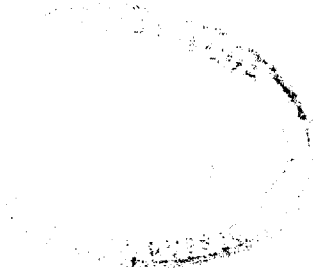
NATIONAL ASSEMBLY

FOURTH SESSION THIRTY-SECOND LEGISLATURE

Bill 75

An Act to amend the Act respecting insurance and other legislative provisions

Introduction



Introduced by
Mr Jacques Parizeau
Minister of Finance

Québec Official Publisher
1984

EXPLANATORY NOTES

The object of this bill is to broaden the powers of insurance companies and adapt the supervision and control measures applicable to those financial institutions.

The bill proposes to authorize companies transacting insurance of persons and general insurance companies to engage in certain activities not related to insurance.

With respect to allowable investments, the bill proposes to abolish the existing qualitative standards and entrust the insurer with a duty to invest or lend its funds as would a prudent and reasonable person.

All investments and loans made by insurers other than mutual associations will be subject to determined quantitative norms but insurers will be authorized to hold shares in any type of subsidiary and, more particularly, in other financial institutions and downstream holdings. Mutual associations, on the other hand, will be required to invest their funds in accordance with the rules on the investment of the property of others set out in the Civil Code.

With respect to financing, the borrowing powers of insurance companies are broadened while their power to hypothecate is restricted but they are authorized to issue debentures. In addition, the restrictions concerning the capital of joint stock companies are abolished except the obligation to issue only fully paid shares. Finally, mutual life insurance companies will henceforth be authorized to issue preferred equity shares.

The bill provides a better definition of the powers of members of mutual life insurance companies and participating policyholders of joint stock life insurance companies. The bill also requires all insurers to set up an auditing committee within their boards of directors and to notify the Inspector General of financial institutions of any resignation, non-renewal of appointment or early dismissal of the auditor or of the actuary responsible for the valuation.

With respect to supervision and control measures, the bill proposes that the formation, amalgamation and continuation of insurance companies as well as any transfer or share issue involving 10% or more of the shares of the company be authorized by the Minister and that the letters patent be issued by the Inspector General of financial institutions.

The bill also provides that the minimum capitalization required henceforth to form an insurance company will be $3 000 000 and that any transfer or issue of shares which will result in increasing the number of shares of an insurance company directly or indirectly held by a person or a related group to more than 50% be notified to the Minister, who will be empowered to prohibit the transaction or authorize it on certain conditions.

Insurance companies incorporated under federal charter or incorporated in another province will be authorized to convert into companies incorporated in Québec if so entitled by the Act under which they were established.

Every insurance company applying for a licence will be required to undertake to comply with the laws of Québec and with its Act of incorporation if it is more restrictive; it will also be required to meet the requirements for the incorporation of an insurance company in Québec. A company whose corporate seat is not in Québec will be required to designate a chief representative who will be the person having the highest authority in Québec.

The bill also increases the powers of the Inspector General upon issuing insurers' licences and at any time thereafter; a licence will be renewable on the same conditions as the original licence and every insurer will be required to maintain up to date all documents and information required for the issue of a licence.

The bill provides that the Government will be authorized to make regulations to set out norms concerning an insurer's assets and liabilities and that the Inspector General will be empowered, notwithstanding the regulations, to issue directives on the excess amount that an insurer will be required to maintain, taking into account the particular structure of that insurer's assets and liabilities. The bill also provides that general insurance companies will be required, as will life insurance companies, to maintain reserves certified by an actuary responsible for the valuation. In addition to the statements required by law, all insurers will be required to furnish, at the request of the Inspector General, any additional statement and information that he considers necessary.

Finally, the bill proposes certain modifications to the powers of the Inspector General of financial institutions in respect of the suspension or cancellation of licences and certain amendments to other legislation under his authority.

