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# NATIONAL ASSEMBLY

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FIFTH SESSION

THIRTY-SECOND LEGISLATURE

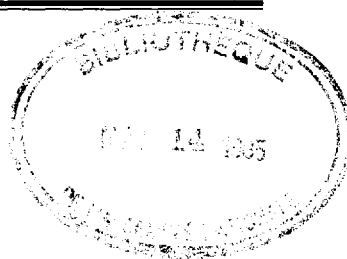
Bill 32

## **An Act to amend the Act respecting insurance and other legislation**

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### **Introduction**

**Introduced by  
Mr Yves L. Duhaime  
Minister of Finance**



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## EXPLANATORY NOTES

*The object of this bill is to modify the corporate and financial framework applicable to mutual fire-insurance associations and mutual companies of insurance against fire, lightning and wind.*

*The bill enacts rules to govern the incorporation, dissolution and winding-up of mutual insurance associations and their related federations and guarantee fund corporations.*

*Mutual insurance associations will dispose of a variable capital consisting of common shares and preferred shares. They will be authorized to recruit their members within the limit of a territory or within a group. The members will no longer be required to subscribe subscription notes but will be required to subscribe and pay for a minimum number of common shares.*

*The object of the mutual insurance associations will be to write damage insurance for their members. They will also be authorized, on certain conditions, to provide the financing of premiums to their members and to offer the services and products of other financial institutions, to manage immovable property and to engage in any other activity authorized by the Minister.*

*Mutual insurance associations will be grouped under federations which will promote their development and will act in their regard as a governing and supervisory body. Federations will be empowered to set up and manage an investment fund for their members. The powers of investment of the investment funds will be determined by government regulations.*

*A guarantee fund corporation consisting of the mutual insurance associations will be established for each federation. The guarantee fund corporations will establish and manage a guarantee fund, a liquid assets fund or a mutual assistance fund for the benefit of their members. They will reimburse the insured for any shortage of fund of a member engaged in the process of winding-up or dissolution. Mutual insurance associations will have an obligation to participate in the capital of the guarantee fund corporation of which they are members.*

*The bill proposes that the mutual fire-insurance associations and the mutual companies of insurance against fire, lightning and wind be continued as mutual insurance associations but allows, on certain conditions, that they be converted into mutual damage-insurance companies.*

*The bill proposes that the Fédération des mutuelles d'assurance inc., incorporated on 25 November 1970 by letters patent issued under Part III of the Companies Act (R.S.Q., chapter C-38), be continued as a federation of mutual insurance associations.*

**ACTS AMENDED BY THIS BILL:**

- the Act respecting insurance (R.S.Q., chapter A-32);
- the Act respecting certain mutual companies of insurance against fire, lightning and wind (R.S.Q., chapter C-39);
- the Securities Act (R.S.Q., chapter V-1.1).



## Bill 32

### An Act to amend the Act respecting insurance and other legislation

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

**1.** Section 1 of the Act respecting insurance (R.S.Q., chapter A-32), amended by section 22 of chapter 47 of the statutes of 1984, is again amended

(1) by replacing paragraphs *b*, *c* and *d* by the following paragraphs:

“(b) “**company**” or “**insurance company**”: a joint stock company incorporated to transact insurance business and a mutual insurance company;

“(c) “**mutual insurance company**”: a mutual life-insurance company and a mutual damage-insurance company;

“(d) “**mutual insurance association**”: a corporation incorporated under Chapter III.1 of Title III or a corporation resulting from a continuance provided for in the Act to amend the Act respecting insurance and other legislation (1985, chapter *insert here the chapter number of Bill 32*);”;

(2) by repealing paragraph *e*;

(3) by replacing paragraph *h* by the following paragraph:

“(h) “**mutual association**”: a mutual insurance association and a mutual benefit association;”.

**2.** Section 17 of the said Act is amended by striking out the words “, except the mutual associations contemplated in paragraphs *d* and *e* of section 1” in the third and fourth lines of the first paragraph.

**3.** Section 35 of the said Act is amended by striking the word “life” in the third line of the third paragraph.

**4.** The heading of Chapter III of Title III of the said Act is replaced by the following:

“MUTUAL INSURANCE COMPANIES”.

**5.** Section 67 of the said Act is amended by inserting, after the first paragraph, the following paragraph:

“Division III of this chapter also applies to the administration of mutual damage-insurance companies.”

**6.** The said Act is amended by inserting, after section 93.1, the following:

“CHAPTER III.1

“MUTUAL INSURANCE ASSOCIATIONS

“DIVISION I

“APPLICATION

**“93.2** Sections 62 and 62.1 apply to mutual insurance associations as does section 145, adapted as required.

“DIVISION II

“OBJECT AND POWERS

**“93.3** The object of a mutual insurance association is to transact damage insurance business for its members.

**“93.4** A mutual insurance association may, with the authorization of the federation of which it is a member,

- (1) provide the financing of insurance premiums to its members;
- (2) offer to its members the products of a financial institution;
- (3) manage immovables;

(4) carry on any other activity authorized by the Minister in accordance with section 93.162.

### "DIVISION III

#### "AFFILIATION WITH A FEDERATION

**"93.5** Every mutual insurance association shall be a member of a federation of mutual insurance associations.

**"93.6** No mutual insurance association may be incorporated unless a federation undertakes to admit it as a member.

**"93.7** The decision to cease to be a member of a federation shall be made by way of a resolution of the board of directors of the mutual insurance association, confirmed by the vote of not less than two-thirds of the members present at a special meeting held for that purpose.

The mutual insurance association shall transmit as soon as possible to the Inspector General a certified copy of the resolution of the board of directors and proof of the confirmation thereof.

**"93.8** A mutual insurance association which voluntarily ceases to be a member of a federation or is expelled by the federation shall, within sixty days following the confirmation of the resolution or following its expulsion by the federation, pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a mutual insurance association, convert into a mutual damage-insurance company or wind up.

**"93.9** Where a federation is wound up or dissolved, every mutual insurance association that is a member of the federation shall, within sixty days of the publication of the notice of winding-up or dissolution in the *Gazette officielle du Québec*, pass a by-law or resolution, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a mutual insurance association, convert into a mutual damage-insurance company or wind up.

**"93.10** A mutual insurance association shall remain a member of a federation

(1) until another federation has undertaken to admit it as a member and the association has furnished proof thereof to the Inspector General or until the incorporation of the new federation whose incorporation it is seeking;

(2) until it has amalgamated with a mutual insurance association;

- (3) until it has converted into a mutual damage-insurance company;
- (4) until it is dissolved.

#### “DIVISION IV

##### “REPRESENTATION OF THE MUTUAL INSURANCE ASSOCIATION BEFORE ITS INCORPORATION

**“93.11** Every mutual insurance association is bound by any deed performed in its interest before its incorporation if it confirms the deed within ninety days of its incorporation.

The confirmation transfers to the association the rights and obligations of the person who performed the deed but does not of itself effect novation. The person who performed the deed has the same rights and is bound by the same obligations as a mandatary of the association.

**“93.12** The person who performs a deed in the interest of a mutual insurance association before its incorporation is bound by that deed unless the contract entered into for the association includes a clause excluding or limiting his liability and a statement to the effect that the association might not be incorporated or might not assume its obligations.

#### “DIVISION V

##### “INCORPORATION

**“93.13** A minimum of 200 founders is required to apply for the incorporation of a mutual insurance association.

**“93.14** Any natural person may be a founder of a mutual insurance association, except

- (1) a minor;
- (2) an interdicted person or a person of unsound mind declared incapable by a court, even a court of another jurisdiction;
- (3) an undischarged bankrupt;
- (4) a person not included in the group described in the articles of the mutual insurance association, where such is the case.

**“93.15** The articles of the mutual insurance association shall set out

- (1) its corporate name;
- (2) the judicial district in which its head office in Québec is located;



- (3) the classes of damage insurance contemplated;
- (4) where such is the case, the group from which it may recruit members;
- (5) the surnames, given names, addresses and occupations of the founders.

**“93.16** The articles may set out, in addition to the provisions that may be included therein under this Act, any other provision this Act permits a mutual insurance association to pass by by-law.

**“93.17** The articles of the mutual insurance association, signed by each founder, shall be transmitted in duplicate to the Inspector General.

**“93.18** The following documents shall accompany the articles:

- (1) an application, signed by two founders, requesting the Minister to order the incorporation of the mutual insurance association;
- (2) a notice of the surname, given name and address of the person designated as provisional secretary of the mutual insurance association;
- (3) a notice of the mode of and time limit for calling the organizing meeting;
- (4) a notice of the address of the head office;
- (5) a certified copy of the resolution of the federation that has undertaken to admit the mutual insurance association as a member;
- (6) an affidavit from the applicants establishing
  - (a) the capital needed to finance the operations of the association and maintain an excess amount of assets over liabilities equal to or greater than the minimum amount required under section 275;
  - (b) the amount subscribed and paid for common shares by the founders;
  - (c) the amount that the guarantee fund corporation related to the federation of which the association is to be a member has undertaken, for the association's first three years of operation, to pay if necessary to make up the difference between the capital contemplated in subparagraph *a* and the amount contemplated in subparagraph *b*;
- (7) a certified copy of the resolution of the guarantee fund corporation setting out the undertaking contemplated in paragraph 6, where such is the case;

(8) the budgeted statements of the assets and liabilities and the earnings forecasts for the first three years of operation of the mutual insurance association;

(9) any other document required by regulation of the Government.

**“93.19** On receiving the articles, the documents accompanying them and the fees prescribed by regulation of the Government, the Inspector General shall present a report and submit his advice to the Minister.

**“93.20** The Minister may, if he considers it expedient and after obtaining the advice of the Inspector General, order him to incorporate the mutual insurance association.

For that purpose, the Inspector General shall

(1) enter, on each duplicate of the articles, the words “incorporated mutual insurance association”;

(2) draw up in duplicate a certificate attesting the incorporation of the mutual insurance association and indicating the date of incorporation, and attach to each duplicate of the certificate a duplicate of the articles;

(3) register one duplicate of the certificate and of the articles and accompanying documents;

(4) send the other duplicate of the certificate and articles to the mutual insurance association or to its representative;

(5) send a copy of the certificate, articles and required accompanying documents to the federation that has undertaken to accept the mutual insurance association as a member;

(6) publish a notice of the issue of the certificate in the *Gazette officielle du Québec*.

**“93.21** From the date appearing on the certificate of incorporation, the mutual insurance association is a corporation.

## “DIVISION VI

### “CORPORATE NAME

**“93.22** No mutual insurance association may have a corporate name susceptible of confusion with another firm name or corporate name.

**“93.23** The corporate name of a mutual insurance association shall include the words “mutual insurance association” as well as a term

identical to that used by the federation of which it is a member, chosen among the following: "damage", "general", "fire" or "I.A.R.D."

No corporate name of a mutual insurance association may include the word "company".

**"93.24** Only a mutual insurance association, a federation of mutual insurance associations, a guarantee fund corporation or a mutual damage-insurance company, may include in its corporate name the word "mutual" in combination with the words "damage insurance", "general insurance", "fire" or "I.A.R.D."

**"93.25** The Inspector General may order a mutual insurance association to change its corporate name within sixty days of the service of the order if the name is not in conformity with the laws in force when the name was granted.

**"93.26** If the mutual insurance association fails to change its corporate name within the prescribed time, the Inspector General may, of his own initiative, assign another corporate name to the association.

**"93.27** Where the Inspector General assigns a corporate name to a mutual insurance association, of his own initiative, he shall issue in duplicate a certificate establishing the change and publish a notice of the change in the *Gazette officielle du Québec*.

The Inspector General shall register one duplicate of the certificate and send the other duplicate to the mutual insurance association; he shall transmit a copy to the federation of which it is a member.

The change has effect from the date indicated in the certificate.

**"93.28** No mutual insurance association may, in the course of its operations, identify itself under a name other than its corporate name.

**"93.29** A change in the corporate name of a mutual insurance association does not affect its rights and obligations and it may pursue any action to which it is a party under its new corporate name without continuance of suit.

## "DIVISION VII

### "GENERAL ORGANIZING MEETING

**"93.30** Within sixty days of the incorporation of the mutual insurance association, the founders shall hold a general organizing meeting.

The Inspector General may grant an extension or, if it has expired, set a new time limit.

**“93.31** The meeting shall be called by the provisional secretary.

If the provisional secretary is unable to act, the meeting may be called by two founders.

**“93.32** For the purposes of the meeting, every natural person who transmitted an application for membership to the provisional secretary before the sending of the notice calling the meeting and who is accepted at the beginning of the meeting by the founders designated in the articles is deemed to be a founder.

**“93.33** At the meeting, the founders shall

- (1) pass the internal management by-laws;
- (2) elect the directors;
- (3) issue common shares for the amount subscribed and paid for that purpose;
- (4) pass a resolution confirming the affiliation of the mutual insurance association with the federation that has undertaken to accept it as a member.

In addition, the founders may pass any other by-law or take any measure relating to the affairs of the mutual insurance association.

**“93.34** Within thirty days after the meeting, the mutual insurance association shall transmit to the Inspector General

- (1) a list of its directors containing their surnames, given names, addresses and occupations;
- (2) a certified copy of the resolution provided for in subparagraph 4 of the first paragraph of section 93.33.

#### “DIVISION VIII

##### “HEAD OFFICE

**“93.35** The head office of a mutual insurance association shall be located in the judicial district specified in its articles.

