In the hope that the Minister will give further and favourable consideration to this request of the Life Insurance industry your Committee is disinclined to recommend any amendment at this time.

Parliamentary procedure on Budget matters gave no opportunity to the Life Insurance Companies representing eleven million policyholders to submit their views to an appropriate committee until the Bill reached the Senate even though the present legislation involves a radical departure from our taxation structure.

This experience prompts the Standing Senate Committee on Banking, Trade and Commerce to suggest that revised procedures be considered in the future, at least in instances where major changes are contemplated, so that interested parties and the public may have such opportunity.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden: Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

The Hon. the Speaker: Honourable senators, it is moved by honourable Senator Hayden, seconded by honourable Senator Hays, that this bill be now read the third time. Is it your pleasure, honourable senators, to adopt the motion?

Hon. David A. Croll: Honourable senators, I support the bill to amend the Income Tax Act. However, I do not support the gratuitous observations made by the committee. In my view, they were unnecessary and unjustified.

Criticism of the procedures of the House of Commons, particularly in respect of budgetary matters which are traditionally secret, is unwarranted as these are not matters with which the Senate should concern itself.

Hon. Mr. Hayden: Honourable senators, I did have something to say in connection with the third reading of this bill. My friend has given me a focal point for doing so.

In the opinion of the entire committee dealing with this matter, except my honourable friend, the report represented a fair statement based on the evidence presented to us, and it was necessary to make such a statement so that all the Senate might have a proper appreciation of what happened in committee. My friend was there and took the objections which he has stated here today. In my view, the form in which the report is couched represents no criticism whatsoever of the House of Commons. It was carefully designed in its language and was edited a number of times so as to avoid anything which might be suggestive of criticism.

In the course of the consideration of this bill by the Senate committee we heard the officers of all the Canadian life insurance companies in the presentation of their case. There were several points of objection to this bill which finally resolved themselves into one point, namely that of contingency reserves, as to whether they should be allowed to continue a settled practice by the life insurance business, one that is practically as old as the life insurance business itself. It is the practice of creating a contingency reserve for the unusual, the unexpected, the more than usual changes and adversities that may occur in economic conditions.

The officers of the insurance companies appeared and said now that they are becoming in larger measure subject to corporate rates of tax, they still feel that this practice should be continued, and continued as a deduction from the corporate income before the corporate rate of tax is applied. Their suggestion was that there would be, as the companies heretofore usually practised it, a deduction of 6 per cent of the increase in actuarial reserves each year, and that increase meant the state of actuarial reserves, say, on January 1 and December 31 of the same year. The 6 per cent increase in those actuarial reserves should, in their opinion, be set aside as a contingency reserve.

Now, very considerable attention and a great deal of sympathy was aroused in the committee—not as far as my friend was concerned because he did not have anything in particular to say about it. The Minister appeared and stated that while he hoped that the companies would continue to accumulate a surplus over and above what they had to pay out to policyholders and the reserves they had to provide, he hoped that they would still create a surplus and contingency reserve, but that they would do it after tax. Of course doing it after tax means that the usefulness you get out of $1 is diminished, in that instead of being $1 it becomes 48 cents. The life companies felt that the contingency reserve was essential in the best interests of