ACTS AMENDED BY THIS BILL

— the Act respecting insurance (R.S.Q., chapter A-32)

— the Act respecting the Inspector General of Financial Institutions (R.S.Q., chapter I-11.1)

— the Company Information Act (R.S.Q., chapter R-22)

Bill 75

An Act to amend the Act respecting insurance and other legislative provisions

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

1. Section 1 of the Act respecting insurance (R.S.Q., chapter A-32) is amended

(1) by replacing paragraph *b* by the following paragraph:

"(*b*) "company" or "insurance company": a joint stock company incorporated to transact insurance business and a mutual life-insurance company;";

(2) by adding, at the end, the following paragraph:

"(*t*) "subsidiary": a corporation over fifty per cent of the shares of which are held, directly or indirectly, by a parent company that may, by that fact, elect a majority of its directors."

2. Section 21 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**21.** Letters patent incorporating an insurance company shall not be issued unless the Minister has consented to it after obtaining the advice of the Inspector General."

3. Section 22 of the said Act is replaced by the following section:

"**22.** The application for incorporation of an insurance company must be accompanied with the documents and contain the information prescribed by regulation; the Inspector General may, in addition, request any documents and information he considers necessary for the evaluation of the applicants' plan."

4. Section 23 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**23.** The application must be accompanied with acceptable securities corresponding to fifteen per cent of the capital stock payable under section 27. From the granting of the licence, the securities shall be used to constitute the deposit provided for by this Act."

5. Section 24 of the said Act is replaced by the following section:

"**24.** The application shall be submitted by the Inspector General to the Minister as soon as the applicants have caused to be published in the *Gazette officielle du Québec*, for at least four consecutive weeks, a notice signed by them of their wish to be incorporated. The application must be submitted within six months following the date of that publication.

Such notice must mention:

(*a*) the corporate name of the company;

(*b*) the name, address and occupation of each applicant;

(*c*) the classes of insurance contemplated;

(*d*) the locality in Québec where the company will have its head office;

(*e*) the capital stock envisaged and the capital surplus contemplated."

6. Section 25 of the said Act is replaced by the following section:

"**25.** The Minister may refuse consent to the issue of letters patent if he considers that

(*a*) the plan is not in the public interest;

(*b*) the applicants have not provided evidence that they have complied with this Act and the regulations thereunder;

(*c*) the applicants, the provisional administrators or the proposed officers of the company have not provided evidence that they have the administrative and technical knowledge and competence necessary to command public confidence in transacting the classes of insurance contemplated."

7. Section 26 of the said Act is repealed.

8. Section 27 of the said Act is replaced by the following section:

"**27.** Companies incorporated after (*insert here the date of coming into force of this section*) shall have a combined paid-up capital and surplus capital of not less than $3 000 000."

9. Section 28 of the said Act is replaced by the following section:

"**28.** The capital stock and the surplus capital shall be paid in currency."

10. The said Act is amended by inserting, after section 33, the following chapter:

"CHAPTER I.1

"ADDITIONAL POWERS

"**33.1** Every insurance company incorporated under the laws of Québec may

(*a*) carry on, in respect of annuity contracts administered by it and in respect of insured sums kept by it for the benefit of others, the activities that a trust company may carry on under the Trust Companies Act (R.S.Q., chapter C-41);

(*b*) carry on the activities that a trust company may carry on under the Trust Companies Act and for which it is authorized by the laws of other jurisdictions;

(*c*) provide for the financing of insurance premiums and annuity contributions;

(*d*) offer deposit and custodial and safekeeping services;

(*e*) offer for sale the services of a financial institution;

(*f*) engage in leasing operations;

(*g*) manage immovables;

(*h*) carry on any other activity authorized by the Minister.

"**33.2** Where the Minister authorizes an insurance company to carry on an activity under paragraph *h* of section 33.1, he shall publish his decision in the *Gazette officielle du Québec* within thirty days of its taking.

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

"**33.3** Where an activity other than insurance generates more than two per cent of the gross revenues of a company, the Minister may require the latter to establish a subsidiary to undertake the activity."

11. Section 35 of the said Act is amended by replacing the second paragraph by the following paragraphs:

"In the absence of corresponding provisions in the special Act governing an insurance company, section 88, paragraph 3 of section 89 and sections 89.1 to 89.4 of Part I and the provisions of Part II of the Companies Act, except section 181 and paragraph 3 of section 182, apply, *mutatis mutandis*, to that company, subject to the contrary provisions of this Act.

