

1984, chapter 22

## AN ACT TO AMEND THE ACT RESPECTING INSURANCE AND OTHER LEGISLATIVE PROVISIONS

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### **Bill 75**

Introduced by Mr Jacques Parizeau, Minister of Finance

Introduced 19 April 1984

Passage in principle 7 June 1984

Passage 20 June 1984

**Assented to 20 June 1984**

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**Coming into force: 20 June 1984, except sections 42 to 46 which come into force on 2 July 1984 and sections 58 and 59 which come into force on 1 October 1984 or on any earlier date or dates fixed by proclamation of the Government**

— 1 October 1984: ss. 58, 59 (no proclamation)

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### **Acts amended:**

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

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

Companies Information Act (R.S.Q., chapter R-22)





## CHAPTER 22

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

*[Assented to 20 June 1984]*

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

c. A-32, s. 1,  
am. **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:

"company"  
"insurance  
company" **"(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:

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

c. A-32, s.  
21, am. **2.** Section 21 of the said Act is amended by replacing the first  
paragraph by the following paragraph:

Letters  
patent **"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."**

c. A-32, s.  
22, replaced **3.** Section 22 of the said Act is replaced by the following section:

Content of  
application **"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."**

c. A-32, s.  
23, am.

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

Securities

**“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.”

c. A-32, s.  
24, replaced

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

Application  
submitted  
after publica-  
tion of notice

**“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.

Content of  
notice

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.”

c. A-32, s.  
25, repealed

**6.** Section 25 of the said Act is repealed.

c. A-32, s.  
26, repealed

**7.** Section 26 of the said Act is repealed.

c. A-32, s.  
27, replaced

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

Paid-up  
capital

**“27.** Companies incorporated after 20 June 1984 shall have a combined paid-up capital and surplus capital of not less than \$3 000 000.”

c. A-32, s.  
28, replaced

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

Payment in  
money

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

c. A-32, ss.  
33.1-33.3,  
added

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

## “CHAPTER I.1

## “ADDITIONAL POWERS

## 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, in respect of the activities for which it is authorized by another Act, the activities that a trust company may carry on under the Trust Companies Act;

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

(d) offer custodial and safekeeping services;

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

(f) engage in leasing operations;

(g) manage immovables.

## Other activities

**“33.2** The Minister may authorize an insurance company to carry on an activity other than an activity set out in section 33.1.

## Publication

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

## List of authorized activities

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.

## Subsidiary

**“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.”

## c. A-32, s. 35, am.

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

## Companies Act to apply

“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.

“shareholder”

For the application of the Act respecting insurance or Part I or II of the Companies Act and in respect of a mutual life-insurance company, the word “shareholder” means a member of a mutual life-insurance company. In addition, where a provision of one of those Acts 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 equal to the proportion determined in value.”

c. A-32, s.  
36, replaced

**12.** Section 36 of the said Act is replaced by the following section:

Application  
of chapter  
P-16

“**36.** In respect of an insurance company, the Minister is substituted for the Government for the application of sections 18 to 20 of the Special Corporate Powers Act (R.S.Q., chapter P-16).”

c. A-32, s.  
37, am.

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

Letters  
patent

“**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:”.

c. A-32, ss.  
40, 42,  
repealed

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

c. A-32, ss.  
43-45,  
replaced

**15.** Sections 43 to 45 of the said Act are replaced by the following sections:

Allotment or  
transfer of  
shares

“**43.** Except on prior notice of thirty days to the Inspector General, the directors and officers of insurance companies are forbidden to permit any allotment of voting shares entailing an increase of 10 per cent or more in the number of such shares or to permit the registration of a transfer of voting shares involving 10 per cent or more of the issued voting shares.

Notice to  
Inspector  
General

At the time of a transfer or allotment of voting shares the effect of which may be to increase the number of voting 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 voting shares of an insurance company, that person or, in the case of a related group, the person who would hold the greatest number of voting shares issued by that insurance company, is required to give prior notice of thirty days to the Inspector General.

Shares held  
by a corpo-  
ration

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

Content of  
notice

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

Report

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

Allotment or  
transfer of  
shares to  
non-resident

**“45.** The directors and officers of an insurance company must refrain from allotting voting shares and refuse to register any transfer of voting shares of the company in favour of a non-resident,

(a) if the non-resident and the persons related to him already hold, directly or indirectly, at least 10 per cent of the issued voting shares of the company, or to the extent that the effect of the transfer or allotment may be to increase the number of their voting shares beyond that percentage; or

(b) if non-residents together already hold, directly or indirectly, at least 25 per cent of the issued voting shares of the company or to the extent that the effect of the transfer or allotment may be to increase the number of their voting shares beyond that percentage.

