

1968 Bill 90

First Session, 16th Legislature, 17~~th~~ Elizabeth II

THE LEGISLATIVE ASSEMBLY OF ALBERTA

BILL 90

An Act to amend The Alberta Insurance Act

THE PROVINCIAL SECRETARY

First Reading

Second Reading

Third Reading

Printed by L. S. Wall, Queen's Printer, Edmonton

BILL 90

1968

An Act to amend The Alberta Insurance Act

(Assented to _____, 1968)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1. *The Alberta Insurance Act* is hereby amended.
2. Section 49, subsection (1) is amended by adding after the figure "52" the figure ", 52a".
3. Section 50 is amended by adding at the end thereof the words "or 52a, as the case may be".
4. Section 51 is amended by adding after the figure "52" the figure ", 52a".
5. The following section is added after section 52:
 - 52a. (1) Every provincial company or extra-provincial company licensed to transact the business of life insurance shall keep \$500,000 on deposit with the Minister.
 - (2) When a provincial company or extra-provincial company makes a deposit of \$500,000 with the Minister in accordance with this section, clause (a) of subsection (1) of section 52 no longer applies to the company making the deposit.
 - (3) This section comes into operation on January 1, 1969 but the Lieutenant Governor in Council may, with respect to any provincial company or extra-provincial company licensed to transact the business of life insurance at the commencement of this section, order that this section will apply to that company as of a date subsequent to January 1, 1969 but not later than January 1, 1970.

Explanatory Notes

1. This Bill amend chapter 159 of the Revised Statutes.

2. Section 49 (1) presently reads:

49. (1) The title to any stock or debentures already deposited with the Minister, or hereafter to be deposited, is, without any formal transfer, vested in the Minister by virtue of his office while such stock, bonds or debentures form the whole or any part of the deposit required by sections 50, 52 and 53.

Adds reference to section 52a which is added by clause 5 of this Bill. Sections 49 to 53 deal with deposits by insurance companies of cash or securities with the Provincial Secretary.

3. Section 50 presently reads:

50. The initial deposit to be made by any insurer before the original issue of the licence shall be the sum appointed for the insurer in section 52.

See clause 5 of this Bill.

4. Section 51 presently reads:

51. The amount of deposit required of every insurer shall on or before the first day of May in each year be readjusted in terms of sections 52 and 53, and in default of such readjustments being made the insurer's licence may be cancelled.

See clause 5 of this Bill.

5. The new section 52a will require life insurance companies to keep a deposit with the Provincial Secretary of \$500,000. The requirement will apply as of January 1, 1969 subject to extensions to January 1, 1970. The Act presently requires that an Alberta life insurance company have an unimpaired paid-up capital of \$500,000 before it can be licensed.

Section 52 (1) (a) of the Act contains the requirement for a provincial life company to have a deposit of \$10,000 and an extra-provincial life company to have a deposit of \$20,000. This requirement will no longer apply to a company once it has made its deposit under the new section 52a.

6. The following section is added after section 88:

88a. (1) Notwithstanding section 88, the Minister shall not exempt an insurer under subsection (1) of that section unless the amount of the deposit fixed by the proper authority of the province in which the deposit is made is at least equal to the amount of the deposit required for the insurer under section 52 or 52a, as the case may be.

(2) Notwithstanding section 88, where the Minister has exempted an insurer under subsection (1) of that section and for any reason either at the time of the exemption or subsequently,

(a) the amount of the deposit that would be required for the insurer under section 52 or 52a, as the case may be, in the absence of the exemption, exceeds

(b) the amount of the deposit fixed by the proper authority of the province in which the deposit is made,

the Minister may by notice require the insurer, within the time prescribed in the notice, to deposit with him a deposit equal to the amount of the excess.

(3) A deposit made with the Minister under subsection (2) is subject to the provisions of this Part to the same extent as if it were a deposit made pursuant to section 52 or 52a.

(4) Where the Minister has granted an exemption to an insurer under subsection (1) of section 88 before the commencement of this subsection,

(a) a notice under subsection (2) shall not require the making of a deposit with the Minister by any date earlier than January 1, 1969, and

(b) the Lieutenant Governor in Council may extend the time prescribed in the notice for the making of the deposit to any subsequent date not later than January 1, 1970.

