

NATIONAL ASSEMBLY
Thirty-fourth Legislature, first session

1991, chapter 102

**AN ACT RESPECTING “QUÉBEC HEALTH SERVICES”
“LES SERVICES DE SANTÉ DU QUÉBEC”**

Bill 291

Introduced by Mr Réjean Doyon, Member for Louis-Hébert

Introduced 14 November 1991

Passage in principle 5 December 1991

Passage 5 December 1991

Assented to 5 December 1991

Coming into force: 31 December 1991

Act replaced:

Act respecting “Québec Health Services” – “Les Services de Santé du Québec” (1955-56, chapter 155)



CHAPTER 102

An Act respecting “Québec Health Services” “Les Services de Santé du Québec”

[Assented to 5 December 1991]

Preamble WHEREAS Québec Health Services was formed on 24 April 1944 under the Quebec Cooperative Syndicates Act (R.S.Q., 1941, chapter 290) under the name of “La Coopérative de Santé de Québec”;

Whereas on 20 December 1945, the name of the company was changed to that of “Les Services de Santé de Québec” and on 12 December 1949 to that of “Les Services de Santé du Québec” in accordance with the provisions of the said Act;

Whereas under chapter 155 of the statutes of 1955-56, Québec Health Services was converted into a mutual benefit society;

Whereas according to the terms of chapter 105 of the statutes of 1964, the powers of Québec Health Services were broadened;

Whereas according to the terms of chapter 70 of the statutes of 1974, Québec Health Services became a mutual life-insurance company;

Whereas according to chapter 100 of the statutes of 1977, Québec Health Services was granted additional powers;

Whereas Québec Health Services wishes to convert into a mutual management corporation and a capital stock insurance company, committed to pursuing its activities. The mutual management corporation will group together the policyholders and participants in order to control at all times, through a holding company, the capital stock insurance company resulting from the conversion;

Whereas the directors of Québec Health Services adopted on 27 August 1991, by unanimous vote, a resolution approving the proposed conversion and reorganization of the company;

Whereas the members of Québec Health Services adopted on 7 November 1991, by a majority vote, a resolution approving the conversion and reorganization of the company at a special general meeting called for that purpose;

Whereas an appraisal will be made in order to determine, in particular, the fair market value of Québec Health Services;

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

GENERAL PROVISIONS

- 1.** In this Act, unless the context indicates otherwise,
- Interpretation
 “capital stock insurance company” means “**capital stock insurance company**” means the capital stock insurance company resulting from the conversion of Québec Health Services;
- “holding company” means “**holding company**” means a company incorporated under Part IA of the Companies Act (R.S.Q., chapter C-38) the principal business of which is to act as a holding company;
- “Minister” means “**Minister**” means the Minister responsible for the administration of the Act respecting insurance (R.S.Q., chapter A-32);
- “mutual management corporation” means “**mutual management corporation**” means the mutual management corporation resulting from the conversion of Québec Health Services.
- Control of legal person
2. A legal person is controlled by another person where the latter person directly holds shares therein to which are attached over 50 % of the voting rights and where the votes attached to the shares held by the person are sufficient, if exercised, to elect a majority of the directors of that legal person.
- Control of capital stock insurance company
 The capital stock insurance company is considered to be controlled directly by such of the legal persons referred to in section 31 which holds directly shares to which are attached over 50 % of the voting rights.

CHAPTER II

CONVERSION

Conversion **3.** Québec Health Services is converted into a mutual management corporation and a capital stock insurance company. Its corporate existence is continued, without interruption, as two separate legal persons in accordance with the provisions of this Act.

Continued existence **4.** The capital stock insurance company continues, under its own corporate name, the existence of Québec Health Services in every respect except with regard to the rights of policyholders and participants who are members thereof which, subject to the third paragraph of section 14, shall henceforth be exercised exclusively through the mutual management corporation. The rights and obligations of Québec Health Services are not affected by its conversion.

Replacement of name In all contracts, licences or documents referring to Québec Health Services, the corporate name of the capital stock insurance company replaces by operation of law, without further formality, that of Québec Health Services. All legal actions pending prior to the conversion shall be pursued by or against the capital stock insurance company without continuance of suit.

Documents The capital stock insurance company is authorized to use all documents or means of identification already prepared under the corporate name of Québec Health Services or the firm name SSQ, Mutual Group Insurance during a period of 12 months following the coming into force of this Act.

