

25. The other forms edited by the Bureau are sold at a price of \$10 per batch of 100.

26. The fees payable for retracing a life insurance policy are \$25.

27. The annual subscription fees for a printed version of the Bureau's Bulletin are \$120.

### CHAPTER III INDEXATION

28. The contribution and fees payable are adjusted, by resolution of the Board of Directors, on January 1st of each year in accordance with the rate of increase of the general consumer price index for Canada for the period ending on September 30th of the preceding year, as determined by Statistics Canada. They are decreased to the nearest dollar if they include a fraction of a dollar lower than \$0.50; they are increased to the nearest dollar if they include a fraction of a dollar that is equal to or greater than \$0.50.

The result of the annual indexation effected in accordance with the first paragraph is published in the Bulletin and in the *Gazette officielle du Québec* yearly.

29. This Regulation comes into force on (*insert here the date of coming into force of section 582 of the Act*).

2837

### Draft Regulation

An Act respecting the distribution of financial products and services  
(1998, c. 37)

### Pursuit of activities as a representative

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (R.S.Q., c. R-18.1), that the Regulation respecting the pursuit of activities as a representative adopted by the Bureau des services financiers, the text of which appears hereunder, may be submitted to the Government for approval, with or without amendments, upon the expiry of a 45-day period from the date of this publication.

According to the Bureau des services financiers, this draft regulation is intended to determine the conditions that must be complied with by insurance representatives, claims adjusters and financial planners in the pursuit of their activities. It establishes a list of occupations that are incompatible with the pursuit of activities as a representative and sets out the rules applicable to client

solicitation and representations made by representatives. The product information that must be given to clients by representatives in insurance of persons and the manner of giving such information are specified.

The rules governing the replacement of insurance policies by representatives in insurance of persons are also set out in the draft regulation, and the forms contained in the Schedules indicate the procedure that must be followed in such regard. The draft regulation also determines the circumstances in which a damage insurance agent or a damage insurance broker may be authorized to act as a claims adjuster. Lastly, the draft regulation contains rules governing the insurance coverage that must be maintained by representatives who act on behalf of a firm without being employees thereof.

This regulation contains a set of rules that are already applicable to individuals pursuing activities in the distribution of financial products and services and new rules which improve the protection of the public through improved supervision of the various activities of a representative.

According to the Bureau, the examination of the file reveals no major impact other than a more uniform supervision for persons or business, particularly small and medium-sized business, acting in several spheres of the financial sector.

Additional information may be obtained from Mre Nathalie G. Drouin, Director of Legal Affairs, Bureau des services financiers, 140, Grande-Allée Est, bureau 300, Québec (Québec) G1R 5M8, telephone number: (418) 525-6273 or 1-877-525-6273, facsimile number: (418) 525-9512, E-mail: ndrouin.bsf@megaquebec.net.

Any interested party having comments regarding this matter is asked to forward them, in two copies, prior to the expiry of the 45-day period, to the Minister of Finance, 12, chemin Saint-Louis, bureau 1.10, Québec (Québec) G1R 5L3.

BERNARD LANDRY,  
*Minister of State for the Economy and Finance*

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## Regulation respecting the pursuit of activities as a representative

An Act respecting the distribution of financial products and services  
(1988, c. 37, ss. 196, 202, 211, and 213)

### CHAPTER I DEFINITION AND INTERPRETATION

1. For the purposes of the application of Chapters II to VII of this Regulation, the term “representative”, as defined in the Act, excludes securities representatives.

### CHAPTER II CONDITIONS AND RESTRICTIONS GOVERNING THE PURSUIT OF ACTIVITIES

#### DIVISION 1 GENERAL PROVISIONS

2. Representatives must forthwith deposit in a separate account all amounts collected or received on behalf of another person in the pursuit of their activities.

The separate account referred to in the first paragraph is held by the firm or independent partnership, if any, on behalf of which a representative acts.

3. Representatives must, during the period of validity of their certificate, comply with the following conditions in pursuing their activities:

(1) they must pursue their activities in an establishment in Québec on behalf of a firm, or as independent representatives, or as partners or employees of an independent partnership;

(2) they must devote their time primarily to their activities as representatives, to administrative activities within a firm or an independent partnership or to other activities relating to the field of financial services.

