

NATIONAL ASSEMBLY

FIRST SESSION

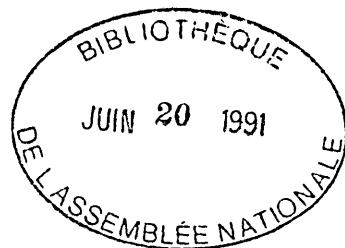
THIRTY-FOURTH LEGISLATURE

Bill 287
(Private)

An Act respecting Cooperants, Mutual Life Insurance Society

Introduction

Introduced by
Mr Jacques Chagnon
Member for Saint-Louis



**Québec Official Publisher
1991**

Bill 287

(Private)

An Act respecting Cooperants, Mutual Life Insurance Society

WHEREAS Cooperants, Mutual Life Insurance Society came into existence as a result of the amalgamation of The Artisans, Life Insurance Cooperative Society and Cooperants, Mutual Life Insurance Company, as evidenced by a certificate of amalgamation issued on 31 December 1981 in accordance with the Act respecting Canadian and British Insurance Companies (R.S.C., 1970, chapter I-15);

Whereas on 17 December 1987, the Act to authorize Cooperants, Mutual Life Insurance Society to be continued (S.C. 1987, chapter 57) was adopted;

Whereas Cooperants, Mutual Life Insurance Society was continued under the Act respecting insurance (R.S.Q., chapter A-32), by letters patent issued in accordance with the said Act on 1 January 1988;

Whereas Cooperants, Mutual Life Insurance Society wishes to convert into a capital stock insurance company, committed to pursuing its activities, and into a mutual management corporation, grouping the policyholders in order to control at all times the capital stock insurance company resulting from the conversion;

Whereas the directors of Cooperants, Mutual Life Insurance Society have adopted, by unanimous vote, a resolution approving the proposed conversion and reorganization of the company;

Whereas the members of Cooperants, Mutual Life Insurance Society adopted on 6 April 1991, by unanimous vote, a resolution approving the proposed conversion and reorganization of the company at a general meeting called for that purpose;

Whereas an appraisal will be made in order to determine the fair market value of Cooperants, Mutual Life Insurance Society;

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

INTERPRETATION

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

“capital stock insurance company” means the capital stock insurance company resulting from the conversion of Cooperants, Mutual Life Insurance Society;

“Cooperants Financial” means Cooperants Financial Inc., incorporated on 31 December 1990 pursuant to Part IA of the Companies Act;

“Cooperants Group” means Cooperants Group Inc. incorporated on 20 January 1988 pursuant to Part IA of the Companies Act;

“holding company” means a company incorporated under Part IA of the Companies Act (R.S.Q., chapter C-38) of which the principal business is to act as a holding company;

“Minister” means the Minister responsible for the administration of the Act respecting insurance;

“Mutual Life” means Cooperants, Mutual Life Insurance Society;

“mutual management corporation” means the mutual management corporation resulting from the conversion of Cooperants, Mutual Life Insurance Society.

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.

The capital stock insurance company is considered to be controlled directly by such of the legal persons referred to in section 32 which holds directly shares to which are attached over 50 % of the voting rights.

CHAPTER II

CONVERSION

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

4. The capital stock insurance company continues, under its own corporate name, the existence of Mutual Life in every respect except with regard to the rights of policyholders 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 Mutual Life are not affected by its conversion.

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

5. The mutual management corporation continues the existence of Mutual Life solely for the purpose of ensuring that the rights of policyholders who are members of Mutual Life 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 Mutual Life, nor shall it otherwise be responsible for Mutual Life's obligations.

CHAPTER III

CAPITAL STOCK INSURANCE COMPANY

DIVISION I

CORPORATE NAME, HEAD OFFICE AND OBJECTS

6. The corporate name of the capital stock insurance company is "Les Coopérants, compagnie d'assurance-vie inc." and its English version "Cooperants, Life Insurance Company Inc."

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

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

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

(3) of reinsurance.

DIVISION II

ADMINISTRATION

9. The directors and officers of Mutual Life in office prior to its conversion are the first directors and officers of the capital stock insurance company.

Those directors and officers 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.

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 director thus elected shall be dismissed except by the general meeting of the members of the mutual management corporation.

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.

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

12. Subject to the Act respecting insurance, the by-laws of Mutual Life are those of the capital stock insurance company, adapted as required, until they are amended or replaced by the directors.

DIVISION III

CAPITAL STOCK

13. The authorized capital stock of the capital stock insurance company is \$500 000 000, consisting of 30 000 000 common shares with no par value, issuable for a total consideration of \$300 000 000, 10 000 000 special shares with no par value, issuable for a total consideration of \$100 000 000, and 100 000 000 preferred shares with a par value of \$1.

The special shares do not carry voting rights.

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 shares and the 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.

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 attaching to the shares of each series.

Subject to 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 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 shares 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.

14. The value and paid-up capital of the common shares of the capital stock insurance company to be issued and allotted to the mutual management corporation must be determined to the satisfaction of the Inspector General of Financial Institutions.

Once such value and capital have been so determined, the directors of the capital stock insurance company shall 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 determined par value and paid-up capital. All or the majority of such 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 having an aggregate paid-up capital identical to that of the shares of the capital stock insurance company transferred.

