



Gifts of Life Insurance Policies

CAGP guidance regarding charitable gifts of life insurance post announcement by BC Financial Services Authority February 2020

The Issue

In June 2019, CAGP was made aware that a Canadian charity had received an enforcement letter from the British Columbia Financial Institutions Commission (FICOM), the insurance regulator in that province; now renamed the British Columbia Financial Services Authority (BCFSA). The charity was notified that acceptance of donations of life insurance policies is considered trafficking and is in contravention of the BC *Insurance Act*, and that a charity cannot solicit for life insurance policies in BC or accept any life insurance policies as donations from BC residents. In fall 2019, we were also informed that a second charity has received similar warnings from the regulator.

Discussions

The position taken by the BC Regulator is concerning because accepting donations of life insurance policies is a common and established practice for many charities in Canada. Further, while this matter pertains to the province of British Columbia, language in the equivalent statutes in other provinces is virtually identical to BC's *Insurance Act*, raising a concern that this issue could emerge elsewhere in Canada.

What we know

1. Over the past several months, while efforts on several fronts to gain clarity from the regulator have been made, minimal additional information has been made available. However, BCFSA has recently advised that it is undertaking a thorough review of the matter and will provide a response when it has completed its assessment and review.
2. This issue pertains only to situations of the transfer of the insurance policy itself, and *not* situations where the donor remains the owner of policy and names the charity as a beneficiary.
3. Differing views have been expressed by insurance companies about the meaning of these letters which has added to the confusion about where the line is drawn and what exactly the regulator understands is offside.
4. Donors and charities are encouraged to seek legal advice when considering gifts of life insurance, other than a standard designation of a charity as a beneficiary.

CAGP Viewpoint

CAGP's view is that life insurance policies remain an important strategic charitable giving tool and as such we are continuing to promote the fundraising opportunities life insurance provides and to include comprehensive information regarding this potential method of giving in all of our education offerings.

CAGP will continue to monitor the matter and provide further clarification or information as it becomes available.