



NATIONAL ASSEMBLY OF QUÉBEC

SECOND SESSION

FORTY-SECOND LEGISLATURE

Bill 202
(Private)

**An Act respecting the insurer
activities of the Fédération
québécoise des municipalités locales
et régionales (FQM) and its
amalgamation with, by absorption of,
La Mutuelle des municipalités
du Québec**

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Bill 202

(Private)

AN ACT RESPECTING THE INSURER ACTIVITIES OF THE FÉDÉRATION QUÉBÉCOISE DES MUNICIPALITÉS LOCALES ET RÉGIONALES (FQM) AND ITS AMALGAMATION WITH, BY ABSORPTION OF, LA MUTUELLE DES MUNICIPALITÉS DU QUÉBEC

AS the Fédération québécoise des municipalités locales et régionales (FQM), a non-profit organization governed by Part III of the Companies Act (chapter C-38), and La Mutuelle des municipalités du Québec, insurer constituted under the Cities and Towns Act (chapter C-19) and the Municipal Code of Québec (chapter C-27.1), share common objectives in relation to the provision of services to municipalities;

AS it is desirable that La Mutuelle des municipalités du Québec be the subject of an amalgamation by absorption by the Fédération québécoise des municipalités locales et régionales (FQM) to avoid duplication of structures and foster more efficient management, operations and supervision;

AS it is desirable that the Fédération québécoise des municipalités locales et régionales (FQM) be authorized to carry on insurer activities and to establish an insurance fund for that purpose;

AS the members of the Fédération québécoise des municipalités locales et régionales (FQM) and those of La Mutuelle des municipalités du Québec, assembled at special meetings, respectively passed resolutions on 30 September 2021 authorizing that amalgamation;

AS no legislative provision allows the amalgamation by absorption of La Mutuelle des municipalités du Québec by the Fédération québécoise des municipalités locales et régionales (FQM);

AS no legislative provision allows a company governed by Part III of the Companies Act to carry on insurer activities in Québec;

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

INSURER ACTIVITIES

1. The Fédération québécoise des municipalités locales et régionales (FQM) (the Federation) is authorized to transact damage insurance business with the following persons, partnerships and bodies:

(1) a municipal body referred to in the Act respecting Access to documents held by public bodies and the Protection of personal information (chapter A-2.1);

(2) to the extent that it is not covered by subparagraph 1, a body subject to any of the provisions of sections 573 to 573.4 of the Cities and Towns Act (chapter C-19) or articles 935 to 952 of the Municipal Code of Québec (chapter C-27.1);

(3) a person that a municipality may subsidize under the first paragraph of section 92 of the Municipal Powers Act (chapter C-47.1); and

(4) any partnership or legal person devoted to the pursuit of the purposes mentioned in the second paragraph of section 8, subparagraph 2 of the first paragraph of section 91 or the first paragraph of section 93 of the Municipal Powers Act.

The authorization provided for in the first paragraph is deemed to be an authorization granted by the Autorité des marchés financiers (the Authority) in accordance with the Insurers Act (chapter A-32.1).

2. The Federation must establish and maintain an insurance fund for the performance of its obligations arising from its insurer activities.

3. The Insurers Act applies to the Federation, subject to the following modifications:

(1) any provision referring to a director applies only to a director of the Federation elected by the holders of insurance contracts under subparagraph 1 of the first paragraph of section 1 of this Act;

(2) the following provisions of Title II apply only to the Federation's insurance business, with the necessary modifications: Chapters I and II, except section 23, Chapters III and IV, Division II of Chapter V, except sections 84 and 85, Chapter VI, except sections 110 and 111, Chapters VII and VIII, including the second paragraph of section 133 as regards the members of the decision-making committee, Chapters IX to XII and sections 182 to 185; however, the increase provided for in section 184 of that Act may only apply to the holders of insurance contracts under subparagraph 1 of the first paragraph

of section 1 of this Act, such holders being thereupon bound to pay the contributions determined by the Autorité des marchés financiers under that section 184;

(3) only the following provisions of Title III are applicable to the Federation's insurance business, to the extent provided for below:

(a) those of Chapter V apply to the Federation's name;

(b) those of Chapter VII apply to certain loans of the Federation and to certain hypothecs and other securities granted by the Federation;

(c) those of Division I, except sections 267 and 268, of Division II, except sections 273 to 276, and of Divisions III and IV, except references to the Business Corporations Act (chapter S-31.1), of Chapter IX apply to the directors referred to in subparagraph 1;

(d) those of Chapter X apply to the holders of insurance contracts under subparagraph 1 of the first paragraph of section 1 of this Act, who are thereupon considered mutual members;