7. Section 102 is struck out and the following section is substituted:

102. (1) In this section,

(a) "amortized value", when used in relation to the value of a redeemable security at any date after purchase, means a value so determined that if the security were purchased at that date and at that value, the yield would be the same as the yield with reference to the original purchase price;

(b) "annual statement" means the statement required under section 95 to be delivered to the Superintendent;

(c) "market value" means the market value at the date of the annual statement or, in the discretion

6. Section 88 (1) reads:

88. (1) Where an insurer has its head office for Canada in another province and there makes a deposit of such amount as may be fixed by the proper authority in that province and where under the laws of that province the deposit is held as security *pari passu* for its Alberta contracts and its contracts in every reciprocating province, the Minister shall, upon receipt of

(a) a certified copy of an order of the Lieutenant Governor in Council of the province in which the deposit is made fixing the amount of the deposit and declaring that Alberta is a reciprocating province with respect to that insurer's deposit, and

(b) the consent of the insurer to its deposit being so held, exempt the insurer from the provisions of this Act requiring it to make and maintain a deposit.

Section 88 provides that an extra-provincial insurer may be exempted from the requirements of the Act regarding deposits with the Provincial Secretary if the insurer has a deposit with another reciprocating province and the deposit is held as security for the insurer's liability under its Alberta contracts. At present, the amount of the deposit is whatever the other province chooses to fix.

The effect of subsection (1) of the new section 88a is to require that the deposit in the other province be at least the same as Alberta's requirements (in sections 52 and 52a of the Act). If it is not, then no exemption will be given. Subsection (1) applies only to insurers applying for licences after the Bill is enacted.

Subsection (2) of the new section 88a will require an extra-provincial insurer to make an additional deposit with the Provincial Secretary where the deposit in the other province is for any reason less than the deposit required for Alberta insurers under section 52 or 52a. The additional deposit is the difference between the two amounts and is to be deposited when the Minister notifies the company to do so. Under subsection (4), an insurer will not have to make the deposit any earlier than January 1, 1969 but extensions may be given up to January 1, 1970. This is intended to make the time requirements for extra-provincial insurers the same as for provincially-incorporated insurers: see subsection (3) of the new section 52a in clause 5 of this Bill.

7. Section 102 presently reads:

102. (1) Every insurer licensed under this Act may, in its annual statement or in any valuation of its securities required to be made, value all of its securities, having a fixed term and rate and not in default as to principal or interest, according to the rule specified in subsection (2).

(2) If the securities were purchased at par they may be valued at the par value, but if they were purchased above or below par they may be valued on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield meantime the effective rate of interest at which the purchase was made.

(3) Notwithstanding subsections (1) and (2)

(a) the purchase price shall in no case be taken at a higher figure than the actual market value at the time of the purchase, and

(b) the Superintendent has full discretion in determining the method of calculating values according to the foregoing rule.

The new section 102 will establish rules for valuation of securities of Alberta-incorporated insurance companies on a similar basis to the valuation rules applicable to federal life insurance companies under section 71 of the Canadian and British Insurance Companies Act.

- of the Superintendent, at a date not more than 60 days before the date of that statement;
- (d) "redeemable security" means a security for a fixed term and which is redeemable at the end of that term at a specified value;
 - (e) "redemption date", when used in relation to a security that is redeemable at more than one specified date, means the specified date that gives the lower or the lowest effective rate of interest, as the case may be;
 - (f) "yield", when used in relation to a redeemable security, means the effective rate of interest that will be returned on the purchase price if the payments of interest specified in the security are made up to and including the redemption date and the security is then redeemed at the specified value.
- (2) For the purpose of clauses (a), (e) and (f) of subsection (1),
- (a) where a redeemable security is acquired otherwise than by purchase, it shall be deemed to have been purchased at a price not exceeding the market value at the date of acquisition, and
 - (b) where the option to redeem a security is not exercised at the redemption date used to determine the yield then, with respect to the remainder of the term, the security shall be deemed to have been purchased at that date at a price equal to the then amortized value.
- (3) The securities owned by a provincial company shall be taken into account, in every annual statement, at values which, in total, do not exceed the sum of
- (a) the amortized values of redeemable securities not in default, issued or guaranteed by the Government of Canada or by the Government of any province of Canada, and
 - (b) the book values of all securities other than those described in clause (a) less a deduction equal to the lesser of
 - (i) the excess, if any, of the aggregate of the book values over the aggregate of the market values of such securities, or
 - (ii) the deduction prescribed by this clause for the purposes of the immediately preceding annual statement together with one-third of the excess described in subclause (i).
- (4) When, in the opinion of the Minister, the market values are unduly depressed, the Minister may, on the report of the Superintendent, authorize, for the purpose of subsection (3), the use of values in excess of the market values but not exceeding the values used for this purpose in the next preceding annual statement of the company or,

in the case of securities acquired by the company since the date of that statement, not exceeding the book values at the date of the annual statement to be deposited.

(5) Every annual statement of a provincial company shall show in a schedule the market values of all securities owned by the company at the date of the statement.

8. This Act comes into force on the day upon which it is assented to.