**“93.36** A mutual insurance association may, by resolution of the board of directors, change the address of its head office within the judicial district specified in its articles.

The association shall give notice thereof to the Inspector General within ten days of the change.

**"93.37** A mutual insurance association may transfer its head office to another judicial district if an amendment to its articles is made for that purpose.

A notice of the new address shall accompany every application for an amendment to the articles for the purpose of transferring the head office.

**"93.38** The Inspector General shall register every notice of change of address of the head office.

## "DIVISION IX

### "CAPITAL STOCK

#### "§ 1.—*General provisions*

**"93.39** The capital stock of a mutual insurance association shall consist of common shares and preferred shares.

The capital stock is variable.

**"93.40** The shares shall be paid in cash. Only those shares that are fully paid up may be issued, except in the case of shares issued in accordance with an amalgamation agreement.

#### "§ 2.—*Common shares*

**"93.41** The common shares are registered and may be issued only to the members or persons who wish to become members. No common share may be transferred except in accordance with the conditions and modalities prescribed in the by-laws of the mutual insurance association.

**"93.42** The mutual insurance association may determine by by-law the number of common shares, called qualifying shares, that a member is required to hold and the price thereof.

However, each member shall hold at least one qualifying share.

**"93.43** The price of a common share shall not be less than \$5.

**"93.44** Only the interest determined by the annual meeting of the mutual insurance association is payable on common shares.

However, no interest is payable on qualifying shares.

**“93.45** In case of the death, resignation or expulsion of a member, a mutual insurance association shall repay the sums that have been paid to obtain common shares to his name.

At the request of a member, and on the conditions prescribed in the by-laws of the association, a mutual insurance association may repay to the member the sums he paid to obtain common shares to his name other than his qualifying shares.

**“93.46** No mutual insurance association may repay a common share if the repayment would result in reducing the excess amount of assets over liabilities to a lesser amount than the minimum amount required under section 275 or in reducing the liquid assets of the association to a lesser amount than that established pursuant to the written directives of the Inspector General.

The directors who authorize the repayment of a common share contrary to the first paragraph are jointly and severally liable for the sums thus repaid and not recovered.

**“93.47** A mutual insurance association may by by-law determine the order in which common shares are to be repaid.

*“§ 3.—Preferred shares*

**“93.48** The board of directors, if so authorized by a by-law of the mutual insurance association, may issue preferred shares.

The by-law shall provide for the amount of and the preferences, rights and restrictions attached to the shares and the conditions of their redemption or repayment. The interest payable on preferred shares shall be limited by the by-law.

The mutual insurance association shall transmit a copy of the by-law to the Inspector General.

**“93.49** Subject to section 93.244, no mutual insurance association may issue preferred shares if the excess amount of assets over liabilities is not equal to or greater than the minimum amount required under section 275.

**“93.50** A mutual insurance association shall issue certificates establishing the issue of preferred shares. They shall indicate the amount of, the interest payable on and the preferences, rights and restrictions attached to the shares and the conditions of their redemption or repayment.

**“93.51** No preferred share may entitle its holder to be repaid, in the event of the winding-up or dissolution of the association before the

debts of the mutual insurance association are repaid. However, preferred shares take precedence over common shares.

**"93.52** No preferred share may entitle its holder to a repayment before the expiry of five years after its issue.

**"93.53** No mutual insurance association may redeem or repay a preferred share if the redemption or repayment would result in reducing the excess amount of assets over liabilities to a lesser amount than the minimum amount required under section 275 or in reducing the liquid assets of the association to a lesser amount than that established according to the written directives of the Inspector General.

The directors who authorize the redemption or repayment of a preferred share contrary to the first paragraph are jointly and severally liable for the sums involved and not recovered.

**"93.54** The preferred shares shall be registered. No preferred share may be transferred except in accordance with the conditions and modalities prescribed in the by-laws of the mutual insurance association.

**"93.55** No preferred share may entitle its holder to receive notice of a general meeting, to attend such a meeting, to vote thereat or to be eligible for any office in the mutual insurance association.

## "DIVISION X

### "MEMBERS

#### "§ 1.—*General provisions*

**"93.56** To be a member of a mutual insurance association, a person, partnership or association shall meet the following conditions:

(1) apply for membership, except in the case of a founder mentioned in the articles of the association;

(2) belong to the group described in the articles, where such is the case;

(3) subscribe and pay for the number of qualifying common shares prescribed by by-law of the mutual insurance association, or failing such a by-law, one such share;

(4) undertake to comply with the by-laws of the mutual insurance association;

(5) be admitted by the board of directors or by a person authorized by it.

“§ 2.—*Resignation, suspension and expulsion*

“**93.57** A member may resign by applying in writing for the repayment of all his common shares.

The resignation of the member shall take effect from the receipt by the mutual insurance association of his application for repayment.

“**93.58** The board of directors, after informing a member in writing of the reasons invoked for his suspension or expulsion and giving him the opportunity to present his submissions, may suspend or expel him for either of the following reasons:

(1) his failure to comply with the by-laws of the mutual insurance association;

(2) his failure to discharge his undertakings toward the mutual insurance association.

“**93.59** The minutes of the meeting of the board of directors at which a member is suspended or expelled shall set out the facts that gave rise to the decision.

Within fifteen days of the decision, the mutual insurance association shall send to the member a notice setting out the reasons for the suspension or expulsion, by registered or certified mail.

“**93.60** No member may be suspended for more than six months.

“**93.61** A suspended or expelled member, or a member whose resignation has taken effect loses the right to receive notice of the meetings of the mutual insurance association, to attend such meetings and to vote thereat, as well as the right to hold any office in the association.

No insurance policy of a member is cancelled by reason only of his suspension, expulsion or resignation.

In the case of expulsion or resignation, no insurance policy may be renewed and no notice of non-renewal is required.

“**93.62** The suspension or expulsion of a member shall take effect from the passing of the resolution of the board of directors.



## "DIVISION XI

## "MEETING OF THE MEMBERS

"§ 1.—*General meeting*

**"93.63** The members of a mutual insurance association, whether convened at an annual or special meeting, shall constitute the general meeting of the association.

**"93.64** Unless the internal management by-laws provide for a greater number, the quorum at a general meeting shall be a number of members at least equal to the number of members on the board of directors.

There is no quorum at a meeting where more than one-half of the members and representatives present are directors, other mandataries or paid members of the staff of the mutual insurance association.

Any meeting that has been called twice and which has not been held due to a lack of quorum may be called again.

On that occasion, the members present shall constitute the quorum.

**"93.65** Every notice calling a general meeting shall be given at least fifteen and not more than forty-five days before it is held, by regular mail, or in a daily newspaper circulating in the locality where the mutual insurance association has its head office.

The notice shall indicate the place, date and time of the meeting and, where such is the case, give a summary of any draft by-law submitted for adoption or of any amendment proposed to the by-laws of the mutual insurance association.

The mutual insurance association shall also indicate the place, date and time of its annual meeting in prominent and conspicuous type on all premium notices it sends its members.

**"93.66** A member may waive a notice calling a meeting of the members. His mere presence at a meeting is a waiver except where he attends a meeting for the express purpose of objecting to the holding of the meeting on the ground of irregularity in the calling.

**"93.67** A member shall have only one vote, whatever the number of common shares he holds.

If the internal management by-laws of the mutual insurance association so provide, a member's vote may be cast by a representative holding a power of attorney, whether or not he is a member of the

association. To be valid, the power of attorney must have been given in the year preceding the meeting and presented to the secretary at least ten days before the meeting. The power of attorney may be used only at that meeting or its adjournments.

**“93.68** A corporation, partnership or association that is a member of a mutual insurance association may be represented at a general meeting.

No person may, however, represent more than one corporation, partnership or association.

**“93.69** No member having been a member for less than ninety days is eligible to any office in a mutual insurance association, unless he is a founder, nor may he vote at a general meeting of the mutual insurance association, except at the general organizing meeting.

**“93.70** Decisions shall be made by a majority of the votes cast by the members or representatives present.

In case of a tie, the chairman of the meeting has a casting vote.

#### *“§ 2.—Annual meeting*

**“93.71** The annual meeting of a mutual insurance association shall be held within three months after the end of its fiscal year. The members shall be convened to

(1) examine the annual report, the auditor's report and the actuary's report contemplated in section 309;

(2) determine the interest payable on common shares other than qualifying shares;

(3) elect the directors;

(4) make any other decision reserved to the general meeting.

#### *“§ 3.—Special meeting*

**“93.72** The board of directors, the president or vice-president of a mutual insurance association or the board of directors of the federation of which the mutual insurance association is a member, may order that a special meeting be held whenever he or it considers it necessary.

**“93.73** The board of directors of a mutual insurance association shall order that a special meeting be held to make any decision requiring the vote of not less than two-thirds of the members present.

Any amendment to the internal management by-laws requires confirmation by the vote of not less than two-thirds of the members present.

**“93.74** The board of directors shall order that a special meeting be held at the request of 300 members if the mutual insurance association has 3 000 members or more, or of not less than one-tenth of the members, if the association has fewer than 3 000 members.

**“93.75** The secretary of a mutual insurance association shall call every special meeting.

If the secretary fails to act, the president of the mutual insurance association shall call the meeting.

**“93.76** If the meeting is not held within thirty days of the request made by the federation or the members, the federation or two signatories of the request, as the case may be, may call the meeting.

The mutual insurance association shall reimburse the persons who called the meeting for any reasonable expenses they incurred to hold the meeting, unless the members object thereto by resolution at the meeting thus called.

**“93.77** At a special meeting, nothing may be considered or decided except the matters mentioned in the notice calling the meeting.

## “DIVISION XII

### “DIRECTORS

#### “§ 1.—*General provisions*

**“93.78** The board of directors of a mutual insurance association shall consist of not fewer than five directors.

The number of directors is determined by the internal management by-laws of the mutual insurance association.

**“93.79** Any natural person who is a member of the mutual insurance association and the holder of an insurance policy with the association for a minimum amount determined by the internal management by-laws, may be a director of the association, except

- (1) a paid member of the staff of the mutual insurance association;
- (2) an insurance agent, a claims adjuster, a director or officer of another corporation dealing as such with the mutual insurance association;

- (3) an undischarged bankrupt;
- (4) a minor;
- (5) an interdicted person or a person of unsound mind declared incapable by a court, even a court of another jurisdiction.

**“93.80** The term of office of a director shall be three years.

A mode of rotation providing that one-third of the directors, to the nearest whole number, be replaced each year shall be provided in the internal management by-laws.

For that purpose, the mutual insurance association may shorten the term of office of the directors elected at the general organizing meeting or elected following an increase in the number of directors.

**“93.81** In case of vacancy, the directors may appoint a member for the unexpired portion of the term of office. If they fail to act before the next general meeting, the general meeting may fill the vacancy.

Where the directors remaining in office do not constitute a quorum, one member of the board of directors or two members of the mutual insurance association, or the board of directors of the federation of which the association is a member, may order the secretary to call a special meeting to fill the vacancy. If the secretary fails to act, those who may order that the meeting be held may call it.

The mutual insurance association shall reimburse the persons who called the meeting for any reasonable expenses they incurred to hold the meeting, unless the members object thereto by resolution at the meeting thus called.

**“93.82** Notwithstanding the expiry of his term of office, every director shall remain in office until he is re-elected or replaced.

**“93.83** No director may be remunerated. However, the directors are entitled to attendance allowances and to the reimbursement of the justifiable expenses they incur in the performance of their duties if the internal management by-laws provide, for any specified period, for an aggregate amount for that purpose.

**“93.84** Any director having a direct or indirect interest in an undertaking with which the mutual insurance association does or proposes to do business shall, under pain of forfeiture of office, disclose his interest and abstain from participating in any decision concerning the undertaking in which he has an interest.

**“93.85** A mutual insurance association shall assume the defence of its directors or officers prosecuted by a third person for an act done in the performance of their duties and shall pay damages, if any, resulting from that act, unless they have committed a grievous offence or a personal offence separable from the performance of their duties.

Notwithstanding the foregoing, in a penal or criminal proceeding the association shall assume only the payment of the expenses of its directors or officers if they had reasonable grounds to believe that their conduct was in conformity with the law or if they have been freed or acquitted.

An association shall assume the expenses of its directors and officers if, having prosecuted them for an act done in the performance of their duties, it loses its case and the court so decides.

If the association wins its case only in part, the court may determine the amount of the expenses it shall assume.

**“93.86** No mutual insurance association may hire or maintain in its employ a general manager having a direct or indirect interest in a firm of insurance agents or insurance brokers with which it does or proposes to do business.

#### *“§ 2.—Powers and duties*

**“93.87** The board of directors shall administer the affairs of the mutual insurance association.

The board shall exercise all the powers of the association, except those the general meeting reserves to itself by by-law.

**“93.88** The board of directors shall in particular

(1) comply with the by-laws and standards adopted by the federation of which the mutual insurance association is a member and see that they are complied with;

(2) furnish the Inspector General, at his request, with a certified copy of the by-laws of the mutual insurance association;

(3) ensure that the registers are kept and preserved;

(4) determine the rate of interest on preferred shares within the limit prescribed by by-law of the mutual insurance association;

(5) make and control the investments of the mutual insurance association;

(6) require any person entrusted with the management or custody of funds of the mutual insurance association to deposit a security of not less than \$25 000 and determine the nature thereof;

(7) between 31 December and 1 March of each year, rule on the distribution of the yearly surplus among the members;

(8) designate the persons authorized to sign contracts or other documents on behalf of the mutual insurance association;

(9) at the annual meeting, give an account of its management and submit the annual report;

(10) facilitate the work of the persons in charge of inspecting the mutual insurance association, supervising its operations or auditing its books and accounts.

