For the purpose of this particular benefit you agree to the principle of the strong helping the weak?—Quite.

5801. (Mr. Besant): With regard to paragraph 62, in which you deal with insured persons between the ages of 60 and 70, you say there are many cases of hardship. Can you give us any details as to the type of cases where the hardship occurs?—There are many insured persons who are forced out of employment on account of age. They have been in insurance, perhaps, from a young age. They have contributed up to 60, or possibly 65 years of age, and then when they are compelled to leave employment they are entitled to their free year's insurance only, including the medical benefit which extends for a little longer period. Then they cease to enjoy any benefit under the Act. We are under the impression that as these men are getting old and medical attention is thus more frequently required, it would be a very great benefit, not only to the individuals themselves, but to the whole community, if it was possible—we do not say it is possible—but if it was possible, to give the medical benefit throughout life, having in view the fact that if they had remained in insurance perhaps only for a very limited number of years longer they would have been entitled to medical benefit throughout life.

5802. Would you mind looking at those words at the end of the paragraph—"subject to such persons paying until the age of 70" and so on?—We are not wedded to that, but we thought that perhaps they might be compelled to pay the proportion of the contribution that is set aside now for providing medical benefit.

5803. Have you a figure in your mind as to what that should be?—No. It is not a large sum, but I do not know what it is.

5804. Your idea is that they should pay something and then that they should be able to get this allowance?—Get the benefit throughout life.

5805. (Miss Tuckwell): Have you ever considered extending your scheme of medical benefit to dependants of insured persons?—We have not as a body considered this question, but as an individual I can foresee very great difficulties. I can see the inequity of it in some cases whereby you would be making a charge on single men and single women and in a measure taking the responsibility from those who should provide for their dependants. I can see also

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vast administrative difficulties. A register of practically the whole of the dependants of the insured population of the country with records of ages and dates of marriage would be necessary, you would have to have certain bodies set up for getting this information from the insured person. Information would be required when a boy or a girl ceased to be dependent on their parents. Personally speaking, it seems to me that the only thing would be to lift medical benefit entirely out of the National Health Insurance Act and institute a State Medical Service. But that is a big matter of policy, and I would not like to express an opinion on it to the Commission.

5806. (*Mr. Evans*): Dealing with paragraph 58, I do not quite understand what the intention is. Does this mean two pooling schemes or two separate funds? In the third line you say: "It might be possible in these cases to make provision for a Central Fund in the case of societies with branches or from the societies' Contingencies Fund." Then you say: "In the case of other societies from a Central Fund, to which all other societies should contribute." Does that make two Central Funds?—As you know, societies with branches have a Contingencies Fund within the society. Our idea is that the whole of the branches should contribute to the Contingencies Fund within the society.

5807. But they do that now?—They do that now. It may be necessary in this case for a larger sum to be taken. There is a certain number of smaller societies—Independent societies—without branches. Some of those societies may possibly be in a deficiency or have no disposable surpluses. We thought if they had a Central Fund within those societies provision might be made from that.

5808. It does mean two, does it not?—Yes. One would be a Central Fund, controlled by the Ministry, and the other would be a Central Fund within the society with branches. For instance, if we take the Manchester Unity, there are about 3,700 branches. We have a Contingencies Fund within the society, and our own Contingencies Fund would meet this benefit, provided it was permitted, of course.

5809. But if the other societies had no disposable surpluses it would mean an additional levy on them to provide another Central Fund, would it not, and a fund which would be simply contributed to by them and by nobody else?—That is so; but I am assuming, of course, they would not all be in a deficiency. Some would be in quite good circumstances.

5810. But you say "all such societies"?—That would be other societies than societies with branches.

5811. But there must be societies without any disposable surplus?—Yes, quite so.

5812. (*Professor Gray*): With regard to these people between 60 and 70, they can become voluntary contributors, can they not?—Yes.

5813. But they do not, as a matter of fact?—They do not, or very few of them do.

5814. Even those who are getting near the age of 70, when one might think it would be worth their while to pay for the few remaining years?—They do not avail themselves of the voluntary insurance provisions of the Act.

5815. You have very few voluntary contributors, have you not?—Very few. I think, perhaps, they feel that the whole of the contribution would be rather heavy for them.

5816. And I suppose that those you have drop out?—They drop out rather quickly.

5817. Would not your suggestion mean that you would have two types of voluntary contributors?—In a sense that would be so, assuming they were compelled to pay a proportion of the cost.

5818. But you would have voluntary contributors under the existing Act who would contribute for all benefits, and you would have voluntary contributors who would contribute only for medical benefit?—Yes.

5819. Do you remember section 15 (2) (e) of the original Act about old and disabled members?—Yes.

5820. Have you any of those still left?—Yes, and we are still getting the Government allowance for them.

5821. Does the Government still pay the 2s. 6d.?—Yes, it pays the 2s. 6d. still.

5822. Could anything like that be done here, do you think?—Yes, I think it could very well be done on similar lines. A grant could be made in the same way that the 2s. 6d. is made to the aged members now.

5823. (*Mr. Cook*): Have you considered the advisability of boys immediately they commence work being insured, say, at 14 instead of at 16?—We really have had no demand for boys to be insured; in fact, we find there are a number of them now who are rather disinclined to come in at the age of 16.

5824. Still, do you not think it advisable that they should become insured when they enter employment, as a large proportion of them do, at 14?—In certain parts of the country, I believe, there are numbers of boys of 14 years of age who become employed, but we have had no real demand for insurance under the age of 16; in fact, I think 16 should be the minimum age. That is my personal opinion.

5825. In your reply to Miss Tuckwell, I think one of the objections that you urged against extending medical benefit to the dependants of insured persons was that it would not be fair in the case of a single man?—Yes, and the single woman especially, I think.

5826. But would not that be strictly in conformity with the fundamental principle of your organisation and other organisations like yours—the principle of mutual helpfulness?—Yes, to a very great extent. But then, although we adopt self-help as one of our principles in the voluntary thrift movement, at the same time it is all based on the insurance principle, and here you would be bringing in people who were not insured and were not paying the contribution. You would have to keep records of a considerable number of people who were not insured persons.

5827. Yes that is recognised, of course. It would add to the administrative difficulties?—There would be very great administrative difficulties.

5828. The point is whether the value would compensate for all that extra work?—I expressed the personal opinion that I thought it would be unjust and that the only solution, if a solution was considered desirable, would be to create a State Medical Service.

5829. Are you aware that the same principle is already embodied in many of the arrangements of the country such as education?—I quite recognise that, and I quite recognise the valuable work that is being done.

5830. (*Sir Humphry Rolleston*): With regard to the question of the specialists, you suggested that if the treatment was one that would take some considerable time it might be advisable to make use of the voluntary hospitals?—Yes.

5831. What arrangements do you propose to make in connection with that?—I think in that case there could be a list of fees drawn up, and the fees should be paid for the support of the voluntary hospitals. There would be certain fees paid to the specialist in any case, and if the hospital was performing the treatment, I can see no reason why the voluntary hospital—assuming it was a voluntary hospital—should not have the same fees.

5832. You did not anticipate providing hospitals of your own for this purpose?—We should not have sufficient funds at our disposal to do that.

5833. But you probably do contribute to the voluntary hospitals already?—Yes; we make contributions. Friendly Societies have made contributions for very many years.

5834. Would that meet the financial need?—I am afraid it would not.

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5835. (*Sir Arthur Worley*): With regard to paragraph 58 of your Statement, I want to be quite clear about these Contingencies Funds. There are two funds that you have in your mind: one might be called the unit Contingencies Fund; that is to say, the Manchester Unity, with all its branches, would have one fund, I take it, which is common to all those branches on which they could draw?—On the same lines as our present Contingencies Fund.

5836. Then the second Contingencies Fund would be common to all the other Approved Societies?—Yes.

5837. Therefore, if one of your branches was in a difficulty owing to this benefit, they would draw first on your Contingencies Fund?—Yes.

5838. Then if your Contingencies Fund for the whole body was weak, you would draw on the Central Fund?—Yes, that would be so.

