



NATIONAL ASSEMBLY

FIRST SESSION

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Bill 253
(Private)

**An Act respecting The Laurentian
Mutual Management Corporation
and The Laurentian Life Insurance
Company Inc.**

Introduction

Introduced by
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Member for Marquette



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Bill 253

(Private)

An Act respecting The Laurentian Mutual Management Corporation and The Laurentian Life Insurance Company Inc.

WHEREAS The Laurentian Mutual Management Corporation is a mutual management corporation resulting from the conversion in 1988 of The Laurentian Mutual Insurance pursuant to the Act respecting Laurentian Mutual Insurance (1988, chapter 95);

Whereas The Laurentian Life Insurance Company Inc. is a capital stock insurance company resulting from the conversion in 1988 of The Laurentian Mutual Insurance;

Whereas The Laurentian Mutual Management Corporation wishes to transfer all of the common shares of The Laurentian Life Insurance Company Inc. which it owns to a holding company, which it will control directly, in exchange for shares of the holding company;

Whereas The Laurentian Life Insurance Company Inc. wishes to transfer a portion of its enterprise to a new capital stock insurance company which will be controlled indirectly by The Laurentian Mutual Management Corporation;

Whereas the directors of The Laurentian Life Insurance Company Inc. and of The Laurentian Mutual Management Corporation have adopted a resolution approving the proposed reorganization and transactions;

Whereas the members of The Laurentian Mutual Management Corporation will be called upon on 23 May, at a special general meeting called for such purpose, to approve the proposed reorganization and transactions by a majority of more than two thirds of the members present or represented by proxy;

Whereas it is necessary that the Act respecting Laurentian Mutual Insurance be replaced in order to give effect to the decisions of the members;

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

DEFINITIONS

1. In this Act, unless the context indicates otherwise,

“old Laurentian Life” means The Laurentian Life Insurance Company Inc., a capital stock insurance company resulting from the conversion in 1988 of the Mutual;

“Corporation du Groupe” means La Corporation du Groupe La Laurentienne, a company incorporated in 1981 under Part IA of the Companies Act (R.S.Q., chapter C-38);

“mutual management corporation” means the mutual management corporation resulting from the conversion in 1988 of the Mutual;

“Laurentian Life” means a capital stock insurance company incorporated under the Act respecting insurance (R.S.Q., chapter A-32) and the Companies Act and controlled by Financial Security;

“Mutual” means The Laurentian Mutual Insurance, a mutual insurance company converted in 1988 into a capital stock insurance company and a mutual management corporation pursuant to the Act respecting Laurentian Mutual Insurance;

“Financial Security” means Laurentian Financial Security Inc., a company incorporated in 1969 under Part I of the Companies Act and continued in 1981 under Part IA of the said Act under the corporate name of Le Fonds Laurentien Inc., which corporate name has been changed in accordance with the Companies Act;

“equity threshold” means an equity percentage of the mutual management corporation in Laurentian Life equal to 12 % or any lower equity percentage of the mutual management corporation in Laurentian Life resulting from an issue and allotment of shares or from a registration of a transfer of shares approved in accordance with section 23;

“holding company” means Laurco Inc., a company incorporated in 1990 under Part IA of the Companies Act.

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.

Old Laurentian Life is considered controlled by the holding company and Laurentian Life is considered controlled by Financial Security owing to the sole fact that the holding company or Financial Security, as the case may be, holds shares therein to which are attached over 50 % of the voting rights.

3. The equity percentage of the mutual management corporation in Laurentian Life is equal to the percentage determined by applying the following formula:

$$[A \times B \times C \times D \times E] + [A \times F \times D \times E]$$

in which the letters have the following meaning:

A = direct equity percentage of the mutual management corporation in the holding company;

B = direct equity percentage of the holding company in old Laurentian Life;

C = direct equity percentage of old Laurentian Life in Corporation du Groupe;

D = direct equity percentage of Corporation du Groupe in Financial Security;

E = direct equity percentage of Financial Security in Laurentian Life;

F = direct equity percentage of the holding company in Corporation du Groupe.

For the purposes of this section, the “direct 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 II

OLD LAURENTIAN LIFE AND LAURENTIAN LIFE

DIVISION I

HEAD OFFICE, OBJECTS AND POWERS

4. The head office of old Laurentian Life is located in the judicial district of Québec.

5. The object of both old Laurentian Life and Laurentian Life is to engage in the business of life and health insurance and reinsurance in accordance with the Act respecting insurance.

Without limiting the generality of the foregoing, old Laurentian Life and Laurentian Life may make contracts

(a) of life insurance and insurance against accidents, disability, sickness and all other risks of a similar nature;

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

(c) of capitalization and of sinking funds;

(d) of rent.

Old Laurentian Life and Laurentian Life may also undertake or engage in such classes of life and health insurance as may be established by the Act respecting insurance or the regulations thereunder.

6. Under pain of absolute nullity, old Laurentian Life shall not transfer all or part of its property or of its enterprise outside the ordinary course of its business except with the written authorization of the Inspector General of Financial Institutions who may require for such purpose any documents or information which he deems necessary.