**"93.89** The board of directors shall reinsure risks assumed by the mutual insurance association only with an insurer who is the holder of a licence issued by the Inspector General and is designated by the federation.

### **"§ 3.—Meetings**

**"93.90** Subject to the internal management by-laws, the meetings of the board of directors shall be called on at least five days' notice.

The board of directors of the federation of which the mutual insurance association is a member may call a meeting of the board of directors of the mutual insurance association. A representative of the federation may attend the meeting and be heard.

**"93.91** The general manager of the mutual insurance association may attend the meetings of the board of directors and be heard.

**"93.92** A director may in writing waive a notice calling a meeting of the board of directors.

His mere presence at a meeting is a waiver except where he attends a meeting for the express purpose of objecting to the holding of the meeting on the ground of irregularity in the calling.

**"93.93** A majority of the directors are a quorum at meetings of the board of directors.

**"93.94** The decisions of the board of directors are made by a majority of the directors present. In case of a tie, the chairman of the meeting has a casting vote.

**"93.95** Subject to the internal management by-laws, the directors may, if all agree, participate in a meeting of the board by using means enabling all participants to communicate with one another orally, particularly by telephone. They are then deemed to have attended the meeting.

**"93.96** A resolution in writing signed by all the directors is as valid as if it had been passed at a meeting of the board.

A duplicate of the resolution is kept with the minutes of the proceedings of the board.

**" 93.97** A director present at a meeting of the board is deemed to have acquiesced in every resolution passed or in every measure taken while he is present at the meeting, except

(1) if at the meeting he requests that his dissent be recorded in the minutes;

(2) if, before the adjournment or closing of the meeting, he informs the secretary of the meeting in writing of his dissent.

**"93.98** A director absent from a meeting of the board is deemed not to have approved any resolution or participated in any measure taken in his absence.

#### *"§ 4.—Dismissal of a director*

**"93.99** A director may be dismissed at a special meeting called for that purpose.

**"93.100** A vacancy resulting from the dismissal of a director may be filled at the meeting where the dismissal takes place.

**"93.101** In no case may a director be dismissed at the meeting unless he has been informed in writing of the grounds invoked for his dismissal and of the place, date and time of the meeting within the same time limit as that prescribed for calling the meeting.

The director may be heard at the meeting or, in a written statement read by the chairman of the meeting, state the grounds on which he opposes his dismissal.

**"93.102** The minutes of the meeting at which a director is dismissed shall record the facts on which the decision is based.

The mutual insurance association shall transmit to the director a substantiated notice of his dismissal, by registered or certified mail, within fifteen days of the decision.

The association shall also transmit, as soon as possible, a notice of the dismissal to the Inspector General.

“DIVISION XIII

“EXECUTIVE COMMITTEE

**“93.103** If the board of directors of a mutual insurance association consists of more than six directors it may, if so authorized by the internal management by-laws, establish an executive committee consisting of not fewer than three directors including the chairman and vice-chairman.

In no case may the number of members of the executive committee exceed one-half of the number of directors.

**“93.104** The executive committee shall exercise the powers of the board of directors to the extent provided in the internal management by-laws.

**“93.105** The board of directors may replace any member of the executive committee.

**“93.106** Sections 93.83 and 93.90 to 93.98, adapted as required, apply to the executive committee.

“DIVISION XIV

“AMENDMENTS TO ARTICLES

**“93.107** The articles of a mutual insurance association shall only be amended by by-law passed by the vote of not less than two-thirds of the members present at a special meeting called for that purpose.

The by-law shall authorize one of the directors to sign the articles of amendment.

**“93.108** The articles of amendment, signed by the authorized director, shall be transmitted in duplicate to the Inspector General.

**“93.109** The following documents shall accompany the articles of amendment:

(1) an application for the amendment of the articles, signed by the director authorized to sign the articles of amendment;

(2) a certified copy of the by-law approving the amendments to the articles;

(3) any other document prescribed by regulation of the Government.



**“93.110** On receiving the articles of amendment, the accompanying documents and the fees prescribed by regulation of the Government, the Inspector General may, if he considers it advisable, amend the articles.

For that purpose, the Inspector General shall, in addition to following the procedure provided for in subparagraphs 3 to 6 of the second paragraph of section 93.20, enter on each duplicate of the articles of amendment the words “amended articles” and draw up in duplicate a certificate setting out the amendment and indicating the date on which it was made.

The amendment takes effect on the date indicated in the certificate of amendment.

#### “DIVISION XV

##### “UPDATING OF ARTICLES

**“93.111** The Inspector General may issue updated articles to any mutual insurance association applying therefor.

For that purpose, the Inspector General shall, in addition to following the procedure provided for in subparagraphs 3 to 5 of the second paragraph of section 93.20, enter on each duplicate of the articles the words “updated articles” and draw up in duplicate a certificate evidencing the updating of the articles and indicating the date of issue.

**“93.112** From the date indicated in the certificate, the updated articles shall replace the initial articles of the mutual insurance association and any amendment thereto.

**“93.113** In case of discrepancy between the updated and the replaced articles, the updated articles prevail over the replaced articles for any event having occurred from the date indicated in the certificate, but the replaced articles prevail over the updated articles for any event having occurred before that date.

#### “DIVISION XVI

##### “DISSOLUTION

**“93.114** The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, order him to dissolve a mutual insurance association if

- (1) the number of members is reduced to less than 200;

(2) the organizing meeting is not held within the time limit specified in section 93.30;

(3) the association is not dissolved within one year following the passing of the resolution requiring its winding-up contemplated in section 93.8.

**“93.115** The Minister may order the Inspector General to dissolve a mutual insurance association if

(1) within sixty days of the confirmation of the resolution provided for in section 93.7 or of its expulsion from a federation, the association has failed to pass a resolution or by-law, as the case may be, to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a mutual insurance association, convert into a mutual damage-insurance company or wind up;

(2) within 120 days of the confirmation of the resolution provided for in section 93.7 or of its expulsion from a federation, the association has failed to affiliate with another federation, incorporate a new federation, submit to the Minister an amalgamation agreement with a mutual insurance association or a by-law providing for its conversion into a mutual damage-insurance company or, failing that, to pass a resolution for its winding-up;

(3) within sixty days of the publication of the notice of winding-up or dissolution of the federation of which it is a member, the association has failed to pass a resolution to affiliate with another federation, apply for the incorporation of a new federation, amalgamate with a mutual insurance association, convert into a mutual insurance company or wind up;

(4) within 120 days of the publication of the notice of winding-up or dissolution of the federation of which it is a member, the association has failed to affiliate with another federation, obtain the incorporation of a new federation, amalgamate with a mutual insurance association, convert into a mutual damage-insurance company or, if it has failed to pass a resolution for its winding-up.

**“93.116** The Minister shall, before ordering the Inspector General to dissolve a mutual insurance association, give the association or its liquidator, as the case may be, notice of the alleged default and of the penalty to which the association is liable and give him or it the opportunity to present written submissions within thirty days of the date of the notice.

If, after examining the submissions, the Minister maintains the notice of default, and the default is not remedied within thirty days after the expiry of the time limit provided in the first paragraph, the Minister

shall order the Inspector General to dissolve the mutual insurance association.

**“93.117** The Inspector General shall cause to be published in the *Gazette officielle du Québec* a notice of the dissolution of the mutual insurance association; the association is dissolved from the date of the publication of the notice.

**“93.118** The Public Curator is, *ex officio*, the curator to property of the dissolved mutual insurance association. He shall be accountable to the Inspector General.

**“93.119** Sections 399 to 405 apply to the liquidation of the property of a mutual insurance association dissolved under this division.

**“93.120** Any interested person may, within three years of the dissolution, apply to the Minister for the revocation of the dissolution.

The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, order him to revoke the dissolution retroactively to the date on which it takes effect, by publishing a notice to that effect in the *Gazette officielle du Québec*.

The Minister shall determine the conditions of the revocation of the dissolution. However, in no case may the revocation of a dissolution impair the rights acquired by any person after the dissolution.

## “CHAPTER III.2

### “FEDERATIONS OF MUTUAL INSURANCE ASSOCIATIONS

#### “DIVISION I

##### “SCOPE

**“93.121** The following provisions, adapted as required, apply to federations of mutual insurance associations: sections 93.11 and 93.12, subparagraphs 1, 2 and 5 of the first paragraph of section 93.15, sections 93.16 and 93.17, subparagraphs 1, 2, 3, 4 and 9 of the first paragraph of section 93.18, section 93.19, the first paragraph and subparagraphs 1, 2, 3, 4 and 6 of the second paragraph of section 93.20, sections 93.21 and 93.25 to 93.32, subparagraphs 1, 2 and 5 of the first paragraph and the second paragraph of section 93.33, paragraph 1 of section 93.34 and sections 93.35 to 93.38, the first paragraph of section 93.90, sections 93.92, 93.94 to 93.102, 93.107 to 93.113 and 298.1, and sections 379 to 386, in which any reference to section 378 shall be read as a reference to section 93.192.

“DIVISION II

“OBJECTS

“**93.122** The objects of a federation are

(1) to protect the interests of its members, favour the attainment of their object and promote their development;

(2) to act as a supervisory and governing body in respect of its members, to the extent provided under this Act;

(3) to provide its members with training, promotion, advisory or technical assistance services or other similar services relating to the practice of insurance or any permitted diversification of the insurance business.

“DIVISION III

“INCORPORATION AND CORPORATE NAME

“**93.123** Only a mutual insurance association may be a founder of a federation.

A minimum of twelve mutual insurance associations is required to apply for the incorporation of a federation.

In no case may a federation be incorporated unless a guarantee fund corporation is incorporated at the same time.

“**93.124** To be a founder, a mutual insurance association requires prior authorization by way of a resolution of its board of directors indicating the name of its representative for the purposes of the incorporation of the federation. The resolution requires confirmation by the vote of not less than two-thirds of the members present at a special meeting called for that purpose or at an annual meeting if the object of the resolution is mentioned on the notice of meeting.

The mutual insurance association shall notify the federation of which it is a member of the holding of the meeting. A representative of the federation may attend and be heard at the meeting.

“**93.125** On receiving the articles, the accompanying documents and the fees prescribed by regulation of the Government, the Inspector General shall, as soon as possible, send to the federation of which the petitioning mutual insurance associations are members and to the associations, a notice of the time within which they may present written submissions to the Minister.

After the submissions are presented or after the expiry of the time prescribed in the first paragraph, the Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, order him to incorporate the federation.

**“93.126** The corporate name of a federation shall include the words “federation of mutual insurance associations” accompanied with one of the following terms: “damage”, “general”, “fire” or “I.A.R.D.”.

No federation may have a corporate name susceptible of confusion with a firm name or another corporate name.

The Inspector General may, if he considers it necessary, change the corporate name of a federation.

#### “DIVISION IV

##### “MEMBERS

**“93.127** Only a mutual insurance association may be a member of a federation.

**“93.128** To be a member of a federation, a mutual insurance association shall

- (1) apply for membership, except in the case of a founding mutual insurance association;
- (2) undertake to comply with the by-laws of the federation;
- (3) be admitted by the board of directors of the federation, except in the case of a founding mutual insurance association.

The application for membership of a mutual insurance association requires the authorization by way of a resolution of its board of directors indicating the name of its representative who is authorized to sign the application, and confirmation by the general meeting in accordance with the terms and conditions set out in section 93.124.

**“93.129** A federation may accept a membership application submitted by the founding members of a mutual insurance association.

Admission is effective as soon as the mutual insurance association is incorporated.

**“93.130** A federation may, by a by-law approved by the Inspector General, establish membership requirements, define the rights and obligations of members and determine the conditions governing the dismissal or expulsion of members.

**"93.131** Every decision of a federation regarding the admission or expulsion of a mutual insurance association shall be sent to it by registered or certified mail. The federation shall send a copy of the decision to the Inspector General as soon as possible.

**"93.132** Every mutual insurance association which believes itself wronged by a decision of the federation regarding its admission or its expulsion may, within fifteen days of the sending of the decision, request in writing the Inspector General to review the decision.

A request for review made by the association shall suspend the decision of the federation.

**"93.133** The decision of the Inspector General shall be substantiated and sent to the mutual insurance association and to the federation by registered or certified mail. The decision of the Inspector General is final.

## "DIVISION V

### "MEETING OF THE MEMBERS

#### "§ 1.—*General meeting*

**"93.134** The general meeting of a federation shall consist of the directors who represent the mutual insurance associations that are members thereof.

The general organizing meeting shall, however, consist of the persons who have signed the articles in their capacity as representatives. At that meeting the representatives shall appoint the first auditor of the federation.

**"93.135** All mutual insurance associations represented at the general meeting shall have an equal number of representatives in accordance with the internal management by-laws of the federation.

Each representative shall have only one vote.

Decisions shall be made by a majority of the votes cast by the representatives present.

**"93.136** Every notice calling a meeting shall be given in the manner prescribed by the internal management by-laws of the federation.

Subject to the internal management by-laws, every notice calling a meeting shall be given to the members not less than fifteen nor more than forty-five days before the date fixed for the meeting.

The notice shall indicate the place, date and time of the meeting and, where such is the case, give a summary of any draft by-law submitted for adoption or of any proposed amendment to the by-laws of the federation.

