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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SIXTH LEGISLATURE

Bill 222

(Private)

**An Act respecting Industrial-Alliance,  
Life Insurance Company**

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**Introduced 11 November 1999**

**Passage in principle 24 November 1999**

**Passage 24 November 1999**

**Assented to 26 November 1999**

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## **Bill 222**

(Private)

### **AN ACT RESPECTING INDUSTRIAL-ALLIANCE, LIFE INSURANCE COMPANY**

WHEREAS Industrial-Alliance, Life Insurance Company (hereinafter referred to as “Industrial-Alliance”) results from the amalgamation of The Industrial Life Insurance Company and Alliance Mutual Life Insurance Company pursuant to letters patent of amalgamation issued on 1 January 1987 and from the amalgamation of Industrial-Alliance, Life Insurance Company and La Solidarité, Compagnie d’Assurance sur la vie pursuant to letters patent of amalgamation issued on 1 February 1996;

Whereas under By-law No. 1998-1 passed by Industrial-Alliance and approved by the members on 8 December 1998 and subsequently ratified pursuant to the terms of supplementary letters patent dated 18 December 1998, preferred equity shares have been created; and whereas pursuant to a resolution passed by Industrial-Alliance on 21 January 1999 and subsequently ratified pursuant to the terms of supplementary letters patent dated 8 February 1999, a first series of 3,000,000 preferred equity shares having a par value of \$25, designated as “Class B Non-Cumulative Preferred Shares, Series 1”, was issued and is currently outstanding;

Whereas Industrial-Alliance wishes to convert into a capital stock insurance company devoted to the pursuit of its activities;

Whereas on 10 August 1999, the board of directors of Industrial-Alliance unanimously passed a resolution approving a conversion proposal and a conversion by-law;

Whereas the fair and equitable nature of the conversion proposal has been affirmed by an independent actuary;

Whereas at a special general meeting held on 8 November 1999, the members of Industrial-Alliance approved the conversion proposal and conversion by-law by not less than two-thirds of the votes, and authorized the board of directors and the officers to petition the National Assembly of Québec for the passage of a private bill to authorize the conversion of Industrial-Alliance into a capital stock insurance company;

Whereas the sole holder of the Class B Non-Cumulative Preferred Shares, Series 1 has been consulted and agrees to the rights, privileges, restrictions and conditions attached to the preferred shares being modified under the terms of this Act and the conversion by-law;

Whereas it is expedient that Industrial-Alliance be converted into a capital stock insurance company ;

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

## **DIVISION I**

### **CONVERSION**

1. Industrial-Alliance is hereby authorized to convert into a capital stock insurance company.
2. For that purpose, Industrial-Alliance shall, before 1 September 2000, file with the Inspector General of Financial Institutions a conversion application together with its conversion proposal and conversion by-law.
3. The conversion by-law shall set out
  - (1) the name of the converted company ;
  - (2) the location of the head office ;
  - (3) the classes of insurance to be transacted ;
  - (4) the members of its board of directors ;
  - (5) the mode of election of its subsequent directors ; and
  - (6) its capital stock.

The conversion by-law shall, in addition, establish the conversion of the Class B Non-Cumulative Preferred Shares, Series 1 into Preferred Shares, Series 1 of the converted company, with essentially the same rights, privileges, restrictions and conditions, subject to the following :

- (1) Preferred Shares, Series 1 for which a notice of conversion into common shares is given will be subject to the exercise by the company of a right of conversion into Preferred Shares, Series 2, in the manner provided for in the conversion by-law ; and
- (2) certain terms and conditions as regards the privilege to convert into common shares will be modified, in particular to take into account the right of conversion into Preferred Shares, Series 2.

4. The Inspector General shall confirm the conversion by-law by letters patent deposited by the Inspector General in the register constituted under the Act respecting the legal publicity of sole proprietorships, partnerships and legal persons (R.S.Q., chapter P-45).

The letters patent shall be issued on the date of the close of the first public offering provided for in the conversion proposal.

5. The dues payable for the issue of letters patent of conversion are the dues prescribed by the Regulation respecting the application of the Act respecting insurance (R.R.Q., 1981, c. A-32, r.1) for amalgamation, conversion or continuance under Chapter V.1 of Title III of the Act respecting insurance.

6. On the date of the letters patent, Industrial-Alliance, the existence of which is uninterrupted, shall be converted into a capital stock insurance company governed, subject to the special provisions set out in this Act, by the Act respecting insurance (R.S.Q., chapter A-32) and, in the absence of special provisions in the Act respecting insurance, by Part I of the Companies Act (R.S.Q., chapter C-38), with the necessary modifications. At that time, it shall cease to be a mutual insurance company and the rights of the policyholders, as members of the mutual company, shall terminate. The conversion shall not affect the rights and privileges arising from contracts of insurance in force.

7. The converted company shall enjoy all the rights and assume all the obligations of the mutual insurance company. Proceedings pending may be continued by or against the converted company without continuance of suit.

8. Notwithstanding the fact that this Act was not in force on the dates on which the conversion proposal and the conversion by-law of Industrial-Alliance were passed and approved,

(1) the meeting of the board of directors held on 10 August 1999 and the special general meeting of members held on 8 November 1999 are deemed to have been validly held;

(2) the conversion proposal passed by the board of directors on 10 August 1999 and approved by the special general meeting of members held on 8 November 1999 is deemed to have been duly passed and approved and to be valid;

(3) the conversion by-law passed by the board of directors on 10 August 1999 and approved by the special general meeting of members held on 8 November 1999 is deemed to have been duly passed and approved, to be valid and to meet the requirements of this Act.

