

in this measure would be to reenact sections which in terms have to do with the business of insurance, and that is the very thing which the privy council has determined beyond question is a subject which comes within the exclusive jurisdiction of the provinces. It might be, perhaps it is so, that these bills would be better if certain provisions of those sections could have been incorporated in them, but we can only go so far in this legislation dealing with the subject of insurance as the privy council in its wisdom has decided we may go.

My hon. friend dealt with subsection 4 of section 63 of the bill.

Mr. SPENCER: Before the minister gets away from that point, may I read section 81 of the old Insurance Act, which provides:

No officer, agent, employee or servant of such life insurance company, nor any person soliciting insurance, whether an agent of the company or not, shall be deemed to be for any purpose whatever the agent of any person insured in respect of any question arising out of the contract of insurance between such person insured and the company.

The section deals with the soliciting of insurance. I would ask the Finance minister if his remark applies to that section, and if so, in what way does that section clash with the decision of the privy council?

Mr. RHODES: As I have stated before, I do not profess to be able to give a legal opinion which has any value, but I am assured by competent legal authorities that beyond question to attempt to reenact this section would be in clear violation of the decision of the privy council. There is no question in the world in their judgment that an attempt to reenact this section would be unconstitutional having in mind the decision of the privy council.

Mr. COOTE: Would the minister say the same with respect to the old section 82?

Mr. RHODES: Yes, beyond question.

Coming to subsection 4 of section 63 of the bill before us, I apprehend that in the mind of my hon. friend from Wetaskiwin this is an attempt to permit the injection of watered stock into the securities of insurance companies. I may say to my hon. friend that the section does not mean that at all, nor is it capable of that interpretation. Many soundly managed companies have for one reason or another found it desirable to change the class and character of their securities. This section provides that if that is done there shall be no impairment either of the status or of the value of the securities, so if a reorganization were to take place as permitted

under this subsection the insurance company would still have as ample, as complete and as full protection as it had with the securities which it held prior to the reorganization.

My hon. friend raised the question why there has been imposed a limitation of fifteen per cent upon the amount of common stock which may be held in the assets of insurance companies. In fact he queried as to why insurance companies could hold any common stock at all. Hon. members will recall on a previous occasion I pointed out that in times past the superintendent of insurance had sought very diligently to have a limit imposed as to the amount of common stock which could be held by life insurance companies. The house in its wisdom, however, saw fit not to accept his judgment and imposed no limitation upon the amount of common stock which could be held. Leaving aside for a moment the merit of the question whether or not it is wise to allow insurance companies to invest in common stocks, we must remember that as a matter of actual fact every company in Canada to a greater or lesser degree has among its assets common stocks. So that we are not dealing with a theory; when we are discussing the matter of the holding of common stocks we are dealing with facts.

Upon that point, however, I think the argument may be made with considerable force that there is no good reason why the insurance companies should be limited to bonds in their purchases of securities. If one were to survey the market to-day he would find bonds not of companies but of nations which are selling for a mere fragment of their issued prices. Under legislation restricting the investment in securities to bonds, insurance companies might very properly have invested in many of those bonds and yet fared much worse in the matter of the reduction of their assets. That would be so even under the present drastic reduction in common stock values obtaining to-day. As a matter of fact however there are common stocks of Canadian companies, known in investment circles as seasonal stocks, which despite the low point at which all stocks and bonds are selling to-day, compare very favourably with securities of all kinds, whether they be bonds or debentures, issued not only in Canada but in any other part of the world. I have in mind the common stocks of some companies which represent their whole assets; that is to say, there are no debentures or bonds ahead of them. I submit, Mr. Chairman, that as a security the common stock in a company like that is not only in a class with many bonds