**“93.137** A representative of a mutual insurance association may waive the calling notice. His mere presence at the meeting is a waiver except where he attends for the sole purpose of objecting to the holding of the meeting on the ground of irregularity in the calling.

**“93.138** Unless the internal management by-laws provide for a greater number, the quorum at a general meeting shall be a number of members at least equal to the number of members on the board of directors.

There is no quorum at a meeting where more than one-half of the representatives present are directors, other mandataries or paid members of the staff of the federation.

Any meeting that has been called twice and which has not been held due to a lack of quorum may be called again. On that occasion, the members present shall constitute the quorum.

**“93.139** The general meeting shall pass a by-law to fix the total remuneration that may be paid to the directors for a specified period. No director may receive any remuneration as such before such a by-law is passed.

#### *“§ 2.—Annual meeting*

**“93.140** The annual meeting of a federation shall be held within three months from the end of its fiscal year. The members shall be convened to

(1) examine the annual report of the federation and that of the guarantee fund corporation which is related to it;

(2) appoint the auditor;

(3) elect the directors;

(4) make any other decision reserved to the general meeting.

#### *“§ 3.—Special meeting*

**“93.141** The board of directors, the president or the vice-president of a federation may order that a special meeting be held whenever it or he considers it necessary.

**“93.142** The board of directors of a federation shall order a special meeting to make any decision requiring the vote of not less than two-thirds of the members present.

Every amendment to the internal management by-laws requires confirmation by the vote of not less than two-thirds of the members present.

**“93.143** The board of directors shall order that a special meeting be held if requested by not less than one-third of the members.

**“93.144** The secretary of a federation shall call every special meeting.

If the secretary fails to act, the president of the federation shall call the meeting.

**“93.145** If the meeting is not held within thirty days of the request made by the members, two members who have signed the request may call the meeting.

The federation shall reimburse the persons who have called the meeting for any reasonable expenses they have incurred to hold the meeting unless the members object thereto by resolution at the meeting thus called.

**“93.146** At a special meeting, nothing may be considered or decided except the matters mentioned in the notice calling the meeting.

## “DIVISION VI

### “DIRECTORS AND SENIOR OFFICERS

**“93.147** The directors of a federation shall be elected from among the directors of member mutual insurance associations unless the internal management by-laws allow the election of paid members of the staff of the federation or of mutual insurance associations that are members thereof.

In no case, however, may the board of directors consist, for more than one-third, of paid members of the staff of the federation or of the mutual insurance associations that are members thereof.

In no case may an undischarged bankrupt, a minor, an interdicted person or a person of unsound mind who has been declared incapable by a court, even a court of another jurisdiction, act as a director of a federation.



**“93.148** The internal management by-laws of a federation shall establish, in particular,

- (1) the number of directors, which shall not be less than seven;
- (2) the mode of election of the directors at the annual meeting;
- (3) the quorum of the board of directors and of the executive committee, where such is the case.

**“93.149** The chairman, the vice-chairman and the secretary of the board of directors shall be the president, the vice-president and the secretary of the federation, respectively.

The internal management by-laws of a federation may provide, however, that the chairman of its board of directors is not the president of the federation; the president shall, in that case, be chosen by the board of directors from among the other directors. The same shall apply to the secretary of the federation who may, however, not be a director.

The internal management by-laws also provide that the president of the federation remain in office until the expiry of his term as director.

**“93.150** The term of office of a director is three years.

A mode of rotation providing that one-third of the directors, to the nearest whole number, be replaced each year shall be provided in the internal management by-laws.

For that purpose, the federation may shorten the term of office of the directors elected at the general organizing meeting or elected following an increase in the number of directors.

**“93.151** In case of vacancy, the directors may appoint a member for the unexpired portion of the term of office. If they fail to act before the next general meeting, the vacancy may be filled by the general meeting.

Where the directors remaining in office do not constitute a quorum, one member of the board of directors of the federation or two members of the federation may order the secretary to call a special meeting to fill the vacancy. If the secretary fails to act, those who may order that the meeting be held may call it.

The federation shall reimburse the persons who have called the meeting for any reasonable expense they incurred to hold the meeting, unless the members object thereto by resolution at the meeting thus called.

**"93.152** Notwithstanding the expiry of his term of office, every director shall remain in office until he is re-elected or replaced.

**"93.153** In no case may the general manager of a federation or of a mutual insurance association that is a member thereof be the president or the vice-president of the federation or the chairman of its board of directors.

**"93.154** Any director having a direct or indirect interest in an undertaking with which the federation does or proposes to do business shall, on pain of forfeiture of office, disclose his interest and abstain from participating in any decision concerning the undertaking in which he has an interest.

**"93.155** A federation shall assume the defence of its directors or officers prosecuted by a third person for an act done in the performance of their duties and shall pay damages, if any, resulting from that act, unless they have committed a grievous offence or a personal offence separable from the performance of their duties.

Notwithstanding the foregoing, in a penal or criminal proceeding the federation shall assume only the payment of the expenses of its directors or officers if they had reasonable grounds to believe that their conduct was in conformity with the law or if they have been freed or acquitted.

A federation shall assume the expenses of its directors and officers if, having prosecuted them for an act done in the performance of their duties, it loses its case and the court so decides.

If the federation wins its case only in part, the court may determine the amount of the expenses it shall assume.

## "DIVISION VII

### "EXECUTIVE COMMITTEE

**"93.156** If the board of directors of a federation consists of more than eight directors, it may, if so authorized by the internal management by-laws, establish an executive committee consisting of not fewer than three directors, including the chairman and the vice-chairman.

In no case may the number of members of the executive committee exceed one-half of the number of directors.

**"93.157** The executive committee shall exercise the powers of the board of directors to the extent provided in the internal management by-laws.

**“93.158** The board of directors may replace any member of the executive committee.

**“93.159** Sections 93.90 to 93.98, adapted as required, apply to this division.

## “DIVISION VIII

### “POWERS AND DUTIES

**“93.160** A federation may, in particular,

(1) devise policies on any matter conducive to the attainment of the objects of its members;

(2) examine the books and accounts of its members;

(3) require from its members that they submit to it an annual report and periodical financial statements, and a copy of their by-laws or any other pertinent information;

(4) make conventions with its members for the supervision, administration or management of their affairs for a specified period;

(5) favour the creation and establishment of mutual insurance associations;

(6) provide interested persons with services in view of the incorporation of a mutual insurance association;

(7) designate, from among insurers holding a licence issued by the Inspector General, those with whom its members may make contracts of reinsurance;

(8) negotiate, on behalf of its members, reinsurance agreements with insurers holding a licence issued by the Inspector General;

(9) act as the provisional administrator of a member for the purposes of Chapter X of Title IV;

(10) act as the liquidator or sequestrator of a member;

(11) act as the auditor of its members.

**“93.161** A federation may, by resolution of its board of directors, designate from among its members those who may

(1) provide the financing of insurance premiums to its members;

(2) offer to its members the products of a financial institution;

(3) manage immovables;

(4) carry on any other activity authorized by the Minister in accordance with section 93.162.

The federation shall also determine the terms and conditions governing the exercise of the powers provided in subparagraphs 2 and 4 of the first paragraph.

**“93.162** The Minister may authorize a federation to empower its members to carry on any other activity he determines.

The Minister shall publish his decision in the *Gazette officielle du Québec* within thirty days.

The Inspector General shall publish, every year, in the *Gazette officielle du Québec* an updated list of all the activities that have been authorized by the Minister.

**“93.163** Every federation shall establish, by by-law, the territory in which each of its members carries on its activities.

However, no change in the territory of a mutual insurance association shall affect the status of a member.

**“93.164** A federation may, by by-law, adopt norms applicable to its members in respect of

- (1) their accounting system;
- (2) the risks and the retention limit;
- (3) any financial or administrative matter.

**“93.165** Every federation shall, every year, audit the books and accounts of its members. The audit may be carried out by employees of the federation or by a person appointed for that purpose by the federation.

**“93.166** Every federation shall carry out or commission the inspection of the affairs of its members once every three years or whenever it considers that an inspection is necessary for the protection of the insured.

**“93.167** The inspection of a mutual insurance association is carried out for the purposes, in particular, of evaluating its administrative structure and the measures taken by its board of directors in view of ensuring the orderly and efficient conduct of its affairs, the protection of its property, the reliability of its books and accounting records, the availability of reliable financial information and the compliance with

this Act, the regulations hereunder and the written directives of the Inspector General.

**“93.168** The federation shall account for its inspection to the Inspector General. It shall also account for its inspection to the board of directors of the mutual insurance association and, for that purpose, it may convene the members of the board to submit and explain its inspection report.

**“93.169** The federation may, following an inspection of a mutual insurance association, order that a special meeting of the members of the association be called to communicate to them any information considered to be relevant.

**“93.170** A federation shall have access, at all times, to the books, registers, accounts and other records of its members and every person having custody of them shall facilitate its examination thereof. It may make a copy of all the documents.

A federation may also require from the directors and employees of its members any information and explanation necessary for the carrying out of its duties.

**“93.171** A federation may fix, for each fiscal year, a basic assessment and any other assessment it considers necessary.

Every mutual insurance association that is a member of the federation is bound to pay the assessments.

**“93.172** A federation may also fix an assessment in respect of a member who agrees to avail himself of special services offered by the federation.

**“93.173** The federation may require from its members the reports that are necessary to fix the amount of the assessments.

The form and tenor of the reports and the time when they are to be made and transmitted shall be determined by the federation.

#### “DIVISION IX

#### “INVESTMENT FUND

**“93.174** Every federation may establish and manage an investment fund.

**“93.175** The fund shall be made up of the sums entrusted to the federation by its members for investment purposes.

The sums entrusted to the federation under this section shall constitute, for each mutual insurance association, a participation in the net asset and net income of the fund and the participating association shall share the net income thereof *pro rata* to their participation on the dates determined by the by-laws of the federation.

**“93.176** The federation shall also determine by by-law the terms and conditions governing the participation of a member in the fund.

**“93.177** The assets of the fund shall be separate from those of the federation.

The participation of a member shall constitute against the federation a claim for the net value of the participation.

No other creditor of the federation has any right to the assets of the fund.

**“93.178** The assets of the fund shall be reported as separate items in the books, registers and accounts of the federation.

**“93.179** The Government shall determine by regulation the investments that may be made out of the investment fund, the intervals and mode of valuation of the fund and the norms governing financial disclosure to participating members.

## “DIVISION X

### “BOOKS, AUDIT AND ANNUAL REPORT

**“93.180** A federation shall keep and maintain at its head office

(1) its articles and the accompanying certificates of the Inspector General;

(2) its by-laws;

(3) the minutes of the meetings of its members;

(4) the minutes of the meetings of the board of directors and of the executive committee, where that is the case;

(5) a register of the surnames, given names, addresses and occupations of the directors.

The members of the federation may consult the register and the documents referred to in subparagraphs 1 to 3 and 5 of the first paragraph at the head office of the federation during regular office hours.

**"93.181** A federation shall keep the books recording the nature of its operations in accordance with generally accepted accounting principles.

**"93.182** The accounts of a federation shall be cut off at the close of the fiscal year and, within the two ensuing months, the board of directors shall prepare an annual report containing, in particular,

- (1) the surnames, given names, addresses and occupations of the directors;
- (2) the balance sheet, the income statement and the statement of changes in financial position;
- (3) the auditor's report.

The federation shall, as soon as possible, forward a copy of its annual report to its members.

**"93.183** A federation shall cause its books and accounts to be audited every year by an external auditor.

**"93.184** If a federation fails to cause its books and accounts to be audited, the Inspector General may appoint an auditor and fix the remuneration that the federation is required to pay to the appointed auditor.

**"93.185** The auditor shall have access to all the books, registers, accounts and other records of a federation and any person having custody thereof shall facilitate his examination of them.

The auditor may also require from the directors and employees any information and explanation necessary for the carrying out of his duties.

## "DIVISION XI

### "STATEMENT OF OPERATIONS AND INSPECTION

**"93.186** Every federation shall, before 1 March each year, transmit to the Inspector General, in such form as he may determine, a statement of operations for the last fiscal year.

**"93.187** The statement of operations shall show the financial position of the federation and include the information and documents that must appear in the annual report and any information required by the Inspector General.

**"93.188** The statement of operations shall be certified under oath by at least two directors of the federation and be accompanied with the report of the auditor to the Inspector General indicating the scope

of his audit and stating his opinion on the financial position of the federation.

**“93.189** The Inspector General shall inspect or commission the inspection of the affairs of a federation at least once every three years or whenever he considers such an inspection to be necessary for the protection of its members.

**“93.190** Every person carrying out the inspection of a federation shall have access, at all times, to all its books, registers, accounts and other records, and every person having the custody thereof shall facilitate his examination of the documents. He may make a copy of all the documents.

The person is also entitled to require from the directors and employees the information and explanations necessary for the carrying out of his duties.

**“93.191** The Inspector General may require, at all times, the filing of any report or statement from a federation.

## “DIVISION XII

### “PROVISIONAL ADMINISTRATION AND WINDING-UP

#### “§ 1.—*Provisional administration*

**“93.192** The Inspector General or, at his request or if he is absent or unable to act, any person designated by the Minister may, following an inspection made in accordance with this Act or the filing of any report or statement or pursuant to the request of one-third of the members of a federation provisionally assume the administration thereof for a period of seven working days if he has reason to believe

(1) that the assets of the investment fund of the federation have been misappropriated or if he finds that there is an inexplicable deficiency in the assets;

(2) that there has been a grievous offence, especially malfeasance or breach of trust by one or more directors, or that the board has been seriously remiss in the performance of the obligations imposed on it by this Act or engages in financial or administrative practices which endanger the rights of the members;

(3) that the federation has shown negligence in the exercise of its powers and the carrying out of its duties as regards the supervision and control of its members.

