

[Deputy Chairman: Mr. Musgreave]

[8:40 a.m.]

MR. DEPUTY CHAIRMAN: Ladies and gentlemen, will the committee come to order. The petitioners are here for Bill Pr. 1 and Bill Pr. 5. First we'll deal with Bill Pr. 1. We have here the solicitor for the petitioners, Mr. Flaman, and Mr. Wheaton.

MR. FLAMAN: Good morning, ladies and gentlemen. My name is Jerry Flaman. I'm the solicitor for the proposed corporation and also a petitioner in respect to the requirement of the legislation to have five petitioners on the legislation. With me is Donald A. Wheaton Jr., who is also a petitioner on the legislation. Donald is currently the systems and financial officer for the Wheaton Group of Companies.

I prepared and submitted to Nora last Friday a short brief, which I'm assuming you all now have. From the brief which was previously distributed to the committee, you'll notice that the chief proponent of this legislation is Donald H. Wheaton Sr., who, as many of you will know, is a long-time Edmonton resident and businessman. Mr. Wheaton Sr. has been carrying on business in the city for in excess of 25 years. Mr. Wheaton intends to become the president of the proposed corporation, and as set out in our brief, we have strongly indicated that Mr. Wheaton has the requisite business acumen and the financial resources necessary to establish and run the proposed corporation.

Donald Jr., as a petitioner, will be actively involved in the company. Donald's involvement in the community as a businessman, since obtaining his Bachelor of Commerce degree from the U of A, for the last 12 years has involved him in the running and as the chief executive secretary and corporate administrator of the Wheaton Group of Companies.

At the present time, this term the Wheaton Group of Companies exceeds 25 registered federal, Alberta-registered, British Columbia, Manitoba, and Saskatchewan corporations, as well as U.S. corporations, Canadian partnerships, and U.S. partnerships. They are currently involved in various matters in Kansas as well as in the state of Washington.

As outlined in our brief, the proposed corporation intends to sell various types of insurance, including life, accident and sickness, creditor loss of income, and warranty insurance. Now, in respect to that, at this time I'll mention that we will be requesting an amendment to the legislation. When I originally prepared the Bill, it was my understanding that we would apply for the sale of classes of insurance of all types and that the superintendent of insurance, who controls and regulates the licensing of each class of insurance, would have the final say as to the exact policies we would be able to sell. In my further discussions subsequent to preparing this document and sending it along to Mr. Clegg, I spoke with Bernie Rodrigues, who is currently the acting superintendent of insurance, and the problem there is that section 31, I believe, of the Insurance Act states the following, and this escaped me in first reading:

A licence may authorize an insurer to undertake any class or classes of insurance, but, except in the case of a Canadian registered company, a licence shall not be granted to an insurer for the transaction of both fire and life insurance.

I questioned Mr. Rodrigues as to the reasoning behind that, and both he and I were unable to come up with an answer. It might have something to do with the capitalization requirements. So in order to get in line with the legislation as it currently exists under the Insurance Act, I have spoken with Nora

and we are requesting the proposed amendment in order that we will be on side. The intention is that we will not sell life and fire insurance concurrently. What I did not want to do is exclude the sale of either of those classes of insurance in the legislation ab initio. I wanted to be able to say that maybe at some point down the road the proposed corporation may elect to terminate its sale of life insurance and go into fire or vice versa. So what I am suggesting is that the company shall not concurrently carry on the sale of life and fire insurance, and that is the amendment that will be before you.

In respect to the sale of these policies and contingent on the questions that you may have to ask us, I have found in the last number of months we have been proceeding with this legislation -- in fact, since August of last year and numerous meetings with the superintendent of insurance -- that it is a highly regulated and very technical field. The superintendent's office tends to scrutinize everything that is done in this respect absolutely to the minuscule amount. They are very, very concerned with the fulfillment of the regulations, the capitalization requirements, who is proposing the legislation, financial background. All these matters have been already addressed with the superintendent's office, and notwithstanding the passing of this legislation, as I'm sure you are aware, we still must meet the tests of the superintendent before a licence can be issued. And within the body of the Act you will also notice that there is a two-year hiatus within which we must fulfill those requirements, and we will then be allowed to distribute policies of insurance.

