

Insurance Agents e-Newsletter

e-Newsletter

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Issue 2

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- [New Declaration Form and Regulatory Changes for the Replacement of Life Insurance Contracts](#)

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The Insurance Agents e-Newsletter provides updates to insurance agents on the regulatory activities of the Financial Services Commission of Ontario (FSCO).

The newsletter is produced and distributed by FSCO. For more information, visit FSCO's website at www.fSCO.gov.on.ca.

New Life Insurance Replacement Declaration replaces old disclosure form as of April 1

Ontario's new [Life Insurance Replacement Declaration \(LIRD\)](#) will replace the old obsolete Life Insurance Disclosure Form as of April 1, 2011 with implementation of amendments to [Regulation 674](#).

The new LIRD addresses the problems agents experienced with the old disclosure form. The growing complexity of life insurance products made it difficult to provide a useful comparison of different types of products with the old disclosure form.

The new disclosure approach supports financial literacy by helping ensure consumers understand the financial products in which they are investing. Ontario joins Alberta, Manitoba and Saskatchewan in adopting the harmonized LIRD.

This disclosure is required when a consumer is considering purchasing a new life insurance contract to replace a contract that is rescinded, lapsed, surrendered, changed to paid-up insurance, changed in any manner that results in a reduction of benefits or other circumstances described in Section 1 of [Regulation 674](#).

The new LIRD provides eleven questions the consumer is encouraged to ask the agent about replacing the existing policy. The agent will also provide a separate written detailed explanation of the advantages and disadvantages of replacing the policy that addresses the consumer's specific needs. This explanation could form part of a needs analysis and product recommendation.

FSCO expects the written explanation to be clear and comprehensive so the consumer or anyone else reading it would understand:

- Why the existing policy does not meet the client's needs;
- How the new policy would meet those needs; and
- The risks associated with replacing the existing policy.

*The new form is available on
FSCO's website at
www.fSCO.gov.on.ca*

Agents may want to use the questions in the LIRD to guide their written explanations. Once the agent completes the LIRD, he or she reviews the written explanation with the consumer.

The agent and applicant must sign both the LIRD and the written explanation to confirm receipt of the documents. If the applicant is not the life insured under the policy, the agent must obtain the insured person's signature on a copy of the written explanation to confirm receipt. The agent is required to send copies of the signed materials with the application to the new insurer.

All other requirements under Regulation 674 remain the same. This includes the requirement that the agent send a copy of the signed LIRD -- but not the detailed explanation -- to the existing insurer within three business days of completing the application for replacing a life insurance policy. This requirement applies only in Ontario, not in the other provinces. When sending the LIRD to the current insurer, FSCO recommends putting the policyholder's name and policy number on the LIRD for ease of identification.

The consumer still has a right to withdraw within 20 days of receiving the completed LIRD and written explanation. Agents are required to make consumers aware of this right.

FSCO will continue working with industry associations interested in providing guidance to their members on writing the detailed explanations.

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Links:

[Life Insurance Replacement Declaration
Amended Regulation 674](#)

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