APPENDIX 2.4: INTERNATIONAL COMPARISON OF INSURANCE SCHEMES[1]

	Canada (Property and Casualty)	Canada (Life Insurance)	Japan (Non-life insurance)	United Kingdom (Life and non-life insurance)
Scheme	The Property and Casualty Insurance Compensation Corporation (PACICC) was established in 1998. Its objective is to protect policyholders and claimants in the case of an insurance company failure.	The Canada Life and Health Insurance Compensation Corporation (Compcorp) was established in 1990. Compcorp's mission is to mitigate the impact on Canadian policyholders of the financial failure of a life insurance company.	The Non-life Insurance Policyholders Protection Corporation of Japan (the Corporation) was established in December 1998.	The Financial Services Compensation Scheme (FSCS) was established in December 2001. The FSCS was created to administer a number of existing schemes across the financial system, including the Policyholders Protection Board. The FSCS's objective is to promote market confidence and consumer protection.
Products covered	PACICC covers property and casualty insurance products, it does not cover life insurance products.	Compcorp covers a number of products including life insurance, disability income insurance, health expense insurance, long-term care insurance, registered retirement savings plans, pay out annuities and registered retirement income funds.	The Corporation covers compulsory motor vehicle, compulsory earthquake, fire, personal accident, medical and nursing care expense insurance. The Corporation does not provide coverage for reinsurance and life insurance products.	The scheme covers compulsory, general and life insurance products. The FSCS does not cover reinsurance, marine, aviation, transport, business, credit insurance and Lloyds policies. It also excludes risks outside of the European Economic Area (EEA).

1 Policyholder protection schemes are fairly common amongst Organisation for Economic Cooperation and Development (OECD) member countries. At least 21 countries have such schemes. The schemes can be classified into two types. The first focuses on funds of a specific type of insurance, the second is more of a general fund. At least 14 OECD countries have funds that cover compulsory motor vehicle liability insurance exclusively. Nine countries are known to have established a general fund. These include Canada, France, Ireland, Japan, Korea, Norway, Poland, the United Kingdom and the United States (Yasui 2001).

International comparison of insurance schemes (continued)

	Canada (Property and Casualty)	Canada (Life Insurance)	Japan (Non-life insurance)	United Kingdom (Life and non-life insurance)
Amount	PACICC covers up to C$250,000 and will refund 70 per cent (up to C$700) of the unearned/ unexpired portion of the premium calculated from the date of the wind-up order. Under its memorandum of operation, if making payments will cause financial difficulty to PACICC it can negotiate with the appropriate regulator to reach a modification of payment or it can delay making payment.	The amount of coverage differs between the type of products: Life Insurance — C$200,000; Disability income — C$2,000 per month; Health expense insurance — C$60,000; Long-term care insurance — C$2,000 per month; Registered retirement savings plans — C$60,000; Pay out annuities — C$2,000 per month; and Registered retirement income funds — C$60,000.	The Corporation provides 100 per cent coverage of the claims and unearned/unexpired premiums for compulsory motor vehicle, insurance and earthquake insurance. The Corporation provides 90 per cent coverage of the claim for other non-compulsory insurance. The Corporation may provide up to 90 per cent (possibly less) coverage of the premium.	Compulsory insurance, such as third party motor vehicle insurance is covered in full. Non-compulsory insurance, such as home insurance, is covered in full up to the first £2,000 of a claim and 90 per cent of the rest of the claim. Values of unused premium will also be met. Long-term insurance (such as pension plans and life assurance) is covered in full up to the first £2,000. Above this amount the FSCS covers payment to 90 per cent of the value of the policy.
Funding	PACICC is funded by a combination of both pre-and post-event industry levies. PACICC can levy members annually to pay for administrative costs, PACICC can also establish a fund for the purpose of paying compensation, however, this requires the consent of members. Upon the failure of an insurer PACICC can initially borrow from a bank to make payments quickly to eligible persons. PACICC can recover funds from the liquidator and may have early access to estate funds to reduce bank borrowing.	Compcorp maintains a liquidity fund with a minimum of C$100 million funded from an industry levy.	The Corporation is pre-funded and maintains a general fund with a maximum value of Y50 billion. Members are required to contribute Y5 billion per year.	The FSCS is funded from industry levies. Levies are split between compensation costs (used to meet the costs of paying compensation) and a management expenses levy (used to meet the running costs of the FSCS). The FSCS also has a revolving line of credit with a UK clearing bank for £50 million to cover any ‘unforeseen short-term funding requirements’.

Source: http://www.pacicc.com/english/sub_contents.htm, http://www.compcorp.ca/index.asp, http://www.sonpo.or.jp/english/e_index.html, http://www.fscs.org.uk/.