4. Representatives who act on behalf of firms without being employees thereof must, during the period of validity of their certificates, maintain professional liability-insurance coverage in accordance with the requirements of Chapter VIII and, where changes are made to such coverage, forward a new attestation or copy of their insurance coverage to the Bureau.

Such a representative covered by a professional liability-insurance contract maintained by the firms on behalf of which he acts and meeting the requirements set out in Chapter VIII shall be deemed to be maintaining the coverage referred to in the previous paragraph.

5. No representative may, in pursuing activities, take part directly or indirectly in a contest or a promotion providing non-pecuniary benefits, or accept such benefits, with the exception of benefits or property of low value.

Notwithstanding the first paragraph, representatives may be reimbursed by a legal person or a third party for the direct costs incurred to attend a conference or a convention, provided that:

(1) the main goal of the conference or convention is to provide training on activities governed by the Act;

(2) the selection of the representatives who are to attend the conference or the convention is made by the legal person, without any outside influence and without regard to sales results.

Representatives may also accept non-pecuniary benefits of a promotional nature and of low value, whether or not in connection with promotional activities conducted by a legal person or a third person, provided that:

(1) the benefits and activities are neither important nor frequent enough to lead a reasonable person to believe that they may exert an undue influence on the advice given by the representatives to their clients; and

(2) neither the travel and accommodation costs for the promotional activity, nor the accessory personal costs linked to the representatives' participation in the activity, are paid by the legal person or a third person.

6. Section 5 does not apply if the contest or the promotion was announced prior to (*insert here the date of coming into force of the Regulation*).

#### DIVISION 2 REPRESENTATIVES IN INSURANCE OF PERSONS

7. Representatives in insurance of persons must, before completing an insurance proposal, analyse the insurance needs with the purchaser or the insured, the policies or contracts held by the purchaser or the insured, their characteristics, the identity of the issuing insurer, and all other necessary elements including the income, financial situation, number of dependents, and personal and family obligations of the purchaser or the insured. The information gathered must be recorded in writing by the representative.

### **DIVISION 3** **FINANCIAL PLANNERS**

**8.** No financial planner may act in such capacity in respect of a client unless he has first entered into a written agreement with the client that specifies at least the following:

- (1) the nature and scope of the mandate;
- (2) all anticipated remuneration in respect of the performance of the mandate, including the remuneration that must be disclosed under section 17 of the Act, and an estimate of the number of hours required to complete the mandate;
- (3) all the sectors or classes of sectors in which the financial planner is authorized to act under a certificate issued by the Bureau and a description of the products and services offered by the financial planner;
- (4) the financial planner's business relationships, where products are sold on commission;
- (5) the client's signature, attesting to acceptance of the mandate.

No agreement entered into under the first paragraph may include an obligation for the client to purchase a financial product offered by the financial planner or by any other person or partnership.

**9.** Financial planner must draw up in writing and forward to his client a financial planning report that is consistent with the agreement entered into with such client. If, during the preparation of the report, the financial planner considers that it is in the interest of the client to introduce a change, the client must be informed of such change.

### **CHAPTER III** **INCOMPATIBLE OCCUPATIONS**

**10.** The following occupations are incompatible with the pursuit of representatives' activities and may not be carried on concomitantly therewith:

- (1) the management, direction or supervision of any personnel assigned to current over-the-counter deposit or withdrawal transactions set out in section 29 of the Act;
- (2) the exercise of a medical profession;
- (3) the exercise of the activities of a magistrate or a police officer;

(4) the exercise of the profession of advocate or notary;

(5) the exercise of the profession of chartered accountant, chartered management accountant, certified general accountant, or chartered administrator;

(6) the exercise of the occupation of bankruptcy trustee;

(7) the direction of a union, or employment by a union, with the exception of a union formed of representatives;

(8) the exercise of the occupation of real estate broker or real estate agent, except in connection with brokerage activities relating to loans secured by immovable hypothec;

(9) any other occupation permitting a representative to use coercion or to abuse his influence to control, direct or obtain business related to his activities.

Notwithstanding the foregoing, the activities described in paragraphs 1, 4 and 5 are not incompatible with the activities of a financial planner.

**11.** The occupation of damage insurance agent is incompatible with the pursuit of the activities of a damage insurance broker.

The occupation of damage insurance broker is incompatible with the pursuit of the activities of a damage insurance agent.

