

Private Bills

insure for many things not now contemplated, and which will make it possible for the companies to provide the type of insurance money which is necessary for social capital in our nation.

The Toronto *Daily Star* discusses the report of the Carter royal commission report in relation to this matter. Although in my opinion this company does meet the criteria we have demanded, I think the Carter commission report in respect of insurance companies is something all members of parliament should give consideration to. I should like to quote from the editorial in the Toronto *Daily Star* of February 28, 1967:

The life insurance industry is a sluggish giant. It consumes 30 per cent of the personal savings of Canadians, but is chronically reluctant to invest in the country's industrial growth. And the Carter royal commission has found that it is taking a virtually free ride on the backs of Canadian taxpayers.

The commission's figures on life insurance companies are eye-popping. Here is an industry worth \$12 billion worth of assets which in 1964 took in \$1.3 billion in premiums and \$600 million net in investment income. It paid out \$800 million in dividends and benefits—and just \$2,000,000 in corporation income taxes.

Foreign life insurance companies operating in Canada pay no taxes on their business income, since they are considered to have no shareholders' accounts in this country. But the favour is not reciprocated to Canadian life insurance firms operating abroad, which—on a comparable amount of business—paid foreign governments nearly \$14 million in income taxes in 1964.

Canadian mutual life insurance companies likewise get a free ride. They have no shareholders' accounts, since the policyholders have bought out the shareholders.

The others managed to get their taxable income down to \$5,000,000 in 1964, although the revenues of Canadian life companies exceeded expenditures by \$90 million after increasing reserves to meet future claims. Hence that paltry \$2,000,000 tax.

The commission found that life insurance companies are being too generous with themselves in calculating actuarial reserves—the funds needed to pay policyholders' claims.

They typically assume that their long-term investments will yield only 3 to 3.5 per cent, although their actual average yield has not dropped below 4 per cent in any 20-year period since 1900—and was almost 5.5 per cent in 1964.

The Carter report favours setting a new, arbitrary rate for their investment yield—something over 4 per cent at present, although the precise rate would be worked out in discussions between the government and the industry.

Well, Mr. Chairman, I raise this only as an indication to members that the Carter commission which investigated the insurance companies operations in Canada was very concerned with the lack of what the Minister

of Industry calls good Canadian corporate citizenship.

If they have a citizenship—and those which are controlled by Canadians ought to have—then obviously they are not meeting the criteria which I think even the Minister of Industry would indicate constitutes good corporate citizenship. It is interesting to note that a company of this nature will start out by amassing \$600,000 and will build from that into an agency. I would think, if one would look down the list of names of the directors of this insurance company, he would find that any one of them could bring in \$600,000. There are at least three millionaires on the executive. I do not think they would have any difficulty in transferring a few assets from one place to another in order to raise this amount of money.

This company will be worth some hundreds of millions of dollars in assets. How much of that will be used for the benefit of Canada and for the national good; how much of it will be used to establish competition, and how much of it will be used to see that some other company gives us insurance at rates cheaper than this company will? I think I can suggest that the answer is, not one red cent. There will be absolutely no competition in this field. All of this leads us to question whether there is any real difference in the company being owned by Canadians or by foreign investors. The answer is not yet known to me, although I think it is something to which I shall have to pay some attention, and to which I think other members of parliament will have to give some consideration.

I believe we will be guided to some extent by the remarks which have been made by persons such as the present Minister of Finance who has said in relation to banks that this large accumulation of money in the banking industry must be under the control of the Canadian people, because it is such an important factor in the economic development of our nation. These millions and billions of dollars—and the indication is that in 1964 it will amount to about \$1.3 billion in premiums alone—would be available through the interlocking of insurance companies which are so important in the development of some facets of our economy. I do not think it is possible for us any longer to look the other way in respect of the chartering of these new companies under federal control when really in effect they do what they like with my money, and collectively with everyone else's, quite