

Department of Insurance Act

and there again have funds by which we could direct investment in our economy in the directions which seemed to us most desirable.

I was interested this afternoon to hear the voice of the dinosaur from the primeval swamps when the hon. member for Digby-Annapolis-Kings (Mr. Nowlan) told us that this was an invasion of the age old rights of private property. I could almost hear the voice of Charles I saying "hear, hear". He had age old rights, the age old rights of the divine right of kings, and of course he lost his head over them. I do not imagine that the genial member for Digby-Annapolis-Kings is going to lose his head, but I suspect that the minister must be very cheered at hearing this enunciation of the Tory credo, because it made him look like a positive apostle of progress and made us perhaps forget that this very hesitant, gentle, timid step against the whole bastion of modern capitalism is but a slight chipping at one of the outlying bastions of that structure. However, I think we can perhaps be thankful for small mercies. We have to be, with regard to the present government. I should like to conclude by saying that to my mind the Minister of Finance might perhaps be considered one of the small mercies of the Liberal government now in office.

Mr. R. N. Thompson (Red Deer): Mr. Speaker, it has now been several weeks since the Minister of Finance (Mr. Gordon) introduced this very lengthy and profound legislation we have before us in the form of Bill No. C-123. He has announced that this legislation is intended to prevent foreign takeovers of Canada's most important financial institutions. In principle this is good. The objective is right. I believe that the motive behind the proposed amendments is good and one to which we can subscribe. What I am concerned about, Mr. Speaker, is whether or not this legislation that we have can in any way be effective in reaching this stated objective. I believe that what we have before us is something that is correct in the direction at which it is aiming, but it is wrong in the means through which it is expected to attain that objective.

What concerns me in relation to the investment provision is that under existing regulations insurance companies are allowed to invest 15 per cent of their money in common stock. What percentage of that which they are allowed to invest is being used? My understanding is that it is less than one third of the 15 per cent that is being utilized at

this time. It is my understanding also that the reason for the reluctance of insurance companies to put any substantial percentage of their investment money into common stocks is that the loss in value at any given point is not taken into consideration by the Department of Insurance in the evaluation of the balance sheets of these insurance companies. There was no provision in this statement to change this condition. My question to the minister would be, does he intend to rectify this situation so his proposal of 25 per cent can be effectively utilized by the insurance companies which are allowed 15 per cent now.

In my opinion the basic reason the insurance companies are not now using this permissible 15 per cent in common stock investments is that they are required to show the market value of this common stock on their balance sheets at the time the balance sheets are made up. Should this stock be low in value at that time it would affect their financial situation in so far as their reserves are concerned in relation to the requirements for their outstanding policies. This is the reason I have grave concern about what the minister has stated as being the objective of this legislation being reached. If the insurance companies have too much money in common stock, it could result in a serious situation. This cannot be said of mortgages or of government bonds or even the bonds of large corporations. If it is essential, perhaps there is some other way of encouraging insurance companies to invest their money in common stocks, which are really the basic type of investment, the most valuable type, so far as the general economy is concerned.

I have watched carefully the financial pages of our press, and I find that this doubt is generally held by many of those who are considered experts in this field. I quote particularly from one of the lead editorials in the *Globe and Mail* for September 25:

This appears to be again the case with the new policies he has announced—

The reference is to the Minister of Finance.

—concerning ownership and operation of the country's financial institutions. It may be months before the lawyers and accountants have worked out in detail exactly what the legislation means. But it would appear from a first look that Mr. Gordon is seeking a reasonable end by unreasonable means.

Then, going on in this editorial I read:

The damage he may do to foreign investment is not likely to be offset by the gesture he is making toward the encouragement of Canadian investment. He is probably right to permit insurance companies and other financial institutions to invest up to 25