The final thing I would like to mention -- and I would like to read the closing paragraph from our brief:

The Petitioners believe that Albertans can compete in the insurance industry. The creation of a provincially authorized insurance company is a commitment to diversification and signals the revival of economic growth. The establishment of this business will stimulate further growth and investment in the Province of Alberta. Local ownership will increase the opportunity for reinvestment into Alberta's economy.

That is not a hollow statement. Mr. Wheaton Sr. has a great amount of confidence in Alberta's economy, as witnessed by his commitment to the establishment of numerous businesses in this province. As you all are aware, there are not only the car dealerships but Kerr-National insurance, Brooker-Wheaton Aviation, as well as other businesses in which money made in this province is reinvested in this province.

I'd like to leave you with those comments. Thank you.

MR. DEPUTY CHAIRMAN: Before we proceed any further, I will ask the Legislative Counsel to swear in the petitioners, and then he will give his report on the Bill.

MR. RITTER: Thank you, Mr. Chairman. Before I do that, I should just deliver the report of your Parliamentary Counsel, Mike Clegg:

This is my report on the above Bill pursuant to standing order 99.

The purpose of this Bill is to incorporate an insurance company. The Bill follows the prescribed form and does not contain any provisions which I consider to be unusual.

That is the report of your Parliamentary Counsel.

I have just spoken with both the petitioners, and as there is the possibility that they might both be giving evidence, I'll be swearing them both in.

[Messrs. Flaman and Wheaton were sworn in]

MR. DEPUTY CHAIRMAN: Do any members of the committee have questions they would wish to ask?

MRS. HEWES: First of all, Mr. Chairman, may we know the wording of the amendment and where it would be positioned within the Bill and whether or not that interferes in any way with the advertising?

MR. RITTER: Mr. Chairman, I think I can answer that for the member. We have the amendment reading as follows:

The Bill is hereby amended as follows:

A. Section 7 is amended by adding at the end of it "and the company shall not concurrently carry on or engage in the business of entering into contracts of life insurance and fire insurance".

MRS. HEWES: Thank you. And the matter of advertising, Mr. Chairman?

MR. RITTER: Mr. Chairman, as far as the advertising goes, the amendment actually restricts the powers of the insurance company, and it is the opinion of Parliamentary Counsel that the petitioners will not have to readvertise.

MRS. HEWES: Thank you.

MRS. KOPER: In regards to the amendment, I am very curious about how that can be done and still retain a viable operation.

MR. DEPUTY CHAIRMAN: Did you hear the question?

MR. FLAMAN: Yes. Excuse me, in what respect? What we're trying to accomplish is that -- the company presently proposes not to carry on the business of fire insurance. That is why we did not specify it in our brief. However, when we were advised that there was a conflict with section 31, we elected, rather than immediately to exclude the distribution of fire insurance, which we don't intend to do in any event, and then have to come back and get an amendment to the legislation, to state within the body of the legislation that we would not sell both at the same time. So it is only the company's intention now to sell the four classes of insurance: life, accident and sickness, creditor loss of income, and warranty insurance on vehicles.

MRS. KOPER: That clarifies it.

MR. FLAMAN: Thank you.

MR. DEPUTY CHAIRMAN: Mr. Ady, I think you have a question?

MR. ADY: Yes, I had a question. It has to do with the conflict that may arise between fire insurance and life insurance. Inasmuch as we don't know why it's precluded that both can be sold by one company, I have a concern that if they were selling life insurance and they stopped tomorrow, they've still got to carry the policy. That's an ongoing thing. If you sell life insurance as it's generally sold, to last for the duration of a person's life, and if you stop selling it tomorrow and decide that you're going to sell fire insurance, you still have to carry that policy. Is there a conflict in doing that under the Act?

MR. FLAMAN: I can't answer the question specifically because with the technical requirements of this Act -- voluminous. You certainly have to have your reserve in respect to the carrying of the life insurance policy. So once you terminate the sale of life insurance, that cash has to be there.