5839. Therefore, there would be a contribution to your own domestic fund, and to this general fund?—Yes.

5840. Because the first is not really a pooling scheme; it is really distribution within your own domestic doors?—Yes, quite.

5841. If you contributed to a general fund on which you might draw if circumstances required it, or on which some other society might draw, that would be a species of pooling, with limitations, for this benefit?—Yes. I do not anticipate that the Contingencies Fund within the Society would be exhausted.

5842. I am sure it would not. I am only suggesting a principle.—Quite.

5843. (*Chairman*): In paragraph 63 you suggest that the existing special provisions relating to insured women who marry should be abolished because of the difficulties presented and that these women should be dealt with in the same way as other insured persons who cease to be employed for any reason. Would you describe to us the difficulties in question?—The primary difficulty is in getting notifications from the women as to their marriage. It requires continual correspondence with them to get this information, and then we often fail to get it. The arrears arrangements are more complicated than they are for the ordinary Class B women, and that has been accentuated under the Prolongation of Insurance Act. We think that many of these difficulties could be swept away entirely by bringing the women under the ordinary conditions of insurance and giving them the free year's insurance in the same way as an ordinary married woman.

5844. Have you considered the actuarial problems involved in the proposal: for example, the risks to be provided against in respect of sickness and maternity during the first year after marriage?—No, we have not had an opportunity of considering the actuarial point of view at all. But I do not think there would be any extra risk as far as maternity is concerned. There would certainly, I think, be an extra risk as far as sickness benefit is concerned.

5845. Have you, on the other hand, considered the possible hardship to a woman whose first confinement occurs just after the first anniversary of her marriage? Maternity benefit is payable in such circumstances under the present provisions, but would not be under your proposal?—We do not anticipate that there would be any hardship there, because the woman would be entitled to the maternity benefit in respect of her husband's insurance in that case. She would still get a maternity benefit. Of course, she gets two now, one as an insured person and the other from her husband's insurance; but she would still retain her husband's maternity benefit.

5846. Have you any views on the proposal which we have received from certain societies to give a marriage bonus and terminate the insurance?—We do not consider that a marriage bonus should be paid.

In our opinion it would be very difficult, if you gave one special class of insured persons the bonus for going out of insurance, to withhold it from other classes of insured persons. That is the main reason we have against the payment of a bonus.

5847. You suggest in paragraphs 64 to 66 the abolition of the individual account system and the institution of a Deposit Contributors Mutual Society. Do you propose that this society should be controlled and managed by the State?—We have no real objection to a society being controlled and managed by the State. The Deposit Contributors Fund at present is controlled and managed by the State to a great extent. But we do think that if it was possible to lift it out of the control of a Government Department it would be administered in a better spirit, perhaps, and in a more sympathetic way.

5848. Do you propose that the Deposit Contributors Society should be subject to the usual provisions of the Act as to valuation and the provision of additional benefits in the event of a surplus being disclosed, and recourse to the Central Fund in the event of a deficiency?—We think it should be managed and controlled under entirely the same principles as an Approved Society.

5849. Have you had many transfers to your Society from the Deposit Contributors Fund since 1912, and have you refused many such applicants on account of their state of health or for other reasons? Can you give us any figures?—Yes. Up to the 11th January, 1914, 4,557. Then for the remainder of the year 1914, 900; 1915, 863; 1916, 760; 1917, 609; 1918, 891; 1919, 1244; 1920, 1409; 1921, 1085; 1922, 3,041; 1923, 1587, and in 1924, 962, making a total of 17,968.

5850. Have you refused many such applicants on account of health or for other reasons?—No, we have refused none on account of ill-health.

5851. (*Professor Gray*): With regard to the deposit contributors, you suggest that they are at present managed by the Government, but is there not a fundamental distinction that in the one case it is not done as a society, whereas on the lines of your suggestion it would be?—That is so.

5852. There is no competition between the Deposit Contributors Fund as it exists at present and your Society?—Quite.

5853. But if there was a society made of these people, you would have the Government actually in competition with private agencies?—Yes, if the society were administered by the Department.

5854. If it were not, who would control it?—If I might make the suggestion, the Manchester Unity would be an extremely well organised body to take over the deposit contributors, because we have branches in practically all the towns in the country, and we could distribute them amongst our own branches and get rid of the Deposit Contributors Society entirely. But our main desire is really to help the very poor people and to bring them into mutual insurance. At the present time the very poor exhaust their funds and they can get no benefit. We recognise, of course, that there are a number in this Fund who are a little better off, perhaps, and sometimes do not want the benefit. The poorer insured person often cannot get benefit when it is necessary, because his fund is exhausted. Our idea is that if they can be brought in on the mutual insurance principle it would benefit that particular class of people.

5855. But you do not think there is any objection to one particular society being pre-eminently a Government society amongst a great many others which are not Government societies?—Personally, I have no objection.

5856. (*Mr. Hasant*): Did you not say that in the case of these maternity benefits it was no hardship on a member if she got what seems to be 10s. in the £; that is to say, if the husband got the £2 maternity benefit and she lost hers?—I did not quite say that. Under the present circumstances the woman might get two maternity benefits.

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5857. She often does?—She does as an insured person herself.

5858. My point was that under your scheme it would be impossible for her to get more than one maternity benefit?—Quite. She will have her free year's insurance and all benefits would then cease. But to counteract that she would have greater advantages in a free year of insurance than she does now as a Class K person.

5859. Suppose maternity took place a month after? Instead of getting £4 she would get £2?—She would lose her own benefit after a year.

5860. That is a hardship in itself?—But are we not helping her in another way by giving her a full sickness insurance. I think that would be more than an equivalent. We have not got the figures, but that is my impression.

5861. You do not think it would be a hardship, in other words, to take away £4 and give her £2 plus something indefinite?—We do not take £4 away.

5862. You take away £2 out of £4?—She would get £4 for the first year and for the second year she would drop her own maternity benefit, or, at least, the benefit to which she is entitled as a Class K woman.

5863. She would lose that?—She would lose that under this suggestion.

5864. In other words, she would lose 10s. in the £?—I do not quite put it that way. The woman would be entitled to a certain benefit for a year. After the expiration of that year all benefits would cease as far as she was personally concerned.

5865. It is a question whether what you give here is worth what you get as an alternative?—I think she would benefit; and it would abolish a special class of insured person, simplify the accounts generally and make the scheme easier in administration.

5866. My question was concerned with the woman who is going to lose a certain benefit which she can get under the existing conditions and which she would lose under your suggestions. She would get something out of it, but I do not in the least know what the value of that is?—She would certainly lose the £2 in the second year after marriage.

5867. Do you think she would get something more from your suggestion, or is your suggestion mainly based on simplifying your own machinery?—I think the married woman would benefit by her 12 months' free insurance for full sickness benefit. She gets only six weeks now; she would get 12 months under our proposal.

5868. In other words, your suggestion is not biased by the question of the work involved to your Society?—No, there is no bias; it is simply what we thought would be for the general benefit of insured women.

5869. (Sir Alfred Watson): As I read paragraph 63, I understood that you brought it forward purely on the ground of simplification. Now you tell us it is mainly—if I have understood your answer to Mr. Besant correctly—on the ground of doing something for the benefit of married women that you bring it forward, and incidentally to produce simplification?—I think we say in paragraph 63 that the present arrangement presents difficulties and requires simplification. This is our method of simplifying it and at the same time we are conferring, we think, an extra benefit on the woman herself.

5870. Do you think that for a newly married woman, who is nearly always young, the sickness risk in the first year after marriage is anything like four weeks?—We have not any figures, but I know the risk is rather considerable.

5871. Have you any experience of the sickness risk amongst the class of newly married non-working women?—No, taking them as a class we have not. I am only expressing a general opinion now.

5872. If I were to suggest to you that the risk might be worth something between 10s. and £1 rather than £2, would you be surprised?—I should be quite prepared to accept your figure.

5873. If you would accept that figure it would seem that what you are proposing to substitute is not worth £2?—In that case it would not be.