(e) those of Chapter XII, except section 302, apply to the amendment, consolidation, correction and cancellation of the articles of the Federation, but references to the Business Corporations Act and to a business corporation are to be read, respectively, as references to the Companies Act (chapter C-38) and to the Federation;

(f) those of Chapter XIV, except sections 327, 328 and 337, apply to the amalgamation of the Federation, but references to the Business Corporations Act and to a business corporation are to be read, respectively, as references to the Companies Act and to the Federation or, as the case may be, to another company governed by Part III of that Act; and

(g) those of Chapter XVI, except section 361 and the second paragraph of section 375, apply, as the case may be and with the necessary modifications, to the exercise of the functions and powers relating to the Federation's insurance business, its insurance decision-making committee and its insurance fund;

(4) the provisions of Title V apply only to the Federation's insurance business; and

(5) the provisions of Title VI apply to the Federation, with the necessary modifications, in particular in relation to the application of the other provisions of that Act referred to in subparagraphs 2 to 5 to the Federation.

For the purposes of subparagraph 3 of the first paragraph, the Federation may not, if applicable, amend its letters patent or amalgamate without having first notified the minister responsible for municipal affairs. Where the minister is of the opinion that an amendment to the letters patent or an amalgamation

affects the Federation's insurance business, the minister's authorization is required for the Federation to proceed with the amendment or amalgamation, after the minister has himself or herself obtained a notice from the Authority to that effect. In all cases, the Federation must obtain the authorization of the minister in order to be dissolved.

The minister responsible for municipal affairs or the Authority may, for the purposes of the second paragraph, require any information or document they consider necessary.

4. The holders of insurance contracts under subparagraph 1 of the first paragraph of section 1 elect two members of the Federation's board of directors at the annual meeting provided for in Division III of Chapter X of Title III of the Insurers Act.

5. A holder of an insurance contract under subparagraph 1 of the first paragraph of section 1 may call the auditor of the insurance fund or an actuary to a meeting by means of a written notice of convocation not less than 10 days before the meeting. The auditor or actuary therefore attends the meeting at the Federation's expense and answers any question relating to their duties.

6. The Federation may prescribe, by by-law, the rules concerning the payment of a contribution to the insurance fund by the holders of an insurance contract under subparagraphs 1 and 2 of the first paragraph of section 1 as well as the rules concerning the declaration and payment of interest to the holders.

7. The Federation may not declare or pay any interest if there are reasonable grounds for believing that the Federation is or would be unable, due to such a payment, to maintain the assets and capital prescribed in sections 182 and 368 of the Insurers Act.

8. The Federation's damage insurance decision-making committee must be composed of at least seven members, a maximum of two of whom are also on the Federation's board of directors.

9. A holder of insurance contracts under subparagraph 1 of the first paragraph of section 1 must remain a holder for at least five years from the date of entering into their first contract. After that period, the Autorité des marchés financiers may authorize the Federation or the holder to terminate any insurance contract, provided that

(1) the Authority considers that it does not prevent the maintenance, in the Federation's insurance fund, of adequate assets to meet the liabilities charged against the insurance fund, as and when they become due, or of adequate capital to guarantee the sustainability of the Federation's insurance business; and

(2) the Federation undertakes to comply with the conditions the Authority considers necessary for ensuring that maintenance.

If the Authority is of the opinion that the Federation cannot ensure that maintenance or that the Federation is failing in its undertaking, it may order the liquidation of the Federation's insurance fund and appoint a liquidator. The Authority must, before issuing such an order, notify the prior notice prescribed by section 5 of the Act respecting administrative justice (chapter J-3) to the Federation in writing and grant the latter at least 30 days to submit observations.

The order has the same effect as an order rendered by a judge of the Superior Court under section 25 of the Winding-up Act (chapter L-4).

When issuing the order, the Authority sends a notice to that effect to the enterprise registrar, who deposits it in the register established under the Act respecting the legal publicity of enterprises (chapter P-44.1).

10. The voluntary liquidation of the Federation's insurance fund must be authorized by the minister responsible for municipal affairs before the Authority grants the full and final revocation of the authorization referred to in the second paragraph of section 1.

11. The remaining property of the Federation's insurance fund, if any, is remitted only to the holders of insurance contracts under subparagraph 1 of the first paragraph of section 1. It is shared in proportion to the sums paid by the holders over the course of the three years preceding the liquidation.

CHAPTER II

AMALGAMATION OF THE FÉDÉRATION QUÉBÉCOISE DES MUNICIPALITÉS LOCALES ET RÉGIONALES (FQM) AND LA MUTUELLE DES MUNICIPALITÉS DU QUÉBEC

12. The Fédération québécoise des municipalités locales et régionales (FQM), a non-profit body governed by Part III of the Companies Act, shall amalgamate with La Mutuelle des municipalités du Québec (the Mutuelle), an insurer established under the Cities and Towns Act and the Municipal Code of Québec, by absorption of the Mutuelle.