Until such time as the common shares contemplated by this section are issued, the members of Mutual Life 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 Mutual Life as if the conversion had not occurred. This right is in addition to those the members enjoy through the mutual management corporation and shall expire by operation of law, with no compensation whatsoever, upon the issue of shares contemplated by this section.

15. Section 43 of the Act respecting insurance and section 69 of the Act respecting trust companies and savings companies (R.S.Q., chapter S-29.01) do 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

16. The corporate name of the mutual management corporation is “Les Coopérants, corporation mutuelle de gestion” and its English version “Cooperants, Mutual Management Corporation”.

17. The head office of the mutual management corporation is located in the judicial district of Montréal.

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

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 32.

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

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.

DIVISION II

MEMBERS

20. Every holder of an insurance policy issued by Mutual Life or the capital stock insurance company is a member of the mutual management corporation.

A member is entitled to one vote, regardless of the number or value of the insurance policies held by him. No voting by proxy is permitted.

21. The members of the mutual management corporation are grouped into local groups and regional congresses.

The members of a local group shall elect, at a general meeting, the delegates and replacement delegates to the regional congress to which the local group belongs. A local group may group members on the basis of interest as well as on the basis of territory.

The general meeting of each regional congress is formed of delegates or replacement delegates elected by the local groups.

The general meeting of each regional congress shall elect delegates and replacement delegates to the general meeting of the members of the mutual management corporation.

22. The general meeting of the members of the mutual management corporation shall consist of the delegates or replacement delegates elected by the regional congresses.

DIVISION III

ADMINISTRATION

23. The general meeting of the members shall elect, from among the members of the mutual management corporation, the chairman of the board of directors as well as the other directors of the mutual management corporation.

24. The directors of Mutual Life in office prior to its conversion are the first directors of the mutual management corporation.

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

25. With the exception of the chairman of the board of directors, no remunerated officer or employee of legal persons affiliated, within the meaning of the Act respecting insurance, with the mutual management corporation may be a director of the mutual management corporation.

26. The by-laws of Mutual Life are those of the mutual management corporation, adapted as required, until they are amended or replaced by the directors.

DIVISION IV

MISCELLANEOUS PROVISIONS

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

28. The second paragraph of section 87, as well as sections 91 to 93.1 of the Act respecting insurance, adapted as required, apply to the mutual management corporation.

29. In the absence of a corresponding provision in this chapter and subject to section 28 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.

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

31. 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 persons present who are qualified to vote and represent the specified proportion in value.

CHAPTER V

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

32. 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 the recommendation of the Inspector General.

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 of any of the legal persons referred to in the first paragraph.

33. Section 32 shall not be construed as rendering sections 43 to 50.5 of the Act respecting insurance inapplicable.

An allotment of shares or a registration of a transfer of shares made contrary to section 32 is absolutely null.

34. Under pain of absolute nullity, no legal person referred to in section 32 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 general meeting of the members of the mutual management corporation.

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.

35. The equity percentage of the mutual management corporation in the capital stock insurance company is equal to the sum

(1) of the result obtained by multiplying all the direct equity percentages of any legal person referred to in section 32 in the legal person it controls referred to in the same section, from the mutual management corporation to the capital stock insurance company; and

(2) of the direct equity percentage of the mutual management corporation in the capital stock insurance company.

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

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

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.

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 the capital stock insurance company or a sale of its property or of its enterprise referred to in the preceding paragraph.

CHAPTER VII

COOPERANTS GROUP AND COOPERANTS FINANCIAL

37. Any transaction relating to the capital stock of Cooperants Group Inc. which would have the effect of transferring the control

thereof from the capital stock insurance company to the holding company must be authorized by the Inspector General, who may at such time impose the conditions he deems appropriate.

Notwithstanding sections 245 and 285.21 of the Act respecting insurance, any investment of the insurance company in Cooperants Group which arises from the transfer, in favour of the holding company, of the control of Cooperants Group held by the insurance company, may be held by the insurance company.

For as long as the insurance company continues to hold such investment, Cooperants Group remains subject to section 247 of the Act respecting insurance as if it were a downstream holding. For the purposes of applying the third paragraph of the said section 247 to Cooperants Group, the term "insurer" shall mean the capital stock insurance company 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 Cooperants Group.

38. Section 43 of the Act respecting insurance and section 69 of the Act respecting trust companies and savings companies do not apply to the transaction referred to in the first paragraph of section 37.

39. Any transfer of shares in Cooperants Financial held by Cooperants Group which would have the effect of transferring control thereof to the insurance company must be authorized by the Inspector General, who may at such time impose the conditions he deems appropriate.

Notwithstanding section 247 of the Act respecting insurance, any investment by Cooperants Group in the insurance company may be held by Cooperants Group.

40. Section 72 of the Act respecting trust companies and savings companies does not apply to the transfer of shares referred to in the first paragraph of section 39.

CHAPTER VIII

MISCELLANEOUS AND FINAL PROVISIONS

41. 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 32.

42. The first paragraph of section 14 of this Act comes into force on (*insert here the date of assent to this Act*). The other provisions of this Act come into force on the date or dates fixed by the Government after determination, to the satisfaction of the Inspector General, of the value and paid-up capital of the common shares of the capital stock insurance company in accordance with section 14.