

Legislative
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Bill 219

An Act to amend the Insurance Act

Mr. R. Cuzzetto

Private Member's Bill

1st Reading October 20, 2020

2nd Reading

3rd Reading

Royal Assent



EXPLANATORY NOTE

Currently, section 115 of the *Insurance Act* prohibits any person, other than an insurer or its duly authorized agent, from trafficking or trading in life insurance policies. The Bill amends the prohibition so that it does not apply if the life insurance policy is sold or assigned by the original policyholder or a transferee, used as collateral security or donated to a charity.

The Bill provides for a 10-day cooling-off period, during which time an agreement to sell, assign, use as collateral security or donate a life insurance policy may be cancelled. The Financial Services Regulatory Authority of Ontario is required to provide oversight in respect of the transactions.

An Act to amend the Insurance Act

Preamble

Ontario has a large and growing population of seniors on fixed incomes. They are currently prohibited from surrendering their policies to anyone other than their insurer, and as a result receive significantly less value than they would receive in a well-regulated secondary market.

Secondary markets operate successfully in the United States, United Kingdom, Europe, Japan and Quebec. Modernizing the *Insurance Act* to allow life settlements and life loans would provide Ontario seniors with an alternative financial resource, and allow them to access the fair market value of their life insurance policies.

Therefore, Her Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1 Section 115 of the *Insurance Act* is amended by adding the following subsections:

Exception

(2) Subsection (1) does not apply if the following conditions are satisfied:

1. The life insurance policy,
 - i. is sold or assigned by the original policy holder or transferee,
 - ii. is used as collateral security by the original policyholder or transferee, or
 - iii. is donated to a charity registered under the *Income Tax Act* (Canada).
2. The original policy holder or transferee held the policy for at least 24 months prior to selling or assigning it, using it as collateral security, or donating it to a charity.
3. The person or entity to whom the life insurance policy is sold or assigned, or who receives it as collateral security or as a donation, is prescribed by the regulations.
4. The agreement to sell or assign the life insurance policy, to use it as collateral security, or to donate it, is presented to the original policy holder or transferee in a manner that ensures full, true, and plain disclosure.

Cooling-off period

(3) The original policy holder or transferee may, without any reason, cancel an agreement to sell or assign a life insurance policy, use it as collateral security, or donate it at any time during the period starting on the date of entering into a binding agreement and ending on the date that is 10 days later.

Consumer protection

(4) The Authority shall, in accordance with the regulations, provide oversight in respect of transactions described in subsection (2) in order to ensure consumer protection.

Priority

(5) If the conditions of subsection (2) are met, the life insurance policy shall not be subject to any competing claim pursuant to any other Act.

Definition

(6) In this section,

“transferee” means a person or entity to whom a life insurance policy is validly transferred by the original policy holder.

2 Subsection 121 (1) of the Act is amended by adding the following paragraphs:

- 13.1 prescribing persons or entities for the purposes of paragraph 3 of subsection 115 (2);
- 13.2 governing the Authority’s oversight under subsection 115 (4);

Commencement

3 This Act comes into force on a day to be named by proclamation of the Lieutenant Governor.

Short title

4 The short title of this Act is the *Life Settlements and Loans Act, 2020*.