**12.** The following occupations are incompatible with the pursuit of the activities of a damage insurance agent or damage insurance broker or a claims adjuster:

- (1) vendor, lessor or repairer of motor vehicles or boats;
- (2) vendor, lessor or repairer of equipment, movable property or household items;
- (3) builder, repairer or renovator of buildings;
- (4) supplier of goods or services of a type that may be required following an insurance loss.

## **CHAPTER IV**

### **REPRESENTATION AND CLIENT SOLICITATION**

#### **DIVISION 1**

##### **GENERAL PROVISIONS**

**13.** The written representations of a representative concerning himself may include only the following elements:

- (1) the representative's family names and given names;
- (2) the family names and given names of the representative's partners, if the representative carries on activities on behalf of an independent partnership;
- (3) the representative's business addresses, business telephone numbers and facsimile number;
- (4) the representative's residential address and telephone number, electronic mail address and mailing address;
- (5) the title or titles the representative is authorized to use;
- (6) the name of the organization for which the representative works;
- (7) the sector or sectors and the class or classes of sectors in which the representative is authorized to act under a certificate issued by the Bureau, unless the title or titles he uses are representative thereof;
- (8) the description of the products and services offered by the representative;
- (9) the representative's education and qualifications;
- (10) the representative's years of experience in each sector in which the representative is authorized to act under a certificate.

**14.** Representatives must, when first meeting a client, give the client a written declaration, such as a business card, which shall indicate all the items set out in paragraphs 1, 3, 5, 6 and 7 of section 13.

Where a representative is unable to meet a client personally, he must verbally disclose the items set out in paragraphs 1, 5, 6 and 7 of section 13 and, at the request of the client, provide the declaration set out in the first paragraph when other documents are sent to the client for the first time.

**15.** A representative must refrain from making any representation or performing any solicitation that

- (1) is false or misleading;
- (2) states the representative's income or financial performance;
- (3) ascribes a quality, a level of competence or a skill to the representative, or to the representative's firm or independent partnership, that the representative is unable to demonstrate on request;
- (4) appears to promise results that the representative cannot reasonably obtain;
- (5) makes reference to items that may lead to confusion, in particular in connection with a trade mark, a slogan or a symbol.

**16.** Representatives may use statistics in their representations provided that the source thereof is clearly indicated.

#### **DIVISION 2**

##### **SPECIAL BROKERS**

**17.** Except in advertising or representations directed exclusively at other damage insurance brokers, no damage insurance broker may use, or allow to be used, advertising or representations, in any manner whatsoever:

- (1) which are on behalf of an outside insurer;
- (2) which state that the damage insurance product of an outside insurer may be obtained through the broker.

#### **DIVISION 3**

##### **MISCELLANEOUS PROVISIONS**

**18.** The provisions set out in this chapter apply to all forms of representation, whether made in the form of an affirmation, a declaration, a behaviour or an omission.

## **CHAPTER V**

### **PRODUCT INFORMATION TO BE GIVEN TO CLIENTS**

**19.** Where a representative in insurance of persons causes a client to purchase from an insurer an individual insurance product in insurance of persons or an individual annuity, including an endowment contract, the representative must remitted or forwarded the client a document, printed in a 10-point or larger font equivalent to BOOKMAN OLD STYLE, that indicates whether:

(1) the insurance costs payable under the contract are guaranteed and, where applicable, for how long, and whether such amounts may vary;

(2) the return on the amounts invested through the insurance product is guaranteed or not;

(3) the face amount of the insurance is guaranteed or may vary;

(4) there are any specific exclusions under the contract;

(5) a surrender fee or a penalty may be payable if the contract is surrendered;

(6) the transaction is effected for the purpose of terminating or replacing another life insurance product.

The representative in insurance of persons must be able to demonstrate that the document has been remitted or forwarded to the client.

## CHAPTER VI POLICY REPLACEMENTS

20. This chapter applies to all replacements of individual life insurance contracts, including serious-or critical-illness insurance contracts or disability insurance for all representatives in insurance of persons.

21. Where a representative in insurance of persons secures the adhesion of a person to a group insurance contract, and where that adhesion is likely to result in the termination, cancellation or reduction of benefits of an individual insurance policy, the transaction also constitutes a replacement of an individual insurance policy.