Preservation of members' rights **5.** The mutual management corporation continues the existence of Québec Health Services for the purpose of ensuring that the rights of the policyholders and participants who are members of the latter are preserved; such rights shall henceforth be exercised through the mutual management corporation in accordance with this Act. The mutual management corporation shall not otherwise enjoy any of the rights, property or privileges of Québec Health Services, nor shall it otherwise be responsible for Québec Health Services' obligations.

CHAPTER III

CAPITAL STOCK INSURANCE COMPANY

DIVISION I

CORPORATE NAME, HEAD OFFICE AND OBJECTS

Corporate name **6.** The corporate name of the capital stock insurance company is "SSQ, Société d'assurance-vie inc." and its English version "SSQ, Life Insurance Company Inc."

Head office **7.** The head office of the capital stock insurance company is located in the judicial district of Québec.

Object of company **8.** The object of the capital stock insurance company is to engage in the business of insurance of persons in accordance with the Act respecting insurance, and the company may, in particular, make contracts

(1) of life insurance;

(2) of insurance against accidents, disability, sickness, loss of salary and any other risk of a similar nature;

(3) of indemnity for medical, surgical, pharmaceutical, hospital, dental care and nursing care expenses, and all other expenses of a similar nature incurred by reason of accident, sickness or maternity;

(4) of capitalization or sinking fund;

(5) of annuity and pension;

(6) of reinsurance.

DIVISION II

ADMINISTRATION

Directors and officers **9.** The directors and officers of Québec Health Services in office prior to its conversion are the first directors and officers of the capital stock insurance company.

Term of office Those directors shall remain in office until the next annual general meeting unless they resign or unless a vacancy on the board of directors occurs prior to the said meeting.

Election of
board of
directors

10. Notwithstanding the provisions of the Companies Act, the majority of the members of the board of directors of the capital stock insurance company must be elected by the general meeting of the members of the mutual management corporation. No directors thus elected shall be dismissed except by the general meeting of the members of the mutual management corporation.

Executive
committee

If the board of directors of the capital stock insurance company is authorized to elect an executive committee from among its members, the majority of the members thus elected shall be composed of directors elected by the general meeting of the members of the mutual management corporation.

Inapplica-
bility of
c. A-32

11. Section 55 of the Act respecting insurance does not apply to the capital stock insurance company.

By-laws

12. Subject to the Act respecting insurance, the by-laws of Québec Health Services become the by-laws of the capital stock insurance company, adapted as required, until they are amended or replaced by the directors.

DIVISION III

CAPITAL STOCK

Authorized
capital
stock

13. The authorized capital stock of the capital stock insurance company consists of 30 000 000 common shares, with no par value, issuable for a total consideration of \$300 000 000, of 10 000 000 special shares with no par value, issuable for a total consideration of \$100 000 000 and of 100 000 000 preferred shares with a par value of \$1.

Special
shares

The special shares do not carry voting rights.

Preferred
shares

The preferred shares of the capital stock insurance company do not carry voting rights. They provide entitlement to a fixed equity, which is preferential to that of the common and special shares in respect of dividends. In the event of winding-up, the preferred shares share in the assets of the capital stock insurance company up to their par value only, plus, if the case arises, all dividends then accrued and unpaid, in preference to any participation in such sharing by the common shares and special shares.

Preferred
shares

Subject to the characteristics common to all preferred shares, the preferred shares of the capital stock insurance company are issuable in one or more series and the directors of the capital stock insurance company shall determine from time to time, in accordance with

section 146 of the Companies Act, the description, rights, conditions and limitations attached to the shares of each series.

Modifica-
tion of
rights and
privileges

Subject to the ratification by letters patent and the other formalities set out in the Companies Act, the directors of the capital stock insurance company may at any time adopt a by-law to modify the rights, privileges and limitations attached to the preferred and special shares or to authorize the creation of new shares ranking ahead of or concurrently with the preferred shares, but no such by-law will have effect unless it is approved by the vote of not less than two-thirds in value of the preferred or special shares, as the case may be, represented by the holders present or represented at a special general meeting of such holders duly convened for the purpose of considering such by-law.

Allotment
and transfer
of shares

14. On 31 December 1991, the directors of the capital stock insurance company will hold a first meeting during which they shall issue and allot to the mutual management corporation, as paid-up in full, common shares of the capital stock insurance company. All of the shares shall, immediately thereafter, be transferred by the mutual management corporation to the holding company in consideration for the issuance and allotment by the latter, as paid-up in full, of shares of its capital stock of a value and paid-up capital equivalent to the combined paid-up capital and surplus capital of the capital stock insurance company.

Paid-up
capital and
surplus
capital

The amount of the combined paid-up capital and surplus capital of the capital stock insurance company shall be equivalent to the assets of the insured of the Québec Health Services on 30 December 1991.