The provisional administrator may authorize the persons he designates to exercise such duties as he may determine.



**“93.193** The provisional administration of a federation entails the provisional administration of the guarantee fund corporation to which it is related.

The provisional administrator shall also assume the administration of the guarantee fund corporation.

**“93.194** After receiving the report provided for in section 386, the Government may in respect of both the federation and the guarantee fund corporation decide to

- (1) cancel the suspension of the members of the board of directors;
- (2) maintain the suspension of the members of the board of directors until the holding of a special meeting of the members, and order the holding of the election of the members of the board;
- (3) order, on the conditions it determines, their winding-up and appoint a liquidator;
- (4) order the provisional administrator to extend his administration for the period determined by the Minister;
- (5) terminate the provisional administration.

Any order made under this section must be the subject of a notice published as soon as possible in the *Gazette officielle du Québec*.

**“93.195** The members of a federation shall be notified by the liquidator, as soon as possible, of the decision of the Government ordering its winding-up.

**“93.196** The winding-up of a federation entails the winding-up of its investment fund and of the guarantee fund corporation to which it is related.

The liquidator of the federation shall also proceed to the winding-up of the investment fund and guarantee fund corporation, according to the same rules.

**“93.197** The decision of the Government ordering the winding-up of a federation shall have the same effect as an order made by a judge of the Superior Court under section 25 of the Winding-up Act (R.S.Q., chapter L-4).

No appeal lies from the decision of the Government.

However, the Minister may terminate the winding-up if the interest of the members of a federation justifies it.

**“93.198** The decision of the Government ordering the winding-up of a federation shall take effect sixty days after publication of the notice contemplated in the second paragraph of section 93.194.

*“§ 2.—Voluntary winding-up*

**“93.199** Subject to this Act, Divisions II and III of the Winding-up Act, adapted as required, apply to a federation and to the guarantee fund corporation related to it.

**“93.200** A federation may decide to wind up its affairs and to dissolve by a resolution passed by at least three-fourths of the votes cast by the members present at a special meeting called for that purpose.

The meeting shall, by a resolution passed by the majority of the votes cast by the members present, appoint one or more liquidators empowered to take possession of the property of the federation when the winding-up is in effect.

**“93.201** Once the winding-up is in effect, every action or suit against the movable or immovable property of the federation in particular, by seizure by garnishment, seizure before judgment or seizure in execution, shall be suspended.

The costs incurred by a creditor, after he has become aware of the winding-up, personally or through his attorney, shall not be collocated out of the proceeds of the property of the federation which are distributed in consequence of the winding-up.

A judge of the Superior Court for the district in which the head office of the federation is situated may, however, on the conditions that he considers suitable, authorize the instituting of an action or the continuance of any suit commenced.

**“93.202** Every federation shall, as soon as possible, give notice of the winding-up to the Inspector General and forward to him a certified copy of the winding-up resolution passed in accordance with section 93.200. A similar notice shall also be sent, as soon as possible, by registered or certified mail, to each member and published in the *Gazette officielle du Québec* and in a daily newspaper circulating in the locality where the federation has its head office.

The notice shall indicate that the winding-up of the federation entails that of the guarantee fund corporation related to it; it also indicates the name and address of the liquidator or liquidators and the postal address where interested persons may send their claims.

**“93.203** The winding-up of the federation takes effect sixty days from the date of publication of the winding-up notice. The federation exists and operates thenceforth only with a view to winding up its affairs.

**“93.204** Before taking possession of the property of the federation, the liquidator shall give sufficient security to guarantee performance of his duties. At the request of the Inspector General or of any other interested person, the judge of the Superior Court may determine the amount and nature of that security and increase it according to circumstances.

**“93.205** The liquidator shall act under the control and direction of the Inspector General who may, even if he alleges no particular interest, act before the courts in all matters respecting the winding-up and exercise, on behalf of any member or creditor of the federation, the rights that they have against the federation.

**“93.206** The assets of the investment fund shall be distributed to the participating members *pro rata* to their participation.

**“93.207** The following claims shall have, by preference over the other claims, priority in the following order:

- (1) costs and charges of winding-up;
- (2) salaries and wages of the paid members of the staff of the federation, up to three months of unpaid salary.

**“93.208** The liquidator shall, within seven days after the end of every three-month period, make to the Inspector General a summary report of his activities for that period. The report shall indicate the receipts and expenses of the winding-up and a statement of its assets and liabilities at the end of that period.

**“93.209** The voluntary winding-up of a federation entails the winding-up of its investment fund and of the guarantee fund corporation to which it is related.

The guarantee fund corporation shall be in the process of winding up sixty days from the date of publication of the winding-up notice of the federation. It exists and operates thenceforth only with a view to winding up its affairs.

The liquidator of a federation shall also proceed to the winding-up of the investment fund and of the guarantee fund corporation.

Sections 93.201, 93.204, 93.205, 93.207 and 93.208, adapted as required, apply to the winding-up of the corporation.

## "DIVISION XIII

## "DISSOLUTION

**"93.210** The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, order the dissolution of a federation in the following cases:

- (1) if the number of its members is reduced to fewer than twelve;
- (2) if the organizing meeting is not held within the time limits provided in section 93.30;
- (3) if, for two consecutive years, it failed to hold an annual meeting.

**"93.211** Before ordering the Inspector General to dissolve a federation, the Minister shall give the federation a notice of its alleged default and of the penalty to which it is liable and give it an opportunity to present written submissions within thirty days of the date of the notice.

If, after examining the submissions, the Minister maintains the notice of default and it is not remedied within thirty days following the time limit prescribed in the first paragraph, the Minister may order the Inspector General to dissolve the federation.

**"93.212** The notice of default contemplated in the first paragraph of section 93.211 shall be published in the *Gazette officielle du Québec*.

**"93.213** The dissolution of a federation entails the dissolution of the guarantee fund corporation to which it is related.

**"93.214** The Inspector General shall cause to be published in the *Gazette officielle du Québec* a notice of the dissolution of the federation and of the guarantee fund corporation related to it; the federation and the corporation are dissolved sixty days after the date of publication of the notice.

**"93.215** The Public Curator is *ex officio*, the curator to property of the federation and investment fund and of the guarantee fund corporation. He shall render account to the Inspector General.

**"93.216** The balance of the assets of the dissolved federation and that of the dissolved guarantee fund corporation shall devolve to their members.

The assets of the investment fund shall devolve to the participating members, *pro rata* to their participation.

**"93.217** Any interested person may, within three years of a dissolution, apply to the Minister for a revocation.

The Minister may, if he considers it advisable and after obtaining the advice of the Inspector General, order him to revoke the dissolution, retroactively to the effective date, by publishing a notice to that effect in the *Gazette officielle du Québec*.

The Minister shall establish the conditions of the revocation of the dissolution. In no case, however, may such a revocation impair the rights acquired by any person after the dissolution.

### “CHAPTER III.3

#### “GUARANTEE FUND CORPORATION

##### “DIVISION I

##### “APPLICATION

**“93.218** The following provisions, adapted as required, apply to the guarantee fund corporation: sections 93.11 and 93.12, subparagraphs 1, 2 and 5 of the first paragraph of section 93.15, sections 93.16 and 93.17, subparagraphs 1, 2, 3, 4 and 9 of the first paragraph of section 93.18, section 93.19, the first paragraph and subparagraphs 1, 2, 3, 4 and 6 of the second paragraph of section 93.20, sections 93.21, 93.35 to 93.38, 93.92 to 93.98, 93.108 to 93.113 and 93.156 to 93.159 and sections 379 to 386, in which every reference to section 378 shall be read as a reference to section 93.269.

##### “DIVISION II

##### “INCORPORATION, CORPORATE NAME AND ARTICLES

**“93.219** The mutual insurance associations that are the founders of a federation shall apply for the incorporation of a guarantee fund corporation having the following objects:

(1) establishing and managing a guarantee fund, a cash reserve fund, or a mutual aid fund for the benefit of its members;

(2) providing financial assistance with regard to losses sustained by the members of a mutual insurance association that is a member of the guarantee fund corporation, on the winding-up or dissolution of the association.

**“93.220** No corporation may be incorporated unless the mutual insurance associations that are the founders of the federation have subscribed and paid an amount determined by the Inspector General to establish its capital.

**“93.221** The corporate name of a guarantee fund corporation shall include the words “guarantee fund corporation”; it shall also include the corporate name of the federation to which its members are affiliated or a sign identifying the federation.

**“93.222** No corporation other than a corporation incorporated under this division may include the expression “guarantee fund corporation” in its corporate name or firm name.

**“93.223** In no case may the articles of a guarantee fund corporation be amended except by a resolution passed by two-thirds of the votes cast by the directors present at a meeting called for that purpose. The resolution must authorize one of the directors to sign the articles of amendment.

### “DIVISION III

#### “CAPITAL

**“93.224** The capital of a corporation shall consist of the amounts paid by each member as its participation in the capital.

The capital shall be equal to or greater than the amount determined by the Inspector General at the time of incorporation of the corporation or any other amount determined by the Inspector General whenever he considers it necessary.

In no case may the capital be touched except in case of the winding-up or dissolution of a member of the corporation.

**“93.225** A corporation shall, where its capital is reduced below the amount determined by the Inspector General, require any other additional amount from its members which is payable by them to bring the capital of the corporation to an amount at least equal to the amount determined by the Inspector General.

The directors shall determine, by resolution, the criteria for fixing the amount of any such additional sum and the terms and conditions of its payment.

The resolution requires the approval of the Inspector General.

**“93.226** Every corporation shall transmit to each member, each year, a certificate indicating the total amounts paid as participation since becoming a member thereof and the percentage of its participation in the capital.

**“93.227** In the case of the winding-up, dissolution, resignation of a member or of its expulsion from the federation to which the

corporation is related, the member may apply for the reimbursement of his participation in the capital.

Except in the case of the winding-up or dissolution of a corporation, the reimbursement of the participation of a member in the capital shall correspond to the lesser of the following amounts:

- (1) the total amount paid as participation;
- (2) the amount obtained by multiplying the surplus of the assets of the corporation over its liabilities by the percentage of the participation of the member in the capital.

The application for the reimbursement of a member shall be made by means of a written notice transmitted to the corporation not later than ninety days before 31 December of the current year.

No reimbursement may be made before the following 1 January.

#### “DIVISION IV

##### “MEMBERS

**“93.228** The mutual insurance associations that are members of a federation are members of the guarantee fund corporation to which the federation is related. They shall remain members of the corporation as long as they remain members of the federation.

#### “DIVISION V

##### “BOARD OF DIRECTORS

**“93.229** A guarantee fund corporation shall be administered by a board of directors consisting of not fewer than seven persons appointed by the board of directors of the federation to which the corporation is related.

In no case may the following persons act as directors:

- (1) a minor;
- (2) an interdicted person, a person of unsound mind declared incapable by a court, even a court of another jurisdiction;
- (3) an undischarged bankrupt.

**“93.230** The first directors shall be appointed at the first meeting of the first board of directors of the federation.

Within thirty days of the meeting, the federation shall transmit to the Inspector General a list of the appointed directors containing their surnames, given names, addresses and occupations.

**“93.231** The president of the federation shall fix the date of the first meeting of the board of directors.

At its first meeting, the board of directors shall adopt the internal management by-laws of the corporation and shall appoint the first auditor.

Within thirty days of the meeting, the corporation shall transmit the name and address of the auditor to the Inspector General.

**“93.232** The directors shall elect the president and vice-president of the corporation and any other senior officer whose election is provided for in the internal management by-laws.

**“93.233** The board of directors shall meet at such intervals and according to such modalities as may be provided in the internal management by-laws of the corporation. Subject to the internal management by-laws, every meeting shall be called by a notice given at least five days before the date fixed for the holding of the meeting.

**“93.234** The term of office of a director is three years unless he is replaced before the expiry of his term by the board of directors of the federation.

**“93.235** Notwithstanding the expiry of his term, a director shall remain in office until he is reappointed or replaced by the board of directors of the federation.

**“93.236** Any vacancy occurring during the term of office of a director shall be filled by the board of directors of the federation for the remainder of his term.

**“93.237** The total amount of remuneration that may be paid to the directors for a specified period shall be fixed by the board of directors of the federation. No director may be remunerated as such before a resolution to that effect is passed by the board.

**“93.238** Any director having a direct or indirect interest in an undertaking with which the corporation does or proposes to do business shall, under pain of forfeiture of office, disclose his interest and abstain from participating in any decision concerning the association or undertaking in which he has an interest.

**“93.239** A guarantee fund corporation shall assume the defence of its directors or officers prosecuted by a third person for an act done in the performance of their duties and shall pay damages, if any, resulting



from that act, unless they have committed a grievous offence or a personal offence separable from the performance of their duties.

Notwithstanding the foregoing, in a penal or criminal proceeding the corporation shall assume only the payment of the expenses of its directors or officers if they had reasonable grounds to believe that their conduct was in conformity with the law or if they have been freed or acquitted.

A corporation shall assume the expenses of its directors and officers if, having prosecuted them for an act done in the performance of their duties, it loses its case and the court so decides.