22. Representatives shall endeavour to ensure that all insurance contracts are maintained in effect, unless the replacement of the contract is justified by the interest of the purchaser or the insured; responsibility for showing that the replacement is justified lies with the representative in insurance of persons who performs the replacement.

23. No representative in insurance of persons may incite an insured or a purchaser, where the purchaser is not the insured, to cancel, cause to lapse or abandon an insurance contract for replacement by another insurance contract, unless he does so in accordance with the procedure set out in section 24.

24. Where the purchase of an insurance contract is likely to result in the termination or cancellation of another insurance contract, the representative in insurance of persons concerned shall:

(1) perform a complete analysis of the needs of the insured or the policyholder, in accordance with section 7, which analysis shall be recorded in writing;

(2) complete, at the same time as the insurance proposal, the form provided in Schedule 1 or Schedule 2, as the case may be, if it is in the interest of the insured or the purchaser to replace the contract with another contract;

(3) give the form, once completed, to the insured or the purchaser and explain the form to such insured or purchaser, in particular by comparing the characteristics of the contract in effect with those of the proposed contract and by describing the advantages and disadvantages of the replacement;

(4) send the form, once completed, to the head office of the insurer or insurers which have contracts that are to be cancelled by any means, providing proof of the date of sending, within five working days of the signing of the insurance proposal;

(5) send a copy of the form, once completed, within the time limit prescribed in paragraph 4, to the insurer with whom the representative in insurance of persons intends to place the new contract.

25. No representative may prevent an insurer having a contract to be replaced from contacting the insured or the purchaser to endeavour to dissuade either of them from replacing the contract or to offer an equivalent contract.

26. An amendment made to an existing contract is not considered to be a replacement as provided for in this chapter.

27. The replacement procedure provided for in section 24 also applies, adapted as required, to the replacement:

(1) of a signed insurance proposal for which:

(a) the mode premium has been paid in full, in cash or by cheque;

(b) the signatory of the proposal has given a bank authorization or a written authorization for a deduction from salary; or

(c) the signatory of the proposal has given written authorization for a transfer of funds from a policy issued by an insurer to another policy issued by such insurer;

(2) of an insurance proposal providing for temporary coverage of not more than one year, for which the temporary insurance premium has been paid.

28. The replacement procedure provided for in section 24 does not apply to the replacement of an insurance proposal for which the premium has been fully paid but where the required medical examination is not performed within the period provided for on the conditional receipt.

29. Where an insurer is prepared to issue a contract in accordance with the terms and conditions of the insurance proposal, but subject to the payment of an additional premium, the procedure provided for in respect of the replacement must be followed before a similar contract may be obtained from another insurer, without an additional or extra premium.

#### **CHAPTER VII** DAMAGE INSURANCE BROKERS OR DAMAGE INSURANCE AGENTS ACTING AS CLAIM ADJUSTERS

30. A damage insurance broker or a damage insurance agent may pursue activities as a claims adjuster in connection with insurance policies taken out by the firm for which the broker or agent acts in exceptional circumstances of an urgent nature where the needs of the insurance claimants of a particular region cannot be met because of insufficient resources.

Such an agent or broker must respect, adapted as required, the rules applicable to a holder of a certificate authorizing him to act in the sector of claims adjustment.

31. Notwithstanding the previous section, a damage insurance broker or a damage insurance agent may also pursue activities as a claims adjuster in respect of policies taken out by the firm on behalf of which he acts if the claim is valued at \$5,000 or less and if he complies with the following conditions:

(1) he must have passed the examination prescribed by the Bureau covering the customs and practices applicable to claims adjustment;

(2) he must respect, adapted as required, the rules applicable to a holder of a certificate authorizing him to act in the sector of claims adjustment;

(3) he must disclose, in writing, to each person with whom the broker or agent transacts business the fact that the firm on behalf of which the broker or agent acts is the mandatary of the insurer and the type of remuneration received for the services rendered as a claims adjuster.