Rights of
members of
Québec
Health Ser-
vices

Until such time as the issue of common shares provided for in this section is effected, the members of Québec Health Services may vote at any general meeting of the capital stock insurance company in accordance with the structure of representation provided for in the deed of incorporation and in the general by-law of Québec Health Services as if the conversion had not occurred. This right is in addition to those the members already exercise in respect of the mutual management corporation and shall expire by operation of law, with no compensation whatsoever, upon the issue of shares provided for in this section.

Inapplica-
bility of
c. A-32

15. Section 43 of the Act respecting insurance does not apply to the allotment and registration of a transfer of shares under section 14.

CHAPTER IV

MUTUAL MANAGEMENT CORPORATION

DIVISION I

CORPORATE NAME, HEAD OFFICE, OBJECTS AND POWERS

Corporate name **16.** The corporate name of the mutual management corporation is “SSQ, Mutuelle de gestion”.

Head office **17.** The head office of the mutual management corporation is located in the judicial district of Québec.

Operation **18.** The mutual management corporation is a corporation without share capital operating in accordance with the representative form of government provided for in Divisions II and III of this chapter.

Object Its object is to control the capital stock insurance company at all times through its holding company and any other legal person referred to in section 31.

Object The mutual management corporation may also promote economic, social or educational activities, in particular through foundations.

Investments **19.** The mutual management corporation may make any investments referred to in section 245.0.1 of the Act respecting insurance or referred to in the rules for investment of moneys belonging to other persons set out in the Civil Code of Lower Canada as would be made in similar circumstances by a reasonable and prudent person, acting honestly and faithfully in the best interest of the members. It may also invest its funds in the holding company.

DIVISION II

MEMBERS

Conditions **20.** Every person who, directly or as a member of a group, has concluded an insurance contract established by Québec Health Services or by the capital stock insurance company is a member of the mutual management corporation, as long as the contract remains in force.

Voting rights A member is entitled to one vote regardless of the number or the value of insurance policies held by him, directly or as a member of a group.

Delegates
and sub-
stitutes

21. The mutual management corporation may adopt a by-law to establish that regional meetings of its members shall be held before every annual general meeting of the mutual management corporation in order to elect delegates and substitutes. So long as the by-law is in force, no member other than the delegates elected at the regional meeting and, to the extent permitted by the by-law, their substitutes and the directors may vote at the annual meeting or any special meeting of the mutual management corporation held before the following annual general meeting.

Amendment
of by-law

The by-law shall not come into force nor be amended except with the consent of the members, whether or not they are delegates, who are present or represented at a special general meeting of the mutual management corporation called for that purpose.

DIVISION III

ADMINISTRATION

Directors

22. The general meeting of the members shall elect, from among the members of the mutual management corporation, the directors of the mutual management corporation.

First
directors

23. The directors of Québec Health Services in office prior to its conversion are the first directors of the mutual management corporation.

Term of
office

Those directors shall remain in office for the unexpired portion of their terms, unless they resign or unless a vacancy occurs prior to the said meeting.

Remuner-
ated
officers and
employees

24. The remunerated officers or employees of legal persons affiliated, within the meaning of the Act respecting insurance, with the mutual management corporation may not make up more than one-third of the directors of the board of directors of the mutual management corporation.

By-laws

25. The by-laws of Québec Health Services become the by-laws of the mutual management corporation, adapted as required, until they are amended or replaced by the directors or, in the case of a by-law adopted under section 21, by the members whether or not they are delegates.

DIVISION IV

MISCELLANEOUS PROVISIONS

Assumption
of expenses **26.** The expenses inherent in the operation of the mutual management corporation may be assumed by the capital stock insurance company.

Applicabil-
ity of
c. A-32 **27.** The second paragraph of section 87, section 90 as well as sections 91 to 93.1 of the Act respecting insurance, adapted as required, apply to the mutual management corporation.

Applicabil-
ity of
Companies
Act **28.** In the absence of a corresponding provision in this chapter and subject to section 27 of this Act, section 88, paragraph 3 of section 89 and sections 89.1 to 89.4 of Part I and the provisions of Part II of the Companies Act, adapted as required, apply to the mutual management corporation, with the exception of sections 126, 129 and 130, 136.1, 139 to 141, 143 to 168, 171 to 181, paragraph 3 of section 182, paragraphs *a* and *b* of subsection 2 of section 185, sections 187 and 190, paragraphs *j* and *k* of subsection 3 of section 191, section 192, paragraphs *d* and *e* of subsection 1, and subsection 2 of section 197.