9. The board of directors of Industrial-Alliance may cancel the conversion proposal and conversion by-law and withdraw the conversion application filed with the Inspector General, before the letters patent of conversion are issued.

If the conversion is not effected before 1 January 2001, the conversion proposal and conversion by-law are deemed to never have been passed and this Act will cease to have effect.

## **DIVISION II**

### **DISTRIBUTION OF VALUE AND PARTICIPATING FUND**

10. The value of Industrial-Alliance on the date of the letters patent, including the value of participating fund surpluses, shall be distributed as conversion benefits to policyholders who are eligible members under the terms of the conversion proposal. The value of Industrial-Alliance shall be determined and apportioned as provided in the conversion proposal.

However, in the case of group annuity contracts whose purchase was an act of administration of a pension plan that, on 26 November 1999, was no longer subject to the Act respecting supplemental pension plans (R.S.Q., chapter R-17), the Supplemental Pension Plans Act (R.S.Q., chapter R-15.1) or a similar Act emanating from a legislative authority other than the Parliament of Québec, all proceeds of the conversion shall, if no longer being possible to remit such proceeds to the pension fund, be paid by Industrial-Alliance to the members and beneficiaries whose annuity certificates were in force on 30 April 1999, that date being the qualifying date under the terms of the conversion proposal.

11. For the purposes of section 53 of the Act respecting insurance, the shares issued by the converted company pursuant to the conversion proposal are deemed to be fully paid shares.

12. On conversion, the participating fund shall be restructured and become the “pre-conversion participating account” and, where applicable, the “post-conversion participating account”, in accordance with the terms and conditions in the conversion proposal.

Notwithstanding any contrary provision in the Act respecting insurance, any surplus in the “pre-conversion participating account” may be transferred to the “shareholders’ account” in the manner provided for in the conversion proposal.

The converted company may cease to keep the “pre-conversion participating account” with the prior approval of and subject to the conditions fixed by the Inspector General, where the Inspector General is of the opinion that the cost of keeping the account exceeds the benefits to the policyholders in respect of whom the account is kept, that fact having been confirmed by the company’s actuary. The account shall then be merged with the “shareholders’ account”, subject to the conditions determined by the Inspector General.

## **DIVISION III**

### **ADMINISTRATION**

13. Subject to this Act and the conversion by-law, the general by-laws of Industrial-Alliance in force on the date of issue of the letters patent become the general by-laws of the converted company, with the necessary modifications, until they are amended, revoked or replaced.

## **DIVISION IV**

### **LIMIT ON THE HOLDING OF VOTING SHARES**

14. A person and the associates of that person within the meaning of section 49 of the Act respecting insurance may not acquire, directly or indirectly, voting shares of the converted company if the result of the acquisition would be that the person and associates of that person hold 10% or more of the voting rights attached to the shares.

Where an acquisition is made contrary to the provisions of the first paragraph, every person for the benefit of whom the shares were acquired shall be prevented from exercising the voting rights attached to the shares acquired for so long as the contravention continues.

15. For the purposes of section 14, the converted company may

(1) require any person in whose name shares of the company are held to furnish a declaration disclosing the beneficial owner of the shares and the number of shares held;

(2) require any person holding shares of the company to furnish a declaration disclosing any persons who are associated and who, to that person's knowledge, hold shares in the company; and

(3) fix the form in and time within which a declaration furnished pursuant to the preceding subparagraphs must be submitted.

Any person who refuses or fails to submit a declaration under the first paragraph is deemed, for the purposes of section 14, to hold 10% or more of the voting shares of the converted company.

## **DIVISION V**

### **TRANSITIONAL PROVISIONS**

16. Notwithstanding any provision to the contrary in the Act respecting insurance and the Companies Act, the term of each director of the converted company elected at a meeting held before 31 December 2003 may be of three years.

17. Preferred Shares, Series 1 of the converted company issued to replace Class B Non-Cumulative Preferred Shares, Series 1, so long as they have not been exchanged or converted and until the date on or after which they may be redeemed by the company, are deemed to be Class 1 funds within the meaning of the Lignes directrices de l'inspecteur général des institutions financière en matière de suffisance de fonds propres (Assurance de personnes - Novembre 1997).

18. The converted insurance company shall be exempt, in respect of all recorded shareholders, from the requirements of sections 77 and 78 of the Securities Act (R.S.Q., chapter V-1.1) for each fiscal year ending before 1 January 2003. The company shall, however, send to registered shareholders, other than holders of debt securities, an annual statement of its financial situation, a statement of income and the auditor's report if the report contains a reserve, as well as quarterly statements of income. The comprehensive financial statements and the annual report may be examined at the head office of the company or at the Commission des valeurs mobilières du Québec. The company shall send the documents, free of charge, to any registered shareholder other than a holder of debt securities who so requests, and shall make the information contained in the documents available by means of electronic communication accessible to the public.

## **DIVISION VI**

### **COMING INTO FORCE**

19. This Act comes into force on 26 November 1999.