#### **CHAPTER VIII** PROFESSIONAL LIABILITY INSURANCE HELD BY REPRESENTATIVES ACTING ON BEHALF OF A FIRM BUT WITHOUT BEING EMPLOYEES

32. The insurance contract to be maintained at all times by a representative acting on behalf of, but not employed by, a firm must, in particular, stipulate that:

(1) coverage is provided for the liability incurred by the representative by reason of any fault, errors, negligence, or omissions committed by the representative in pursuing activities as a representative, or by reason of any faults, errors, negligence, or omissions committed by the representative's present or past mandataries, employees or trainees in the performance of their duties;

(2) the coverage provided for the activities of the representative during the period for which the contract is in effect extends beyond the period of insurance provided for a term of five years by the contract for all the activities, if the representative cease to pursue, whether or not he is alive;

(3) the time within which the insurer must advise the Bureau of its intention not to renew the contract or to terminate the contract is 30 days prior to the date of non-renewal or termination;

(4) the insurer must notify the Bureau upon receiving notice of termination of an insurance contract from the representative;

(5) the insurer must notify the Bureau upon the receipt of any claim under the contract, whether or not the insurer decides to honour the claim.

33. The amount of coverage must not be less than \$500,000 per claim and \$1,000,000 per year.

34. The insurance contract may include a deductible amount not exceeding \$5,000.

35. This Regulation comes into force on *(insert here the date of coming into force of section 582 of the Act)*.

#### **SCHEDULE 1**

(s. 28, par. 2)

#### **PRIOR NOTICE OF REPLACEMENT OF LIFE INSURANCE POLICY**

##### **Important notice for the consumer**

This prior notice:

- must be completed and signed in cases where, on the recommendation of your insurance representative, you intend to replace your current life insurance policy;
- will be used to notify your current insurer of a possible policy cancellation;
- must be signed on the same day as the new application for insurance (insurance proposal);
- will not cancel your existing policy;
- is not a contract.

You may withdraw your application for insurance at any time before the new policy is issued. In addition, most insurance companies allow an additional 10-day period, after the policy is issued, to allow you to examine it thoroughly. During this period, you may cancel the policy without incurring a penalty.

**As you read through this form, you should ask yourself the following questions:**

1. Was a written analysis of my insurance needs completed before this insurance proposal was made? Do I have a copy of the analysis? Insurance representatives in insurance of persons must take your current and future needs into account, along with your objectives and financial situation, before suggesting the replacement of your current policy.
2. Are the premiums for the new policy higher or lower than the old premiums? A new life insurance policy of the same type as your old policy could cost you more, since you are older.
3. Will I lose any tax benefits? For example, some tax benefits may be lost if you replace a life insurance policy acquired before December 2, 1982.
4. Have any steps been taken to maintain or amend my current life insurance policy? It is generally possible, and preferable, to opt for a change to an existing policy rather than to replace it.

**How to use the form “Prior notice of policy replacement”**

This form consists of three separate booklets, which will be completed in three copies to be given to:

- copy 1: the policyholder;
- copy 2: the current insurer;

- copy 3: the new insurer.

An explanatory guide is included for the benefit of consumers.

**Step 1 — Completing the form**

Complete each booklet, writing on Copy 1 — Policyholder (green copy).

Write in capitals, using a ball-point pen.

**Step 2 — Before signing the form**

The Prior Notice of Replacement may be completed in advance by the representative in insurance of persons, who must then go over it point by point with the client, before the client signs. The client’s signature does not constitute a request to terminate the current policy. The prior notice must in all cases be signed on the same day as the application for life insurance.

**Step 3 — Copies**

Detach Copy 2 — Current Insurer (yellow copy) from each section. Your insurance representative will make sure it reaches your current insurer within five days of being signed.

Proceed in the same manner for Copy 3 — New Insurer (blue copy).

The representative must make a photocopy of the Prior Notice of Replacement, duly completed, for his record.

The remaining parts of the form are the property of the policyholder.

This form was prepared by the Conseil des assurances de personnes and is used by the Bureau des services financiers. It is compulsory that the form be filled out whenever a policy is to be replaced.

The Bureau des services financiers was established by the Act respecting the distribution of financial products and services; its mission is to protect the public by overseeing the application of the Act and the regulations under it, which govern the activities of certificate holders, firms, independent representatives and independent partnerships.

**BOOKLET****1 — GENERAL INFORMATION**

(a) GUIDE

(b) TABLE

**2 — COVERAGE PROVIDED**

(a) GUIDE

(b) TABLE

**3 — PREMIUMS**

(a) GUIDE

(b) TABLE

**4 — CASH SURRENDER VALUES, PARTICIPATION AND SAVINGS****4.1 GUARANTEED VALUES**

(a) GUIDE

(b) TABLE

**4.2 GUARANTEED VALUES**

(a) GUIDE

(b) TABLE

**5 — REASONS FOR REPLACEMENT**

(a) GUIDE

(b) TABLE

**6 — SIGNATURE AND DATES**

(a) GUIDE

(b) TABLE

**1 — GENERAL INFORMATION**

(a) GUIDE

The life insurance policyholder is the person who makes all the decisions concerning the policy and who, in general, pays the premiums.