For the application of this section, the word "shareholder" includes a member of a mutual life-insurance company or a participating policyholder of an insurance company. In addition, where a provision of the Companies Act requires the vote of shareholders representing a fixed proportion of the capital stock of a company, the provision is considered to require the vote of a number of members or participating policyholders of the company equal to the proportion determined in value."

12. Section 36 of the said Act is repealed.

13. Section 37 of the said Act is amended by replacing that part which precedes paragraph *a* by the following:

"**37.** The Minister may authorize the Inspector General to issue letters patent to any insurance company incorporated by a special Act of Québec and which applies therefor:".

14. Sections 40 and 42 of the said Act are repealed.

15. Section 43 of the said Act is amended by replacing the second paragraph by the following paragraphs:

"At the time of a transfer or allotment of shares the effect of which may be to increase the number of shares held directly or indirectly by a person, or a related group within the meaning of section 49, to more than fifty per cent of the issued shares of an insurance company, that person or, in the case of a related group, the person who would hold the greatest number of shares issued by that insurance company, is required to give a prior notice of thirty days to the Inspector General.

For the purposes of the second paragraph, where the shares of the insurance company are held by a corporation, the shareholders of the corporation are deemed to hold a number of shares in the insurance company proportionate to the ratio between the shares they hold in the holding corporation and the shares held by the corporation in the insurance company."

16. Section 44 of the said Act is replaced by the following section:

"**44.** The prior notice provided for in section 43 must indicate the names and addresses of the parties, the number of shares that each wishes to acquire or alienate, and the particulars of such shares.

On receipt of the prior notice, the Inspector General shall make a report to the Minister, who may prohibit the transfer or allotment of shares or authorize it on certain conditions determined by him."

17. Section 45 of the said Act is amended by replacing the second paragraph by the following paragraph:

"This section does not apply to insurance companies in which a percentage of shares greater than the percentages contemplated in the first paragraph were owned by non-residents on 20 October 1976 provided that the percentage is not increased and until such time as it is reduced to the percentages contemplated in subparagraph *a* or *b*, as the case may be."

18. Section 46 of the said Act is replaced by the following section:

"**46.** The board of directors of any corporation contemplated in sections 43 to 45 may require of any person any information necessary for the application of those sections; it may refuse to register the transfer if a person does not give it that information."

19. The said Act is amended by inserting, after section 46, the following section:

"**46.1** No person may exercise the voting rights attached to shares transferred or allotted contrary to sections 43 to 45."

20. Section 47 of the said Act is replaced by the following section:

"**47.** Every person who contravenes section 43 or 45 is liable, in addition to costs, to a fine of $5 000 to $50 000.

Where a corporation is guilty of an offence contemplated in the first paragraph, the director or officer of the corporation who ordered, authorized or advised the commission of the offence or who consented thereto is party to the offence."

21. Section 49 of the said Act is amended by replacing that part which precedes paragraph 1 by the following:

"**49.** For the application of sections 43 to 48:".

22. Sections 51 and 52 of the said Act are repealed.

23. Section 54 of the said Act is amended by replacing the first paragraph by the following paragraphs:

"**54.** The company may, by by-law, determine the minimum and maximum number of directors. In no case, however, may the minimum number of directors be less than seven.

The by-law must be approved by the vote of not less than two-thirds in value of the shares represented by the shareholders present at a special meeting."

24. Section 56 of the said Act is replaced by the following section:

"**56.** An insurance company shall assume the defence of its directors or officers prosecuted by a third person for an act done in the exercise 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 exercise of their duties.

However, in a penal or criminal proceeding the company 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 the payment of the expenses of its directors or officers if they have been freed or acquitted.

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

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

A company shall assume the obligations contemplated in this section in respect of any person who acted at its request as director or officer for a corporation of which it is a shareholder or creditor."

25. The said Act is amended by inserting, after section 56, the following section:

"**56.1** Every insurance company shall adopt a by-law to fix the aggregate amount of remuneration which may be paid to directors for a given period. No director may receive any remuneration as such before the by-law is adopted.

The by-law must be approved by the vote of not less than two-thirds in value of the shares represented by the shareholders present at a special meeting."

26. Section 58 of the said Act is replaced by the following section:

"**58.** Section 57 applies to directors in office on 20 October 1976 only from that date."