If the corporation wins its case only in part, the court may determine the amount of the expenses it shall assume.

#### “DIVISION VI

##### “ASSESSMENT

**“93.240** A corporation may, for each fiscal year, fix and collect from its members an assessment which the members are required to pay.

**“93.241** The amount of the assessment shall be established for each member on the basis of reports that each of them is required to submit to the corporation in the form and tenor and at the intervals that the corporation may determine by by-law.

A corporation may also provide by by-law the terms and conditions governing the payment of the assessment.

#### “DIVISION VII

##### “POWERS AND DUTIES

**“93.242** A corporation may, in the pursuit of its objects,

- (1) make loans and grants to its members;
- (2) guarantee the repayment of an advance or a loan granted to a member;
- (3) enter into an agreement with a member to manage its affairs during a specified period;
- (4) act as the provisional administrator of a member for the purposes of Chapter X of Title IV;

(5) acquire the assets of a member;

(6) act as the liquidator or sequestrator of a member;

(7) pay rebates to the members out of its accumulated surplus, in proportion to their participation in the capital.

**“93.243** Every corporation shall within three years after the assets of a member are liquidated and on presentation of the proper documents by an insured person, pay the balance

(1) on any debt dependent upon the realization, before the winding-up or dissolution, of the risk assumed by the member;

(2) on any debt of an insured person for the recovery of the value of its policies or for the repayment of premiums paid in respect of risks no longer covered following the winding-up or dissolution of the member.

The corporation is bound by that obligation only towards an insured person who has filed a valid claim with the liquidator or, as the case may be, the Public Curator.

**“93.244** A corporation may, to provide assistance to a member, acquire from the latter shares that the mutual insurance association may redeem. Notwithstanding section 93.52, the corporation may at all times, obtain the repayment of its preferred shares.

The amount of the shares so repaid or redeemed in a year shall, however, be limited to one of the following amounts, whichever is less:

(1) the balance of the non-redeemed preferred shares;

(2) 50 % of the net profit of the member in the fiscal year;

(3) the amount greater than the amount by which the assets of the member exceeds its liabilities, required under section 275.

**“93.245** A corporation may, when making a loan or grant to a member or when purchasing the preferred shares of a member, determine the measures that the member will be required to take to correct certain of its financial and administrative practices.

## “DIVISION VIII

### “INVESTMENTS

**“93.246** Subject to section 93.244, no corporation may make investments other than those contemplated in this division.

**“93.247** A corporation may acquire and hold bonds or other evidences of indebtedness

- (1) issued or guaranteed by Québec or Canada;
- (2) issued by a corporation, commission or association of which at least 90 % of the shares, capital or property form part of the public domain of Québec;
- (3) issued by a municipal or school corporation of Québec;
- (4) secured by the transfer to a trustee of an undertaking of Québec to pay sufficient annual subsidies for the payment of interest and capital on their respective maturity dates;
- (5) issued by a public authority having as its object the operation of a public service and empowered to impose a tariff for the service.

**“93.248** A corporation may acquire and hold bonds or other evidences of indebtedness issued by a corporation incorporated in Canada and carrying on business in Québec

- (1) if they are secured by privilege or first hypothec on real estate or equipment or by pledge of evidences of indebtedness admissible as investments under this division;
- (2) if they are secured by first privilege on equipment and if the corporation has paid in full the interest on its other debts during the ten years preceding the acquisition; or
- (3) if the common shares of the corporation are listed on a recognized Canadian Stock Exchange and if the corporation, during each of the five years preceding the acquisition, has earned and paid on its common shares a dividend at least equal to 4 % of their book value.

**“93.249** A corporation may acquire and hold fully paid preferred shares issued by a corporation incorporated in Canada and carrying on business in Québec

- (1) if the corporation which issued the shares has, in each of the five years preceding the acquisition, earned and paid on the issued and non-redeemed preferred shares a dividend at least equal to the rate specified for the shares;
- (2) if the corporation has, in each of the five years preceding the acquisition, earned and paid on its common shares a dividend of at least 4 % of their book value; and
- (3) if the preferred shares are listed on a recognized Canadian Stock Exchange.

**“93.250** A corporation may acquire and hold fully paid common shares issued by a corporation incorporated in Canada and carrying on business in Québec if the shares are listed on a recognized Canadian Stock Exchange and if the corporation which issued the shares has, in each of the five years preceding the acquisition, earned and paid on its common shares a dividend of at least 4% of their book value.

**“93.251** A corporation may acquire and hold claims secured by hypothecs on real estate situated in Québec

(1) if payment of the capital and interest on the claims is guaranteed or insured by Québec or Canada;

(2) if the hypothec is a first hypothec and if the amount of the claim does not exceed 75% of the value of the real estate which secures payment thereof; or

(3) if the hypothec is a first hypothec and if the amount by which the value of the real estate securing the payment of the claim exceeds 75% of such value, is guaranteed or insured by Québec, Canada, the Canada Mortgage and Housing Corporation, the Société d'habitation du Québec or a hypothecary insurance policy issued by an insurance company holding a licence issued under this Act.

**“93.252** A corporation may, to secure payment in whole or in part of any sum payable to it, acquire the real estate securing the payment thereof. However, the corporation shall dispose of the real estate so acquired within seven years unless the Inspector General grants it an extension.

**“93.253** A corporation may make deposits with a bank or a registered institution within the meaning of the Deposit Insurance Act (R.S.Q., chapter A-26).

**“93.254** No corporation may, in exercising the powers conferred on it by this division,

(1) invest more than 25% of its assets in investments contemplated in sections 93.249 and 93.250;

(2) acquire more than 5% of the shares of the same corporation.

Furthermore, no corporation may acquire shares, bonds or other evidences of indebtedness of a corporation which has failed to pay the prescribed dividends on its shares or the interest on its bonds or other evidences of indebtedness except in the case of preferred shares issued by one of its members.

## "DIVISION IX

## "BOOKS, AUDIT AND ANNUAL REPORT

**"93.255** A corporation shall keep and maintain at its head office

- (1) its articles and by-laws;
- (2) the minutes of the meetings of the board of directors and of the executive committee, where such is the case; and
- (3) a register containing the surnames, given names, addresses and occupations of the directors.

The members of the corporation may consult the articles and by-laws of the corporation and the register at the head office of the corporation during regular business hours.

**"93.256** Every corporation shall keep the books recording the nature of its operations in accordance with generally recognized accounting principles.

**"93.257** The fiscal year of a corporation shall correspond to that of the federation to which it is related.

**"93.258** Every corporation shall cause its books and accounts to be audited every year by an external auditor.

**"93.259** If a corporation fails to cause its books and accounts to be audited, the Inspector General may appoint an auditor and fix the remuneration that the corporation is required to pay to the appointed auditor.

**"93.260** The auditor shall have access to all the books, registers, accounts and other records of the corporation, and every person having the custody thereof shall facilitate his examination of them.

He may also require from the directors and employees the information and explanations necessary for the carrying out of his duties.

**"93.261** The accounts of a corporation shall be cut off at the close of the fiscal year and the board of directors shall prepare, within the two ensuing months, an annual report showing, in particular,

- (1) the participation of each member in the capital;
- (2) the surnames, given names, addresses and occupations of the directors;
- (3) the balance sheet, the income statement, the statement of changes in financial position and the statement of surplus;

(4) the auditor's report.

The corporation shall, as soon as possible, transmit to its members a copy of the annual report.

**"93.262** The corporation shall, as soon as possible, transmit a copy of its annual report to the federation to which it is related.

#### "DIVISION X

##### "STATEMENT OF OPERATIONS AND INSPECTIONS

**"93.263** Every corporation shall, before 1 March each year, file with the Inspector General, in such form as he may determine, a statement of operations for the last fiscal year.

**"93.264** The statement of operations shall show the financial position of the corporation and include the information and documents which must accompany the annual report and any information required by the Inspector General.

**"93.265** The statement of operations shall be certified under oath by at least two directors of the corporation and be accompanied with the report of the auditor to the Inspector General indicating the scope of his audit and stating his opinion on the financial position of the corporation.

**"93.266** The Inspector General shall inspect or cause to be inspected the affairs of a corporation at least once every three years or whenever he considers such an inspection necessary for the protection of the members.

**"93.267** Every person who inspects the affairs of a corporation shall, at all times, have access to its books, registers, accounts and other records, and every person having the custody thereof shall facilitate his examination of them. The person may make copies of all the documents.

He may also require from the directors and the employees the information and explanations necessary for the carrying out of his duties.

**"93.268** The Inspector General may, at all times, require the filing by the corporation of any report or statement.

#### "DIVISION XI

##### "PROVISIONAL ADMINISTRATION AND WINDING-UP

**"93.269** The Inspector General or, at his request or if he is absent or unable to act, any person designated by the Minister may, following an inspection made in accordance with this Act or the filing of any report

or statement or pursuant to the request of one-third of the members of a corporation, provisionally assume the administration thereof for a period of seven working days if he has reason to believe

(1) that the assets have been misappropriated or if he finds that there is an inexplicable deficiency in the assets;

(2) that the assets are insufficient to provide effective protection of the members;

(3) that the capital has been broken into otherwise than in the case of the winding-up or dissolution of a member;

(4) that there has been a grievous offence, especially malfeasance or breach of trust by one or more directors, or that the board has been seriously remiss in the performance of the obligations imposed on it by this Act or engages in administrative practices which endanger the rights of the members.

The provisional administrator may authorize the persons he designates to exercise such duties as he may determine.

**“93.270** The provisional administration of a corporation shall entail the provisional administration of the federation to which it is related.

The provisional administrator of the corporation shall assume the administration of the federation.

**“93.271** After receiving the report provided for in section 386, the Government may, in respect of both the guarantee fund corporation and the federation, decide to

(1) cancel the suspension of the directors;

(2) order the board of directors of the federation to replace the directors of the corporation;

(3) order the winding-up, on the conditions it determines, and appoint a liquidator;

(4) order the provisional administrator to prolong his administration for the period determined by the Minister;

(5) terminate the provisional administration.

Every order made under this section shall be the object of a notice published as soon as possible in the *Gazette officielle du Québec*.

**“93.272** The members of a corporation shall be notified by the liquidator, as soon as possible, of the Government’s decision to order the winding-up of the corporation.

**“93.273** The winding-up of a corporation shall entail the winding-up of the federation to which it is related and of the investment fund of that federation.

The liquidator of the corporation shall assume the winding-up of the federation to which it is related as well as the winding-up of the investment fund of that federation and according to the same rules.”

**7.** The heading of Chapter IV of Title III of the said Act is replaced by the following heading:

“INCORPORATION AND ADMINISTRATION  
OF MUTUAL BENEFIT ASSOCIATIONS”.

**8.** The heading of Division I of Chapter IV of Title III of the said Act is replaced by the following heading:

“INCORPORATION”

**9.** Sections 95 and 96 of the said Act are replaced by the following sections:

**“95.** The Minister may, after obtaining the advice of the Inspector General, authorize the incorporation of a mutual benefit association.

**“96.** A minimum of 500 persons are required to sign a memorandum of incorporation of a mutual benefit association, in duplicate and before witnesses.”

**10.** Section 97 of the said Act is repealed.

**11.** Section 98 of the said Act is replaced by the following section:

**“98.** The memorandum of incorporation shall give all the information prescribed by regulation of the Government and specify the corporate name of the contemplated association, the place of its head office, the surnames, given names, occupations and residences of the signatories and of the person provisionally designated as secretary for the filing of copies of the memorandum with the Inspector General and the calling of the organizing meeting provided for in section 104, the mode and procedure of calling such meeting, and the fields of activity in which it is to provide coverage.



The memorandum shall be accompanied with the documents prescribed by regulation of the Government.

In addition, the memorandum shall be accompanied with specifications regarding the tariffs to be applied and the indemnities to be paid, and such specifications shall, moreover, be certified to conform to actuarial principles in a certificate bearing the signature of an actuary."

**12.** Section 101 of the said Act is amended by replacing the word "formation" in the second line of the second paragraph by the word "incorporation".

**13.** Section 102 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Upon the publication of the notice, the mutual benefit association shall be a corporation."

**14.** Section 103 of the said Act is replaced by the following section:

**"103.** Publication of the notice is proof of the incorporation and existence of the association as well as of its corporate name."

**15.** Sections 106 to 108 of the said Act are replaced by the following sections:

**"106.** The corporate name of a mutual benefit association must not be susceptible of confusion with that of another association, company or corporation.

It must always include the words "mutual benefit association".

This section does not apply to corporations incorporated before 20 October 1976.

**"107.** Only mutual benefit associations may use in their corporate names or in carrying on their activities the words "mutual benefit association", except to the extent determined by regulation of the Government.

**"108.** No mutual benefit association shall in carrying on its business use a corporate name other than that assigned to it in the memorandum, unless it has been changed under section 121, in which case it shall use only its new corporate name."

**16.** Sections 110 and 112 of the said Act are repealed.

**17.** Section 125 of the said Act is amended by replacing the third paragraph by the following paragraph:

“The association shall also indicate the date, time and place of its annual meeting in prominent and conspicuous type on all premium or assessment notices it sends its members.”

**18.** Section 129 of the said Act is repealed.

**19.** Section 145 of the said Act is amended by replacing subparagraphs *b* and *c* of the first paragraph by the following subparagraph:

“(b) a register of all the policies issued by the association including the surname, given name, address and age of each member.”

