

Mr. FLEMING (*Eglinton*): We shall be coming back to all of these things in fuller detail when we have the provisions of the particular clauses before us. I am dealing with the broad changes made by this bill as compared to bill 248 at the last session.

The last one relates to insurance. Here the particular aspect of insurance was not too clearly dealt with under the Succession Duties Act.

As a matter of fact had the act been going on, there would probably be somewhat of a change in the administration in relation to this particular provision of the act.

The question which was raised with respect to bill 248 revolved around the case where an insurance policy is carried on the life of a deceased. Let us say it is a policy that he put on his life in the first place and that his wife is the beneficiary.

The CHAIRMAN: Gentlemen, the minister suggests that if you wish you may take your coats off because it is getting a little warm in here. You are free to do that.

Mr. FLEMING (*Eglinton*): Let me say at once that the offer was not entirely an unselfish one.

Mr. JONES: I am sure you would want to include the officials, Mr. Chairman.

The CHAIRMAN: Oh surely, everybody!

Mr. FLEMING (*Eglinton*): We were speaking of the case of a man—again we come back to the man, because it is probably the more typical case. The man, let us say, has a policy for \$50,000 of life insurance, or a number of policies aggregating that sum. His wife is the beneficiary.

At some point or other he transfers the benefit of that policy to his wife. So let us say, it becomes a paid up policy, and that the policy is turned over to the wife. What happens then?

Well, here we have made a departure from bill 248. You will treat that policy now as part of the estate only if the deceased parted with it within three years before his death.

It is looked upon the same as any other gift. I think that is fair and sound in principle. It means however, that we will get less tax. It means a good deal of relief in the tax levied on these estates where insurance forms an important part thereof. But it is remedial, just like the changes we have made in relation to joint property.

Honourable members are aware, of course, that under the Succession Duty Act provisions, any insurance carried by a deceased, even if it is payable to a third person and not payable to his estate, is part of his estate.

Now it remains part of his estate under this bill if he remains the owner of the policy. But if he parts with the ownership of the policy, then the only circumstance, the only way to bring that policy back into his estate is if the deceased parted with the ownership (that means parted with the effective control over the policy) within three years prior to the date of his death.

Now what about the case where the deceased is an officer of a corporation which, under provincial law, has an insurable interest in the life of that person? Or let us say it is a partnership, or a small corporation where this individual is the man around whom the whole business turns. His personal value to this small business is very great.

If you take him out of that small business or out of that partnership, it might be questionable whether the business can carry on.

So, to insure itself against what would thus be a calamity in the life of that business, the business takes out an insurance policy on the life of that officer. It is perfectly lawful and correct under provincial law because the business has an insurable interest in the life of that person.