27. Section 62 of the said Act is replaced by the following section:

"**62.** Insurers may contract loans for the purposes of their objects and powers.

Any loan contracted for the purchase of immovables for their own use or for income purposes may be secured by a contract under which a hypothec, a clause of giving in payment or a resolutive clause on the immovable or a clause of transfer of the rent of the immovable is granted to the creditor. Any other loan contracted may be secured only where the sums are borrowed for a short term to meet cash requirements.

Any loan may be effected by way of an issue of debentures on the condition that the indebtedness evidenced by it will, in the event of the insolvency or winding-up of the insurer, rank

(*a*) after the other debts;

(*b*) equally with the other debentures issued by it;

(*c*) before the subordinated shareholder loans.

A loan may also be effected by the acceptance of subordinated shareholder loans granted for a fixed term and stipulating that in the event of the insolvency or winding-up of the insurer, the loan will rank equally with other similar loans but be subordinate to all other debts.

The issues of debentures and subordinated loans are subject to the terms and conditions prescribed by regulation."

28. Section 64 of the said Act is repealed.

29. Section 66 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**66.** Participating policyholders are entitled to attend all general meetings and to vote at those meetings except on amendments to the capital stock of the company. Any group of not less than 100 participating policyholders is entitled to bring forward proposals for discussion at a general meeting. One per cent of the participating policyholders or 500 of them, whichever is less, may request the convening of a special meeting."

30. The said Act is amended by replacing the word "Gouvernement" by the word "Minister" wherever it appears in sections 68, 70, 71, 75 and 81.

31. The said Act is amended by inserting, after section 88, the following section:

"**88.1** Subject to the regulations contemplated in section 88, any group of not less than 100 members is entitled to bring forward proposals for discussion at a general meeting; one per cent of the members or 500 members, whichever is less, may request the convening of a special meeting."

32. Section 89 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Every power of attorney authorizing a proxy to vote at a general meeting must, to be valid, be given within the year preceding the meeting in question and be deposited with the secretary of the company at least ten days before the meeting. The company shall make blank power of attorney forms available to the members."

33. Section 91 of the said Act is amended by replacing the first paragraph by the following paragraphs:

"**91.** The company may, by by-law, determine the minimum or maximum number of directors. In no case, however, may the minimum number of directors be less than seven.

The by-law must be approved by the vote of not less than two-thirds of the members present at a special meeting."

34. The said Act is amended by inserting, after section 93, the following section:

"**93.1** The board of directors may, if so authorized by a by-law of the company and with the prior approval of the Inspector General, issue preferred equity shares.

The by-law must indicate the number of shares that the company is authorized to issue, the amount of the issue and the privileges, rights and restrictions applicable to the shares, and the conditions governing their redemption or reimbursement.

The by-law must be approved by the vote of not less than two-thirds of the members present at a special meeting.

No preferred equity share may be reimbursed or redeemed before the expiry of a five-year period from its issuance nor may it entitle its holder to be present or vote at meetings."

35. Section 146 of the said Act is amended by adding, at the end, the following paragraph:

"For the purposes of this section, the boundaries of a county are those which exist on the day preceding the date of the letters patent establishing a regional county municipality issued pursuant to section

166 of the Act respecting land use planning and development (R.S.Q., chapter A-19.1)."

36. Section 176 of the said Act is amended by adding, at the end, the following paragraph:

"In no case, however, may a mutual life-insurance company avail itself of the provisions of this chapter for converting into a capital stock company."

37. The said Act is amended by inserting, after section 176, the following section:

"**176.1** Every insurance company incorporated under an Act of the Parliament of Canada or of another province may be converted into an insurance company governed by this Act if so authorized under the Act that governs it."

38. Section 189 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**189.** The amalgamating corporations shall then, by a joint petition, request the Minister to confirm the agreement and, in the case of companies, to authorize the issuance of letters patent for such purpose."

39. Section 190 of the said Act is amended by striking out the second paragraph.

40. Section 191 of the said Act is amended by replacing the first paragraph by the following paragraph:

"**191.** If the Minister accepts the petition, the Inspector General shall confirm the agreement by letters patent in the case of a company or, in other cases, by simply affixing his signature to the duplicates of the petition."