**20.** Division IX of Chapter IV of Title III of the said Act, comprising sections 146 to 163, is repealed.

**21.** Sections 178 and 179 of the said Act are replaced by the following sections:

“**178.** Mutual insurance associations may amalgamate. The same applies to mutual damage-insurance companies.

“**179.** Mutual insurance associations may be converted into mutual damage-insurance companies and conversely.”

**22.** Section 180 of the said Act is repealed.

**23.** Section 186 of the said Act is amended by replacing subparagraph *h* of the first paragraph by the following subparagraphs:

“(h) in the case of mutual insurance companies and mutual benefit associations, the number of members of each and the amounts and kind of insurance they have contracted with each or, as the case may be, the payments or other guaranteed benefits;

“(h.1) in the case of mutual insurance associations, the name of the federation with which the mutual insurance association resulting from the amalgamation shall be affiliated, the number of common shares subscribed in each amalgamating mutual insurance association, the price of each share and the modalities of their conversion into common shares of the mutual insurance association resulting from the amalgamation;”.

**24.** Section 194 of the said Act is amended by replacing paragraph *g* of the second paragraph by the following paragraphs:

“(g) if the new corporation is to be a mutual insurance company or a mutual benefit association, the number of members of the corporation and the amount of insurance they are to subscribe to the

corporation or, as the case may be, the payments or other guaranteed benefits;

“(h) if the new corporation is to be a mutual insurance association, the number of members, the amount of the capital stock necessary to finance the operations of the association and to maintain an excess amount of assets over liabilities equal to or greater than the amount required under section 275, and the name of the federation that has undertaken to admit the association as a member.”

**25.** Section 196 of the said Act is amended by replacing the second paragraph by the following paragraph:

“In the case of a joint stock company, the majority required by the first paragraph shall be expressed in terms of the value of the shares represented by the shareholders present.”

**26.** Section 200.3 of the said Act is amended by replacing subparagraph *g* of the second paragraph by the following subparagraph:

“(g) in the case of a mutual insurance company, the number of members of the company and the amount of insurance, payments or other guaranteed benefits.”

**27.** Section 205 of the said Act, amended by section 42 of chapter 22 of the statutes of 1984, is again amended by adding, after subparagraph *k* of the first paragraph, the following subparagraph:

“(l) the amount and number of subscribed and paid common shares and preferred shares, if any .”

**28.** Section 210 of the said Act, amended by section 43 of chapter 22 of the statutes of 1984, is again amended by replacing the first paragraph by the following paragraph:

“**210.** Every corporation, other than a mutual insurance association, that applies for a licence shall meet the requirements for the incorporation of an insurance company in Québec.”

**29.** Section 223 of the said Act is replaced by the following section:

“**223.** No insurer, other than a mutual insurance association, may assume liability for a fire risk unless it reinsures with another insurer any fraction of it exceeding 10 per cent of its capital and surplus.”

**30.** Section 224 of the said Act is replaced by the following section:

**“224.** Every insurer, other than a mutual insurance association, applying for a licence or the renewal of a licence shall deposit with the Minister of Finance the amount provided for in this division as security for the carrying out of the insurance contracts issued by him in Québec.”

**31.** Section 228 of the said Act is repealed.

**32.** Section 245 of the said Act is amended by replacing the words “mutual association” in the first line of the second paragraph by the words “mutual benefit association”.

**33.** The said Act is amended by inserting, after section 245, the following section:

**“245.1** A mutual insurance association may invest in the investment fund of the federation of which it is a member, any amount which exceeds the minimum excess amount of assets over liabilities that it is required to maintain under section 275. It may also participate in the capital of a mutual reinsurance association of which it is a member.

In no case may an investment made under the first paragraph result in reducing the liquid assets of the association to an amount that is below the amount established in accordance with the written directives of the Inspector General.

The participation of a mutual insurance association in a guarantee fund corporation constitutes an investment for an amount equal to the lesser of the two amounts contemplated in subparagraphs 1 and 2 of the second paragraph of section 93.227.

Any other investment by a mutual insurance association shall be made in conformity with the rules governing the investment of the property of others provided in the Civil Code.”

**34.** Section 275.2 of the said Act is replaced by the following section:

**“275.2** No insurer transacting damage insurance may declare dividends or interest on its shares, as the case may be, if payment thereof causes its assets to cease to meet the requirements of section 275.”

**35.** The said Act is amended by adding, after section 275.2, the following section:

**“275.3** Every mutual insurance association shall maintain sufficient liquid assets to meet the liquidity ratio established in accordance with the written directives of the Inspector General.”

**36.** Section 278 of the said Act is repealed.

**37.** Section 290 of the said Act is amended by striking out the word "life" in the first line.

**38.** Section 291 of the said Act is amended by inserting, after the word "insurer", in the first line, the words ", other than a mutual insurance association,".

**39.** Section 293 of the said Act is amended by replacing the second paragraph by the following paragraphs:

"A federation of mutual insurance associations shall cause the books and accounts of its members to be carried out only by persons who are members of a professional corporation of accountants mentioned in the Professional Code (R.S.Q., chapter C-26).

In no case, however, may the auditor be a director, a mandatary, an employee or a member of the mutual insurance association of which he is performing the audit nor a director or a mandatary of the federation or guarantee fund corporation of which the mutual insurance association of which he is performing the audit is a member."

**40.** Section 301 of the said Act is amended by replacing the second paragraph by the following paragraph:

"The participating policy holders, the members of mutual insurance companies and the members of mutual insurance associations are entitled, in the same manner as the shareholders, to examine the annual report."

**41.** Section 307 of the said Act is amended

(1) by replacing subparagraph *h* of the first paragraph by the following subparagraph:

"(*h*) the amount of the assessments and of the sums paid on the assessments;"

(2) by adding, after subparagraph *i* of the first paragraph, the following subparagraph:

"(*j*) the amount of the common shares and the amount of the preferred shares subscribed and paid."

**42.** Section 309 of the said Act is amended by replacing the fourth paragraph by the following paragraph:

"The report is required from mutual benefit associations at such times as may be determined by regulation of the Government."

**43.** Section 326 of the said Act is amended by replacing subparagraph *b* of the first paragraph by the following subparagraphs:

“(b) to the directors or members of a mutual benefit association acting on behalf of the association;

“(c) to the directors or members of a mutual insurance association who, before (*insert here the date of coming into force of the Act to amend the Act respecting insurance and other legislation*), were acting on behalf of a mutual fire-insurance association.”

**44.** Section 349 of the said Act is amended by replacing subparagraph *g* of the first paragraph by the following subparagraph:

“(g) the directors, officers and paid members of the staff of mutual insurance associations when they act as claims adjusters in the performance of their duties.”

**45.** Section 378 of the said Act is amended by replacing the words “mutual association” in the first line of subparagraph *c* of the first paragraph by the words “mutual benefit association”.

**46.** Section 406 of the said Act is amended by adding, after subparagraph *p* of the first paragraph, the following subparagraph:

“(q) being a director, authorizes the repayment of common shares or the redemption or repayment of preferred shares in contravention of sections 93.46 and 93.53.”

**47.** Section 420 of the said Act is amended

(1) by striking out subparagraph *p* of the first paragraph;

(2) by adding, after the words “insurance company” at the end of subparagraph *ac* of the first paragraph, the words “or a mutual insurance association”;

(3) by adding, after subparagraph *ae* of the first paragraph, the following subparagraphs:

“(af) prescribe the duties exigible for the incorporation and for the amendment of the articles of a mutual insurance association, a federation of mutual insurance associations or a guarantee fund corporation;

“(ag) prescribe the documents and information that are required in support of a petition for incorporation or of an application for amendment to the articles of a mutual insurance association, a federation of mutual insurance associations or a guarantee fund corporation;

“(ah) prescribe the date or dates when a mutual benefit association is required to transmit the report of the actuary provided for in section 309;

“(ai) determine the investment that may be made out of the investment fund of a federation of mutual insurance associations, the intervals and mode of valuation of the fund and the financial disclosure requirements to participating members;

“(aj) prescribe any document that must accompany the articles of incorporation or of amendment of a mutual insurance association, of a federation of mutual insurance associations or of a guarantee fund corporation.”

#### TRANSITIONAL AND FINAL PROVISIONS

**48.** Subject to section 49, every mutual fire-insurance association and every mutual company of insurance against fire, lightning and wind that is a member of the Fédération des mutuelles d’incendies inc., a corporation incorporated on 25 November 1970 by letters patent issued under Part III of the Companies Act (R.S.Q., chapter C-38), on the day of the coming into force of this Act, or which becomes a member of the said federation between that day and the day of continuance of the Fédération des mutuelles d’incendie inc. as a federation of mutual insurance associations, must remain a member of the Fédération des mutuelles d’incendie inc. until the day preceding the continuance.

**49.** Until (*insert here the date occurring 59 days after the date of coming into force of this Act*), every mutual fire-insurance association and every mutual company of insurance against fire, lightning and wind that is a member of the Fédération des mutuelles d’incendie inc. on the day of coming into force of this Act may hold a general meeting for any of the following purposes:

(1) to submit to its members a draft by-law for the continuance of the association or company as a mutual insurance association and providing for the affiliation of the mutual insurance association with a federation of mutual insurance associations to be established; the by-law requires confirmation by two-thirds of the members present at the meeting;

(2) to submit to its members a draft by-law for the conversion of the association or company into a mutual damage-insurance company governed by sections 87 to 93.1 of the Act respecting insurance.

Within ten days of the passing of a by-law contemplated in subparagraph 1 or 2 of the first paragraph, the association or company, as the case may be, shall send a copy of the by-law to the Fédération

des mutuelles d'incendie inc. and, from the date on which the copy is received, the association or company, as the case may be, shall cease to be a member of the Fédération des mutuelles d'incendie inc.

**50.** Every mutual fire-insurance association and every mutual company of insurance against fire, lightning and wind that is not a member of the Fédération des mutuelles d'incendie inc. on the day of the coming into force of this Act, shall, not later than (*insert here the date occurring 119 days after the date of coming into force of this Act*), hold a general meeting for any of the following purposes:

(1) to submit to its members a draft by-law for the purposes of affiliating with the Fédération des mutuelles d'incendie inc. and providing for its continuance as a mutual insurance association;

(2) to submit to its members a draft by-law for the continuance of the association or company as a mutual insurance association and providing for its affiliation with a federation of mutual insurance associations to be established; the by-law requires confirmation by two-thirds of the members present at the meeting;

(3) to submit to its members a draft by-law for the conversion of the association or company into a mutual damage-insurance company governed by sections 87 to 93.1 of the Act respecting insurance;

(4) to propose to its members the winding-up of the association or company.

**51.** No meeting contemplated in section 49 or section 50 may be ordered except by the board of directors of the association or company.

Furthermore, in no case may the board of directors hold a meeting for any of the purposes contemplated in section 49 or in paragraph 2 or 3 of section 50 unless it is authorized to do so by the Inspector General.

The Inspector General shall authorize the calling of such a meeting if he considers that the intended purpose is expedient and meets the needs of the members.

**52.** The Minister may exempt an association or company from holding the meeting provided for in section 50 if, on (*insert here the date of tabling of this bill*),

(1) the association or company has already adopted a memorandum of amalgamation with a mutual fire-insurance association or is in the process of being wound up;

(2) in the case of a company, if it has already adopted a by-law for its conversion into a mutual fire-insurance association.



Notwithstanding the foregoing, if the mutual fire-insurance association resulting from the amalgamation contemplated in subparagraph 1 of the first paragraph or resulting from the conversion contemplated in subparagraph 2 of the first paragraph is not a member of the Fédération des mutuelles d'incendie inc., it shall hold the meeting provided for in section 50 within the time limit and on the conditions determined by the Minister.

**53.** A mutual fire-insurance association or a mutual company of insurance against fire, lightning and wind may, at all times, decide to wind up in accordance with the relevant sections of the Act respecting insurance in force on the day preceding the day of coming into force of this Act.

In no case, however, may such an association or company adopt a memorandum of amalgamation or a conversion by-law pursuant to sections 187 and 195 of the said Act from (*insert here the date of introduction of this bill*).

**54.** Any association or company whose members have passed a by-law contemplated in paragraph 1 of section 50 before the continuance of the Fédération des mutuelles d'incendie inc. as a federation of mutual insurance associations shall, within ten days of the passing of the by-law, send a notice to that effect to the Fédération des mutuelles d'incendie inc. and to the Inspector General.

**55.** An association or a company becomes a member of the Fédération des mutuelles d'incendie inc., where it passes a by-law contemplated in paragraph 1 of section 50.

If, however, the by-law is passed after the continuance of the Fédération des mutuelles d'incendie inc. as a federation of mutual insurance associations, the association or company shall become a member of the federation only from the day of its continuance as a mutual insurance association.

**56.** Every association or company whose members pass a by-law contemplated in paragraph 1 of section 50 after (*insert here the date occurring 89 days after the date of coming into force of this Act*) or a by-law contemplated in subparagraph 1 of section 49 or paragraph 2 of section 50, shall apply to the Inspector General for its continuance as a mutual insurance association within ten days of the date of the passing of the by-law.

**57.** An application under section 56 shall be accompanied with the articles of continuance which are to be filed with the Inspector General

in duplicate signed by the director authorized by the by-law of the association or company.

**58.** The articles of continuance shall set out

- (1) the corporate name of the continued mutual insurance association;
- (2) the judicial district in which its head office is located in Québec;
- (3) the classes of damage insurance contemplated.