5874. How many lodges have you that accept women as members?—Practically the whole of our lodges—a good proportion of them in any case.

5875. I make out from the valuation returns that very nearly 1,000 of your lodges have women members. May we take that figure so as not to delay the proceedings?—Yes.

5876. Am I right in saying that there are something like 200,000 women members in all?—Yes, or 230,000. I gave the figures at the last sitting of the Commission.

5877. That is something between 125 and 150 women per lodge on the average?—Yes.

5878. On a figure of that kind it seems to me that the number of marriages in a year on the average per lodge would be from five to six. Of those women who marry some remain in employment. I daresay that at the outside the average number going into Class K in each lodge in respect of a year would be five?—About that.

5879. Looking at it from that point of view do you consider it to be a question that could raise great complications?—No. We are speaking now from complaints that we have had from secretaries of our branches. They say they find certain complications here which they would like to avoid if possible. The total number of Class K people we have in the Society is 7,548.

5880. That confirms my figure. You have 1,000 lodges taking women and about five women per lodge going into Class K every year. That would be about 8,000 at any one time?—Yes.

5881. Taking 8,000 spread over 1,000 lodges with 1,000 secretaries concerned, is the complication so serious as to lead to a demand for an alteration in the law?—No, I do not think it is, personally speaking.

5882. With regard to deposit contributors I should like to know the reason which prompts you to suggest that a Deposit Contributors Approved Society should be set up?—Our main reason is to help the very poor section of the deposit contributors and to bring them in under mutual insurance and to abolish the individual accounts as they are existing to-day.

5883. Of course you are aware that the vast majority of deposit contributors are not very poor people with exhausted accounts, but quite the contrary?—Yes, I agree; at least, I gather that from the small amount of sickness benefit that is payable.

5884. You have no other reason for proposing the establishment of a society for these people than that you want to protect the very poor element whose accounts have become exhausted?—That is the main idea underlying our proposal.

5885. You are aware, of course, of the proposal of some societies that the deposit contributors should be compulsorily distributed amongst societies?—Yes, I believe that is the idea of some societies.

5886. Your Society does not advocate that?—No, we do not advocate that.

5887. Have you considered that a compulsory distribution of the deposit contributors and the abolition of the class would involve the abolition of the right of expulsion which exists at present?—Yes, we recognise that.

5888. What is your view of the question of abolishing the right to expel?—I do not think we could forego that right, although at the same time we have expelled very few insured persons from the Manchester Unity. We should like, however, to reserve to ourselves the right to do so should the necessity arise.

5889. (Sir Arthur Worley): With regard to Class K, I understand you agree that the woman at the end of 12 months might be at a disadvantage in losing her own maternity benefit?—Yes, I recog-

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nise that from the figures given by Sir Alfred Watson.

5890. But you are willing that she should be compensated by some benefit which is equivalent, whatever it may be?—Yes.

5891. If your suggestion does not meet that, you would be willing to accept any other suggestion which did?—Yes.

5892. You do not want to make any money out of it?—Nothing whatever. We thought perhaps it would be the means of abolishing a special class.

5893. You are only suggesting that, in your opinion, the gain is the equivalent of what she would lose. If it is not, you are willing to take something different?—Yes, quite so.

5894. (*Chairman*): In paragraph 68 you make a suggestion which, so far, we have received from no other source, namely, that sickness benefit should be paid from the first day of incapacity. Would this not lead to a very greatly increased charge on the benefit funds? Has your Society made any actuarial examination of the proposal?—We have made no actuarial calculation. We recognise that it would, in the first instance, be an increased charge on the benefit fund, but we think it would subsequently mean a reduction of the charges for sickness benefit as it would prevent many cases of prolonged illness.

5895. Would this plan not cause a great increase in the work of certification, supervision and accounting in view of the large number of short illnesses?—No, I think not. We have to have medical certificates at the present time. When a person declares on the fund or goes sick, he has to get the medical certificate from his first day's illness and it would only apply in this case in the same way.

5896. Is it the practice of your Society on its independent side to pay sickness benefit from the first day of incapacity?—Yes; we pay from the first day of illness and we find no difficulty.

5897. You are, of course, aware that the payment of sickness benefit from the first day is included amongst the additional benefits which may be provided. Can you tell us whether this additional benefit was, in fact, selected by many of your branches on the last valuation?—No, it was not.

5898. Why was it not?—Most of our branches took cash benefits as the easiest way at that time; but I think I expressed the opinion at the last sitting that on the next occasion they will probably vary their additional benefits to a great extent compared with what they did at the last valuation, and this may be then one of the benefits they will take up.

5899. You say that the adoption of your proposal would tend largely to the simplification of accounts. Will you please amplify this?—We think it would tend to the simplification of administration because it would bring the National Insurance section into line with our voluntary section, where we pay from the first day of sickness. There are many reservations made by the auditors on this matter and mistakes made by various secretaries. By paying from the first day of illness we think it would simplify that and prevent those reservations.

5900. Has there been any substantial demand from your members for the alteration which you suggest?—No, there has been no substantial demand, but one often hears the observation: "Why should I not be paid for the first day's illness? I have lost my wages. I am getting nothing in return. I have been sick and unable to follow my employment, I am being paid from the voluntary section, and it only seems to me just that I should receive it from the National Insurance section." Those are the kind of remarks that we hear.

5901. From the point of view of the application of a limited sum of money in the way most likely to meet the needs of the members, would you be in favour of paying benefit at a certain rate from the fourth day of illness or at an appreciably lower rate from the first day?—If there is any alteration made we should prefer the full statutory rate being paid from the first day's illness.

5902. We note your proposal in paragraphs 70 to 72 to limit the extent to which benefit should be allowed to accumulate in the case of insured persons who are inmates of institutions. Have you any suggestions as to the limit which should be prescribed?—We are under the impression that it would be quite fair to limit the amount, say, to 12 months' sickness and disablement benefit. That would mean 26 weeks probably at 15s. and 26 weeks at 7s. 6d. It would work out at a total sum of £29 5s.

5903. You propose in paragraphs 73 to 74 that the exempt persons' class should be abolished. Would you indicate to us a little more fully the grounds for this? You realise that there are many young people who will almost certainly be insurable only for a few years, for whom this special class is a great convenience?—This is a national scheme. It seems difficult to find a sufficient reason why certain persons not outside the income limit should have the opportunity of remaining out of insurance. We find that we have a number of ex-service men with small pensions. On discharge from service they claim exemption, not knowing quite what is involved, and they suffer hardships afterwards through doing that. Of course they can get a cancellation of their exemption certificate. We have also known cases of men who have been refused employment because they were holding exemption certificates.

5904. Would you say why?—Men have come to me personally and told me that employers of labour have said to them: "I am not going to employ you. I have got to put a stamp on your card as an employer and you yourself will have to put one on. If you are not going to do that, I am not going to employ you." That is a remark I have heard on more than one occasion.

5905. If the class of exempt persons is allowed to remain, are you in favour of medical benefit being provided for them as at present, although they themselves do not pay any contributions?—I can see no reason why medical benefit should not be provided, although, on the other hand, there seems to be no reason why a person should get a benefit for which he does not contribute.

5906. We have had proposals to discontinue insurance of sailors, soldiers and airmen during their period of service, but I see from paragraph 76 you recommend no change in the present system. Have you many serving soldiers, etc., in your society and have you had any expression of their views in the matter?—We have 16,464 Class B members, and we have in certain towns a number of branches which contain a large number of Class B persons. We have, for instance, in Canterbury, 848; in Portsmouth we have 1,631; in Southampton we have 512; in Woolwich we have 653; at Godalming we have 103; in various other towns we have a considerable number of Class B members. Some of those members when they are at home take a considerable amount of interest in the work, and we should like to retain them, if we could, under the present conditions.

5907. (*Sir Alfred Watson*): I gather from what you have just said that you have a number of lodges whose membership consists largely of men who are actually serving with the Forces?—Yes, we have a very large number of Class B members in some of the lodges.