41. Section 198 of the said Act is replaced by the following section:

"**198.** The corporation shall then, by petition, request the Minister to confirm the conversion by-law and, in the case of companies, to authorize the issuance of letters patent for such purpose.

The Minister shall confirm the by-law only after obtaining the advice of the Inspector General."

42. Section 199 of the said Act is replaced by the following section:

"**199.** If the Minister confirms the by-law, the Inspector General shall give notice of it in the *Gazette officielle du Québec*, at the expense

of the corporation that applied for conversion. In addition, in the case of companies, the Inspector General shall issue letters patent for that purpose."

43. Section 205 of the said Act is amended by adding, at the end, the following paragraphs:

"(*j*) the list of its branch offices;

"(*k*) a copy of general agents' contracts, of portfolio managers' contracts or of wholesalers' contracts granted by it to Québec residents.

The corporation shall subsequently keep up to date the documents and information it is required to furnish under the first paragraph."

44. Sections 206 to 212 of the said Act are replaced by the following sections:

"**206.** Every corporation not incorporated under an Act of Québec which does not have its head office in Québec, shall undertake to comply with the laws of Québec, except if its Act of incorporation is more restrictive, in which case the corporation is bound to comply with the latter Act.

"**207.** Every corporation not incorporated under an Act of Québec which does not have its head office in Québec shall, when applying for a licence, appoint a chief representative in Québec.

The representative must be the person having the highest authority in Québec.

The representative shall also act as the attorney authorized to be served with the proceedings addressed to the corporation. However, where the representative is a corporation, any individual holding a managerial position with the corporation may be designated as attorney.

"**208.** The power of attorney designating the chief representative shall

(1) indicate his powers and their extent, in particular in respect of the other mandataries and intermediaries of the corporation in Québec;

(2) mention the address of his office in Québec where proceedings addressed to the corporation may be served.

The power of attorney shall be conferred pursuant to a resolution of the board of directors of the corporation.

"**209.** Every corporation shall transmit to the Inspector General a copy of the power of attorney and of its amendments, if any, and a copy of the resolution authorizing them.

"**210.** Every corporation that applies for a licence shall meet the requirements for the incorporation of an insurance company in Québec.

Minimum capitalization requirements are, however, exigible only from corporations applying for their first licence after (*insert here the date of coming into force of this Act*).

"**211.** The Inspector General shall issue the licence if the corporation

(*a*) furnishes all required documents and information;

(*b*) meets the conditions prescribed under this Act and the regulations thereunder;

(*c*) has complied with this Act and any Act of another province or of the Parliament of Canada or any other Act governing the activities of the corporation, and the regulations thereunder;

(*d*) adheres to sound commercial and financial practices;

(*e*) has sufficient assets;

(*f*) has directors and officers who possess the administrative and technical knowledge and competence required to administer the corporation in a manner to command public confidence in transacting the classes of insurance contemplated.

"**212.** The licence may be issued for a period of less than one year and include such restrictions or conditions as the Inspector General may consider necessary to give effect to this Act."

45. Sections 213 to 217 of the said Act are repealed.

46. The said Act is amended by inserting, after section 219, the following section:

"**219.1** The Inspector General may, at any time after the issuance of a licence,

(*a*) reduce the period of its validity;

(*b*) impose, in relation to the operations of the company, such conditions or restrictions as he may consider necessary to give effect to this Act;

(*c*) change or cancel the conditions or restrictions to which the licence is subject.

Before exercising the powers provided under this section, the Inspector General shall, however, inform the corporation of his intention and provide it with a reasonable opportunity to express its views.

The Inspector General shall also notify his substantiated decision to the corporation."

47. Section 221 of the said Act is replaced by the following section:

"**221.** Unless a date of expiration is indicated on the licence, it expires on 30 June each year.

Licences may be renewed in accordance with this Act and the regulations."

48. Section 225 of the said Act is amended by adding, at the end, the words "or by the Conseil scolaire de l'Ile de Montréal".

49. Sections 244 to 249 of the said Act are replaced by the following sections:

"**244.** Every insurer shall invest or lend the company's funds as would, in similar circumstances, a prudent and reasonable person and act with honesty and loyalty in the best interests of the insured and of the shareholders or members of the company.