**59.** The articles may contain any provision that may be adopted by by-law by a mutual insurance association pursuant to the Act respecting insurance.

**60.** The articles shall be accompanied with

- (1) a list of the directors of the mutual insurance association containing their surnames, given names, addresses and occupations;
- (2) a notice of the name and address of the auditor;
- (3) any other document required by the Inspector General.

**61.** In the case of an application for continuance following the passing of a by-law contemplated in subparagraph 1 of section 49 or in paragraph 2 of section 50 by the members of an association or company, an application for the incorporation of the federation contemplated in the by-law, accompanied with an application for the incorporation of a guarantee fund corporation, shall be transmitted to the Inspector General not later than (*insert here the date occurring 69 days after the date of coming into force of this Act*) in the case contemplated in subparagraph 1 of section 49, or on (*insert here the date occurring 129 days after the date of coming into force of this Act*) in the case contemplated in paragraph 2 of section 50.

For the application of the first paragraph, the applicants are deemed to be mutual insurance associations.

**62.** The Inspector General may, if the Minister has already authorized the incorporation of a federation contemplated in section 61, grant an application for continuance.

For that purpose, the Inspector General shall:

- (1) enter on each copy of the articles the words “mutual fire-insurance association continued as a mutual insurance association” or

the words “mutual company of insurance against fire, lightning and wind continued as a mutual insurance association”;

(2) establish, in duplicate, a certificate of continuance in accordance with section 63;

(3) register one duplicate of the certificate and articles and the accompanying documents;

(4) send the other duplicate of the certificate and articles to the applicant;

(5) send one copy of the certificate, articles and accompanying documents to the federation;

(6) publish a notice of the issue of the certificate in the *Gazette officielle du Québec*.

**63.** The certificate attests the continuance, on the date indicated therein, of the association or company as a mutual insurance association.

The articles of continuance are deemed to be the articles of the continued mutual insurance association.

**64.** The rights, obligations and deeds of the association or company and of its members are not affected by the continuance.

**65.** Every continued mutual insurance association shall carry on its activities in the territory where it was authorized to do so before its continuance until the federation of which it is a member establishes its territory in accordance with section 93.163 of the Act respecting insurance.

**66.** Every person insured with an association or company immediately before its continuance may remain a member of the association without holding common shares, as long as any policy he held immediately before the continuance is in force.

**67.** Every insurance policy in force on the date of continuance or conversion of a mutual fire-insurance association or mutual company of insurance against fire, lightning and wind established by individuals in a parish or local municipality as or into a mutual damage-insurance company shall remain in force until the date of its expiry.

No assessment may, however, be ordered on subscription notes from the date of continuation or conversion.

**68.** Every person insured by a mutual company of insurance against fire, lightning and wind established by a municipal council before it is continued as a mutual insurance association or converted into a mutual damage-insurance company shall remain insured for a period of six months from the continuance or conversion.

Within ten days of the publication of the notice of issue of the certificate of continuance as a mutual insurance association or of the notice confirming the by-law for the conversion of a mutual company of insurance against fire, lightning and wind established by a municipal council into a mutual damage insurance company, the association or company, as the case may be, shall issue an insurance certificate in respect of each insured person, indicating, in particular, the name of the insured, the nature of the risk, the object, the period of validity, the amount of coverage guarantee and the conditions of the insurance subscribed.

The tax levied under section 12 of the Act respecting certain mutual companies of insurance against fire, lightning and wind (R.S.Q., chapter C-39) before the continuance or the conversion shall be paid to the mutual insurance association or, as the case may be, to the mutual damage-insurance company.

**69.** The amounts which, immediately before the continuance or the conversion, make up the reserve contemplated in section 278 of the Act respecting insurance in force on the day preceding the coming into force of this Act, are deemed to form part of the surplus accumulated on the date of continuance or conversion.

Any surplus accumulated on the date of the continuance or conversion may be divided only in the case of dissolution or winding-up of the mutual insurance association or of the mutual damage-insurance company.

If the dissolution or winding-up of the mutual insurance association or mutual damage-insurance company occurs less than five years after its continuance or conversion, the surplus shall be distributed to the members and to the persons who were members during the five years preceding the publication of the notice of dissolution or winding-up, except those who have become members after the continuance or conversion and who ceased to be members before the publication of the notice of dissolution or winding-up.

**70.** The petition that must be submitted to the Minister under section 198 of the Act respecting insurance to request him to confirm a by-law contemplated in subparagraph 2 of section 49 or in paragraph 3 of section 50 shall be submitted within ten days of the passing of the by-law.

**71.** Chapter V of Title III of the Act respecting insurance, adapted as required, applies to the conversion of a mutual fire-insurance association or a mutual company of insurance against fire, lightning and wind into a mutual damage-insurance company.

**72.** A mutual fire-insurance association or a mutual company of insurance against fire, lightning and wind may be converted into a mutual damage-insurance company and an insurer's licence may be issued to the company notwithstanding the fact that the company disposes of a capital of less than \$3 000 000, if the association or company has been granted an exemption to that effect from the Inspector General before the conversion.

The exemption contemplated in the first paragraph is valid for five years from the date of the letters patent and is not renewable.

**73.** Any mutual fire-insurance association or mutual company of insurance against fire, lightning and wind that applies for an exemption under the first paragraph of section 71, shall file with the Inspector General a development plan supported with a five-year projection with a clear statement of the assumptions used in the computations.

**74.** The Inspector General may grant the exemption on the conditions he determines if he satisfied that the plan shows that the mutual damage-insurance company resulting from the conversion will likely be in a position to dispose of a capital of \$3 000 000 within five years.

The Inspector General shall notify his decision to the association or company and to the Minister.

**75.** Between *(insert here the date occurring 89 days after the date of coming into force of this Act)* and *(insert here the date occurring 120 days after the date of coming into force of this Act)*, the board of directors of the Fédération des mutuelles d'incendie inc. shall apply to the Inspector General, by petition, to request

(1) the continuance of the federation as a federation of mutual insurance associations governed by the Act respecting insurance;

(2) the incorporation of a guarantee fund corporation governed by the Act respecting insurance.

**76.** The petition shall be accompanied with the articles of continuance of the federation and the articles of incorporation of the guarantee fund corporation.

The articles of continuance and the articles of incorporation shall be filed in duplicate with the Inspector General.

**77.** The application and each duplicate of the articles must be signed by the director authorized by a resolution of the federation.

**78.** The articles of continuance of the federation shall set out

- (1) its corporate name;
- (2) the judicial district in which its head office is located in Québec;
- (3) the names of the mutual fire-insurance associations or mutual companies of insurance against fire, lightning and wind that are members of the federation on (*insert here the date occurring 89 days after the date of coming into force of this Act*), except the names of associations or companies for which the federation has not, on that date, received the notice provided for in section 54.

**79.** The articles of continuance of the federation shall be accompanied with

- (1) a list of the directors containing their surnames, given names, addresses and occupations;
- (2) a notice of the name and address of the auditor;
- (3) a copy of the draft internal management by-laws;
- (4) any other document, voucher and information required by the Inspector General.

**80.** The articles of incorporation of the guarantee fund corporation shall set out:

- (1) its corporate name;
- (2) the judicial district in which its head office is located in Québec;
- (3) the names of the mutual fire-insurance associations or mutual companies of insurance against fire, lightning and wind that are members of the Fédération des mutuelles d'incendie inc. on (*insert here the date occurring 89 days after the date of coming into force of this Act*), except the names of the associations or companies for which the federation has not, on that date, received the notice provided for in section 54.

**81.** The articles of incorporation of the guarantee fund corporation shall be accompanied with:

- (1) a notice indicating the surname, given name and address of the person designated as provisional secretary of the corporation;
- (2) a notice of the mode of and time limit for calling the organizing meeting;
- (3) a notice of the address of the head office;
- (4) a certified copy of each engagement contemplated in section 83;
- (5) a copy of its draft internal management by-laws;
- (6) any other document, voucher and information required by the Inspector General.

**82.** The articles of continuance of the federation and the articles of incorporation of the guarantee fund corporation may contain any other provision that a federation of mutual insurance associations or a guarantee fund corporation, as the case may be, may adopt by by-law under the Act respecting insurance.

**83.** Every association or company mentioned in the articles of continuance of the federation shall undertake in writing to pay to the guarantee fund corporation to be constituted the amount of its participation in the capital of the guarantee fund corporation.

**84.** In no case may the federation be continued nor may the guarantee fund corporation be incorporated if the total amount of the subscribed engagements is less than \$3 000 000.

**85.** If the amount of an engagement contemplated in section 83 exceeds the market value of the securities which constitute the security deposited with the Minister of Finance by the association or company, the association or company shall pay the excess amount to the Fédération des mutuelles d'incendie inc. Once the guarantee fund corporation is incorporated, the federation shall transfer to it the sums that it has thus received. Each association or company shall be released from its engagement towards the guarantee fund corporation up to the amount paid to the federation.

**86.** Upon the continuance of an association or company as a mutual insurance association but after the incorporation of the guarantee fund corporation, the Minister of Finance shall return to each association or company the securities deposited as security.

Within ten days of receiving its securities, each mutual insurance association shall pay to the guarantee fund corporation any amount due under its engagement.

**87.** Upon receiving the petition, the articles of continuance of the federation, the articles of incorporation of the guarantee fund corporation and the required accompanying documents, the Inspector General may, where he considers it advisable, grant the petition.

The second paragraph of section 62 and sections 63 and 64, adapted as required, apply to the continuance of the federation.

Subparagraphs 1, 2, 3, 4 and 6 of the second paragraph of section 93.20 and section 93.21 of the Act respecting insurance, adapted as required, apply to the incorporation of the guarantee fund corporation.

**88.** The Fédération des mutuelles d'incendie inc. continued under this Act is deemed to be incorporated under the Act respecting insurance and the same applies to the guarantee fund corporation that is related to it.

**89.** Subject to their continuance, the mutual fire-insurance associations and the mutual companies of insurance against fire, lightning and wind that are members of the Fédération des mutuelles d'incendie inc. on the day preceding its continuance shall become members of the continued federation.

**90.** Not later than (*insert here the date occurring 119 days after the date of coming into force of this Act*), the board of directors of every mutual fire-insurance association or mutual company of insurance against fire, lightning and wind that is a member of the Fédération des mutuelles d'incendie inc. on (*insert here the date occurring 89 days after the date of coming into force of this Act*) shall, by petition, apply to the Inspector General for the continuance of the association or company, as the case may be, as a mutual insurance association.

Sections 57 to 60 and 62 to 69, adapted as required, apply to the continuance.

**91.** The Minister may, at all times, on the recommendation of the Inspector General, grant an extension or change any date set under this Act on proof that the Fédération des mutuelles d'incendie inc. or one or several mutual fire-insurance associations or mutual companies of insurance against fire, lightning and wind is or are unable, for a reasonable cause beyond its or their control, to comply with the time limits or dates set in section 49, 50, 54, 56, 61, 70, 75 or 90.

The Minister shall publish in the *Gazette officielle du Québec* a notice of every extension or change of date applicable to the Fédération des mutuelles d'incendie inc. or to all the associations or companies.



**92.** Subject to any extension or exemption granted by the Minister under section 52, the Inspector General shall order the winding-up of any mutual fire-insurance association or mutual company of insurance against fire, lightning and wind which, after (*insert here the date occurring 129 days after the date of coming into force of this Act*) finds itself in one of the following situations:

(1) it has failed to apply for continuance as a mutual insurance association;

(2) it has failed to apply for conversion into a mutual damage-insurance company;

(3) it has failed to give notice of its winding-up to the Inspector General.

The decision of the Inspector General ordering the winding-up has the same effect as a decision of the Government ordering a winding-up under subparagraph *c* of the first paragraph of section 388 of the Act respecting insurance.

**93.** Subject to sections 48 to 92 of this Act, the provisions of the Act respecting insurance in force on the day preceding the day of coming into force of this Act, shall continue to apply to the mutual fire-insurance associations and the mutual companies of insurance against fire, lightning and wind.

**94.** The definitions provided in paragraphs *d* and *e* of section 1 of the Act respecting insurance in force on the day preceding the coming into force of this Act shall apply for the purposes of sections 48 to 93 of this Act.

**95.** The Act respecting certain mutual companies of insurance against fire, lightning and wind (R.S.Q., chapter C-39) is repealed.

**96.** Section 3 of the Securities Act (R.S.Q., chapter V-1.1), amended by section 1 of chapter 41 of the statutes of 1984, is again amended by inserting, after paragraph 5, the following paragraph:

“(5.1) a common or preferred share in a mutual insurance association within the meaning of paragraph *d* of section 1 of the Act respecting insurance (R.S.Q., chapter A-32), issued to a member or a person wishing to become a member;”.

**97.** Every provision of the regulations made under the Act respecting insurance remains in force, to the extent that it is consistent with this Act, until it is repealed or until it is amended or replaced by a regulation made under the Act respecting insurance.

**98.** The second paragraph of section 53 has effect from (*insert here the date of introduction of this bill*).

**99.** This Act shall operate notwithstanding the provisions of sections 2 and 7 to 15 of the Constitution Act, 1982 (Schedule B of the Canada Act, chapter 11 in the 1982 volume of the Acts of the Parliament of the United Kingdom).

**100.** This Act comes into force on the date fixed by proclamation of the Government except the provisions excluded by the proclamation, which will come into force on any later dates fixed by proclamation of the Government.