

Department of Insurance Act

changes, it was considered appropriate to accede to those requests.

This has led to a proposal to increase the limit relating to mortgage loans to permit companies to lend up to 75 per cent of the value of the real estate rather than only up to 66 $\frac{2}{3}$ per cent as at present, and to extend the investment powers relating to investment in real estate. With respect to mortgages, the limit for many years was 60 per cent of the value of the real estate. In 1961 this was raised to 66 $\frac{2}{3}$ per cent. We now believe it would be safe and reasonable to raise the limit to 75 per cent. It may be noted that the figure of 75 per cent was the recommendation of the royal commission on banking and finance. It may be noted also that a number of states of the United States have recently raised the corresponding limit to 75 per cent. This change would be of advantage to the public, I believe, because it would to some extent remove the necessity of the borrower relying on the second mortgage market to borrow the money he needs in purchasing real estate.

The major amendment relating to investment in real estate would permit companies to invest in real estate where the earnings record of the property over a recent period of years would suggest that, if continued in future years, the investment would yield a reasonable rate of return and permit the main part of the original investment to be recovered. The size of individual parcels of real estate that may be purchased would also be increased. At present there is a limit of 10 per cent on the total investment that a company may make in real estate, other than properties for its own use. This 10 per cent limit will be retained but real estate of the leaseback type where the property is leased to a government or government agency, or to a corporation that has a dividend record sufficient to make its debentures eligible investments, would be removed from this limiting provision.

A few other amendments touching investment powers would also be made but these are of lesser importance.

Life insurance companies would also be permitted under the legislation to own subsidiary life insurance companies in foreign fields. Canadian life insurance companies have long done a large volume of business outside of Canada and have been a credit to Canada's name in many foreign countries. The companies have felt that it would be advantageous to them if they could carry on some of this foreign business through sub-

sidary companies rather than through branch offices. It appears that certain advantages accrue to this method of operation in the light of trends in the international conduct of the life insurance business. It was deemed appropriate, therefore, to propose an amendment for this purpose but subject to such limitations and conditions as may be appropriate in the view of the treasury board. Thus companies' moves in this direction would still remain under some degree of government supervision and control. It was deemed advisable also to open the way to life insurance companies to invest in subsidiary fire and casualty companies in Canada should they wish to do so. At present, under the existing legislation a life insurance company may, with the concurrence of treasury board, transact classes of insurance other than life insurance. However, it is considered that for the protection of the life insurance policyholder it would be desirable that any moves in this direction be made through a subsidiary company rather than through a branch of the existing life insurance company. Therefore the legislation would permit a life insurance company to own a subsidiary fire and casualty company in Canada, again subject to such conditions and limitations as may be prescribed by treasury board.

The third change having to do with the ownership of subsidiaries relates to real estate. Companies would be permitted to own subsidiary real estate companies for the purpose of owning and managing real estate. There have been in recent years attractive investment opportunities in this field and the industry has expressed the view that it would be advantageous if companies could make investments of this type. It would seem that if the real estate to be owned in this indirect way is similar to that in which the company could invest directly, the safety of the policyholders' funds would not be prejudiced by permitting companies to carry on this type of investment through a subsidiary company rather than directly. Again, however, any ownership of subsidiary companies of this type would be subject to such conditions and limitations as may be prescribed by treasury board.

A further amendment that will I think be welcomed by the house would permit the governor in council to grant a company a French or English version of its corporate name, subject to appropriate publicity through advertising in the Canada Gazette. This would avoid the necessity of companies com-