Exception

This section does not apply to insurance companies in which a percentage of voting 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 percentage contemplated in subparagraph *a* or *b*, as the case may be.”

c. A-32, s.  
46, replaced

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

Information  
required

**“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.”

c. A-32, s.  
46.1, added

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

Voting rights

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

c. A-32, s.  
47, replaced

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

Offence and  
penalty

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

Party to the  
offence

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.”

c. A-32, s.  
48, replaced

**19.** Section 48 of the said Act is replaced by the following section:

Non-resident

“**48.** A non-resident, for purposes of application of section 45, is any individual not ordinarily resident in Canada or any corporation incorporated elsewhere than in Canada or related to non-residents.

Non-resident

A testamentary executor, administrator, tutor, curator, guardian or trustee in possession of voting shares belonging to non-residents is deemed a non-resident respecting those shares.

Non-resident

The same applies to a trust established by a non-resident or in which non-residents together hold more than 50 per cent of the interests.”

c. A-32, s.  
49, am.

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

Application  
of sections  
43 to 48

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

c. A-32, s.  
50, replaced

**21.** Section 50 of the said Act is replaced by the following section:

Share held  
jointly

“**50.** When a voting share of the capital stock of a company transacting life insurance is held jointly, it is, for the application of this division, deemed held by a non-resident if at least one of the joint holders is a non-resident.”

c. A-32, ss.  
51, 52,  
repealed

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

c. A-32, s.  
54, am.

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

Number

“**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.

Approval

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.”

c. A-32, s.  
56, replaced

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

Defence of  
directors and  
officers

“**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.

**Payment of expenses** Notwithstanding the foregoing, 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.

**Payment of expenses** 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.

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

**Obligations** 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."

**c. A-32, s. 56.1, added** **25.** The said Act is amended by inserting, after section 56, the following section:

**Remuneration of directors** **"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.

**Approval** 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."

**c. A-32, s. 58, replaced** **26.** Section 58 of the said Act is replaced by the following section:

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

**c. A-32, s. 62, replaced, ss. 62.1, 62.2, added** **27.** Section 62 of the said Act is replaced by the following sections:

**Security** **"62.** No insurer may grant security on his property except

- (1) security for a short-term loan to meet its liquidity needs;
- (2) security on real estate.

**Issue of bonds** **"62.1** Except in the case of a short-term loan to meet its liquidity needs, no insurer may issue bonds or other evidences of indebtedness unless

- (1) they are unsecured;
- (2) they stipulate that the indebtedness evidenced by them will, in the event of the insolvency or winding-up of the insurer, rank



- (a) after the other debts;
- (b) equally with the other unsecured evidences of indebtedness issued by it;
- (c) before the subordinated shareholder loans;
- (3) they comply with the terms and conditions prescribed by regulation.

Subordinated  
loans

**“62.2** No insurer may borrow by the acceptance of subordinated loans unless

- (1) they are granted by the shareholders for a fixed term;
- (2) the evidence of indebtedness stipulates that the loan will, in the event of the insolvency or winding-up of the insurer, rank with the other similar loans but after all the other debts;
- (3) the evidence of indebtedness complies with the terms and conditions prescribed by regulation.”

c. A-32, s.  
63, am.

**28.** Section 63 of the said Act is amended by replacing the words “in a daily newspaper circulating” in the fourth line of the first paragraph by the words “in three daily newspapers at least one of which circulates”.

c. A-32, ss.  
68, 70, 71,  
75, 81, am.

**29.** 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.

c. A-32, s.  
88.1, added

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

Proposals

**“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.”

c. A-32, s.  
89, am.

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

Power of  
attorney

“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.”

c. A-32, s.  
90, am.

**32.** Section 90 of the said Act is amended by replacing the words “in a daily newspaper circulating” in the third line by the words “in three daily newspapers at least one of which circulates”.

c. A-32, s.  
91, am.

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

Number of  
directors

**“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.

Approval

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

c. A-32, s.  
93.1, added

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

Preferred  
equity shares

**“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 to the amount by which the assets exceed the liabilities of the company.

Number of  
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.

Approval

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

Reimburse-  
ment or  
redemption  
of shares

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.

Application  
of Compa-  
nies Act

Sections 146, 156 and 157 of the Companies Act apply, with the necessary changes, to preferred equity shares, to the extent to which those sections are consistent with this section.”

c. A-32, s.  
176, am.

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

Conversion

“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.”

c. A-32, s.  
189, am.

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

Joint petition

**“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.”

c. A-32, s.  
190, am.