The first paragraph applies despite subparagraphs *c* and *d* of the first paragraph of section 465.10 of the Cities and Towns Act and subparagraphs 3 and 4 of the first paragraph of article 711.11 of the Municipal Code of Québec.

13. The Mutuelle's assets are paid into the Federation's insurance fund.

Within the limits of that fund,

(1) the Federation acquires the rights and assumes the obligations of the Mutuelle;

(2) the insurance contracts issued by the Mutuelle and in force on 1 January 2022 become insurance contracts fully guaranteed by the Federation; and

(3) proceedings to which the Mutuelle is a party are continued by or against the Federation without continuance of suit.

14. In any contract and any proceeding arising from its insurer activities, the Federation may use the name “La Fédération québécoise des municipalités, dans les limites de l’actif de son fonds d’assurance”.

The Federation may also conduct its insurance business under the name “Fonds d’assurance des municipalités du Québec” or “FAMQ”.

15. The Mutuelle’s policies, directives, procedures and by-laws applicable to its members, to the extent that they concern the classes of insureds, the issue of insurance contracts, the classes of damage insurance, the mode of determination and payment of the premium and, if applicable, any other contribution of the insureds as well as the interest that may be paid to them and the measures relating to participation, withdrawal or expulsion of an insured, become those of the Federation and remain applicable so long as they are not amended or replaced and provided they are not incompatible with the provisions of this Act or of the Insurers Act that are applicable to the Federation.

In addition, the rules relating to the conditions of employment of the Mutuelle’s employees remain applicable to those employees so long as those rules are not amended or replaced.

16. Members of the Mutuelle retain their rights as holders of insurance contracts, but their rights as members are terminated. Unless it is already the case, they do not become members of the Federation.

17. The Mutuelle’s directors become, without further formality, members of the damage insurance decision-making committee until they are replaced.

However, two of those directors, designated for that purpose by the Mutuelle’s board of directors, become members of the Federation’s board of directors as if they had been elected under section 4.

CHAPTER III

MISCELLANEOUS AND FINAL PROVISIONS

18. This Act does not interrupt or modify the legal existence of the Fédération québécoise des municipalités locales et régionales (FQM), which remains constituted and governed by Part III of the Companies Act (chapter C-38).

19. Despite section 150 of the Act respecting the distribution of financial products and services (chapter D-9.2), but subject to the other provisions of that Act, the Fédération québécoise des municipalités locales et régionales (FQM) may hold an interest in a damage insurance firm in excess of the limits

prescribed by that section, without affecting the registration of that firm, provided such interest is held otherwise than through the Federation's insurance fund.

20. Sections 573 to 573.4 of the Cities and Towns Act (chapter C-19) apply, with the necessary modifications, to the awarding of contracts covered by those sections by the Fédération québécoise des municipalités locales et régionales (FQM) and by the groups of which the Federation is the holder of control within the meaning of the Insurers Act (chapter A-32.1), except the awarding of contracts of reinsurance or of contracts involving no party other than the Federation or the groups of which it is the holder of control.

The Federation and the groups of which it is the holder of control are deemed to be local municipalities for the purposes of a regulation made under sections 573.3.0.1 and 573.3.1.1 of that Act.

21. Despite the third paragraph of section 5 of the Act respecting Access to documents held by public bodies and the Protection of personal information (chapter A-2.1), the Fédération québécoise des municipalités locales et régionales (FQM) is considered to be a municipal body exclusively for the purposes of that Act and of section 573.3 of the Cities and Towns Act, of article 938 of the Municipal Code of Québec (chapter C-27.1), of section 112.4 of the Act respecting the Communauté métropolitaine de Montréal (chapter C-37.01), of section 105.4 of the Act respecting the Communauté métropolitaine de Québec (chapter C-37.02), of section 101.1 of the Act respecting public transit authorities (chapter S-30.01) and of sections 204.3 and 358.3 of the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1).

22. The special meetings held by the Fédération québécoise des municipalités locales et régionales (FQM) and La Mutuelle des municipalités du Québec on 30 September 2021, during which resolutions approving their amalgamation were made, are deemed to have been validly held despite the fact that this Act was not in force on that date.

23. The name “La Mutuelle des municipalités du Québec” may be used by the Fédération québécoise des municipalités locales et régionales (FQM) in all negotiable instruments, contracts, invoices and orders for goods or services relating to its insurance business until 1 April 2023.

24. Within 60 days after the coming into force of this Act, the Fédération québécoise des municipalités locales et régionales (FQM) must send a copy of this Act to the enterprise registrar, who deposits it in the register established under the Act respecting the legal publicity of enterprises (chapter P-44.1).

25. This Act comes into force on 1 January 2022.