

lose sight of that in our consideration of these bills, even though this change in the tax structure is necessary.

Hon. Senators: Hear, hear.

[Translation]

Hon. J. Eugene Lefrançois: Honourable senators, I consider it my duty to intervene in this debate on the taxation of insurance companies in order to underline one aspect of it that is too often forgotten, that is the fact that, for the first time in Canada and, as I understand it, in the British world, fraternal societies are about to be taxed.

In all modesty, but also in all truth, I believe that I am to some extent qualified to protest against such taxation. During the whole of my active life, that is, honourable senators, for some fifty years, I have been involved with such societies. I was thus able to see the enormous amount of commendable work they have accomplished and are still accomplishing today.

On the substance of the bill, that is taxation of life insurance companies, I am in total agreement with Mr. K. R. MacGregor, former superintendent of insurance in Canada and past president of the Canadian Association of Insurance Companies. At the congress held by that Association, in Montebello, during the last week of May, Mr. MacGregor, while he expressed his satisfaction with the amendments made to the bill as it read in October 1968, stated that he was not entirely satisfied with the present one.

Here is a summary of the main arguments put forward against such taxation:

First of all, it is not the life insurance companies that will feel the burden of the taxation proposed in this bill, but the policyholders themselves.

In mutual life insurance companies, all the profits go to the policyholders themselves; in social fund companies, a very small share of the profits go to shareholders, the majority going to policyholders.

As there are 11 million life insurance policyholders in Canada, it is obvious that this is a tax on policyholders, and not one on shareholders. That is the main difference between industrial and commercial businesses where all the profits go to shareholders, and not to consumers. So, in the case of life insurance, the consumer will pay.

Furthermore, the tax is so made that it will burden life insurance companies—and also the government—with an unreasonable amount of computing and statistical work.

When it is realized how much data will have to be kept on every policyholder to enforce the act, and how many people the government will need to check such data and the reports of companies, one can wonder whether that will not mean an excessive bureaucracy, the cost of which will be paid by the public.

But I wish to draw the attention of this house especially to the fact that taxation will also apply to fraternal benefit societies.

First, in the world in general, and especially in the British world (Canada, Great Britain, Australia) fraternal societies have never been taxed. If no amendment is brought to this bill, it will be the first time that such a tax is imposed on the societies of the countries I have just mentioned.

Second, such a tradition is based on serious reasons, which are part of the very character of those societies.

We believe that economic institutions, as well as governments for that matter, must be as close as possible to the people so that they will feel, since the facts will prove it, that in the economic field something is done for them: family housing, assistance to industry, to associations of social character, all that at the regional level. In fraternal societies, this belief is at the very root of socio-economic action.

These societies provide their insured shareholders and the community with a whole range of social and economic benefits which are not provided for in the contracts: institutions of education, of fraternity, of philanthropy, of social welfare, etc.

And all this takes on an exceptional value because this socio-economic work is done by the insured shareholders themselves. In this sense, a fraternal society, which is really well organized and which functions exactly as the system wants it, is an organization of popular education which is seldom found in the world today. It is an exceptional type of popular and social work which no government can ever accomplish, however well-meaning it may be. And instead of disorganizing such associations, we should help them in their democratic educational work.

Through their democratic structure, their non-contractual action and their popular educational work, fraternal societies are fulfilling a significant social function deserving recognition from any well-informed government.

It is in recognition of all this that in our society such associations have never been taxed and that they ask now not to be taxed. Truly, they have been paying themselves for