When we discussed this particular amendment, which was just very recently, by the way, it was my intention when I was thinking the plan through that I didn't want to have to approach the Legislature again at a later time. It is certainly not of paramount importance at this time that we have the amendment in its current form so that it causes any conflict with the committee. I would be just as pleased, if there was a problem, to simply exclude at this time the sale of fire insurance. My plan was to at least have it both ways to preclude further problems down the road in reappearing. So we can certainly address that issue, and I can speak with Nora later and submit an amendment which is more in point, where we would specifically exclude the sale of fire insurance policies. Does that cause a problem? And that's not a problem, because we intend just to stay in the life field.

MR. ADY: Supplementary. Do you not intend to sell car insurance as we generally know it -- for instance, public liability, collision, that sort of thing -- under the umbrella of this policy? It calls for all classes of insurance. Do you intend to sell that?

MR. FLAMAN: Initially, no. And those requirements, again, are specifically scrutinized and regulated by the superintendent. When you go into the office subsequent to obtaining a Bill, you say: "Here we are; we're authorized. Now what do we have to do?" They have a very long form in which you have to specifically state the classes of insurance that you wish to sell. That is not one of the classes that we wish to sell. In the future that may be the case, but we have to meet the tests of the superintendent of insurance.

We will initially go to him only to sell policies that are normally sold within the automotive industry, where an individual will come in, purchase a vehicle, and want to buy insurance on his life for the principal amount outstanding on that contract, as well as to cover him in a sickness situation. Where he can't work, the insurance will then supplement his income and pay the amount outstanding on a monthly basis on that policy. Of course, the warranty is part of that, and as we all know, that is for the repair and maintenance of vehicles subsequent to the expiration of the original warranty granted by the manufacturer.

MR. ADY: Do I get one more supplementary on that? Could you identify just the type of fire insurance that you would sell if you were going to sell it? Would it pertain to the automobile industry, or would it be general fire insurance, as we know it, on commercial buildings and that sort of thing?

MR. FLAMAN: In addressing that issue, again, there had been no thought given whatsoever to the sale of fire insurance until we found out that there was a conflict with section 31. We do not intend to sell fire insurance at this time, and if it is causing that amount of consternation at this point, I think it's just best left aside, to exclude the sale of fire insurance.

MR. ADY: Well, just a final comment. I don't have any problem with the conflict of it unless it conflicts with the Act.

MR. FLAMAN: I'm not sure. I don't believe that it does, be-

cause if you can't sell both concurrently, the superintendent simply won't give you a licence.

MR. DEPUTY CHAIRMAN: Mr. Clegg.

MR. G. CLEGG: Yes, Mr. Chairman. Are you going to be selling straight liability insurance?

MR. WHEATON: We will be selling no liability insurance at all. It will be strictly life, accident and sickness, creditor loss of income, and warranty insurance, but no liability insurance.

MR. G. CLEGG: Okay. I have no concern then.

MR. WRIGHT: I'm afraid I came a little late, Mr. Chairman, for which I apologize, and therefore I may have missed something here. But could not the problem the petitioner has identified, which has resulted in the possibility of an amendment, be dealt with by simply adding to section 7 of the Bill words like: as may be permitted by the Insurance Act?

MR. FLAMAN: I think that ties it up basically with the amendment that we proposed, and I think either/or would be sufficient. Because, again, we can't walk in and ask for both licences at the same time. They're going to say: make your choice. So it works.

MR. WRIGHT: So that would give further flexibility in that if the Insurance Act is amended at some time to permit the simultaneous sale of life and fire insurance, you won't have to come back here again.

MR. FLAMAN: That's an excellent proposal.

MR. DEPUTY CHAIRMAN: Mr. Wright, would you mind making that amendment again so the other members of the committee could hear what you're proposing?

MR. WRIGHT: Well, I gather that the purpose of the proposed amendment is to square section 7 with the Act. Therefore, why don't we simply say: as may from time to time be permitted by the provisions of the Alberta Insurance Act?

MR. DEPUTY CHAIRMAN: Is this in addition to the amendment or instead of the amendment?

