

First York is grateful to Ms. Josee Rheault for allowing us to add her article to our 'library". The information is current as of September 1, 2010.

Assuris – Protecting your life insurance

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Assuris

Introduction

The Canadian life and health insurance industry is well regulated and well capitalized. In the current turbulent international financial markets, Canadian life and health insurers remain strong and sound. However, many advisors and their client are asking questions about how their funds are protected with Canadian financial institutions. Where the financial product is life insurance, there may also be questions relating to the protection afforded to the cash values and death benefits payable under those products in the unlikely event of an insurer's insolvency. This article will discuss the protection available through Assuris to Canadian policyholders who own products issued by Canadian member life insurance companies.

Assuris

Assuris is a not for profit organization, funded by the life insurance industry, that protects Canadian policyholders against loss of benefits due to the financial failure of a member life insurance company.

All life insurance companies authorized to sell insurance policies in Canada are required by the federal, provincial, and territorial regulators, to become members of Assuris. Therefore, if your client owns a policy from a life insurance who is a member of Assuris, they are protected by Assuris.

Transfer of Policies to a Solvent Company

When a member life insurance company is declared insolvent, Assuris works with the liquidator and regulators to manage the insolvency. Assuris protects policyholders by facilitating the transfer of policies to a solvent company and ensuring that benefits are continued. This avoids any interruption in the provision of benefits and ensures that policyholders who may no longer be insurable retain their benefits. However, policyholders must continue to pay their premiums to ensure that their policy remains valid.

Policyholder Protection

Benefits Unique to the Life Insurance Industry

When policies are transferred to a solvent company, Assuris guarantees that policyholders will retain at least 85% of their promised benefits for products unique to the life insurance industry (Death Benefit, Health Expense, Monthly Income, Cash Value) issued by a member life

insurance company in Canada. For promised benefits that are below certain dollar values, Assuris provides 100% protection. The level for:

- Death Benefit is \$200,000
- Health Expense is \$60,000
- Monthly Income is \$2,000
- Cash Value is \$60,000

For example, if your client has a term life policy with a death benefit of \$150,000 with a failed member company, the policy will be transferred to a solvent company. On transfer, Assuris guarantees that the policyholder will retain up to \$200,000 or 85% of the promised Death Benefit, whichever is higher. In this scenario, since the amount is less than \$200,000 the policyholder will be fully protected for \$150,000. If the same policy had a death benefit of \$1,000,000, the policyholder would be protected by Assuris for \$850,000.

Deposit Type Products

Deposit-type products, which are similar to banking type products, will also be transferred to a solvent company. On transfer, Assuris guarantees that they will retain 100% of the Accumulated Value up to \$100,000. This also applies to values of premium deposit accounts, dividend deposit accounts and universal life non-exempt overflow accounts.

For example, if your client has a GIC in the amount of \$50,000 with a failed member company, Assuris guarantees that on transfer the policyholder will retain 100% of the Accumulated Value up to \$100,000. In this scenario, since the amount is less than \$100,000 your client will be fully protected for \$50,000.

[For a Tax Free Savings Account \(TFSA\) invested in an Accumulation Annuity, Assuris provides separate protection from other deposit type products. For TFSAs, Assuris guarantees that policyholders will retain 100% of the Accumulated Value up to \\$100,000.](#)

Assuris Funding

Assuris is funded by the life insurance industry. If a life insurance company fails, Assuris assesses its members for the costs of providing protection to the policyholders. There is no cost to advisors or policyholders.

For More Information

For more information on Assuris' protection you can visit their website at www.assuris.ca. You can also contact the Assuris Information Centre at 1-866-878-1225.