In most cases, the policyholder is also the insured, but in some cases the policyholder and the insured may be two separate persons.

The other insureds are the individuals covered by the same policy, such as family members or business partners.

The terminated insureds are the insured insureds who will no longer be covered under the new policy, and the additional insureds are the individuals who will be added to the new policy.

Joint insurance is a single policy that covers two individuals, where the death benefit is payable following the death of the first or the second individual, depending on the option chosen.

The main policy types are term life, whole life, universal life, and 100-year-term life.

The effective date is the date on which the policy takes effect once the proposal is accepted by the insurance company.

The suicide clause: if death results from suicide and occurs within two years of the effective date of the policy, the insurer will not, in general, pay the death benefit.

The incontestability clause: if death occurs within two years after the policy comes into effect, the insurer may refuse to pay the death benefit if incomplete or inaccurate information on the insured's health and lifestyle were given or if information was omitted. The insurer may, in all cases, refuse to pay the death benefit if it is proven that the insured committed intentional fraud.

A registered policy: if you cash in the amounts that accumulate under an insurance policy that is part of a registered retirement savings plan (RRSP), you will have to pay income tax.

(b) TABLE

Name and given name of policyholder \_\_\_\_\_

Name and given name of insured \_\_\_\_\_

Date of birth of insured \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
Day Month Year**Other insureds** (multiple coverage) \_\_\_\_\_

Name and given name of insured (1) \_\_\_\_\_ no. of prior notice \_\_\_\_\_

Name and given name of insured (2) \_\_\_\_\_ no. of prior notice \_\_\_\_\_

Name and given name of insured (3) \_\_\_\_\_ no. of prior notice \_\_\_\_\_

Name and given name of insured (4) \_\_\_\_\_ no. of prior notice \_\_\_\_\_

**Terminated insureds** \_\_\_\_\_ **Additional insureds** \_\_\_\_\_

Family name and given name \_\_\_\_\_

Type of coverage \_\_\_\_\_

Amount of coverage \$ \_\_\_\_\_



**Joint insurance** \_\_\_\_\_  
 Payable on: 1<sup>st</sup> death \_\_\_\_\_ 2<sup>nd</sup> death \_\_\_\_\_  
 Name and given name of 2<sup>nd</sup> insured \_\_\_\_\_

**Insurance policy**                      **Current policy**      **Proposed policy**

Name of insurance company:

Type of policy:                      Policy no.                      Proposal no.

Is there more than one policy that  
 may be replaced by the proposed  
 policy? If so, indicate the  
 prior-notice number used for  
 each policy:                      Prior notice no.:                      Not applicable

Effective date:                      \_\_\_\_/\_\_\_\_/\_\_\_\_                      Not applicable  
 day month year

What is the expiry date of  
 the suicide clause?                      \_\_\_\_/\_\_\_\_/\_\_\_\_                      \_\_\_\_ year(s)  
 day month year                      after the  
    effective date of  
    the contract.

What is the expiry date of  
 the incontestable clause?                      \_\_\_\_/\_\_\_\_/\_\_\_\_                      \_\_\_\_ year(s)  
 day month year                      after the  
    effective date of  
    the contract.

Is the life-insurance policy                      Yes \_\_\_\_                      Yes \_\_\_\_  
 part of a registered retirement                      No \_\_\_\_                      No \_\_\_\_  
 as an RRSP?

**2 — COVERAGE OFFERED**

*(a) GUIDE*

The total coverage is the amount that will be paid to the beneficiary following the death of the insured.

The coverage may consist of a guaranteed base amount plus an additional amount or endorsement that may increase, decrease, remain stable or terminate at a specific time.

Renewable term insurance means a policy that may be renewed on the dates specified in the policy. See part 4f of this form for the premiums applicable for renewal.

Convertible term insurance means term insurance that may be converted into permanent insurance without having to prove insurability.