5908. Am I right in saying that there are certain lodges which have been established in connection with particular depots?—We have certain very large lodges that were established purposely for taking in men serving in the Forces. We have a lodge at Winchester and we have a lodge at Portsmouth. There is the Central Naval and Military Lodge worked from Manchester, and there are several of them that are composed largely of Class B members.

5909. I will put aside the Central Naval and Military Lodge at Manchester, because that, I suppose, is merely a sort of central pool into which a number of unattached members were thrown?—Yes, quite.

5910. Take the local lodges to which you refer—Portsmouth and Winchester. Do the Service members

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take a real interest in the management and in the well-being of those lodges?—Yes, they do. It is quite surprising how active they are in the work whilst they are there. There is one lodge I know of at Portsmouth which at the present time is officered by men actually serving. The whole of the officers of the lodge, with the exception of the secretary, consist of men actually on active service.

5911. What would be the effect on lodges of the abolition of Class B; that is to say, the abolition of insurance for men who are serving with the Forces?—It would mean a reduction in their numbers of practically 50 per cent. by taking Class B members away from them. In these particular branches there is a continual flow of members coming in through transfers from the Navy and Army Fund. They often join these lodges on the voluntary side; they then apply for transfer from the Navy and Army Fund to their Approved Society.

5912. The Navy and Army Fund would not exist, would it, if Class B members were abolished?—The Navy and Army Fund would cease to exist.

5913. Would the effect of the abolition of this class and the disappearance of these members from your membership roll be regarded with disfavour or otherwise by your Society?—It would be regarded with very much disfavour. We have transferred into the Manchester Unity 4,989. Those are the members who have actually been transferred from the Navy and Army Fund up to the present time, and of course, if the insurance of Class B people was abolished altogether, it would take away very considerable numbers from us as a society.

5914. You said 16,000, did you not?—16,464.

5915. I want to know how these lodges are recruited. You have just told us about the Navy and Army Fund, but that, I suppose, is not the only source. People are merely temporarily in the Navy and Army Fund. In the ordinary case where a man enlists, being of the age of 18 or 19, he leaves civilian life in employment and is presumably already insured?—Yes.

5916. How do you manage to keep up the numbers in these service lodges?—When a man joins the Forces he is simply transferred from Class A to Class B.

5917. But suppose when he was in Class A—which we had better call the civilian membership—he was not a member of the Manchester Unity at all. How do you get people who enlist into your lodges?—When a man joins either the Army or the Navy he is asked the name and number of his Approved Society. That is reported by the officials to the Admiralty or the War Office, I take it, and the information is got from those Departments. Then we get the ordinary notification from the Ministry that a certain person has joined the Forces. On his discharge we get a notification either from the Navy, the Army or the Air Force, as the case may be.

5918. I know all about that, but that is not my question. What I want to get at is this. You have got very big naval and military lodges, and the total membership you have of men in the Forces is, as far as I can see, about 10 per cent. of all the men in the Forces who are members of Approved Societies?—Yes.

5919. How do those lodges manage to keep up their membership, seeing that a man cannot join them, presumably, until he is in either the Army or the Navy?—They are kept up mostly by these members joining the voluntary lodges and then applying for transfer.

5920. Do you mean that the military and naval members of these lodges come chiefly from the 4,000 lodges in the Manchester Unity all over the country? Were they people who were members of the Manchester Unity on the voluntary side before they enlisted in the Army?—Yes, most of them no doubt were. There are also those who join the voluntary section and belong to the Navy and Army Insurance Fund and apply for their transfer from that Fund after joining the Society on the voluntary side.

5921. (Mr. Besant): With regard to sickness benefit, with which you deal in paragraph 67 of your Statement, you give your opinion that the statutory benefits for sickness and disablement should not be increased. Would you tell us the arguments by which you come to that conclusion?—What has governed us mostly in making this suggestion is the large surpluses which we understand will accrue on the second valuation. We think it possible that if societies are permitted to take those additional benefits and use them as extra sickness benefits, it might bring the amount up to such a sum that there may be a considerable amount of over-insurance; and, to be quite frank, we think also it will have a very detrimental effect on the voluntary thrift movement. If we increase the sickness benefit, or if the sickness benefit is increased above a certain limit, the insured person will be quite satisfied with the amount of benefit that he is getting, and he would not want to insure for a further amount on the voluntary side.

5922. In other words, it is the effect upon the voluntary side which governs the argument on the State side?—We feel that the voluntary thrift movement is such an important national asset that if anything were done which would have a detrimental effect on the movement, the nation would suffer a loss greatly to be deplored.

5923. But take that in another form with people who are not in your particular body. If your recommendation were adopted, it would mean that nobody could get more from the State than the existing rates. Do not you consider that these are inadequate in many cases for people with families?—Probably they are, but what we really do think is that National Health Insurance was instituted primarily to provide for the health of the insured population. We think the additional benefits should be used as far as possible in treatment benefits instead of cash benefits.

5924. That is not quite what you have put down in paragraph 67. What you have put down there is that the statutory benefits should be kept at their existing limits?—Should not be increased.

5925. You are talking there of what you can get out of surpluses?—In many cases the sickness benefit is £1 a week with the additional benefits. If you increase the standard amount laid down in the Act and contribute a larger amount from the additional benefits, it will raise the sickness benefit to a considerable sum.

5926. But do not you consider that these statutory benefits might be capable of increase with advantage to the community who have to live upon those benefits in times of emergency?—We would prefer the rates as they are at the present time. We recognise, of course, that these are not adequate in many cases, but we also recognise that with the large surpluses which are anticipated they might be brought up to a large amount which would cause over-insurance.

5927. In other words, the voluntary side and the surpluses between them will make enough income for the sick man to live upon?—We want to avoid a man being as well off on sick benefit as he is when at work.

5928. On the other hand, you are prepared to face the danger of some unfortunate man not having anything but the statutory benefit and not belonging to the type of society which has a large surplus, and not being on the voluntary side and having no other income, and you say that the State income should not be made larger?—We desire to encourage self-help and independence of character.

5929. (Sir Arthur Worley): What is the difference in the case of a man who gets 25s. a week from the State benefit and the man who gets 25s., including an allowance from your voluntary side? I mean the one man on the one side who is not in your Society gets 18s. a week. Suppose that were made 25s. What is the difference between the moral hazard of that man and that of a man who joins your Society and gets 18s. plus 7s. from you? The former

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would be just as likely to go back to work as the other.—In the one case the man is contributing for the whole of the benefit he is receiving. In the other case he is only contributing a portion. The employer and the State each contributes another portion.

5930. You do not think he sits down and says: "I am only paying half of this and therefore I can slack up"? They do not get into that state, do they?—I do not know.

5931. I cannot see why a man who gets the same amount of money from two sources should be a better moral risk and more willing to go back to work than the man who gets the money from one source?—We think that if the State provides a sufficient amount of sickness benefit to keep the man whilst he is sick, by bringing his sickness benefit up to somewhere near his wages, it would be undesirable.

5932. To-day, with the State and the Manchester Unity, plus some other trade society that he is in, his sick benefit is quite equal in many cases to his total wages?—That is so, but is there not a moral aspect also?

5933. I am trying to get from you if I can what is the difference in the moral hazard between the two men?—I think, if I may say so, you have got a different kind of man—a man with an entirely different mentality, if I may use the expression—who by his own independence of character and self-reliance is endeavouring to do something for himself. He will compare very favourably with the man who is prepared to let someone else do everything for him.

5934. But take it that Tom Jones is the man in question. To-day he belongs to your Society and he also comes under the National Health Insurance. Between the two he gets a respectable sum if he is sick, which would approximate to his wages. I cannot see why Tom Jones should be less a moral man than he would be if the State paid the same amount?—I am not suggesting he is less a moral person, but what I am suggesting is that the man who makes provision for himself is the better man of the two.

5935. (Mr. Besant): I think we have departed from what I was pursuing, which was that there was a State benefit of 15s. and, in addition, something added from surplus and something from the voluntary side. Your argument was that there were many unfortunate people in societies without any surplus or with only a small surplus, and also people who were not on the voluntary side. Let us pursue that. Take the elderly man over 60 years of age. You will not take him in on your voluntary side?—No, we do not take them over 50.

