

Mr. MACGREGOR: May I go back a few years? The Allstate Insurance Company of the U.S.A., which is a fire and casualty insurance company wholly-owned by the Sears-Roebuck Company, was incorporated in the U.S.A. in 1931. It was registered in Canada, to do fire and casualty business, mainly automobile business, about 1948 or 1949. That company, the United States company, on a branch office basis, does a very large volume of fire and casualty business in Canada, mainly automobile insurance.

In 1960, the Sears-Roebuck organization sought and obtained incorporation of a Canadian fire and casualty insurance company, by the name of the Allstate Insurance Company of Canada, which company, although incorporated in 1960, was just organized during the current year and has not yet begun business. It is the intention of the Sears-Roebuck organization to transfer the existing portfolio of fire and casualty business in Canada, I believe around the beginning of this coming year, to the new Canadian company, and will thereafter operate in Canada in the fire and casualty field mainly through its Canadian fire and casualty subsidiary.

The parent, the Allstate Insurance Company of the U.S.A., will continue to be registered for re-insurance purposes and perhaps to help underwrite some of the larger risks.

Looking at the life field, the Sears-Roebuck organization obtained incorporation of the Allstate Life Insurance Company in the U.S.A. in 1957. That company was registered in Canada in 1960. It did not begin to do any business here until 1961, on a branch office basis. It still has not done much business in Canada and has only a dribble of life business in force in Canada at the present time.

It is now seeking incorporation of this Canadian life company, through which, as I understand it, it will write its life business in Canada.

The Allstate Life Insurance Company of the U.S.A., which is presently registered, will continue to be registered, but again only for re-insurance purposes.

To answer your question, sir, as to why they are taking this step, I may say that several British and foreign interests—more particularly insurance interests—in recent years have thought there might be some competitive advantage in operating through a Canadian subsidiary here. That explains, in many of the other cases, why Canadian fire and casualty companies were incorporated by British and foreign interests.

As I understand it, the real reason why the Sears-Roebuck organization desires to have two Canadian insurance companies—a fire and casualty company and this proposed life company—is to enable Simpsons Limited, the Canadian element of the Sears-Roebuck organization, to have a fixed and definite interest in the insurance operations of the Sears-Roebuck organization in Canada.

I have been told that that was an integral part of the understanding reached between the Sears-Roebuck Company and the Simpson company when they first courted one another a few years ago.

The Canadian fire and casualty company which was incorporated in 1960 was capitalized in exactly the same way as it is proposed to capitalize this company; so that, if this company is incorporated, Simpsons Limited, the Canadian element, will have a definite one-eighth interest in all of the insurance operations of the Sears-Roebuck organization in Canada.

Senator DROUIN: According to our laws, is it permissible for one company to own another one?

Mr. MACGREGOR: There is nothing in our law that restricts in any fashion a British or foreign insurance company owning a Canadian subsidiary. As regards Canadian insurance companies, our laws permit Canadian fire and