Class A: In this class are policies providing life insurance protection and policies providing for the accumulation of money. These include accumulation annuities, registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs). The limits for this class are:

* $200,000 life insurance protection
* $60,000 in cash withdrawal for policies registered under the *Income Tax Act* such as RRSPs, RRIFs and pension policies
* $60,000 in cash withdrawal for non-registered policies (including life insurance cash values).

Class B: In this class are life annuity and disability income policies with no option of a lump sum, cash withdrawal. The limit for this class is:

* $2,000 income per month

Class C: In this class are health benefits, other than disability income annuities. The limit for this class is:

* $60,000 in total payments.

- *Minimum capital standards*

Before CompCorp can come into operation, governments must have in place solvency standards that companies would have to meet and that could be used to monitor their solvency status. Toward this end, the CLHIA developed a Test Formula for a Minimum Continuing Capital and Surplus Standard (MCCSS). If an insurance company's total capital and surplus were to compromise this MCCSS requirement, it would become subject to various restraints and controls on its operation. And if it fell below the MCCSS, it would become ineligible for future coverage under CompCorp.

Over 95 per cent of the industry has now "signed on" to these standards for minimum continuing capital and surplus requirements and the Committee has been led to believe that most if not all of the regulators, federal and provincial, are also on side.

This is a significant development since it represents a critical step in integrating insurance services into a single national market. But the system is not quite there yet. The MCCSS represents minimum standards for participating in the industry's insurance protection plan. Several regulators, the federal government included, do not view these Minimum Continuing Capital and Surplus Standards as fully adequate, of and by themselves, for prudential regulatory purposes. However, the process of converting the MCCSS into an insurance equivalent of the BIS standards involves the same general focus and the same methodology so that there is room for considerable optimism that the minimum regulatory and supervisory standards needed to underpin a single national insurance market can be developed.

RECOMMENDATIONS AND OBSERVATIONS

8. The Committee congratulates the Canadian Life and Health Insurance Association (CLHIA) for instituting its consumer protection plan and for developing its Minimum Continuing Capital and Surplus Standard for membership in the plan. The Committee notes further that this initiative represents a major step toward creating a national market for insurance products.