

BANKRUPTCIES—CALL FOR INCREASE IN GUARANTEED
INSURANCE COVERAGE

Mr. Joe Reid (St. Catharines): Mr. Speaker, I wish tonight to bring to the attention of the House and focus in a very direct manner on the absolute necessity of increasing deposit insurance. On January 15, in reply to a direct question, the Minister of State for Finance (Mr. Bussières) stated, and I quote:

—I have asked the Superintendent of the Department of Insurance to weigh the possibility of having the Canada Deposit Insurance Corporation review the current \$20,000 ceiling. That study is under way—

The words “review” and “study” have become watchwords for inaction. The Minister of State for Finance told the House that he has asked the Superintendent of Insurance to weigh the merits of an increase in this \$20,000 ceiling. I submit that the evidence as to the need for an increase has long been available. Inflation alone has reduced the value of the dollar, from the time that \$20,000 figure was first introduced, to half its value. Since the time that figure was fixed, such programs as the Registered Retirement Savings Plan and the Registered Home Ownership Savings Plan have been introduced, and these have added to the level of deposits by Canadians.

Just as an example, the average Registered Retirement Savings Plan at maturity is worth \$27,000, \$7,000 over the limit. Last year the United States government increased its deposit coverage from \$40,000 to \$100,000 in response to needs comparable to those in Canada. The minister has in his files requests—and I have seen some of that exchange of correspondence—for an increase in the amount of deposit insurance from as far back as 1974. Many of those requests came from the industry itself.

What was the response? The response was that the premium costs for the relatively small number of depositors involved are not justified. That means it has taken an event like the collapse of the Astra Trust Company and the resultant tragic losses to hundreds of Canadians of their life savings before the government would begin to think about such an increase. The question now is how many more bankruptcies must take place and how many more Canadians must suffer financial loss before the government will take action.

It is the responsibility of the government to protect investments and deposits by Canadians in trust companies and institutions which have been given approval. The individual depositor should not have to feel, as many say they must, that they must be accompanied by their lawyers, who can translate the Canada Deposit Insurance Corporation Act, so that they will know whether they are insured or not insured.

Seals on doors declaring membership in the CDIC have been used to give depositors a sense of security, when in fact little security exists. People have invested \$50,000, \$60,000 or even more, only to find out that under today's circumstances, \$20,000 is the limit of their protection, and whatever is in excess is lost, as was the case with respect to Astra Trust. This raises a related issue concerning funds being transferred and shifted into totally uninsured mortgages, or whatever, without the circumstances being fully explained to the depositor.

Adjournment Debate

● (2215)

The government must more closely monitor institutions upon whom it bestows its charter of trust, not only for the sake of the thousands who have deposits and investments within them but also because of the vast majority of companies whose reputations have been tainted as a result of the Astra Trust fiasco.

It is time to do something which will, first, prevent these events from occurring in the future and, second, ensure that those who use federally approved and insured institutions are adequately protected.

I return to the issue of public confidence. You cannot encourage or expect a positive response from people who feel that even if the government says it monitors and will insure their savings, those assurances appear to be without real value.

I therefore put it once again to the minister that the evidence has long been available supporting the demand for increasing the basic insurance coverage. Astra Trust has only served to magnify that need. I therefore ask that the minister provide us with an answer with as little equivocation as possible. First, in the minister's response of January 15, he stated that actuarial studies were required to ascertain whether the increase should occur according to specific criteria which would establish the amount. My question is: Have those studies been carried out and, if not, when will they be carried out and when will the results be known? If, by any criteria, the figure of \$20,000 was valid in 1967, a substantial increase is warranted today.

Can the minister provide in his response some assurance to the financial institutions to allay the worries of depositors and to restore once again the confidence of Canadian financial institutions?

Mr. John Evans (Parliamentary Secretary to Deputy Prime Minister and Minister of Finance): The winding up of Astra Trust Company has been cited as a reason why the \$20,000 limit on insurance on deposits in one institution should be increased. In this regard, I should like to point out that the Astra Trust situation is not typical in Canada. Astra is the only federal trust company to fail in more than 50 years, and it appears that its problems were not related to insured deposits but rather to other activities carried on by the principal shareholders of the company. Nearly all the certificate holders and depositors of Astra have been paid in entirety by the Canada Deposit Insurance Corporation because very few persons had amounts in excess of \$20,000 due to them. Persons who did have deposits of an insurable type over \$20,000 due to them stand to recover a substantial portion of the amount in excess of \$20,000 when the remaining assets of the company are distributed on completion of its winding up.

Apart from the Astra Trust situation, a number of representations have been received by the government to the effect that the limit on deposit insurance should be increased. The level of coverage provided under the deposit insurance plan has been kept under regular review by the board of directors of the Canada Deposit Insurance Corporation, and up to date it has