

*Canadian and British Insurance Act*

certainly in the near future, in respect of expanding the existing prohibition with regard to the making of loans to people who would not be considered at arm's length and where there are conflicts of interest.

One amendment creates a legislative requirement for the first time in respect of auditors for insurance companies and their reports. Another important amendment is one which would authorize companies to make mortgages in excess of the present limit of 75 per cent of the value of the real estate where the excess is insured by a registered mortgage insurance company.

In summary, one could say that the broad purposes and intents of these bills are, first to expand the power of the supervisory authority, the Superintendent of Insurance, to deal with companies which might get into financial difficulty with the aim of increasing the protection available for policyholders and the general public. This is also the intention of the expanded provisions that will prohibit investments and loans where there may be a conflict of interest.

Of course, the widening of the powers of insurance companies with regard to the type of investments they can make, and the ability to have subsidiaries, is aimed at putting them in a better competitive position in relation to other financial institutions which are seeking to attract savings from the public and therefore improve their ability to serve the public generally.

Therefore, I submit that the amendment to give this bill a six months' hoist should be defeated. I submit that no useful purpose will be served by doing this and in fact just the opposite will happen. These amendments are needed on the statute books so that they will be available at a time when they could well be required in the public interest.

**Mr. Saltzman:** Mr. Speaker, would the minister without Portfolio (Mr. Gray) permit a question.

**Mr. Gray:** Certainly.

**Mr. Saltzman:** In view of the minister's urging this chamber to pass this measure, and his expressed concern over the possible failure of an insurance company and the necessity to take action in such a case, would he indicate how many insurance companies have been in financial danger since this federally-incorporated act was placed on the statute books?

[Mr. Gray.]

**Mr. Gray:** Perhaps I might quote from the proceedings of the Committee on Finance, Trade and Economic Affairs, volume 20 of February 12, where the Superintendent of Insurance replied to a similar question from an hon. member in reference to companies which would be covered by the Investment Companies Act. He said:

—I was not aware of any companies of the type that would be covered by the Investment Companies Act that had got into difficulty where such companies were federally incorporated.

Unfortunately I cannot say that about insurance companies because as a consequence of the failure of the Prudential Financial Company a few years ago, one of the companies that was dragged down with that failure was a small federally incorporated insurance company transacting automobile, fire and casualty insurance. We were swept into that collapse with respect to this one company.

Our experience in that particular circumstance led to the recommendations for changes in the supervisory tools that would be available should a company get into difficulty. I should add that that particular company was the first failure that had occurred in a federally incorporated insurance company in more than 40 years, and there have never been any losses in connection with failures of federally incorporated life insurance companies.

I am sure that all members of this House would want to be certain there are the necessary provisions in the legislation to regulate insurance companies under federal jurisdiction to ensure that this good record continues.

• (9:40 p.m.)

**Mr. Saltzman:** I wonder whether the minister would accept a further question. I know he has quoted quite extensively, but in short what he said is that there has not been a failure of a federally-incorporated insurance company. Frankly, I do not see that there exists any real danger in the future and I see no great necessity for passing this legislation.

**Mr. Gray:** I do not think the hon. member heard completely what I quoted. I indicated there had been a failure of a small federally-incorporated insurance company in the general field.

**Mr. Saltzman:** What was the date?

**Mr. Gray:** It is in committee proceedings No. 20 of February 12, 1970.

**Mr. Saltzman:** I mean the date of the failure?

**Mr. Gray:** I think it was during the Prudential Finance crisis. If I may complete my answer to my hon. friend, I believe at one