

# CHARITABLE DONATIONS OF LIFE INSURANCE

## *What is Insurance Trafficking?*

In most Canadian provinces, there are strict laws around the ownership of life insurance policies by unrelated parties to the insured. Almost every province bans or prohibits the ownership of insurance by unrelated parties under the broad term of “trafficking” of insurance policies.

Trafficking involves the sale of an insurance policy to a third party in exchange for a cash payment, which is usually discounted below the face value of the policy. In markets, such as the U.S.A. where this practice has been allowed for a number of years, there is often a track record of fraud and abuses that have been to the detriment of the insured – hence the reluctance of most Canadian provincial regulators to allow such transactions to occur.

Philanthropic donations to charities are generally not considered trafficking by regulators, however specific wording in most provincial insurance regulation is very broad, and as such, **donors, charities and insurance advisors must act carefully to ensure compliance with the regulators.**

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