

*Private Bills*

Companies Act, the company by law must remain under the control of Canadians. Apart from looking at the investment policies of insurance companies we feel, as the Prime Minister has said, that it is desirable to bring insurance companies which are controlled in other countries under Canadian control, so far as their share ownership is concerned. That matter is not germane to this bill because this is a Canadian owned company and, from my knowledge of the law, it must remain under Canadian control.

It will be interesting to put on the record the ability of this company, or of the group of which it is a part, to increase its assets. Speaking on June 15, 1965, when he moved second reading of the bill which became the act to incorporate the company, the hon. member for Edmonton West said:

Let us look at some features of this group.

He was talking of the whole complex of companies which are involved in these arrangements:

First of all, what is the management team? This group, in operation for about 11 years, has shown itself to be quite a successful one. Its assets have increased more than 2,400 per cent since 1956 and in fact they amount to some \$56 million according to its 1964 balance sheet. In eight years the number of holders of the group's investment contracts has risen from 4,700 to more than 63,000. The group has its own selling, administrative and investment divisions.

Then he makes other references to the company, saying that the administrative ability of those in the group is high with respect to the demands of the business world. He gave us some understanding of the investment policies which a group such as this follows. I believe the hon. member for Nanaimo-Cowichan-The Islands (Mr. Cameron) also spoke of this matter.

There is one difference between this company and other insurance companies. Shares of the company are not to be sold to the public. If the hon. member for Edmonton West made a contrary statement today in his remarks on second reading, they escaped me. I assume that what he said previously is still true. The public will not be invited to participate in any capitalization or shareholding with respect to Principal Life Insurance Company of Canada. The company, as I understand the matter, is to be a wholly owned subsidiary of the holding company which also has the words "principal holdings" or similar words in its name. This brings me to the matter of the intimate relationship which may exist between the two insurance companies which, I understand,

are held by the same holding company. Indirectly, a trust company and a mutual fund management company, from my reading of the record with respect to the bill in the other place, indirectly are held by the same holding company.

This at once raises the question of so-called arm's length dealings between companies which are of the same family, or of the same ownership. This matter was raised before the standing committee on banking and commerce of the Senate, when this bill was being considered. There is extensive reference to it. It was initiated by a question of Senator Leonard, and answered by Mr. Cormie who is president of Principal Life Insurance Company of Canada, and by Mr. Humphrys, the superintendent of insurance. The remarks of Mr. Humphrys, a highly qualified and extremely knowledgeable public servant, as they relate to these so-called arms length dealings, are of interest. On page 26 of the minutes for Wednesday, June 18, 1967, Mr. Humphrys says:

I would say that the investment contracts as such bear a contract under which the purchaser pays a series of instalments over five, ten, fifteen or twenty years and the contract promises to return the purchaser the face amount at the end of the period. They are not the kind of investment instruments that will be used for investment of funds of a life insurance company, and I do not think that we could find anything in the life insurance act which would render them eligible. The mutual fund in so far as it issues shares, and they can be regarded as common shares and have a dividend record, might be technically eligible under the provisions of the act; but as a matter of good practice the department—

And here is the declaration of public policy in this regard:

—very strongly discourages any life insurance company from investing its funds in a circumstance that is not completely an arm's length one. We would be critical of a company that invested funds in the affairs of an associated or affiliated company.

Mr. Humphrys had made similar pronouncements on other occasions. After being asked whether something stronger than the disapproval by the superintendent of insurance might be brought to bear, he went on to say:

Mr. Chairman, to date we have felt that we have been able to avoid any serious problems in this area. I may say, however, that my own feeling is that one of the principal dangers that we now face in these growing financial groups in Canada is this question of investing in public funds, that is, money that has been borrowed in situations that are not arm's length, where people making investment decisions cannot be sure that they are