

Pioneer Trust

Mr. Speaker: Is it the pleasure of the House to adopt the motion?

Some Hon. Members: Agreed.

Hon. Barbara McDougall (Minister of State (Finance)): Mr. Speaker, I rise before the House today to speak on Bill C-50, the Pioneer Trust Payment Continuation Act. I am delighted that all Hon. Members have agreed to give this Bill speedy passage, and for that I thank them.

The source of the Company's difficulties are by now, I think, quite well known. Pioneer Trust had encountered severe financial problems as a result of a large proportion of its mortgage portfolio being in arrears and also as a result of the need to write down the value of certain real estate investments. Given that capital could not be raised through a preferred share issue as originally proposed, and could not be successfully marketed in the absence of a guarantee from the Province of Saskatchewan, the continued operation of Pioneer Trust no longer seemed viable and it therefore ceased operations.

● (1110)

On learning of management's decision and the proposed action, I immediately directed the federal Superintendent of Insurance to take control of Pioneer's assets so that the interests of the depositors would be best protected. Officers of the federal Department of Insurance went to the company's offices and the Canada Deposit Insurance Corporation was informed of the situation. An application to have the company wound up pursuant to the provisions of the Winding-Up Act was filed in the Court of Queen's Bench of Saskatchewan on February 11 and the court issued a winding-up order on February 15, 1985.

Prior to the granting of the winding-up order the Canada Deposit Insurance Corporation began making arrangements for the repayment of all demand deposits, including savings accounts, chequing accounts, and demand deposit receipts up to the \$60,000 insured limit. Cheques in payment of savings, chequing, and other demand deposits dated February 18, 1985, which included interest to February 20, were made available to the depositors at the branch where the account was maintained.

In total, the Canada Deposit Insurance Corporation has made payments of approximately \$203 million in respect to the Pioneer Trust deposits which were insured. These payments were made promptly and efficiently and, judging from the comments I received, in a manner that caused as little inconvenience and disruption to insured depositors as was possible in such circumstances.

Unfortunately, Mr. Speaker, Pioneer Trust had approximately \$36 million of deposits that were not protected by deposit insurance. About \$25 million of the \$36 million of uninsured deposits are savings and chequing accounts, guaranteed investment certificates, and insured RRSP accounts that were in excess of the \$60,000 insurance limit. The remainder of the uninsured deposits consists of \$600,000 of U.S. dollar deposits. Under the CDIC Act only deposits in Canada and in

Canadian currency are protected by the deposit insurance. There was also some \$10 million of guaranteed income averaging certificates that were not insured by the Canada Deposit Insurance Corporation because they were for a period in excess of five years.

As Hon. Members will be aware, the insurance limit provided by the Canada Deposit Insurance Corporation for each of its member institutions is \$60,000 per depositor. Indeed, each member institution is required to post in a prominent location in each branch a decal of design provided by the corporation which bears the legend "\$60,000 maximum insurance per person per member institution".

Since its enactment in 1967 the Canada Deposit Insurance Corporation Act has stipulated that deposit instruments for periods longer than five years are not protected by deposit insurance. Given this fact, the Canada Deposit Insurance Corporation had no authority to make insurance payments in respect of Pioneer's guaranteed income averaging certificates.

Soon after the winding up of Pioneer Trust I became concerned about the position of the approximately 650 holders of the guaranteed income averaging certificates that were for periods in excess of five years and were, therefore, not insured. Many of the certificate holders are elderly Canadians who sold their farms, their homes and their businesses and, encouraged by the provisions of the Income Tax Act as they existed at that time, invested the proceeds in guaranteed income averaging certificates. Many are dependent on the payments promised by the certificates for their daily living expenses. I became most concerned very early during this process and began almost immediately to have discussions with the Province of Saskatchewan and with my officials as to how this matter could be resolved.

● (1115)

We then began to receive numerous representations from many of the certificate holders that they did not realize their certificates were not protected by deposit insurance. In fact, they claim that some of the markings and wordings of the certificates led them to believe that they were protected. Upon further investigation I determined that many of the certificates prominently display on their faces a facsimile of the seal of the Canada Deposit Insurance Corporation as well as the words "Member of the Canada Deposit Insurance Corporation".

It is important that depositors be in a position, when they are making a deposit, to know whether or not that deposit will be protected by deposit insurance. The by-laws of the Canada Deposit Insurance Corporation Act stipulate that uninsured instruments should be clearly marked on their face: "This is not an insured deposit as defined by the Canada Deposit Insurance Corporation Act". Unfortunately, the Act does not impose any penalties for non-compliance with the by-laws.

The experience with the Pioneer Trust guaranteed income averaging certificates has demonstrated to me that much more must be done to ensure that depositors are aware of the exact limits on deposit insurance coverage provided by the Canada Deposit Insurance Corporation.