"**245.** No insurer, other than a mutual association, may

(*a*) invest more than four per cent of its assets in each of the following classes: common shares, preferred shares, shares or preferred shares or bonds and other securities of the same corporation or the same cooperative;

(*b*) invest more than four per cent of its assets for a single loan or more than fifteen per cent of its assets for the aggregate of all loans other than hypothecary loans;

(*c*) invest more than four per cent of its assets in a single immovable for income purposes or more than fifteen per cent of its assets for all such immovables;

(*d*) invest more than four per cent of its assets in a single subsidiary other than a subsidiary engaged in activities governed by the Act respecting insurance, the Deposit Insurance Act (R.S.Q., chapter A-26), the Trust Companies Act or Title V of the Securities Act (R.S.Q., chapter V-1.1), or more than fifteen per cent of its assets for all such subsidiaries;

(*e*) invest more than fifteen per cent of its assets in a single subsidiary engaged in activities governed by the Act respecting insurance, the Deposit Insurance Act, the Trust Companies Act or Title V of the Securities Act;

(*f*) invest more than twenty-five per cent of its assets in common shares, other than common shares of subsidiaries or hold more than thirty per cent of the common shares of a single corporation, except if the corporation is a subsidiary;

(*g*) invest more than fifteen per cent of its assets in a single corporation or cooperative in any form whatsoever;

(*h*) invest more than fifty per cent of its assets in investments contemplated in subparagraphs *c, d, e* and *f* and in section 247.

A mutual association shall invest its funds in investments that are consistent with the rules on the investment of moneys belonging to other persons set forth in the Civil Code of Lower Canada.

"**246.** No insurer, other than a mutual association, may hold a hypothecary debt for an amount that exceeds seventy-five per cent of the value of the real estate securing payment of it, less any other debts secured by the real estate and ranking equally with or ahead of the insurer's claim except where the excess amount is guaranteed or assured by the government of Québec, of a Canadian province, of Canada or of a country where the insurer carries on business, by the Canada Mortgage and Housing Corporation, the Société d'habitation du Québec or an hypothecary insurance policy issued by an insurance company holding a licence issued under this Act.

"**247.** Notwithstanding subparagraphs *d, e, f* and *g* of section 245, an insurer, other than a mutual association, may invest up to fifty per cent of its assets in a downstream holding.

The downstream holding is required, however, to invest or lend its funds in accordance with this chapter, except subparagraph *h* of section 245, as if it were an insurer. The subsidiary's directors shall have the same duties as those of the insurer and shall be subject to the same responsibilities.

The investments of the downstream holding must be entered in the accounts with those of the insurer in proportion to the shares held by the insurer in the downstream holding in computing the percentages contemplated in sections 245 and 246.

"**247.1** Every insurer, other than a mutual association, shall, within fifteen days following the date of an investment, file with the Inspector General an engagement signed by the newly-acquired subsidiary to comply with the conditions prescribed by regulation for as long as the insurer holds its shares.

"**248.** Every insurer shall adopt an investment policy approved by its board of directors. The policy must include, in particular, the matching of maturities of its investments and financial commitments.

Every insurer shall state in its annual report the corporate name of each corporation in which it holds ten per cent or more of the voting shares.

"**249.** The Inspector General may require that every insurer file with his office a copy of every management contract entered into by the insurer and its parent company or its subsidiaries."

50. Sections 250 to 256 of the said Act are repealed.

51. Section 257 of the said Act is replaced by the following section:

"**257.** When the insurer must, under section 280, maintain separate groups of assets, the percentage limits fixed in this chapter do not apply to the investments and loans which constitute this group and, in the application of such limits to the aggregate of its assets, no account shall be taken of such groups of assets."

52. Section 258 of the said Act is repealed.

53. Section 259 of the said Act is amended by adding, at the end, the following paragraph:

"Notwithstanding the first paragraph, every insurer may grant loans to its officers or employees or to the officers or employees of a subsidiary provided that the amount of the loan is less than the annual salary of the officer or employee, subject to a maximum of $ 25 000, or that the loan is secured by a hypothec on a housing immovable."