5936. Is he to have nothing, and do you definitely lay down your view that what I may call the under-dog shall be penalised and have no additional benefit because there are certain benefits available for certain people from other sources? That is really the part I am questioning. You say quite bluntly—there is no argument here—that those benefits should not be increased?—Yes. We do not consider any increase desirable, whilst we fully recognise that there would be many cases of hardship. We recognise that 15s. is not sufficient for a sick man. I do not wish to lay it down for a moment that the statutory benefit is sufficient.

5937. Are you of opinion then that the statutory benefit should be fixed at a limit which you yourself recognise is insufficient?—That is our main idea in making that recommendation. We do not want, if we can possibly help it, the statutory sickness benefit to be raised to such an extent as to have a detrimental effect on the voluntary thrift movement. We prefer that no additional cash benefits should be provided from the additional benefits declared on valuation. Suppose the statutory benefit was raised to 25s. or 30s. a week, or any sum you like to name. If large surpluses accrue in addition, and societies were prepared to pay another five shillings or ten shillings a week on top of that, the sickness benefit would be raised to a very large sum.

5938. I am putting it the other way. There are

hypothetical cases where one would get very large benefits, I agree, but I would put it, as you put it here, that under no conditions, unless there is a surplus, can a man get more than 15s. I only want to know if you still support it in this form without any limit?—Paragraph 67, which you are mentioning, is the considered opinion of the Executive of the Manchester Unity of Oddfellows. I am not advocating this as a personal opinion.

5939. (Professor Gray): You were asked about the first three days of sickness, and you said, I think, that you would prefer to have the full benefit rate from the first day?—Yes.

5940. But is it not the case that you in a sense must make a choice between the two; the first three days must cost something?—Quite.

5941. And it can only be paid for, I presume, by a reduction in the benefit later on?—It will come out of the benefit funds.

5942. But it must also ultimately, I suppose, mean either a reduction in the rate of the benefit or a reduction in the length of benefit. It must come from somewhere?—Are you dealing now with the 26 weeks' full sickness benefit?

5943. I am dealing with the first three days. You said you wished these three days to be paid for at the full rate. They must be paid for from somewhere, must they not?—Yes, from the benefit fund.

5944. They must be paid for by a reduction of the rate of benefit or a diminution of the 26 weeks?—The insured person would get his 26 weeks from the first day's illness instead of from the fourth day.

5945. But taking it in another way, apart from the case of a linked-up illness, these first three days occur in every case of illness?—Yes.

5946. Therefore, it must come to a fairly large sum?—Yes.

5947. Would not that react on the rate of benefit somewhere else?—Our experience in the voluntary section is that the fact of a man ceasing employment in the early days of an illness often prevents a long illness later on; so that we recognise that although the payment of sickness benefit from the first day of sickness would mean an additional initial cost, the society would more than recover that amount by preventing sicknesses extending over long periods later on.

5948. It is simply a choice between the ways of paying. You may pay for the first three days and for isolated days, or you may make up your mind that in these small illnesses a person ought to have saved up enough to pay for them himself, and you would pay something more substantial in more important cases?—It seems to me that if a man sends in a doctor's certificate that he is suffering from bronchitis, or whatever it is, he ought to be paid from the first day's illness.

5949. You have not worked it out in order to find what it means in a reduction of the benefit or a diminution of the period?—No. We think he should have the 26 weeks' full rate of sickness benefit from the first day of his illness.

5950. It is perhaps not an important point, but I cannot yet understand why an employer should not employ an exempt person. Do they say: "Here is a man who comes along with a private pension, and therefore he is too well off to employ?" or does the employer say: "Here is a man who requires a certain kind of stamp that I am not accustomed to?"—I think the employer says that the man has a certain income and he is not going to employ him.

5951. Because he is doing another man out of a job?—Yes; he is doing a poorer man out of a job. I think that is the main idea underlying it.

5952. On the subject which Sir Arthur Worley was talking to you about, does your point come to more than this: you do not want to have a too high rate of benefit because you think on the whole it is not desirable that the State should do everything for the insured person?—That is our main idea.

5953. You think that he ought to be encouraged to do something off his own bat?—Quite.

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5954. And is there also perhaps this other idea that the insured people, taking them as a whole, consider that the funds of the private side are in a sense more their private property than the other?—That is quite true. There is an underlying feeling, I think, that if the State is administering any benefit, the desire of most people is to get as much as they possibly can out of the State.

5955. You are, of course, aware of cases of lodges in the past where the people entitled to benefits from these funds were extremely anxious not to go on the fund. They would rather not declare on than diminish the funds?—There was a large number of such people, and that has largely been the means of building up the Friendly Societies.

5956. Do insured people regard the funds on the private side as being more their own property than the State funds?—Yes, I think so.

5957. (Sir Andrew Duncan): Have you had in mind, in suggesting that the sickness benefit should not be increased, that many persons in receipt of that benefit are also drawing from the Poor Law?—No, I do not think they are drawing from the Poor Law and drawing sickness benefit at the same time.

5958. Do you know of no cases of that?—I know of no cases.

5959. (Chairman): And you would know?—If such cases existed, I think we should know.

5960. (Sir Andrew Duncan): Have you made any inquiry? Has it ever occurred to you?—We have in the Manchester Unity sickness visitors constantly visiting the homes of people when they are sick, and they have very great opportunities of getting information. As far as the Poor Law is concerned, the officials of the Poor Law would make inquiries. They do make very shrewd inquiries in these cases.

5961. But it is legitimate, is it not?—I do not know that it is not legitimate. I know of no rules against it.

5962. And if they were drawing Poor Law relief you could not refuse to give them the statutory benefit to which they were entitled?—No; it would be a matter then for the Guardians to withdraw the Poor Law allowance. If the insured persons were entitled to their sickness benefit on medical certification, they would get it.

5963. But I presume that if the statutory benefits were not enough for the maintenance of a man and his family, under the present law he would be entitled to have assistance from the Poor Law?—Yes.

5964. So that there may be such cases?—There might possibly be cases.

5965. (Mr. Jones): Do not these shrewd inquiries to which you refer suggest that there are cases?—No, I think not. I think it is the duty of the officials of the Poor Law to make these inquiries and find out the sources of income of the person who is applying for relief.

5966. Naturally, they will. They ask the applicant for Poor Law relief, "Are you in receipt of any benefit from the National Insurance Fund?" If so, they will treat that as part of the family's income?—Yes.

5967. So that they may make these inquiries?—Yes, and it may not come to our knowledge.

5968. (Professor Gray): Is it not the case that these Poor Law cases which we are discussing do arise?—It is quite possible. I am not suggesting that there are not those cases.

5969. (Chairman): You say as far as you are concerned you do not know of such cases?—I have never had a case brought to my knowledge.

5970. (Professor Gray): There is a section in the Act which deals with these cases, is there not?—Yes.

5971. (Sir Andrew Duncan): If you did ascertain that there is a fairly large number of cases in which insured persons have to fall back upon the Poor Law, would you alter your view as to the need for increasing the amount of the benefit?—If there were a number of cases of that kind, we should certainly

consider the advisability of altering the view that we have expressed here.

5972. (Chairman): I have now a few general questions which I should like to put to you on matters which do not directly arise out of your Statement but on which I should be glad to have your views. Assuming that financial limitations exist, would you indicate to us your view of the order of priority of the five proposals stated in (h), (j), (k), (l), (n) of paragraph 77 of your Statement?—The priority that we would suggest would be first, that dental benefit be made a statutory benefit under the Act.

5973. Which is that?—(h). No. 2 would be (j). No. 3 would be (k). No. 4 would be (n), and No. 5 would be (l).

5974. Are you satisfied with the present arrangements under which about half the total of the money available for investment receives the prescribed rate of 4½ per cent. while the remainder receives interest according to the market conditions?—We are quite satisfied.