In all contracts or documents referring to old Laurentian Life and concerning a part of its property or of its enterprise transferred in accordance with this section, the corporate name of the transferee replaces by operation of law, without further formality, that of old Laurentian Life. All pending legal actions involving such part of the property or of the enterprise of old Laurentian Life may be pursued by or against the transferee without continuance of suit.

7. Notwithstanding the provisions of section 6, the authorization of the Inspector General shall not be required with respect to the transfer for valuable consideration, by old Laurentian Life to any person, of assets forming part of its investment portfolio, including shares in the capital stock of Corporation du Groupe.

DIVISION II

BOARD OF DIRECTORS

8. Notwithstanding the provisions of the Companies Act, the majority of the members of the board of directors of old Laurentian Life and of Laurentian Life shall be elected by the members of the mutual management corporation. No director thus elected shall be dismissed except by the members of the mutual management corporation.

If the board of directors of old Laurentian Life or of Laurentian Life is authorized to elect from among its members an executive committee, the majority of the members thus elected shall be composed of directors elected by the members of the mutual management corporation.

9. Section 55 of the Act respecting insurance does not apply to old Laurentian Life or to Laurentian Life.

DIVISION III

CAPITAL STOCK

10. The authorized capital stock of old Laurentian Life consists of 500 000 000 common shares with no par value, issuable for a total consideration of \$500 000 000, and of 1 320 000 class A preferred shares with a par value of \$25 each the rights and privileges of which are those confirmed by letters patent granted to the Mutual on 21 May 1985.

DIVISION IV

DOWNSTREAM HOLDINGS

11. Corporation du Groupe is at all times deemed to be a downstream holding within the meaning of the Act respecting insurance.

For the purpose of applying the third paragraph of section 247 of the Act respecting insurance to Corporation du Groupe, the term

“insurer” shall mean old Laurentian Life and Laurentian Life and the phrase “in proportion to the shares held by the insurer in the downstream holding” shall mean in proportion to the shares held by the old Laurentian Life alone, or by the holding company and the old Laurentian Life together, as the case may be, in Corporation du Groupe.

For the purpose of applying the third paragraph of section 247 of the Act respecting insurance to Corporation du Groupe when old Laurentian Life no longer owns shares of Corporation du Groupe, the term “insurer” shall mean Laurentian Life and the phrase “in proportion to the shares held by the insurer in the downstream holding” shall mean in proportion to the shares held by the holding company in Corporation du Groupe. For the purpose of computing the percentages referred to in the third paragraph of section 247 of the Act respecting insurance, the assets of Laurentian Life shall be increased by the book value of the investment in shares of Corporation du Groupe held by the holding company.

Financial Security shall also be deemed, at all times, to be a downstream holding within the meaning of the Act respecting insurance.

CHAPTER III

THE LAURENTIAN MUTUAL MANAGEMENT CORPORATION AND LAURCO INC.

DIVISION I

CORPORATE NAME AND HEAD OFFICE

12. The corporate name of the mutual management corporation is “La Laurentienne, corporation mutuelle de gestion” and its English version “The Laurentian Mutual Management Corporation”.

13. The head office of the mutual management corporation is located in the judicial district of Québec.

DIVISION II

MEMBERS, OBJECTS AND POWERS

14. Every holder of an insurance policy issued by the Mutual, by old Laurentian Life or by Laurentian Life is a member of the mutual management corporation.

Each member is entitled to one vote, regardless of the number or value of the policies held by him. Every member may vote in person or by proxy.

15. The mutual management corporation groups the holders of insurance policies issued by the Mutual, by old Laurentian Life and by Laurentian Life; the object of the mutual management corporation is to control indirectly, at all times, old Laurentian Life through the holding company and to control indirectly, at all times, Laurentian Life through the holding company, old Laurentian Life, Corporation du Groupe and Financial Security.

In addition to the sums deposited with an institution whose deposits are guaranteed by the Régie de l'assurance-dépôts du Québec and the short-term investments it is authorized to make in accordance with the rules respecting the investment of property belonging to others provided in the Civil Code of Lower Canada, the mutual management corporation may invest its funds in the holding company.

16. Notwithstanding any contrary provision of the Companies Act or of the articles of the holding company, the sole object of the holding company is to control directly, at all times, old Laurentian Life and to control indirectly, at all times, Laurentian Life through old Laurentian Life, Corporation du Groupe and Financial Security.

In addition to the sums deposited with an institution whose deposits are guaranteed by the Régie de l'assurance-dépôts du Québec and the short-term investments it is authorized to make in accordance with the rules respecting the investment of property belonging to others provided in the Civil Code of Lower Canada, the holding company may invest its funds in old Laurentian Life and in Corporation du Groupe.

17. In the event of voluntary dissolution or winding-up of old Laurentian Life, sections 15 and 16 shall read adapted as required.

18. Any investment made contrary to the present division is absolutely null.

DIVISION III

BOARD OF DIRECTORS

19. Officers and employees of legal persons affiliated with the mutual management corporation shall not constitute more than one quarter of the board of directors of the mutual management corporation.

