

**INSURANCE COUNCIL OF BRITISH COLUMBIA  
("Council")**

**AMENDMENT TO  
INSURANCE CONTRACTS (LIFE INSURANCE REPLACEMENT) REGULATION  
("Regulation")**

On January 26, 2012, the above Regulation under the *Financial Institutions Act* was amended by an Order of the Lieutenant Governor in Council. The amendment addresses issues raised by both the industry and the public and brings British Columbia's disclosure requirements in line with the nature of disclosure required by Alberta, Manitoba, Saskatchewan, Ontario and Quebec.

The amendment includes a number of changes, the most significant of which is the replacement of the Disclosure Statement with a mandatory Declaration Statement.

A life and/or accident and sickness insurance agent ("life agent") is required to meet the requirements of this Regulation when discussing or handling a potential replacement, whether the contract is with the same or another insurance company and regardless of who initiates the replacement. If the transaction falls within the definition of a replacement (which has not changed), the life agent must provide the client with the Declaration Statement attached to this Notice.

In addition to reviewing and completing the Declaration Statement with the client, a life agent must provide a separate, written explanation of the advantages and disadvantages of replacing the policy. The written explanation must address the client's specific needs and must be clear, comprehensive and easily understood.

The client, the life insured if other than the client, and the life agent must sign and date the form. A copy is no longer required to be sent to the existing insurer, however, copies must be provided to all signatories.

The new policy must be delivered by the life agent to the applicant as soon as possible, unless written instructions to the contrary have been provided by the applicant.

Council considers it best practice for a life agent to keep a copy of the signed Declaration Statement and the written explanation of the reasons for the replacement. As with any insurance transaction, the documentation should explain how the transaction meets the client's needs and the basis for the recommendations. If Council requests a copy of these documents and a life agent cannot provide them, the life agent could be considered in breach of a licence condition.

If you have any questions regarding this Notice, please contact Regulatory Services by calling Council's main number and at the prompt press "2".

February 3, 2012  
ICN #12-003

**NOTICE**

## LIFE INSURANCE REPLACEMENT DECLARATION

**Do not cancel your existing policy until the new policy is in force and you accept it.** Before you cancel your life insurance policy you should have answers to the questions below. Ask any insurance agent or broker, or an independent person, for help if you need it.

### Questions about your present life insurance policy

1. Why do you want to replace your policy? Is the new policy better for you? How?
2. Should you just buy more insurance or change your policy? How much will these changes cost?
3. When should you cancel your present policy? When will your next annual dividend be paid?  
Will the timing affect your cancellation charges?
4. Will you pay more income tax if you cancel your present policy?

### Questions on the advantages and disadvantages of a new life insurance policy

1. Do you understand the type of insurance policy you are buying? Is it a *term life*, *whole life*, or *universal life* insurance policy? You should know the differences.
2. Are there times when the new policy will not pay all the benefits that your present policy does? Examples are suicide and contestable periods and contractual exclusions.
3. Will the new policy pay as much as your present policy? Examples are death benefits, cash values, and dividends.
4. Does the new policy have the same extra, or optional, benefits as your present policy? Examples are waiver of premium, guaranteed insurability, accidental death, and family member riders.
5. Are there cancellation charges on the new policy?
6. What guarantees apply to your present and proposed policies? Which policy has the best guarantees?
7. Will either of the policy premiums (payments) increase? For how long will the premiums stay the same? How much will they increase?

**Important:** Please ensure that the agent or broker provides you with copies of the written explanation of the advantages and disadvantages of replacing your life insurance policy with a new policy.

I confirm that I have received this Life Insurance Replacement Declaration.

\_\_\_\_\_  
*Client's signature*

\_\_\_\_\_  
*Date*

I have given the client this document and a written explanation of the advantages and disadvantages of replacing their life insurance policy, before starting the application for a new policy.

\_\_\_\_\_  
*Agent or broker's signature*

\_\_\_\_\_  
*Date*

**Note:** Your agent or broker should deliver and review the new policy with you. If the policy is not satisfactory for any reason you may have a right to reject it and receive a full refund of premiums, under provincial or territorial law or under contract. Check the policy and the law for the right of rejection and the time limit for rejection.