5975. At present there are figures of unemployment which will, we hope, substantially decline. Do you think there will come a point at which the temporary arrangements for prolongation of insurance and for excusing arrears should be discontinued, and, if so, at what point; or, in the alternative, do you think that these arrangements or some similar arrangements should form part of the permanent scheme?—I am of opinion that whilst the present large amount of unemployment exists temporary arrangements should be continued somewhat on the present lines.

5976. Temporary arrangement?—Yes, temporary. I am of opinion that it would not be a good plan to make it a permanent arrangement under the Act. I may, perhaps, say that I have been to some little trouble in going through the accounts of one branch. The branch consisted of 2,110 members, and this particular branch had, under the Prolongation of Insurance, 188 members. 151 out of that 188 paid 7s. arrears, although they were unemployed, to bring them up to full benefits in the event of sickness, leaving only a residue of 37 who did not pay the arrears. I do not know whether there is very much in those figures, but the fact remains that a very big percentage of the members who come under Prolongation of Insurance paid 7s. arrears to keep them in full benefit during the following benefit year.

5977. What is your opinion of the utility of the record cards? We have had a suggestion from a society that they might well be abolished, as they serve little useful purpose. Is your experience the same or is it different?—We find about 50 per cent. of our members return their record cards to us. It is the only method they really have of getting a receipt for the contributions paid. The other 50 per cent. probably are quite careless and do not trouble. They do not send their record cards in with their insurance cards, and they are not sent afterwards.

5978. Then do you think it is worth keeping?—At least 50 per cent. of our members require a receipt for their contribution cards, and, that being so, I think they should be retained.

5979. You have members in the four countries, but as you know, while there is a Central Index Committee for England and Wales there is none for Scotland. Will you indicate to us whether you have had much difficulty in getting your members placed on the index register of the appropriate Insurance Committee in Scotland, as compared with England and Wales? Do you think that there ought to be a Central Index Committee for Scotland or, alternatively, do you think we might dispense with the Central Index Committee for England and Wales?—We have experienced no difficulty whatever as far as Scotland is concerned.

5980. Under the present arrangements?—Under the present arrangements. We recognise that the Central Index Committee is performing very valuable work, more especially as far as societies with

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branches, such as ours, are concerned. It means, of course, that the index cards are sent to one central department, instead of to the whole of the Insurance Committees throughout the country.

5981. Then you would keep it as it is?—We should very much prefer keeping the Central Index Committee as it is.

5982. In the matter of additional benefits, have you heard much in the way of complaint from insured persons who have transferred to or from your Society, or from one branch of your Society to another, since the last valuation; as to their loss of additional benefits on transfer and the length of the waiting period before they qualify again?—No, we have had no complaints.

5983. Have you considered at all the possibility of the transferring member bringing with him a special transfer value in respect of additional benefits, and because of that, receiving from the new society or branch the additional benefits of the old society or branch or their actuarial equivalent?—We have not considered that point specially, but we recognise there would be considerable difficulties. It would mean a great variety of benefits being paid in one branch or society, because the additional benefits that probably were being paid in the branch from which the member transferred would be very different from the benefits payable in the branch to which he transferred. This would so lead to complications.

5984. (Sir Arthur Worley): With regard to the preventive service, you have not dealt much with that in your evidence. Generally speaking, it is one of the principles underlying the Act, and I was wondering how, if the Royal Commission decided to recommend some extension in that direction, namely, that there should be more benefit or more money spent on the preventive side—I have no particular benefit in my mind—how you would propose the money should be found. If health is to be the criterion, the better we can make it from the early days the more we shall achieve a better standard of health?—Before answering that, I would like to know whether you mean preventive treatment for insured persons under the Act or general preventive treatment for the whole of the community of the country?

5985. To an extent, both?—I think it would be unfair to load the National Health Insurance Act with the cost of preventive treatment for the general community. That should be, in my opinion, a national concern.

5986. I do not want to discuss that because, after all, the State does pay two-ninths of the present benefits; but leaving that alone, suppose it was done even for the insured person, would you favour any money being taken from a central fund rather than from an individual society?—Personally, I should have no objection whatever to taking it from a central fund to which all societies would contribute.

5987. So that you would not have any objection, as far as that was concerned, to establishing a sort of pooling scheme?—That is so.

5988. What is the average cost per head on your voluntary side for administration purposes? You have so many thousand members on the one side and so many on the other?—It is about 4s. 4d.

5989. Then it is very much the same, or a little less than on the Approved Society side?—It is about the same. I think the administration of the Approved Society works out at about 4s. 5d. It is a little less on the voluntary side, but nothing much to speak of.

5990. But the voluntary side includes considerably more than the State side. You have a lot more duties and meetings, have you not?—We are an Approved Society, and whenever we hold a meeting both sides of insurance are dealt with—both the voluntary side and the National Insurance side.

5991. Yes, but as far as the Manchester Unity of Oddfellows is concerned, there are benefits and there are expenses that are not common to both?—Quite.

5992. Do the expenses include sickness benefit to people over 70 on the voluntary side?—Yes. Under our old tables we pay sickness benefit to our members over 70. But since the inception of National Health Insurance the tables were altered on the recommendation of our actuaries so as to make sickness benefit cease at the age of 70.

5993. And you pay a death benefit, do you not?—We pay a death benefit for the member and his wife.

5994. That makes a bigger organisation, in a sense, than on the other side. I was trying to see whether there was the same work on the Approved Society side as on the voluntary side?—Generally speaking, I should say it was about the same.

5995. I should have thought myself there was more on the voluntary side, but I am subject to correction, because I do not really know.—If I may say so, on the voluntary side our accounts are much simpler. We have not the advantage, or the disadvantage, of the national system.

5996. Since you became an Approved Society, have your expenses on the voluntary side increased or decreased?—They have remained about the same.

5997. Surely they should have got less. I mean you have two societies for one oncost—rent and so on; there should have been a reduction somewhere?—When National Health Insurance came into force, in many cases larger premises had to be taken and there were additional overhead charges.

5998. There may have been some extra charges, but nothing in proportion.—On the voluntary section perhaps in small branches most of the secretaries would do their work in their own homes, devoting a room perhaps for that purpose. With the introduction of National Health Insurance they did not have the necessary accommodation, and they had to get an office, and so additional expense was caused.

5999. Most of the members of the Approved Society are members of the voluntary society, are they not?—A large proportion.

6000. Does it follow that your voluntary society has doubled itself practically since you became an Approved Society?—No.

6001. I am thinking of the question of larger premises being wanted, because, as I gather, most of the members of the voluntary society became members of the Approved Society?—Our total membership on the State section now is 895,470. On the independent side it is 921,848.

6002. What was it in 1910?—In 1910 our aggregate membership was 1,048,633.

6003. These people are in two capacities. They are the same people. Your total capacity has gone down and therefore I do not follow why it is necessary, with your numbers going down, to get additional premises?—This additional accommodation became necessary when National Health Insurance was introduced, and has been continued since.

6004. I cannot dispute it when you say it, but, as a matter of fact, on the figures you have less individuals now with the two together than you had before?—The membership I gave you was the aggregate membership in 1910.

6005. There was no Approved Society then?—No. Our aggregate membership in 1922 was 1,504,165.

6006. The aggregate has gone up by 50 per cent. then?—Yes.

6007. (Sir Alfred Watson): I want to have an explanation of the system in your Society as to appeals and disputes. When a member has a dispute with his lodge, through how many stages does the appeal have to go before a final result is obtained?—In the first place the member would lodge an appeal with his Lodge. If he were not satisfied with the decision of his Lodge he could appeal to his District. The District Arbitration Committee would then consider the matter, and if he were not satisfied with the decision of the Arbitration Committee he could appeal to the Board of Directors, and, of course, ultimately to the Ministry.

6008. That is four tribunals?—Yes.

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6009. Suppose a case goes from the lowest tribunal to the highest before it is settled, does it involve the member in any expense?—No expense whatever, except that in a financial matter there is a small deposit.