54. Section 263 of the said Act is amended by replacing the second paragraph by the following paragraph:

"Nor do they apply to loans or investments made by an insurer to or in any of its subsidiaries or by an insurer, that is a subsidiary of another financial institution, to or in another subsidiary of the same group."

55. Sections 266 and 267 of the said Act are repealed.

56. Section 268 of the said Act is replaced by the following section:

"**268.** If, following the reorganization or winding-up of a corporation or the amalgamation of corporations, securities held by an insurer are replaced by other securities, the insurer is required to comply with sections 244 to 265 within five years from the date of reorganization, winding-up or amalgamation."

57. Section 270 of the said Act is replaced by the following section:

"**270.** All deposits, loans and investments of an insurer shall be made in its corporate name, subject to any inconsistent laws of a country other than Canada where the insurer carries on business, or except in the case of securities that the Inspector General recognizes as unqualified for registration."

58. Section 275 of the said Act is replaced by the following section:

"**275.** Every insurer shall maintain assets that exceed its liabilities in accordance with the valuation standards established by regulation.

The Government may fix, by regulation, a method for determining the minimum excess amount of assets over liabilities that every insurer is required to maintain to continue its operations without restrictions or conditions.

Notwithstanding any regulation made under the second paragraph, the Inspector General may give written directives to an insurer to require it to maintain a greater excess amount than the amount determined according to the method fixed by regulation, taking into account the particular composition of its assets or liabilities; the insurer shall comply with the directives within the time limit fixed by the Inspector General."

59. Section 275.1 of the said Act is repealed.

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

"**275.2** No insurer, other than a mutual association, transacting damage insurance may declare dividends if payment thereof causes its assets to cease to meet the requirements of section 275."

61. Section 277 of the said Act is replaced by the following section:

"**277.** Every insurer transacting damage insurance must maintain sufficient reserves to guarantee its obligations to its insured in accordance with the following provisions:

(*a*) the assumptions used to establish the reserves must be those that the actuary appointed in accordance with the second paragraph of section 309 considers appropriate with regard to the financial condition of the insurer and its damage insurance contracts, and considered acceptable by the Inspector General;

(*b*) the computation methods used must be consistent with the standards and methods established by regulation."

62. Section 288 of the said Act is repealed.

63. Section 289 of the said Act is amended by replacing subparagraph *b* by the following subparagraph:

"(*b*) the insurance policies which it has issued and the names and addresses of all the persons insured;".

64. Section 290 of the said Act is replaced by the following section:

"**290.** Members of a mutual life-insurance company may, in the cases provided for by this Act, request from the company that a proposal or a special meeting notice be sent to the other members and the company is required to circulate the proposal or notice to all the members."

65. The said Act is amended by inserting, after section 291, the following section:

"**291.1** Every insurer shall inform, as soon as possible, the Inspector General of the resignation, non-renewal of the term or decision to propose the dismissal, during his term, of the auditor or actuary responsible for the valuation."

66. Section 294 of the said Act is replaced by the following section:

"**294.** No shareholder, director, officer or employee of an insurer or of one of its subsidiaries may be appointed auditor under this division."

67. The said Act is amended by inserting, after section 298, the following section:

"**298.1** Every insurer shall form an auditing committee within its board of directors. The committee shall be composed of not less than three directors the majority of whom are not officers.

The committee shall examine every financial statement before it is submitted to the board of directors.

The auditing committee may be convened by one of its members or by the auditor. The auditor shall be notified of any meeting of the committee and he shall attend any meeting to which he is convened. The committee shall give him an opportunity to be heard.

The committee shall cause any error or inaccurate information in a financial statement to be corrected and inform the general meeting thereof."

68. Section 301 of the said Act is amended by adding, at the end of the first paragraph, the words "and it must be consistent with the statement filed under section 305."

69. Section 303 of the said Act is amended by replacing the second paragraph by the following paragraph:

"In addition to the statements required by this Act, every insurer shall furnish, at the request of the Inspector General, on the dates and in the form fixed by him, the additional statements and information he considers necessary to determine whether the insurer is complying with this Act or the regulations."

70. Section 305 of the said Act is amended by adding the following paragraph:

"Where an insurer holds a licence restricted to the business of reinsurance, he shall file the statement provided for in the first paragraph before 15 March of each year."