For the purposes of this section, a legal person is affiliated with another legal person if one is controlled by the other or if both are controlled by the same person. A legal person affiliated with another legal person is deemed affiliated with every legal person affiliated with that other person.

DIVISION IV

MAINTENANCE OF CONTROL AND OF EQUITY PERCENTAGE

20. In no case may Laurentian Life issue and allot shares of its capital stock or register a transfer of such shares if, as a consequence, Financial Security would cease to control directly, at all times, Laurentian Life.

In no case may Financial Security issue and allot shares of its capital stock or register a transfer of such shares if, as a consequence, Corporation du Groupe would cease to control directly, at all times, Financial Security.

In no case may Corporation du Groupe issue and allot shares of its capital stock or register a transfer of such shares if, as a consequence, old Laurentian Life, the holding company or both acting together, would cease to control directly, at all times, Corporation du Groupe.

In no case may old Laurentian Life issue and allot shares of its capital stock or register a transfer of such shares if, as a consequence, the holding company would cease to control directly, at all times, old Laurentian Life.

In no case may the holding company issue and allot shares of its capital stock or register a transfer of such shares if, as a consequence, the mutual management corporation would cease to control directly, at all times, the holding company.

21. The first and the fourth paragraphs of section 20 shall not be construed as rendering sections 43 to 50 of the Act respecting insurance inapplicable to old Laurentian Life and to Laurentian Life.

An issue and allotment of shares or a registration of a transfer of shares made contrary to section 20 is absolutely null.

22. Under pain of absolute nullity, Laurentian Life, Financial Security, Corporation du Groupe, old Laurentian Life and the holding company shall not issue and allot shares participating in their respective assets or register a transfer of such shares if, as a

consequence, the equity percentage of the mutual management corporation in Laurentian Life would fall below the equity threshold.

23. Section 22 does not apply to an issue and allotment of shares or to a registration of a transfer of shares which has been expressly approved by two thirds of the members of the mutual management corporation present or represented by proxy at a special general meeting called for such purpose. The sending of the circular accompanying the notice of such special general meeting must be authorized by the Inspector General.

DIVISION V

OTHER PROVISIONS

24. Sections 88 to 93.1 of the Act respecting insurance, adapted as required, apply to the mutual management corporation.

25. In the absence of a corresponding provision of this chapter and subject to section 24 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, sections 195 and 196, paragraphs *d* and *e* of subsection 1, and subsection 2 of section 197.

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

26. The expenses inherent in the operation of the mutual management corporation may be assumed by old Laurentian Life, by Laurentian Life or by both of them in the proportions agreed upon in writing between them.

DIVISION VI

VOLUNTARY DISSOLUTION, WINDING-UP AND SALE

27. The voluntary dissolution or the winding-up of the mutual management corporation entails the winding-up of Laurentian Life.

Similarly, the voluntary dissolution of Laurentian Life, 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.

Notwithstanding any contrary provision, the approval of two thirds of the votes cast by the members of the mutual management corporation at a special general meeting is required to decide to commence or to discontinue the winding-up of Laurentian Life or a sale of its property or of its enterprise referred to in the preceding paragraph.

28. The Winding-up Act (R.S.Q., chapter L-4), adapted as required, applies to the mutual management corporation.

29. For the purposes of the Companies Act and the Winding-up Act, “company” means the mutual management corporation, “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 members representing the specified proportion in value.

CHAPTER IV

FINAL AND TRANSITIONAL PROVISIONS

30. This Act may be cited under the title of An Act respecting The Laurentian Mutual Management Corporation.

31. This Act replaces the Act respecting Laurentian Mutual Insurance.

32. The mutual management corporation may transfer all of the common shares of old Laurentian Life held by it 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 having an aggregate paid-up capital identical to that of the shares of old Laurentian Life transferred.

33. Old Laurentian Life may transfer to Laurentian Life a part of its property and of its enterprise comprising, amongst others, the following assets:

- (1) its portfolio of group insurance and annuities;
- (2) its mass marketing business;

(3) its operating assets, organization structure, systems and goodwill.

Under pain of absolute nullity, the transfer contemplated in the preceding paragraph is subject to the written authorization of the Inspector General who may require for such purpose any documents or information which he deems necessary.

In all contracts or documents referring to old Laurentian Life and concerning the part of its property or of its enterprise transferred in accordance with this section, the corporate name of Laurentian Life replaces by operation of law, without further formality, that of old Laurentian Life. All pending legal actions concerning such part of the property or of the enterprise of old Laurentian Life may be pursued by or against Laurentian Life without continuance of suit.

34. The transfer of shares contemplated in section 32 and the transfer of assets contemplated in section 33 become effective only on the date of coming into force of sections 1 to 31 of this Act.

35. Sections 32 to 34 of this Act come into force on (*insert here the date of assent to this Act*). Sections 1 to 31 of this Act come into force on the date fixed by the Government after the Inspector General gives his authorization pursuant to the second paragraph of section 33.