MR. WRIGHT: It's just a proposal.

MR. DEPUTY CHAIRMAN: Any other members of the committee have any concern with that? And the petitioners do not? Mr. Wright, you can send your bill to the petitioners after.

MR. FLAMAN: I would like to make one proposal to that, Mr. Wright. I would like to run it by Mr. Rodrigues. He has some concerns. He wants to be absolutely certain that no one can say, "You have a Bill; now we are authorized to sell both life and fire." I don't want to get offside Mr. Rodrigues; I want to pass that by him. If he has no problems with that, I'm more than prepared to accept that as the amendment, either that one or the previous one where we won't do it simultaneously. If that's possible to pass it by him first?

MR. DEPUTY CHAIRMAN: Are there any other questions

from the committee?

The petitioners are excused, and thank you very much.

MR. FLAMAN: Thank you very much, Mr. Chairman.

MR. DEPUTY CHAIRMAN: The next is Bill Pr. 5, the United Farmers of Alberta Co-operative Limited Amendment Act, 1987. And we have here Mr. Carleton and Mr. Metz. Perhaps we should hear from you first.

MR. RITTER: Thank you, Mr. Chairman. I'll just read the report of Mike Clegg regarding this Bill:

This is my report on the above Bill pursuant to standing order 99.

The purpose of this Bill is to permit the United Farmers of Alberta to carry out its objects and purposes outside Alberta and to enable it to hold property outside Alberta. There is no model Bill on this subject and it does not contain any provisions which I considered to be unusual.

MR. DEPUTY CHAIRMAN: Thank you, Mr. Ritter. Do you want to swear them in now?

MR. RITTER: I think, Mr. Chairman, that the petitioners may wish to give an opening statement, at which point it's then usual to swear them in, once the committee members wish to direct questions at them.

MR. DEPUTY CHAIRMAN: Mr. Carleton, would you like to make an opening remark?

MR. CARLETON: Thank you. Good morning, Mr. Chairman, hon. members. These petitions before you today arise out of a concern with respect to the existing language of the statute incorporating the United Farmers of Alberta. Specifically, the objects of the association as set out in the statute are to assist in promoting the economic and cultural welfare of farmers and ranchers in Alberta and to improve the position of farmers and ranchers in Alberta. Additionally, one of the powers that the association has is to own property, both real and personal, within the province of Alberta, necessary for the purposes of the association.

As I mentioned to you, there is a concern with respect to that language. With your indulgence I'll take a moment of your time and refer you to an early Supreme Court of Canada case that had indicated that the ability of a corporate body to carry on its objects outside its jurisdictional boundaries was dependent upon a particular interpretation of the statute. Basically, does the language lend itself to that? In response to that Supreme Court decision, the Legislative Assembly of Alberta passed an Act in 1916 which gave to everybody incorporated under any Act, special or otherwise, the power to carry on its objects outside Alberta providing there was no express provision preventing it from doing so. In 1918 the initial statute for the UFA was passed. Later the Act which gave capacity to go outside Alberta was translated into the Alberta Companies Act, section 8, and it says much the same thing as I just explained to you.

Unfortunately, in the very narrow sense section 11 of the UFA's Act says that the Companies Act does not apply to the UFA, and therefore that language that permits it to go beyond its boundaries does not apply. In the practical sense this has created a problem. As a natural evolution of the business being

conducted by the association, it has now a consignment arrangement with an agent in British Columbia that is distributing its product in British Columbia, and it has from farmers and ranchers near the Alberta border orders for its product, which it supplies.

That's created, really, two practical concerns. One has to do with collection of accounts. It's been suggested that indeed the United Farmers does not have the capacity to sue a British Columbia resident for an account in respect of a product delivered to him. And also, of course, with respect to the agency relationship which it has with an individual in British Columbia, there is a concern that any contracts entered into on behalf of the UFA would be just simply void because of the language of the statute not permitting the association to carry on its business beyond the boundaries of Alberta.

It is the concern with the language of the existing statute, the inapplicability of the Companies Act to it, and the practical concerns that have confronted the United Farmers which lead us to these petitions today.

