responsibility of the actuary, not of the Superintendent of Insurance.

7. It is common to change the interest rate used in the valuation of a pension plan when the general level of interest rates is changing. It should be borne in mind that under pension plans such as that of the CNR, the pension benefits of retired employees are determined by a formula that is based on the employees' salary and years of service, not on the investment income of the fund. The contributions by employees are also fixed by a formula related to each employee's earnings: the balance of the cost is met by the employer. If interest rates rise, the employer's cost is reduced; if they fall, his costs are increased.

8. All that occurred in 1968 was a change in the estimate of the amount which would be required to liquidate the initial unfunded liability. It did not create any surplus funds or assets. Accordingly, there was no surplus to distribute or dispose of. All of the assets of the Pension Trust Fund are held in trust to provide for the payment of benefits pursuant to the terms of the CNR pension plans.

INTRANSIT WAREHOUSE IN NORTH SYDNEY

Question No. 2,854—**Mr. Jones:**

1. What is the purpose of the intransit warehouse, funded partially by the Department of Transport, recently opened in North Sydney?

2. Will the warehouse service countries other than France?

3. What are the details of the funding and operation of such a warehouse?

Hon. Otto E. Lang (Minister of Transport): 1. The purpose of the warehouse is to accommodate inbound and outbound foreign and domestic cargo shipped through North Sydney.

2. The warehouse is a public shed and as such will serve general cargo to and from any country.

3. Transport Canada funded the construction of the warehouse at a cost of $101,123.58 and will operate it as a public facility. Gateway Marine Services Ltd. of North Sydney and Armement Paturel Frères of St. Pierre et Miquelon will be the main users of the warehouse and have signed an agreement with Transport Canada regarding their use of the facility.

FEDERAL TAX ON LIFE INSURANCE POLICIES

Question No. 2,856—**Mr. Rynard:**

1. Is there a federal tax on an insurance policy of a 25 year old man, dying at age 50 for a (a) $100,000 whole life (b) $50,000 whole life (c) $50,000 term (d) $100,000 term life with wife as beneficiary (e) $200,000 term with wife as beneficiary and, if so, in each, what (i) is the tax (ii) premiums are tax deductible (iii) countries allow insurance premiums as tax deductions (iv) countries have no tax on life insurance policies?

2. Since the Government of Ontario has a two percent tax on premiums, was there any consultation with the Province before the federal tax legislation was considered?

3. What consideration, if any, was given to larger policies being written to offset the loss in value of the purchasing dollar?

4. What consideration, if any, was given to the difference in the gain or cash value or endowment proceeds to the death benefit?

5. On what basis was a death benefit considered as a cash gain over the fact that it was payment for the loss entailed by future earning power or partnership?

6. On what basis was it concluded that money borrowed on a life insurance policy was not used for investment to earn income?

7. How much consideration was given to the incentive of individual security or the individual attempting to provide for his family and his own security?

Hon. Donald S. Macdonald (Minister of Finance): 1. (a) A proposal introduced in the 1977 budget and incorporated in Bill C-56 will treat as income when a life insurance policy is terminated by death the amount, if any, by which the cash surrender value of the policy immediately before death exceeds the cost of the policy. The aggregate of such gains will be reduced by $10,000 if the policyholder was the person whose life was insured. In the absence of data as to the cash surrender value and the cost of the policy (generally premiums paid minus policy dividends) neither the amount to be included in income nor the tax can be determined. (b) Same as (a). (c) The proposal will only apply to cash value insurance, consequently it has no application for term insurance—the proceeds of which remain exempt from income tax. (d) Same as (c). (e) Same as (d). The tax treatment of life insurance proceeds and of companies varies from country to country and it is not possible to give a listing of the countries that allow premiums as deductions. There is a tax of one form or another, either on the policyholder or on the insurance company, in most countries.

2. No.

3. The budget proposal was designed to tax the investment income earned on a life insurance policy. This form of income will be treated as any other form of investment income. The inflation factor is recognized by the indexing of the personal income tax.

4. Only the portion of the policy proceeds that represent investment income is subject to tax. The portion of the proceeds that represent a mortality gain remains exempt from tax.

5. See answer to question 3.

6. Interest paid on a policy loan is to be treated as a premium thus serving to increase the cost of the policy and reducing the taxable gain if any. Under the existing rules if a policyholder paid interest on a policy loan, the proceeds of which were used for a purpose other than to earn income, he was not entitled to any tax relief in respect of the interest. The amendment will ensure that all policyholders who pay interest on policy loans will receive the same income tax treatment in respect of that interest.

7. See answer to question 3.

BELLEVILLE HARBOUR COMMISSIONERS—SALARIES

Question No. 2,857—**Mr. Robinson:**

What is the salary of the Belleville Harbour Commissioners?

Hon. Otto E. Lang (Minister of Transport): Chairman, $1,000—$1,250 annually; Commissioner (acting as secretary), $750—$1,000 annually; Other Commissioner, $500—$750 annually.