Government
order The Government may, however, by order, make a provision of the Companies Act applicable to the mutual management corporation.

Applicabil-
ity of
c. L-4 **29.** The Winding-up Act (R.S.Q., chapter L-4), adapted as required, applies to the mutual management corporation.

Interpreta-
tion **30.** For the purposes of the Companies Act and the Winding-up Act, “company” means the mutual management corporation and “shareholder” means a member of the mutual management corporation and where a provision of the said Acts refers to a specified proportion in value of the company’s capital stock, the provision shall be construed as meaning the number of directors, of delegates or their substitutes, who are present and qualified to vote and who represent the specified proportion in value.

CHAPTER V

MAINTENANCE OF CONTROL OF THE CAPITAL STOCK
INSURANCE COMPANY AND EQUITY PERCENTAGE

Control of
capital
stock
insurance
company **31.** The mutual management corporation must, at all times, control the capital stock insurance company through the holding company and such other legal person incorporated in Québec as may be authorized by the Minister upon recommendation of the Inspector General of Financial Institutions.

- Restriction of share allotment** No legal person referred to in the first paragraph may allot shares of its capital stock or register a transfer of such shares if, as a consequence, there would, at any time, cease to be direct control from one to the other of the legal persons referred to in the first paragraph.
- Limitation** **32.** Section 31 shall not be construed as rendering sections 43 to 50.5 of the Act respecting insurance inapplicable.
- Nullity** An allotment of shares or a registration of a transfer of shares made contrary to section 31 is absolutely null.
- Restriction** **33.** Under pain of absolute nullity, no legal person referred to in section 31 may allot shares participating in its assets or register a transfer of such shares if, as a consequence, the equity percentage of the mutual management corporation in the capital stock insurance company would fall below 26 % or such other threshold as is approved by two-thirds of the votes cast at a special meeting of the members of the mutual management corporation.
- Information circular** An information circular authorized by the Inspector General shall be sent to all members of the mutual management corporation prior to the calling of such a meeting.
- Equity percentage** **34.** The equity percentage of the mutual management corporation in the capital stock insurance company is equal to the sum
- (1) of the direct equity percentage of the mutual management corporation in the capital stock insurance company; and
- (2) of the result obtained by multiplying all the direct equity percentages of any legal person referred to in section 31 in the legal person it controls referred to in the same section, from the mutual management corporation to the capital stock insurance company.
- Definition** For the purposes of this section, the “equity percentage” of a person in a legal person means the percentage that the number of shares participating in the assets of the legal person owned by that person as a shareholder is of the total number of issued and outstanding shares participating in the assets of the legal person.

CHAPTER VI

VOLUNTARY DISSOLUTION, WINDING-UP AND SALE

- Voluntary dissolution** **35.** The voluntary dissolution or winding-up of the mutual management corporation entails the winding-up of the capital stock insurance company.

Voluntary
dissolution

Similarly, the voluntary dissolution of the capital stock insurance company, its winding-up or the sale of all or nearly all its property or enterprise outside the ordinary course of its business entails the winding-up of the mutual management corporation.

Approval
require-
ments

Notwithstanding any contrary provision, the approval by two-thirds of the votes cast by the members, whether or not they are delegates, of the mutual management corporation at a special general meeting is required to decide to commence or to discontinue the winding-up of the capital stock insurance company or a sale of its property or of its enterprise referred to in the preceding paragraph.

CHAPTER VII

MISCELLANEOUS AND FINAL PROVISIONS

Presumption

36. For the purposes of the Act respecting insurance, there is deemed to be direct control from one to the other of the legal persons referred to in section 31.

Fair market
value

37. No allotment or transfer of shares of the capital stock insurance company or of the holding company, other than those referred to in section 14 shall be effected before the fair market value of Québec Health Services has been determined to the satisfaction of the Inspector General.

Appraisal
report

38. After determination, to the satisfaction of the Inspector General, of the fair market value of Québec Health Services and as soon as possible thereafter, the Inspector General shall transmit to the Standing Committee on the Budget and Administration a report on the methods and means of appraisal used to determine the fair market value of Québec Health Services.

1955-56,
c. 155,
replaced

39. This Act replaces the Act respecting “Québec Health Services” — “Les Services de Santé du Québec” (1955-56, chapter 155) as amended by chapter 105 of the statutes of 1964, by chapter 70 of the statutes of 1974 and by chapter 100 of the statutes of 1977.

Coming into
force

40. This Act comes into force on 31 December 1991.