



Bureau des services financiers

Reminder

This backgrounder is a tool developed by the Inspection Branch of the Bureau des services financiers for firms, independent representatives and independent partnerships that are registered in the insurance of persons sector.

Procedures for the replacement of insurance of persons contracts, including serious or critical-illness insurance contracts

The following measures apply to all representatives in insurance of persons who replace insurance of persons contracts, including serious or critical-illness insurance contracts.

They also apply to all representatives in insurance of persons who secure the adhesion of a person to a group insurance contract, where such adhesion is likely to result in the termination, cancellation or reduction of benefits of an individual insurance policy.

They do not apply to representatives in insurance of persons who replace an individual annuity of an insurer, including an endowment contract.

An amendment made to an existing contract may not be regarded as a replacement.

An insurance representative must endeavor to ensure that all insurance contracts are maintained in effect, unless the replacement of the contract is justified as being in the interest of the purchaser or the insured. It is up to the representative in insurance of persons who replaces the contract to prove that the replacement is justified.

A representative may not encourage an insured or a purchaser, if the latter is not the insured, to cancel, cause to lapse or abandon an insurance contract in favor of another insurance contract.

Where the purchase of an insurance contract is likely to result in the termination, cancellation or reduction in benefits of another insurance contract, the representative must:

- undertake a complete analysis of the needs of the insured or policyholder;
 - complete, **at the same time as the insurance proposal**, the form “Prior Notice of Policy Replacement” sold by the Bureau des services financiers;
 - give the form, once completed, to the insured or the policyholder and explain the content to him by comparing the features of the current contracts with those of the proposed contract and by describing the advantages and disadvantages of the replacement;
 - send the completed form to the head office of the insurers who issued the contracts likely to be cancelled, by any means providing proof of the date of sending, within five working day of the signing of the insurance proposal;
 - send a copy of the completed form within five working days of the signing of the insurance proposal to the insurer with whom the insurance representative intends to place the new contract.
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