6010. Does he have to make a deposit at any stage?—No; the Directors have power to waive that; it may be made.

6011. But the thing does not go to the Directors until the third stage is reached. Suppose a dispute originates at a Lodge and is settled by a Lodge tribunal, is there any deposit then?—No. The general rule is to the effect that in cases of appeals where money matters are concerned the amount in dispute must be deposited with the Order at the time of giving notice of the appeal. That would mean the appeal to the Board of Directors. Failing that, the appeal cannot be heard and the penalties inflicted and the moneys in dispute must be deemed to belong to the District concerned and are recoverable as if the decision of the Directors had been given in its favour. The Directors have power to hear the appeal when they consider the appellant is unable to deposit the amount from want of means.

6012. I do not quite follow that, because the appeal might be against a refusal of the Lodge to pay a benefit. I suppose the member could hardly be asked to deposit what he had not got and what he was claiming?—No; this would only be in the case of an appeal to the central body.

6013. I want to get to know what is the custom in the general working of the machine. The member claims benefit, and the Lodge denies it. It then becomes the subject of a dispute. Does the member have to put up any small sum of money in order to have his appeal heard?—Nothing whatever.

6014. At no stage of the proceedings?—At no stage of the proceedings.

6015. So far as getting justice is concerned the thing is entirely free?—Absolutely free.

6016. But there are four courts in which the member has to run the gauntlet?—Yes.

6017. How does that compare with the practice on the voluntary side?—That is also the practice on the voluntary side.

6018. But I understand the final appeal is to the Minister?—Yes, in the case of an insured person.

6019. That makes Lodge, District, Directors and Minister?—Yes.

6020. How many courts of appeal are there on the voluntary side?—Three; the Lodge, District and Board of Directors.

6021. Do you think it is satisfactory to impose upon the State side one more court of appeal than you have on the voluntary side?—I think it gives the insured person an extra opportunity, if he feels aggrieved, of appealing to the highest authority, which would be the Minister.

6022. Quite, but it may be a Lodge or some other person that is aggrieved. We must not suppose that it is every time an insured person who is aggrieved?—No; it may be a Lodge or it may be a District.

6023. Have you ever considered whether it would be more satisfactory and would be sounder administration to get a speedy settlement of what may be trivial cases by reducing the number of courts of appeal?—We have never had an appeal yet that has reached the Ministry, and I think we have only had three that have ever reached the Board of Directors. Most of them are more or less of a frivolous nature or of a minor character and are settled in the Lodge, and the member is satisfied.

6024. I should expect that would be so with the ordinary case. But suppose an appeal does go to the Board of Directors and then on to the Ministry, what length of time would elapse between the cause of dispute arising and the final settlement of the matter?—Probably about three months.

6025. Could it settled as soon as that?—It might extend to four months. The Board of Directors sit every two months.

6026. But there are certain formalities to be gone through, are there not? There are so many days' notice, and so on?—There would be a meeting of the Lodge.

6027. A meeting summoned for the purpose?—Yes; they would summon the Arbitration Committee.

6028. Giving so many days' notice?—Yes. Then it would go to the Arbitration Committee of the District, and from there be referred to the Board of Directors. After the Board of Directors had arrived at a decision it may go on to the Ministry. It would only be a matter of a day or two there.

6029. Then you think it would be no more than four months?—I do not think it would extend beyond a period of four months.

6030. That seems rather a long time, does it not, for what may be quite a trumpery dispute to be hanging over an insured person?—I think if the dispute was of such a trumpery nature as that four months would not be too long.

6031. You are not, in all the circumstances, an advocate of speedy justice?—Yes, I am, but not when the case is of a frivolous nature.

6032. The Royal Commission understands, of course, that the finance of Health Insurance is based upon assumptions as to future sickness and mortality, etc. among insured persons. Has the Manchester Unity any particular interest in the data on which the financial system of National Health Insurance is based?—Do you mean from an actuarial point of view?

6033. No.—I do not follow the question.

6034. Is it not a fact that the finance of National Health Insurance is based upon material collected by the Manchester Unity?—That is quite so. National Health Insurance was based upon the Manchester Unity experience.

6035. And that experience was collected by the Society itself?—That experience was collected by the actuaries of the Manchester Unity at the expense of the Manchester Unity.

6036. At the sole expense of the Society?—At the sole expense of the Manchester Unity.

6037. And was used for the purpose of the State scheme?—It was used for the purposes of the State scheme by the Government actuaries.

6038. Without any request being made by the Manchester Unity for financial consideration?—That is so. One perhaps does not want to use a strong expression here, but the State did use the Manchester Unity experience and the Manchester Unity have never been recompensed for the cost of the work and have never asked for recompense.

6039. The position is that the Manchester Unity investigated this experience at great expense and published it for the free use of anybody who required statistics of the kind?—That is so.

6040. And it was very wisely, if I may say so, used by the Government for National Health Insurance?—I think that is correct. The Unity were very pleased to place the experience that their actuaries had collated at the disposal of the Government and of the whole world.

6041. (Mr. Besant): You spoke, I think, of some statistics you got out of a lodge of some 2,000 members of whom, if I have your figures correctly, 188 were unemployed?—There were 188 under the Prolongation of Insurance Act.

6042. And you were then able to get 151 of these to pay up the 7s.?—Yes.

6043. In other words 70 or 80 per cent. paid up 7s. so as to put themselves back into full benefit?—Quite.

6044. Could you tell us whether these were typical cases of unemployed people?—I do not know. It was only from one particular branch that these numbers were got. I cannot say how far those figures would be representative of the whole of the Unity.

6045. The figures seem to me startling amongst a body of unemployed. I wondered whether it was typical or whether it was due to special circum-

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stances. For example, was there any special canvassing so as to let these men know the advantage they would get for a small cash payment, or were special steps taken?—No. The system adopted is the general system of sending out the arrears card, and the member voluntarily stamps the card and sends it to the Society.

6046. You did not set up a special *ad hoc* organisation?—No. It simply came about in the ordinary routine.

6047. But as far as you know, there were no special circumstances in this particular Lodge to make that percentage higher than general?—There were no special circumstances whatever.

6048. In the main, therefore, it showed that the insured person himself was conscious of the advantage which this cash payment would give him if he was able to find the money?—Yes. What surprised me was that these men, being out of employment so long, could find the 7s. to pay up the arrears voluntarily without difficulty.

6049. It is wonderful to me to find the percentage so high?—Quite.

6050. (*Miss Tuckwell*): Does it not seem to you very undesirable that people who have been out of work for a long time should have to borrow or to pawn in order to get such a sum as that?—Yes, it does seem undesirable to me.

6051. (*Sir Andrew Duncan*): Did the witness say they either borrowed or pawned?

6052. (*Miss Tuckwell*): I said it. You see, we have got a man out of employment for a long time, and I was thinking how he could raise the money. I put it that it was a question of borrowing or pawning to get that money; that is all. It would be very undesirable if he had to borrow or beg. That is the point that struck me as being so strange, namely, that in the case of these men who had been unemployed for a long period such a large number of them could pay off the 7s. to keep them in benefit.—Of course, I had no evidence that it was borrowed. I do not know how they got it. The fact remains that it was paid.

6053. Are you in favour of the retention of Insurance Committees?—I think Insurance Committees are performing the work that is allocated to them in a satisfactory way.

6054. There is not much allocated to them?—Only medical benefit now.

6055. Would you be in favour of an extension of their duties?—I think if some of the suggestions we have made are adopted, their duties could well be extended with benefit to the insured persons.

6056. You would not feel at the present moment that there is sufficient justification to keep the Insurance Committees as they are with nothing more to do?—I would not like to see the Insurance Committees abolished.

6057. But you would like to add to their duties?—I would prefer adding to their duties, but I would not prefer adding to their numbers.

6058. (*Mr. Evans*): If a man has been on the funds for a long time, and he is referred to the regional medical officer, who decides that the man is fit for light work, if there is no light work available what do you do in your Society? Is he struck off the fund, or is he allowed to continue in benefit?—Speaking generally, we deal with our members in a very sympathetic way. In that case we should keep him on the funds in any case for a certain time, but not indefinitely. Possibly we should watch the case somewhat closely. Our sick visitors would report on the matter, and probably it would be referred to the Committee of Management, if there were any doubts on the part of those administering National Health Insurance. But the man would not be dealt with arbitrarily in any way; he would be dealt with in quite a sympathetic way.