71. Section 309 of the said Act is replaced by the following section:

"**309.** The annual statement of every insurer must be certified under oath, by at least two of its directors and must be accompanied with the report of the auditor.

Every insurer shall annex to its annual statement the report of an actuary responsible for the valuation of the reserves appointed by a resolution of the board of directors, and of which a copy has been transmitted to the Inspector General.

The report must include a certificate of the actuary attesting that the reserves are not less than those required by law, that they were calculated on the basis of appropriate assumptions with respect to the circumstances of the insurer and its contracts of insurance and they make good and sufficient provision to cover all obligations under such contracts; the report must also include such other information as may be required by the Inspector General.

The report is required from mutual associations at such times as may be determined by regulation.

During a period of five years from (*insert here the date of coming into force of this section*), the Inspector General, in the case of an insurer transacting damage insurance, may accept the designation of an expert other than an actuary who is deemed to be the actuary responsible for the valuation for the purposes of this Act."

72. Section 320 of the said Act is replaced by the following section:

"**320.** At least once every five years, the Inspector General shall have valued, in accordance with this Act, the reserves in respect of the contracts issued by each insurer transacting in Québec; the Inspector General may, however, accept the valuation approved by another government."

73. Section 358 of the said Act is replaced by the following section:

"**358.** The Inspector General may suspend or cancel the licence of any insurer

(*a*) which no longer complies with the conditions prescribed;

(*b*) which becomes or, in the opinion of the Inspector General, is about to become insolvent;

(*c*) of which the assets are insufficient, in the opinion of the Inspector General, to provide adequate protection of the insured;

(*d*) which has not made the deposit exigible under this Act;

(*e*) the deposit of which no longer conforms to the requirements of Chapter II of this title;

(*f*) which omits to pay, within the sixty days following an offer of discharge or a notice of non-payment served on the Inspector General, an indemnity requested in application of an insurance contract if the right to such indemnity or the amount of it is not contested or, in case of contestation, if a final judgment has declared it exigible;

(*g*) which does not, in the opinion of the Inspector General, adhere to sound financial and commercial practices;

(*h*) which is, in the opinion of the Inspector General, in an unsatisfactory financial position that cannot be remedied;

(*i*) which has committed an offence or which, in the opinion of the Inspector General, contravenes this Act, any Act of Québec or of another province or of the Parliament of Canada which governs its activities or a regulation or rule made under such Acts;

(*j*) which has obtained such licence through fraud or as the result of an error."

74. Section 359 of the said Act is repealed.

75. Section 363 of the said Act is amended by striking out paragraph *a*.

76. Section 404 of the said Act is amended by adding, at the end of paragraph *d*, the words "and sums paid into the employees pension plan."

77. Section 420 of the said Act is amended

(1) by replacing the figure "217" in the third line of paragraph *aa* by the figure "211";

(2) by adding, at the end, the following paragraphs:

"(*ac*) prescribe the documents and information that must be furnished in support of an application for incorporation by an insurance company;

"(*ad*) prescribe the modalities and conditions relating to issues of bonds or subordinated loans;

"(*ae*) prescribe the conditions that must be met by the subsidiary of an insurer under section 247.1."

78. The said Act is amended by inserting, after section 425, the following section:

"**425.1** The Minister shall, at least once every five years, make a report to the National Assembly on the application of this Act and make recommendations on the expediency of maintaining or amending the provisions of this Act."

79. Section 1 of the Act respecting the Inspector General of Financial Institutions (R.S.Q., chapter I-11.1) is amended by adding, at the end, the following paragraph:

"The Inspector General shall also be responsible for the management and operation of a central file of enterprises established by the Government."

80. Section 4 of the Companies Information Act (R.S.Q., chapter R-22) is amended

(1) by striking out the words "and particulars" in the seventh and eighth lines of subsection 1;

(2) by striking out the words "and details" in the first line of the second paragraph of subsection 1.

81. The said Act is amended by inserting, after section 4, the following section:

"**4.1** The information filed or delivered under sections 2 and 4 is public."

82. 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).

83. Section 35 has effect from 21 November 1979.

84. This Act comes into force on the day of its sanction, except sections 1 to 34 and 36 to 78, which will come into force on any later date or dates fixed by proclamation of the Government.