

Department of Insurance Act

On the other hand, there is a case for restricting the banking institutions and life companies, which accept funds generally from the public, as well as the pension funds which accumulate the savings of members who frequently have no choice about their contributions.

Contrary to the view expressed by my colleague, the hon. member for Edmonton West (Mr. Lambert), I think that 75 per cent is too high, and I hope the committee will give further serious thought to this matter.

There is another reason for this objection, namely that the public generally accept these limits as being safe limits. Having in mind the fact that real estate values are excessively inflated, I do not think that 75 per cent on real estate constitutes a safe trust investment for other people's money. As a maximum figure it is in my opinion a bad example. People generally tend to accept what parliament lays down, and I am afraid that such a high figure will result in inflation.

The minister said that the raising of the first mortgage limit to 75 per cent might do away with the necessity of second mortgages. I cannot see how this logically follows. At the present time the limit is 66 $\frac{2}{3}$ per cent of appraised value, and generally speaking people are taking second mortgages amounting to another 15 per cent. This raises the total to 81 or 82 per cent; so taking a first mortgage of 75 per cent will not eliminate second mortgages under present standards. Furthermore it will make first mortgages a much more shaky investment and I believe the objective will not be achieved.

The other question about which I am concerned has to do with common stock. The bill raises from 15 per cent to 25 per cent the permissible amount of common stock that a company may hold. Most companies believe that 15 per cent, the limit now, is much too high. At the present time life insurance companies hold at book value only 2 to 3 per cent of their total assets in common stock. At market value this might run to 5 or 6 per cent, but this is just about the average.

If you are going to raise the limit from 15 to 25 per cent, all that will happen is that those companies which do invest in a large amount of common stock will be encouraged to take more, but those which are prudent investors will not increase the amount they now have. Both with respect to real estate and common stock we can only hope that the insurance, trust and loan companies will not take advantage of the maximums that are set, and if this is what we hope then surely the legislation is not very good. This is cer-

[Mr. Aiken.]

tainly something that requires serious thought. Furthermore, there is no incentive for these companies to take the extra risk involved in a higher percentage with respect to mortgage money in a higher amount of common stock.

With these few remarks I should like to summarize my conclusions with regard to the bill. First, it does represent a moderate approach to the problem of foreign investment and the intention is good. I believe it is a much better approach than has previously been used. I believe that the administration will be so difficult it will not be effective. This is what I fear. If it is not effective, then it is not good legislation.

The present bill might be a logical second step to the program started by the previous government, which started in a rather general way with the Corporations and Labour Unions Returns Act. This could have been a very logical second step. I say too that a relaxation of the rules governing investment of other people's money to the very limit of good practice is not justified by the possible benefits. The royal commission suggested that this particular item, the increasing of mortgage loans to 75 per cent, be used in concert with three or four other measures. It was suggested they could bring about certain results. We are only introducing one of these without the others. This legislation by itself will not achieve what the royal commission expected.

Finally, Mr. Speaker, I will not oppose the bill, because it is going to committee. The minister has stated he is going to propose some amendments and I think that not only the amendments he proposes, but others, might be brought before the committee to reduce these limits, which I think are too high in respect of both mortgages and common stock in relation to investment by public companies. They are handling other people's money.

Mr. Deputy Speaker: If the minister speaks now he will close the debate.

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker, before I comment on some of the interesting speeches that have been made, might I ask the permission of the house to apologize for a remark I made earlier today? I said I thought the Renault and Peugeot works were going to be established in Terrebonne, although I was not quite sure about it. I have since made inquiries and I find they are to be established at Point aux Trembles in Mercier. I apologize to the two hon. members who might have been embarrassed by my earlier remarks.