6059. (*Mr. Jones*): May I revert for a moment to the question of arbitrations? I do not want to raise the question generally as to disputes between Lodges and the Society, but to limit it merely to the question

of the payment of benefits. Is four months not rather a long time to have the question of a person's title to benefit in suspense?—We have had no difficulty up to the present time. After all, the regulations are fairly clear. I think as a rule the decisions satisfy the insured person.

6060. Might it not be that he is not satisfied, but the trouble involved prevents him pursuing the matter further?—I do not think so. There is the fact of his coming through a second local body, so to speak. It would be considered in his own Lodge, and then it would be considered again in the District. I think from that the member would feel assured that he would be getting justice.

6061. What is he to do in the interval if he is deprived of the benefits pending the decision of these ultimate courts?—I am afraid there are members often deprived of benefits now through the action of the Auditor.

6062. Let us assume a simple case. A panel doctor certifies an insured person. The medical referee gives a contrary opinion. What do you do in a case of that sort?—We would normally get in communication with the panel doctor, and perhaps have an interview with him, and talk the matter over. He may perhaps then be able to tell us something which was not apparent in the official report of the regional medical officer. If you get into personal touch with a person and talk the matter over, you can often clear up apparent difficulties, and you can rid yourself of them, and thresh the whole thing out.

6063. That is to say, you get a good reason for not accepting the medical referee's certificates?—As a rule the certificates coming from the regional medical officers are extremely valuable, and nearly always I think they are correct reports.

6064. If the insured person does not agree with the referee's opinion, then he has this right of appeal?—Yes.

6065. And he has to appeal by this slow procedure?—Yes.

6066. How would you view the suggestion that instead of this procedure—and I wish to limit it to the question of the benefits—the matter should be immediately referred to an independent umpire drawn, say, from a Friendly Society or an insured persons' representative, but not a member of your own Society, although it would be a person on whose opinion you would rely, and with some knowledge of the business?—You would have a conflict of opinion there between the two medical gentlemen, and I think it could only be referred then to a body of medical men to decide.

6067. Is not the procedure in many societies at the moment to refer disputes such as those to someone? You yourself deal with them by a committee. I am simply suggesting this for the sake of simplicity of procedure. This matter may be a small one for the society, but it is a large matter for the individual. Would not a common-sense person be as competent to determine the equities of a case as any committee?—If it is a medical matter that is in dispute, I think it would be a good thing if we were permitted to refer it straight to the Ministry for a decision. We would have to put the onus on the Ministry; we could not put it on anybody else, because there would be a conflict of medical opinion.

6068. I do not agree, but I do not want to argue that with you. I am quite prepared to take the Ministry, unless it would overload them with work; but how would you regard the idea of one final umpire, always with a right of ultimate appeal to the Minister?—You must remember that we have our own rules here which have been approved by the Ministry.

6069. But they are subject to improvement. It is because of the long delay of four months, which I think is far too long to keep an individual in suspense, that I raise this question.—I do not think we should have any objection to referring it

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[Continued.]

straight away to a central body or to an independent person or persons for decision.

6070. Might I refer for a moment to this actuarial volume which everybody who is interested in the subject knows so well. Has the Manchester Unity ever since that made any attempt to find the results of up-to-date experience?—No, not since that date.

6071. You have had nothing since then?—No. Of course, it involved the Society in a considerable expense—something over £20,000.

6072. It was a monumental piece of work, everybody knows that. You have not attempted it again?—That is so.

6073. The experience was 20 years old before it began to be used for National Insurance purposes?—Yes.

6074. Had you any evidence at that time that the sickness demands on your Society would fall? Was there any indication within your own knowledge that the actual experience was less than that brought out by the tables?—No. I think perhaps the sickness experience is falling now slightly compared with what it was.

6075. Mortality had fallen a good deal between the date of the tables and the introduction of National Insurance?—Yes.

6076. Do you think there was evidence that the sickness experience would fall?—The sickness experience is falling slightly now as far as we can gather.

6077. But only now?—Yes, of recent years.

6078. You have no detailed figures comparable with the others, have you?—No; I could not supply you with any figures whatever.

6079. (*Professor Gray*): You know the provisions of the Act about linking-up illness?—Quite.

6080. Have you had occasion to consider whether these work equitably?—We have had one or two cases of what I might describe, I think, justly, as hardship—short illnesses extending over a prolonged number of years.

6081. You find that when people get old they never get a chance of coming on full benefit?—Yes; those are the cases I mean. There are cases of hardship.

6082. Then you told me that you have very few voluntary contributors and that those you have tend to drop out. Does that mean that the few voluntary contributors you have are a changing group all the time?—Yes, I think they are, more or less, and I think when they cease insurance they often come in as voluntary contributors, and after being insured as voluntary contributors for some little time their incomes perhaps increase, and they do not feel the need of it.

6083. Or they tire of it?—Or they tire of it, and they simply drop out automatically.

6084. How long does it take for them to drop out?—We do not generally keep them longer than two or three years at the most.

6085. They add complications to administration, I suppose?—No, I think not. They are under practically the same conditions as the ordinary insured persons now.

6086. Do you think they are worth while as a class?—I do not think there is a great demand for voluntary insurance.

6087. Would it be any hardship if there were no voluntary contributors?—No, I think it would be a good thing to get rid of that special class.

6088. I was rather surprised to hear you tell the Chairman that you had no complaint on the question of persons transferring from one Lodge to another, and not getting their full additional benefits for a certain time. Could you tell me whether in your

Society they do in fact formally transfer from one Lodge to another?—Yes, numbers. I can give you the figures.

6089. The reason I asked was that in a somewhat similar society what happened on a member changing residence was that he got his benefit from the old Lodge through the new Lodge acting as the agents of the old Lodge. Does that happen in your Society?—I do not quite follow that.

6090. In another Affiliated Order, I understand the position is that when a person changes his address, he does not formally transfer his membership, but he gets his benefit from the new Lodge acting as agents for the old Lodge, which enables him to get the full benefit?—Yes, we have that system.

6091. Is that why you have no complaints?—That may perhaps have a bearing on it. But there is another system adopted when members apply for a transfer. They are informed that they will lose the additional benefits on transfer. We have had a number of applicants who, when this is brought to their notice, request us not to proceed with their transfer.

6092. And they do not transfer?—They do not transfer.

6093. That is possibly the reason why you have not had a number of complaints?—We get a fair number of inter-Lodge transfers.

6094. How many?—Roughly about 400 a year.

6095. That is not very many out of a membership of 900,000?—That is so. Supposing a man living in Brighton removed to Portsmouth, he would still remain a member of the Lodge at Brighton, and the Brighton Lodge, in the event of the man becoming ill, would request the Portsmouth Lodge to pay him on their behalf.

6096. If you take 400 transfers a year out of about one million persons, it is almost negligible?—That is so.

6097. It means, in fact, that they do not transfer frequently?—We get comparatively few inter-Lodge transfers.

6098. (*Chairman*): We are very much obliged to you for the time you have given us, and for the very interesting evidence you have submitted.—There were some figures asked for on the last occasion, I think, by Mr. Cook. I will put the statement in.

(Statement handed in.)

INDEPENDENT ORDER OF ODDFELLOWS (MANCHESTER UNITY FRIENDLY SOCIETY).

STATE INSURANCE VALUATION AS AT 31ST DECEMBER, 1918.

Summary of Lodges with Deficiencies on Valuation.

Country.	Number of Lodges.	Amount of Deficiencies.	Membership at 31st December, 1918.
England ...	119	£ 7,619	19,032
Wales ...	43	3,268	7,739
Scotland ...	2	335	441
Total ...	164	11,222	27,212
Percentage of whole of Valuation.	4.42	—	2.82

(The Witness withdrew.)