

Private Bills

with the superintendent of insurance, to extend the life of the charter for a further two years. The sole purpose of this bill is to extend the charter until June, 1969.

The reasons for this appear in Minutes No. 6 of the Senate standing committee on banking and commerce and in the speech made by Hon. Donald Cameron in the other place on Wednesday, June 14, when he moved second reading of the bill. I would commend this material to hon. members.

In essence the reason why the company did not apply for its certificate to commence business within two years was the tightening up of regulations within the provinces of Alberta and Saskatchewan. Bill S-9 which incorporated this company received royal assent in June of 1965 with the understanding that the company would not commence its business of insurance until at least \$500,000 of its capital stock had been subscribed and that amount paid in advance together with a contribution as a capital surplus of \$500,000.

The Principal Life Insurance Company is one of three companies controlled by Principal Holdings Limited and is composed of the following companies: First Investors Corporation Limited, Associated Investors of Canada Limited, Principal Savings and Trust Company, and the Principal Life Insurance Company. The company has its head office in Edmonton. It is entirely Canadian owned and its officers are all Canadians living in or around, Edmonton.

The Principal group actually controls assets of some \$68 million as evidenced by the consolidated balance sheet of the company dated December 31, 1966. Since the incorporation of the company in 1965 there were a number of developments in the financial world which caused all governments to tighten up and raise their requirements of financial backing before permitting companies to go into business.

The effect of the tightening up of the regulations so far as the Principal Life Insurance Company is concerned can be explained by the following illustrations. One of the member companies of the Principal group is Principal Savings and Trust Company, incorporated with \$250,000 of paid-up unimpaired capital. In the spring of 1966, amendments to the governing legislation by the province of Alberta raised this requirement to \$500,000. The legislation provides that this requirement will be further increased by mid-1967 to \$750,000.

The other two member companies of the Principal group, namely Associated Investors of Canada Limited and First Investors Corporation Limited, both dealing in investment savings certificates and operating in the province of Saskatchewan, were required by legislative changes made in that province in mid-1965 to increase the minimum required net worth to approximately one twentieth of the statutory reserves of the company. This is the value of the qualified assets according to the Canadian and British Insurance Companies Act, less the statutory reserves and other liabilities. In order to qualify under the new standards in Saskatchewan, Associated Investors of Canada Limited required an additional \$388,000 and First Investors required a further \$112,000 making a total additional requirement of \$500,000 additional capital.

The third factor was a change in the capital test under the trustees act of Alberta. In order to be an approved corporation under the amended act, the unimpaired paid-up permanent capital must be increased from \$500,000 to \$1 million.

The Principal group has been putting into effect these increased capital requirements and reserves. Therefore the \$1 million that it had earmarked for the insurance company in 1965 has had to be put into the other funds in order to meet the statutory requirements. Having done so, it is now in a position to proceed within the next several months to apply for its certificate to commence business. It has also had to attend to a reorganization because of better control through computer equipment.

The Principal Life Insurance Company intends to write all kinds of life insurance, but it is to deal primarily with the group security that is attached to its savings certificates.

I have indicated to hon. members what is the purpose of this bill. I wish to point out again that the company is entirely Canadian owned and Canadian operated. The Principal group has been operating for 10 to 12 years in Edmonton and they have another associated company which operates in the United States. It may be of further interest that this group repatriated a Canadian investment company which had been bought by Americans and was repurchased by the new Canadian group in 1962. I am referring to Associated Investors of Canada, a company of which I have thought well and which had been sold, because of our rather odd estate tax laws, to American interests in 1959 or