policies across the country which have cash values attached. The policyholders themselves do not even know what the cash value of their policies is. How much does the Government feel it is going to get out of this, compared with all the hassle and problems, the lost votes and probably a good many lost seats in the next election? I believe the Government would be well advised to withdraw this provision.

• (1210)

Mr. Cosgrove: Mr. Chairman, I thank the Hon. Member for disclosing his professional expertise. I do not consider it a conflict of interest in dealing with this issue. After all, presumably all Members have the confidence of their electors to assume responsibility as a Member of the House because they have expertise in some area or the other. The Hon. Member is not alone, of course, in his expertise in dealing with life insurance. The Hon. Member for Thunder Bay-Nipigon, for example, is a man who has somewhat the same background and is able to draw on his practical experience and make representations to the Department and the Government. Obviously the Government was assisted by Members who, although they may not be licensed agents, represent those areas and constituencies that we all recognize contain the home office of many life insurance companies. I am thinking, for example, of the Members from Kitchener or London East and London West who have the advantage of getting first-hand reaction to the budget proposals and who made representations to the Government. All these Members did what we expect from Hon. Members, and that is to bring their own particular background to bear on Government proposals and make recommendations for improvement or change. Secondly, they acted as good Members in their constituencies and acted to bring the representations of their constituents to the Government in considering the implication of this legislation in so far as it affects life insurance policies and annuities.

I did not have the advantage, Mr. Chairman, of listening to the conversation between the Hon. Member and the president or executive officer of the life insurance company referred to by the Hon. Member, but I really cannot do any more than introduce to the House the letter written to me by the President of the Canadian Life Underwriters or the Canadian Health and Life Insurance Association representatives who have made submissions. We did have a great amount of dialogue. There was a discussion between Members of Government and industry representatives. I think all Members received representations from their constituents.

The Government recognized the special role that the life insurance industry plays in the bigger scheme of things, and it recognizes that Canadians look after their own responsibilities by the purchase of life protection. This provision deals not only with life insurance policies but with annuities, and you have to bear that in mind. The Hon. Member for Mississauga South asked that we combine these because there is a philosophy that runs through the whole piece. We have to keep in mind that a number of these financial instruments serve different purposes. However, in recognition of the social value of the life insurance policies providing protection to the individual, paid for out of his own pocket without relying on Government, we moved to the definition of an exempt policy, the 20-pay life which we are told by the industry in effect exempts the vast majority of policies that will be sold in the future.

In recognition of some of the further difficulties and other submissions that were made, we went a step further. For example, even in those cases of life insurance beyond the exempt definition—in regonition, for example, of the fact that Canadians look to life insurance policies for loans at a time of financial difficulty—we said that withdrawals through loans will be exempt. All policies prior to 1982 are exempt to begin with, but for Canadians bying a non-exempt policy in the future and who look to that policy for cash purposes in times of financial difficulty, we said we will further extend the exemption in those cases.

Moreover, we all recognize that a disabled person, or someone who becomes disabled through an accident and looks to the accumulated cash available to them, should be able to call on the cash value of those policies without the imposition of the three-year accrual on income build-up. They would be able to annuitize immediately without attracting tax which would otherwise apply.

To recap, we think we have dealt fairly with the industry and policyholders generally by not touching policies purchased prior to 1982. Many letters which I received, and I am sure which many other Members have received, were from people who had purchased policies prior to 1982 and who thought that they would have to account on the three-year accrual basis, but it does not apply. Prior to 1982, whatever the kind of policy the new changes do not apply.

In addition, I am told that the companies were moving towards the marketing of policies which by and large fall into the exempt category in any event, so the vast majority of the business of the life insurance companies will not be affected. For the 10 per cent or so of policies which are affected by the three-year accrual analysis and imposition of tax, we have exempted anyone looking to cash surrender value because of a financial crisis; and anyone who becomes disabled and for that reason has to fall upon the cash value of the policies is also exempt.

Finally, the question of annuities was the most difficult issue because we found that the purchase of annuities was becoming a tax haven.

Mr. Blenkarn: That is absolute nonsense.

Mr. Cosgrove: It was becoming a tax haven for those Canadians who have the ability to employ professionals to give them financial advice on how to defer income over a longer term. It was quickly seen that if we projected the value of the haven for the purchase of annuities and the use of deferred annuities as a way of avoiding or deferring tax over the long haul, our analysis was that over two years it was worth a recapture of approximately $75 million by the Government to assist it in meeting its obligations.

Mr. Darling: Mr. Chairman, the figure the Minister has come up with is $75 million. That is the difficulty. There is one