

Income Tax

of the industry that this kind of approach was worked out, recognizing that the insurance industry for years has had a preferred place in terms of offering protection to Canadians. In addition to that, of course, it offers to some Canadians financial protection or investment.

The decision by the Minister to amend so as to provide this exempt class, as I say, is in the Bill before us or in the amendments which we will move, Mr. Chairman, when you tell us we should move them. I would like to buttress my observations by assuring the Hon. Member that I have, for example, the concurrence of the Chairman of the Canadian Health and Life Insurance Association as to its final accommodation between the Government and the industry, as represented both by CHLIA and LUAC. I am referring to a communication dated February 14, 1983 from the Canadian Health and Life Insurance Association, Mr. Ian D. Mair. He says in part: "As a result of these amendments and others dealing with the health insurance capital dividend account that have been agreed to by your officials and the association, our concerns with Bill C-139 have been resolved. We share the view that the consultative process that has taken place over the past year has been very useful and we have no doubt that there will continue to be close co-operation with your officials in discussions on the draft regulations dealing with the taxation of life insurance policies."

The representatives of the Canadian Health and Life Insurance Association are in agreement with the amendment. Looking at the specific case raised by the Hon. Member for Calgary West, the Chairman and Chief Executive officer of the Life Underwriters' Association of Canada similarly says in a letter dated February 10, 1983: "Thank you for your letter of February 10 in which you state your intention to present to Parliament a number of technical amendments related to the taxation of life insurance policies acquired before December 2, 1982. These amendments to Bill C-139 further clarify the grandfathering, the so-called anti-abuse rule, for existing life insurance policies. They represent the combined effort of your officials and representatives of CHLIA and LUAC and our association is very satisfied with the amendments agreed upon. We also agreed with your officials on amendments to the draft regulation. These amendments will complement the above amendments. We are satisfied with the progress made and only some drafting by your officials remains to be finalized."

The short answer is that pre-1982 policies are not involved. They are not affected. There is a large exemption now by way of amendment to exclude, I am told, 95 per cent of business done by life insurance companies. The option to a person who is concerned about the three-year accrual basis is to inquire which policies permit the exemption category and thus do not attract the rule that calls for an accounting on a three-year basis of interest accumulation and life policies.

Mr. Hawkes: Mr. Chairman, will the Minister read into the record a letter he has from any charitable group that is happy with this?

Mr. Cosgrove: Mr. Chairman, I do not have any specific letter. There were submissions. There was discussion with the charitable organizations. If their choice is simply as I indicated, that they can buy policy A or policy B, and policy A makes them exempt while policy B gives them a problem, what problem do they have? They can make the choice to opt for the policy that exempts them from the implications of the rule. I would say that any life insurance agent in Canada would be able to assist any charitable organization in that identification.

Mr. Hawkes: Mr. Chairman, the basic pattern evolving for charities was ten-year, single premium and right to borrow against it. Are they excluded or do they have to change their whole method of funding?

Mr. Cosgrove: Mr. Chairman, we would have to know whether the Hon. Member is referring to examples of existing policies or whether he is addressing the situation where the charitable organization is looking to make an investment, committing funds to the purchase of a policy for the future. As I have indicated, the rule for exemption is 20-pay life. I am told by the industry that that covers 95 per cent of their anticipated business for the future. Therefore, the charitable organization would look to the acquisition of that kind of policy so as to take advantage of the exemption.

Mr. Hawkes: Mr. Chairman, I think we finally have it on the table. What the Minister is telling the charities of this country and people who want to contribute to them is that they should change their pattern. A 10-year pattern is not acceptable, a 20-year pattern might be. We have heard a lot about the satisfaction of the life insurance industry. But the issue here is the patterns which charities and charitable foundations in this country were evolving, developing and working hard on, patterns in which they invested considerable time and dollars, and this tax Bill will hurt them. I commend to the Minister a conversation with some charitable foundations to find out if what I say is correct or not.

• (1200)

I believe we have identified the problem with the charities, so I would like to move to the issue of matrimonial law, which is under provincial jurisdiction and is changing rapidly across the country. The Minister will know that today a report was released from Statistics Canada which indicates that the probability of a marriage ending in divorce has gone up to 40 per cent in a very brief period of time. It was 30 per cent. Matrimonial law requires the splitting of assets in more and more jurisdictions and has been interpreted that way by the courts. These Clauses are dealing with investments for retirement, and I would like to ask whether or not the Government has considered the tax implications in the court system, what the courts may order taxpayers to do with respect to splitting these assets? If the court could so order those assets split, are those two people going to have a tax liability which they neither anticipated nor need at that particular juncture in their lives? What are the courts going to decide taxpayers must do with these kinds of assets? Then, what is the tax collector