

May 25, 2020

Hon. Donna Harpauer
Minister of Finance
Room 312, Legislative Building
2405 Legislative Drive
Regina, SK S4S 0B3

Hon. Don Morgan, Q.C
Minister of Justice and Attorney General
Room 355, Legislative Building
2405 Legislative Drive
Regina, SK S4S 0B3

SENT VIA EMAIL

Dear Ministers:

Re: Consumer Protection Concerns with Viatical and Life Settlements

On behalf of Advocis, The Financial Advisors Association of Canada, we are writing to encourage the Province of Saskatchewan to enhance protections for elder and vulnerable insurance policyholders by prohibiting viatical and life settlements. The practice is currently prohibited in nearly all other Canadian provinces, and we believe Saskatchewan's adoption of this position would enhance consumer protection and regulatory harmonization in the life insurance industry.

About Advocis

Advocis is the association of choice for financial advisors and planners. With more than 13,000 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them to reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.



Our Comments

In March 2020, Nova Scotia joined seven other provinces in prohibiting viatical and life settlements by amending its *Insurance Act* to prohibit parties other than insurers or their authorized agents from purchasing insurance or insurance benefits. Advocis respectfully recommends that the Government of Saskatchewan consider implementing similar measures. In addition to enhancing regulatory harmonization in the insurance industry, these measures would add protections for seniors and other vulnerable clients.

These amendments prohibit viatical settlements, where terminally-ill policyholders sell their life insurance policies to a third party in exchange for a sum of money, as well as life settlements, which are similar transactions where the insured may still be in good health. Advocis is concerned that third party trafficking in life insurance and the associated marketing practices target seniors and consumers who may be vulnerable due to illness, disability or financial insecurity. We suggest that the ethical concerns and the potential for serious harm to some of the most vulnerable consumers warrants a complete prohibition on trafficking in both viatical and life settlements.

Viatical and life settlements are often presented to consumers as a way to access the "value" of their life insurance contract, which they may feel that they no longer need or will provide their anticipated benefit. However, selling a life insurance policy is a complicated decision. In many cases, the consumer does not have the expertise to know if they are being offered fair value. They may be persuaded to sell an important asset without fully appreciating the impact of this decision on their overall financial situation, including any potential tax consequences or impact on their estate planning.

There are alternatives other than selling a policy that may be appropriate for a policyholder's circumstances, including converting a term policy to whole life insurance, seeking accelerated death benefits, assigning the life policy as a charitable donation, keeping the policy in place through loans or other arrangements, surrendering the policy or allowing it to lapse. Consumers should be encouraged to discuss these options with trusted financial professionals who are appropriately licenced as life insurance agents.

We believe that especially at a time when Canadians are facing complicated and stressful decisions regarding their health and financial future, insurance regulation plays a critical role in protecting the most vulnerable from exploitation. We would be pleased to discuss our proposals further or provide any other assistance. Should you have any questions, please do not hesitate to contact the undersigned, or James Ryu, Senior Director of Legal and Regulatory Affairs, at jryu@advocis.ca.



Sincerely,

A handwritten signature in black ink, appearing to be 'G. Pollock', with a long horizontal line extending to the right.

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO

May 25, 2020

Hon. Eric Girard
Minister of Finance
12, rue Saint-Louis, 1st floor
Québec, QC G1R 5L3

Hon. Sonia Lebel
Minister of Justice
Édifice Louis-Philippe-Pigeon
1200, route de l'Église, 9th floor
Québec, QC G1V 4M1

SENT VIA EMAIL

Dear Ministers:

Re: Consumer Protection Concerns with Viatical and Life Settlements

On behalf of Advocis, The Financial Advisors Association of Canada, we are writing to encourage the Province of Québec to enhance protections for elder and vulnerable insurance policyholders by prohibiting viatical and life settlements. The practice is currently prohibited in nearly all other Canadian provinces, and we believe Québec's adoption of this position would enhance consumer protection and regulatory harmonization in the life insurance industry.

About Advocis

Advocis is the association of choice for financial advisors and planners. With more than 13,000 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them to reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.



Our Comments

In March 2020, Nova Scotia joined seven other provinces in prohibiting viatical and life settlements by amending its *Insurance Act* to prohibit parties other than insurers or their authorized agents from purchasing insurance or insurance benefits. Advocis respectfully recommends that the Government of Québec consider implementing similar measures. In addition to enhancing regulatory harmonization in the insurance industry, these measures would add protections for seniors and other vulnerable clients.

These amendments prohibit viatical settlements, where terminally-ill policyholders sell their life insurance policies to a third party in exchange for a sum of money, as well as life settlements, which are similar transactions where the insured may still be in good health. Advocis is concerned that third party trafficking in life insurance and the associated marketing practices target seniors and consumers who may be vulnerable due to illness, disability or financial insecurity. We suggest that the ethical concerns and the potential for serious harm to some of the most vulnerable consumers warrants a complete prohibition on trafficking in both viatical and life settlements.

Viatical and life settlements are often presented to consumers as a way to access the "value" of their life insurance contract, which they may feel that they no longer need or will provide their anticipated benefit. However, selling a life insurance policy is a complicated decision. In many cases, the consumer does not have the expertise to know if they are being offered fair value. They may be persuaded to sell an important asset without fully appreciating the impact of this decision on their overall financial situation, including any potential tax consequences or impact on their estate planning.

There are alternatives other than selling a policy that may be appropriate for a policyholder's circumstances, including converting a term policy to whole life insurance, seeking accelerated death benefits, assigning the life policy as a charitable donation, keeping the policy in place through loans or other arrangements, surrendering the policy or allowing it to lapse. Consumers should be encouraged to discuss these options with trusted financial professionals who are appropriately licenced as life insurance agents.

We believe that especially at a time when Canadians are facing complicated and stressful decisions regarding their health and financial future, insurance regulation plays a critical role in protecting the most vulnerable from exploitation. We would be pleased to discuss our proposals further or provide any other assistance. Should you have any questions, please do not hesitate to contact the undersigned, or James Ryu, Senior Director of Legal and Regulatory Affairs, at jryu@advocis.ca.



Sincerely,

A handwritten signature in black ink, appearing to read 'G. Pollock', with a long horizontal line extending to the right from the end of the signature.

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO