

### *Insurance Companies*

losses. In other words, their ratios had to be proper. The companies were actually restricted in the amount of business they could write.

This arose from the fact that the cost of issuing a policy—the sales commissions, advertising and other expenses related to that—had to be written off in the year that the policy was issued, although the income relative to the policy was not reflected until later financial periods. In a sense, that was an unfair treatment. Although they were certainly costs, they were in the nature of capital costs. Other businesses were permitted, and in fact obliged, to set up capital costs and write them off over the period in which the revenue was being earned. The fact that that practice is going to be followed by insurance companies is a good idea.

The bill also makes some changes with regard to the investments insurance companies are permitted. There was not unanimous agreement in the committee that these were necessarily good changes. Four per cent of an insurance company's real estate investments can now be in one real estate project. When you consider that a company can have only 15 per cent of its investments in real estate, then in the case of some big companies four per cent of that 15 per cent can represent a very large project indeed.

I found it questionable as to whether the insurance companies should be allowed to, in effect, compete in the development field. We found that insurance companies, as part of their real estate investments, were in the practice of buying real estate. In order to have a revenue producing asset on their books, they would lease that piece of real estate to a developer. The developer would come up with a plan for putting up a revenue building on that piece of property.

The practice often followed was that when the developer needed a mortgage, he would go back to the same insurance company which owned the land and get a mortgage on the property. The effect of it was that if the developer was very careful in his building, he could actually have cash flow out of the project. After all, he invested no money in the land. Although the mortgage is restricted to 75 per cent of the value of the project, the value is determined before construction begins. If savings can be effected during construction, he can actually cash out of the deal. I know there would be a long term lease as security for the insurance company. However, the policyholders' as well as the shareholders' interests are not being best served by having the insurance companies make such a total kind of investment in revenue real estate.

The Superintendent of Insurance told us that there were margins built in and that he knew of no problems. However, it is within the memory of all members of this House, I am sure, that even on projects where the developer owns the land, the government's own Central Mortgage and Housing Corporation has had some serious problems with projects that have been managed improperly after development. Three come to mind. There is the project in Hamilton which has caused a good deal of problem to the Central Mortgage and Housing Corporation. Approximately \$7 million of taxpayers' money was lent out, and now CMHC is having to foreclose. The title is in a terrible

[Mr. Clarke.]

mess, and it will take them a long time to get out of it. Then there was the Rochdale fiasco in Toronto, which has been worked out, probably not without some loss. There is also the Quai d'Orsay property in Ottawa, which was mentioned in the House recently, and there are serious problems there.

● (1120)

In committee we were told and forced to accept the fact that this change was a good thing and that it would be going ahead regardless of that. There are no other particular areas we need to consider at this stage of the bill. I should like to repeat that it was a great inconvenience not to have the minutes of the committee hearings available to us at this time. I am sure there are other matters which my colleagues will put forward.

**Hon. Marcel Lambert (Edmonton West):** Mr. Speaker, as the hon. member for Vancouver Quadra (Mr. Clarke) has said, the report of the proceedings of June 20, when this bill was considered in committee, plus the reprinted version of the bill have not reached our offices. I checked ten minutes ago, and they have not turned up. The amendments appear in fragmentary form in the twelfth report of the committee in *Votes and Proceedings*. There are seven pages of amendments which are frankly meaningless unless related to the bill. They have to be incorporated into the bill before they can mean anything to anyone who wants to find out what changes have been made.

In so far as the House leaders are concerned, this bill should not have appeared at this time, because the material has not been prepared for availability in the House. As a matter of fact, the hon. member for Vancouver Quadra, myself, and the parliamentary secretary are really the only persons in the House who have any knowledge of the bill. The parliamentary secretary must assume some responsibility for allowing his House leader to propose this piece of legislation for discussion at this time.

Today is June 28, and there is no reason why we should not have had this material available to us.

The other House is awaiting this bill to consider the amendments made to it. The amendments are of a very technical nature, but there is nothing too contentious about them. From a procedural point of view and the handling of business in this House, this bill is an example of just how not to do things. One could put on a filibuster this morning by objecting to the House being asked to proceed on material which is not before it, since there is no printed copy of the bill available to us.

The hon. member for Vancouver Quadra has spoken about some of the information that was gleaned from the superintendent of insurance and his assistants at the time of the committee examination. I do not want to go into that. However, the point I want to stress is the reason for the seven pages of amendments: we are amending two parts of one act and a second act to say the same thing. The insurance industry in this country is governed by the Canadian and British Insurance Companies Act and the Foreign Insurance Companies Act. According to Mr. Humphrys, the superintendent of