[Messrs. Carleton and Metz were sworn in]

MR. DEPUTY CHAIRMAN: Do any of the members of the committee wish to raise some questions with the petitioners?

MR. WRIGHT: When was this difficulty first noticed?

MR. CARLETON: About a year ago, sir.

MR. WRIGHT: Was it because of a problem that had arisen, or does it anticipate possible problems merely?

MR. CARLETON: The issue arose because of the application of the United Farmers to be extraprovincially registered in the province of British Columbia in order to put itself in a position to commence legal action for collection of debts against residents of British Columbia, and that's indeed where it has arisen. I should tell you that that process has been completed. Nonetheless the concern remains that in the event the matter was ever brought before a judge, he might interpret the statute to limit it to the province of Alberta, and the extraprovincial registration effected to date would be void as a result of that.

MR. WRIGHT: So you are registered in B.C. now to do business?

MR. CARLETON: Yes, we are.

MR. WRIGHT: In Saskatchewan?

MR. CARLETON: No, we are not.

MR. WRIGHT: You might think about the other half of Lloydminster, I suppose, at least.

MR. CARLETON: Yes, indeed.

MR. WRIGHT: Does it then interfere with any existing lawsuit? I mean, there has been no action defended on these grounds?

MR. CARLETON: No, sir.

MR. WRIGHT: I see. And as to whether it interferes with any existing contract or not, that's a matter of speculation only. I think the difficulty would probably only arise in respect of -- well no, I won't speculate. Thanks very much.

MR. CARLETON: Thank you.

MR. DEPUTY CHAIRMAN: Are there any other questions?

MR. MUSGROVE: Well, I'm a little confused. To register to do business in Saskatchewan or B.C., is it still the United Farmers of Alberta, or does it then become the United Farmers of British Columbia or the United Farmers of Saskatchewan?

MR. CARLETON: It remains the United Farmers of Alberta, sir. Like any other body corporate from a jurisdiction outside British Columbia, the Legislature of British Columbia requires that that body register in their province to do business and, indeed, to commence any legal proceedings.

MR. MUSGROVE: Thank you.

MRS. KOPER: Would this privilege extend to the investment of a great deal of capital by your company in the other provinces?

MR. METZ: Mr. Chairman, there is no intention at the moment of doing so, and there has not been any extensive capital spent in B.C. or Saskatchewan or anywhere outside of Alberta.

MR. DEPUTY CHAIRMAN: If there are no other questions, then I will suggest the petitioners be excused. Thank you very much for coming.

The next item on the agenda is to try and determine the agenda for next week. Mr. Ritter has discussed this with Mr. Schumacher, your chairman, and perhaps you'd like to mention what he had to say, Mr. Ritter.

MR. RITTER: Thank you, Mr. Chairman. It was particularly Mr. Schumacher's wishes that we don't starting taking on too difficult petitions just before the Easter break. Many of the members here will know that originally we had agreed to consider An Act to Incorporate the Sisters Servants of Mary Immaculate (Polish) of Alberta. They were unable to make it on this particular day, but I understand from Nora that they will be able to come next Wednesday. So Mr. Schumacher suggests that the committee might wish to consider hearing the petitions on Bill Pr. 3, An Act to Incorporate the Sisters Servants of Mary Immaculate (Polish) of Alberta, and Bill Pr. 14, Acts Leadership Training Centre Act. This had been rated as a B in Mr. Clegg's classification of difficulty. The last one is Bill Pr. 22, the Rhea-Lee Williamson Adoption Act. Again, this is a B and is a matter dealing with a private Act to effect an adoption of a person over 18.

MR. DEPUTY CHAIRMAN: Do the members of the committee have any concerns with that proposal?

DR. ELLIOTT: We're just considering the one, then, for next Wednesday. Is that . . .

MR. RITTER: All three.

DR. ELLIOTT: All three for next Wednesday? Okay.

MR. RITTER: Yes. That would be Pr. 3, Pr. 14, and Pr. 22, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Is that agreeable to the committee? Any other questions? Any other concerns? Can we have a motion for adjournment?

[The committee adjourned at 9:12 a.m.]

