

The WITNESS: Investment policies vary, of course, among companies. Some lean heavily towards mortgages, some more heavily towards corporate finance—bonds and shares—with very few mortgages, and so on, but large holdings of equities are not in my opinion appropriate for life insurance companies.

*By Mr. Macdonnell:*

Q. Am I right in thinking that whether or not you agree with the views that Mr. Adamson has laid down—and personally I hope that sometime it will be arranged that it does not turn out in that manner—nevertheless, you say that there is a leeway of between 3 per cent and 15 per cent available to the companies if they wish to increase their investments in that type of security?—A. In common shares—yes.

*By Mr. Adamson:*

Q. I think the answer is that the companies do give consideration to their investment policy and it is a huge problem, but they do not utilize the facilities of the Act; they are not using up to the 15 per cent they are allowed?—A. Well, of course, the primary responsibility of companies is to their policy holders and safety is the first consideration, but companies are certainly always on the lookout for investments in securities that will yield the maximum return consistent with security of the principal, and our policy in Dominion legislation always has been to keep changing the investment provisions from time to time to keep up to date. We have followed that policy ever since the investment provisions were put in the general Act back in 1899, and really the proposals in this bill are just another step in that evolution.

We think the proposals in this bill do go far enough to permit the companies to perform every function that they should be expected to perform, both for their policy holders and for the economic system as a whole.

The CHAIRMAN: Any other questions?

*By Mr. Hellyer:*

Q. Would Mr. MacGregor explain the basket clause for the benefit of the members?—A. The so-called "basket" clause represented a new principle introduced in 1948, sir. In effect, it simply gives companies a margin of 3 per cent of their assets in which they have virtually complete freedom to exercise their own investment judgment.

Q. Could that be invested in common shares, say, of a new company which did not qualify under the dividend rule?—A. Yes, sir but any common shares purchased under that provision would still be subject, like all other common shares, to the over-all 15 per cent limit.

*By the Chairman:*

Q. To what extent has advantage been taken of that power?—A. That provision was enacted in June, 1948, and the average now is about  $1\frac{1}{2}$  per cent. It has been taken up to the extent of about 50 per cent.

*By Mr. Adamson:*

Q. Under this legislation a company cannot buy stock, or could it, in an investment trust? There is such an investment trust holding life insurance company shares. Can a life insurance company invest its money in insurance company trust?—A. Under this so-called "basket" clause, a company may make any loan or investment not falling within the prescribed classes, subject to the limitation that the 15 per cent for common shares must not be exceeded in total, that a company may not purchase more than 30 per cent of the shares