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

c. A-32, s.  
191, am.

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

Confirmation  
of agreement

**“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.”

c. A-32, s.  
198,  
replaced  
Petition to  
confirm  
by-law

**39.** 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.

Advice of  
Inspector  
General

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

c. A-32, s.  
199,  
replaced

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

Notice and  
letters  
patent

**“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.”

c. A-32, ss.  
200.1-200.9,  
added

**41.** The said Act is amended by inserting, after section 200, the following chapter:

## “CHAPTER V.1

### “CONTINUANCE

Company  
continued

**“200.1** Every insurance company incorporated under an Act of the Parliament of Canada or of another province may be continued as an insurance company governed by this Act if so authorized under the Act that governs it.

Conditions

**“200.2** An insurance company that has been continued must meet the same conditions as those imposed by this Act for the incorporation of an insurance company.

By-law

**“200.3** Every insurance company wishing to continue its existence must pass a by-law to that effect.

Content

The continuance by-law shall indicate

(a) the corporate name of the company continued;

(b) its head office;

(c) the classes of insurance to be transacted;

(d) the surname, given name, occupation and domicile of each of the members of its board of directors;

(e) the mode of election of the directors;

(f) in the case of a joint-stock company, the number of shares composing its capital, the par value of each share, where such is the case, and the mode of conversion of the capital stock;

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

Applicable provisions

**“200.4** Sections 195, 196 and 197 apply, with the necessary changes, to the continuance by-law.

Petition to confirm by-law

**“200.5** The company shall, by petition, request the Minister to confirm the continuance by-law and to issue letters patent for such purpose.

Advice

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

Notice

**“200.6** 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 company that applied for continuance and issue letters patent to that effect.

Presumption

**“200.7** The continued insurance company is deemed to be an insurance company incorporated under the statutes of Québec.

Applicability

**“200.8** Subject to the publication of the notice contemplated in section 200.6, this Act applies to a company that has been continued from the date of its letters patent.

Rights maintained

**“200.9** No rights, obligations or acts of a company or of its shareholders or members are affected by continuance.”

c. A-32, s. 205, am.

**42.** 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.

Updating

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

c. A-32, ss. 206-212, replaced

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

- Rights and obligations**      **“206.** Every corporation not incorporated under an Act of Québec has, in respect of the activities it carries on in Québec, the rights and obligations of an insurance company or mutual association incorporated under Acts of Québec as the case may be. It is also bound to comply with its Act of incorporation if it is more restrictive.
- Chief representative**      **“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.
- Residence**      The representative must be a person in authority who is resident in Québec.
- Attorney**      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.
- Content of power of 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.
- Resolution**      The power of attorney shall be conferred pursuant to a resolution of the board of directors of the corporation.
- Copy to the Inspector General**      **“209.** Every corporation shall transmit to the Inspector General a copy of the power of attorney and of the amendments to it, if any, and a copy of the resolution authorizing them.
- Requirements**      **“210.** Every corporation that applies for a licence shall meet the requirements for the incorporation of an insurance company in Québec.
- Minimum capitalization**      Notwithstanding the first paragraph, minimum capitalization requirements are exigible only from corporations applying for their first licence after 20 June 1984.
- Licence**      **“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.

Period of  
validity

**“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.”

c. A-32, ss.  
213-217,  
repealed

**44.** Sections 213 to 217 of the said Act are repealed.

c. A-32, s.  
219.1, added

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

Powers of  
the Inspector  
General

**“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.

Notice of  
intention

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.

Decision

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

c. A-32, s.  
221,  
replaced  
Expiration

**46.** 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.

Renewal

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

c. A-32, s.  
225, am.

**47.** Section 225 of the said Act is amended by adding, at the end, the words “or by the Conseil scolaire de l’Île de Montréal”.

c. A-32, ss.  
244-249,  
replaced

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

Investment      **“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.

Investment      **“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, preferred equity shares or bonds and other securities of the same corporation, other than a subsidiary 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, other than a subsidiary, or in a single 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.

Investment      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.

Hypothecary debt      **“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.

Investment  
in down-  
stream  
holding

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

Require-  
ments

The downstream holding is required 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 have the same duties and responsibilities as the insurer.

Accounting

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 section 245.

Subsidiary

A downstream holding is a subsidiary.

Engagement

**“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.

Investment  
policy

**“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.

Annual  
report

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.

