

Regulatory Statement

Charitable Donations and Viatical Settlements of Life Insurance Policies in British Columbia

Regulatory Statement Number	24-011
Legislation:	<i>Insurance Act</i>
Date:	July 25, 2024
Distribution:	All Insurers Authorized in B.C.

PURPOSE

This Regulatory Statement sets out the position of BC Financial Services Authority (“BCFSA”) under section 152 of the *Insurance Act* (“Act”) with respect to charitable donations and viatical settlements of life insurance policies in British Columbia (“B.C.”).

This Regulatory Statement replaces Information Bulletin INS-20-003 “Charitable Donation of Life Insurance Policies in B.C.” dated May 2020 and Consumer Alert “Viatical Settlements,” dated April 2002.

BACKGROUND INFORMATION

Charitable donations of life insurance policies are arrangements where policyholders donate benefits payable under their life insurance policies to charities.

Viatical settlements of life insurance policies are arrangements between the holders of existing life insurance policies and third parties who purchase the benefits payable under those policies.

Section 152 of the Act prohibits certain activities related to life insurance policies to protect vulnerable consumers of B.C.

REQUIREMENTS

Section 152 of the Act prohibits two types of activity by persons who are not authorized insurers, or their authorized agents:

1. The advertisement, or holding out the offer to act, as a purchaser of life insurance policies or of the benefits payable under life insurance policies; and
2. The trafficking or trading of life insurance policies for the purpose of procuring the sale, surrender, transfer, assignment, pledge or hypothecation of life insurance policies to any person.

Engagement in the unlawful activities identified under section 152 is an offence under the Act. BCFSA may investigate activities and make recommendations to Crown Counsel to proceed with charges in court.

It is BCFSA’s interpretation that section 152 of the Act permits certain activities related to charitable donations and prohibits viatical settlements of life insurance policies.

Charitable Donation

The donation of benefits or amounts payable under life insurance policies to bona fide charities does not constitute trafficking or trading as addressed in section 152 of the Act.

Viatical Settlements

Viatical settlement is the purchase of a life insurance policy or benefit payable under that policy and falls within the scope of trafficking or trading of life insurance policies activity prohibited by section 152 of the Act unless the activity is undertaken by an authorized life insurance company or their authorized agent. A person not authorized to conduct life insurance business in B.C. is prohibited from engaging in such activities and may be subject to enforcement proceedings under the Act if found to have done so.

ADDITIONAL INFORMATION

If you have any questions about this Regulatory Statement, please contact the Market Conduct branch at insurance@bcfsa.ca.

LEGISLATION

Insurance Act, s. 152.

Copies of the legislation are available from www.bclaws.gov.bc.ca