
BULLETIN NUMBER: **INS-06-008**

TITLE: **CONTRACTUAL REQUIREMENTS RELATING TO
CANCELLATION OF LIFE INSURANCE POLICIES**

LEGISLATION: **N/A**

DATE: **AUGUST 2006**

PURPOSE

The purpose of this bulletin is to advise life insurance companies and life insurance agents doing business in British Columbia of the position of staff of the Financial Institutions Commission with respect to requirements imposed on an insured by the insurer or its agent when the insured wishes to cancel an existing life insurance policy.

COMMENTARY

In the past, there have been several complaints made to the Financial Institutions Commission by members of the public concerning the imposition of notice of cancellation requirements that are not provided for in the life insurance contract. Those complaints usually involve insistence on the use of a detailed form to be completed by the insured and occasionally even the refusal to accept a photocopy of that form even though it contains the original signature of the insured. The life insurance contracts in question required only that notice of cancellation be given in writing. These additional requirements resulted in extensive delays in the cancellation of the policy even though it was clear that cancellation was the policyholder's intent.

It is recognized that a notice of cancellation of a life insurance policy should be in writing, should contain sufficient information to clearly identify the policy to be cancelled, and should bear the original signature of the policyholder. It is also recognized that most insurers feel that they have an obligation to make reasonable efforts to ensure that cancellation of the policy is the policyholder's intent.

Once those objectives have been satisfied, the policyholder should not be subjected to an insistence on the use of a particular form, whether original or photocopied and should not be subjected to repeated attempts to persuade the policyholder to change his or her mind.

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Accordingly an insurer and its agents should not:

- Impose requirements on an insured for cancellation of a life insurance policy which are not provided for in the life insurance contract; and
- Insist on the use of a particular form where:
 - All necessary information has been provided by other means, and
 - The intent of the policyholder is clear.

Please note that there are other requirements associated with the cancellation or replacement of a life insurance policy in British Columbia. In particular, readers should note the requirements contained in the *Insurance Contracts (Life Insurance Replacement) Regulation* and any additional requirements established by the Insurance Council of British Columbia in relation to the conduct of agents in the cancellation of such products.

Contacts

For more information, please contact:

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