

Income Tax Act

is that many of the amendments are consistent with the recommendations of the Carter commission. In so far as these amendments remove some of the unfair advantages enjoyed far too long by life insurance companies, they may be commended.

However, in my view these amendments must be considered in a far broader context. They must be considered within the context of the role played by life insurance companies in the economy. Life insurance companies are a major instrument in our economy for mobilizing and organizing the savings of the economy and channelling them for investment purposes. In the past this industry was able to accomplish this with the advantage of special tax concessions as well as with the active compliance of government. Some of the special advantages and concessions are now being removed, but the basic role of life insurance companies still remains and their control over the economy remains.

Mr. Speaker, I should like to draw your attention to the extent of the privileges enjoyed by life insurance companies in the past by quoting from the *Financial Times* of May 5, 1969. The *Financial Times*, in commenting on the legislation before us at present, stated:

Life companies had been almost immune from corporation tax because the law—and the revenue department—were so generous. Only income actually credited to the shareholders was taxable. Most of the large Canadian insurers have been mutualized and hence needed to make no transfers to their shareholders. Any kind of transfer to reserve was allowed, tax free.

Foreign insurance companies were even better off because it was so hard to determine how much Canadian income was being credited to their shareholders.

The Carter commission noted the importance of life insurance companies in the Canadian economy when it stated, and I quote from volume 4 at page 402:

The importance of the life insurance business is indicated by the fact that the total assets employed by Canadian life insurance companies in Canada and elsewhere at the end of 1964 amounted to over \$11 billion, primarily in mortgage loans and bonds. The net investment earnings for that year from assets in Canada amounted to approximately \$410 million for Canadian companies, and approximately \$140 million for non-resident companies.

Of course these figures would be considerably larger today.

It has been recognized in many quarters that with the high degree of organization in the life insurance industry, many Canadians are vastly overinsured and, in some cases,

[Mr. Burton.]

wrongly insured. The result is that a part of the resources of many Canadians is diverted into a less useful channel than it might be. These people—the boards of life insurance companies—in many cases hold a large degree of economic control over individuals, communities and even the nation.

• (4:50 p.m.)

It is this power that I question. I feel that the entire field of life insurance operations needs to be subjected to a thorough public investigation. The implication of the legislation now before us is that while certain preferential treatment is being removed, the status and role of life insurance companies remains unchanged; they will process the same degree of control and power as previously.

I think the day has come when we should consider a complete overhaul of the life insurance industry. There is no reason why the industry should not be operated as some form of public utility and considered as such. The desirability and necessity of life insurance is recognized. The Carter commission stated:

Life insurance exists because of the desire of individuals to provide for their financial responsibilities upon death.

Anyone will recognize that life insurance companies have gone far beyond that role in soliciting business. Of greatest concern to myself is the control exercised by life insurance companies in the economy. Today, life insurance companies invest heavily in stocks and equity capital, which gives them a degree of direct stockholder and director control over many concerns. This is a significant change from the days when life insurance companies concentrated on bonds and similar securities. Those investments were such that the life insurance company simply provided the necessary capital to implement decisions taken by independent companies or by government. Today, the growing scope of stock operations by life insurance companies enables them to use other people's money, the policyholders' mainly, to exert a large degree of control over the economy.

There is one other aspect of the operations of life insurance companies which I think is of great concern to all of us in this house. We have in the last number of months and years heard a great deal of comment about the dangers and degree of foreign investment and control in Canada. We have also heard it suggested that there is need for foreign capital if Canada is to maintain an adequate level of