Management  
contracts

**“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.”

c. A-32, ss.  
250-256,  
repealed

**49.** Sections 250 to 256 of the said Act are repealed.

c. A-32, s.  
257,  
replaced

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

Percentage  
limits not to  
apply

**“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.”



- c. A-32, s. 258, repealed  
c. A-32, s. 259, am.
- 51.** Section 258 of the said Act is repealed.
- 52.** Section 259 of the said Act is amended by adding, at the end, the following paragraph:
- Exception “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.”
- c. A-32, s. 263, am.
- 53.** Section 263 of the said Act is amended by replacing the second paragraph by the following paragraph:
- Provisions not to apply “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 its parent company.”
- c. A-32, ss. 266, 267, repealed  
c. A-32, s. 268, replaced  
Replacement of securities
- 54.** Sections 266 and 267 of the said Act are repealed.
- 55.** 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.”
- c. A-32, s. 270, replaced  
Financial operations in corporate name
- 56.** 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.”
- c. A-32, s. 273, replaced  
Recognition of assets
- 57.** Section 273 of the said Act is replaced by the following section:
- “**273.** Any investment not in accordance with this Act shall not be recognized as assets of an insurer unless it was made before 20 June 1984 and recognized as such by the Inspector General, during the period and on the conditions determined by the Inspector.”
- c. A-32, s. 275, replaced  
Minimum assets
- 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.”

Amount  
determined

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.

Directives

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."

c. A-32, s.  
275.1,  
repealed

**59.** Section 275.1 of the said Act is repealed.

c. A-32, s.  
275.2,  
replaced

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

Declaration  
of dividends

**"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."

c. A-32, s.  
277,  
replaced

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

Reserve of  
damage  
insurer

**"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."

c. A-32, s.  
288,  
repealed

**62.** Section 288 of the said Act is repealed.

c. A-32, s.  
289, am.

**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;"

c. A-32, s.  
290,  
replaced  
Notice of  
meeting

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

**"290.** The members of a mutual life-insurance company may, in the cases specified in this Act, request the company to give notice of a special general meeting, or to indicate in the notice of the annual

general meeting or of a special general meeting the proposals they intend to submit to the meeting, and the company is bound to comply with the request. In addition, the company shall place the supporting documents to the proposals indicated in the notice of meeting at the disposal of the members.”

c. A-32, s. 291.1, added **65.** The said Act is amended by inserting, after section 291, the following section:

Notification of resignation or dismissal **“291.1** Every insurer shall inform the Inspector General as soon as possible 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.”

c. A-32, s. 294, replaced **66.** Section 294 of the said Act is replaced by the following section:

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

c. A-32, s. 298.1, added **67.** The said Act is amended by inserting, after section 298, the following section:

Auditing committee **“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.

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

Convocation 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.

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

c. A-32, s. 301, am. **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.”

c. A-32, s. 303, am. **69.** Section 303 of the said Act is amended by replacing the second paragraph by the following paragraph:

Information **“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.”**

c. A-32, s.  
305, am.

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

Licence res-  
tricted

“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.”

c. A-32, s.  
309,  
replaced  
Certification

**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.

Report of a  
valuation  
actuary

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, a copy of which has been transmitted to the Inspector General.

Certificate of  
actuary

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.

Mutual asso-  
ciations

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

Designation  
of an expert

During a period of five years from 20 June 1984, 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.”

c. A-32, s.  
320,  
replaced  
Valuation of  
reserves

**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.”

c. A-32, s.  
358,  
replaced  
Suspension  
or cancella-  
tion of  
licence

**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.”

c. A-32, s.  
359,  
repealed  
c. A-32, s.  
363, am.

**74.** Section 359 of the said Act is repealed.

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

c. A-32, s.  
404, am.

**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.”

c. A-32, s.  
420, am.

**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 other evidences of indebtedness and to subordinated loans;

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

c. A-32, s.  
425.1, added

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

Report to  
the National  
Assembly

“**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.”

c. I-11.1, s.  
1, am.

**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:

Central file  
of enter-  
prises

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

c. R-22, s. 4,  
am.

**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.

c. R-22, s.  
4.1, added

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

Public infor-  
mation

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

Exception

**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).

Limits of a  
county

**83.** For the purposes of the Act respecting insurance and the Act respecting certain mutual companies of insurance against fire, lightning and wind (R.S.Q., chapter C-39), the limits of a county correspond to those existing on the day preceding the date of the letters patent establishing a regional county municipality issued under section 166 of the Act respecting land use planning and development (R.S.Q., chapter A-19.1).

Effect            This section has effect from 21 November 1979.

Coming into  
force            **84.** This Act comes into force on 20 June 1984, except sections 42 to 46, which come into force on 2 July 1984, and sections 58 and 59, which come into force on 1 October 1984 or on any earlier date or dates fixed by proclamation of the Government.