Paid-up life insurance: the accumulated cash surrender value of your policy eliminates the need to pay

premiums, although you remain insured for a lesser amount until your death.

Extended life insurance: the accumulated cash surrender values in of your policy may enable you to stop paying premiums and remain insured for the same amount but for a certain number of years only.

Additional coverage is provided by the options you may or may not choose or not to add to your life insurance policy. Some of the most popular are: an insurability guarantee that allows the amount of life-insurance to be increased, according to the conditions of the policy, without providing proof of good health; premium exemption, which releases a policyholder (or an insured) who becomes disabled from the requirement to pay premiums; accidental death or dismemberment, which provides for the payment of an additional amount in the event of accidental death, or the payment of a lump-sum amount in the event of dismemberment.

*(b) TABLE*

<b>Insurance policy</b>	<b>Current policy</b>	<b>Proposed policy</b>
What is the total coverage?	\$	\$
The coverage includes:		
a guaranteed base amount of:	\$	\$
an additional amount of:	\$	\$
The additional amount may:	remain stable____ increase ____ decrease ____	remain stable____ increase ____ decrease ____
The term coverage, if any, is:	Convertible____ Renewable____	Convertible____ Renewable____
If so, until when?	____/____/____ day month year	____/____/____ day month year
The life insurance contract may be:	fully paid up____ extended____	fully paid up____ extended____
on payment of:	\$	\$
in the following number of years:	years	years
for the following number of years:	years	years

The life-insurance policy includes supplementary coverage, as follows:

Insurability guarantee

Exemption from premiums

Accidental death or mutilation

Other

### 3 — PREMIUMS

#### (a) GUIDE

The total annual premium is the amount you pay each year for your life insurance policy.

The instalment period may be monthly, quarterly or annual. An annual premium that has already been paid is not generally refundable.

An additional premium is an additional amount that is added to the normal rate because the risk is greater; it can be temporary or permanent.

An exclusion is a state or condition for which the insured is not covered; it can be temporary or permanent.

A guaranteed premium will remain the same, or will increase only at certain times specified in the policy.

The guaranteed payment period determines how many years the policy-holder will have to pay premiums.

The minimum premium consists of the cost of the insurance, taxes, and administration fees required for the payment of the life-insurance policy.

The difference between the minimum premium and the premium actually paid constitutes the savings element in universal life insurance.

#### (b) TABLE

Insurance policy	Current policy	Proposed policy
Total annual premium:	\$ _____	\$ _____
What is the payment frequency?		
Does the premium include an additional premium?	Yes _____ No _____	To be determined

If so: why ?

- For how long?

Does the premium take into account an exclusion?

Yes \_\_\_\_\_  
No \_\_\_\_\_

To be determined

If so: why?

- For how long?

Premium rate:

Smoker \_\_\_\_\_  
Non-smoker \_\_\_\_\_

Smoker \_\_\_\_\_  
Non-smoker \_\_\_\_\_

Is the premium guaranteed?

Yes \_\_\_\_\_  
No \_\_\_\_\_

Yes \_\_\_\_\_  
No \_\_\_\_\_

Amount of the premium :

- In 10 years: \$ \_\_\_\_\_ \$ \_\_\_\_\_
- At age 55: \$ \_\_\_\_\_ \$ \_\_\_\_\_
- At age 65: \$ \_\_\_\_\_ \$ \_\_\_\_\_

Guaranteed term of premium payment:

\_\_\_\_\_ years

\_\_\_\_\_ years

If the policy is of a universal life insurance policy, what is the amount of the minimum premium? \$ \_\_\_\_\_

\$ \_\_\_\_\_

Is this amount:

Guaranteed for  
\_\_\_\_\_ years  
Not  
guaranteed \_\_\_\_\_  
Level \_\_\_\_\_  
Incremental \_\_\_\_\_

Guaranteed for  
\_\_\_\_\_ years  
Not  
guaranteed \_\_\_\_\_  
Level \_\_\_\_\_  
Incremental \_\_\_\_\_

What is the policyholder's premium? \$ \_\_\_\_\_

\$ \_\_\_\_\_

### 4 — CASH SURRENDER VALUES, PARTICIPATION AND SAVINGS

#### 4.1 GUARANTEED VALUES

##### (a) GUIDE

The cash surrender values of a life insurance policy are the amount of savings guaranteed by the policy. These values are not generally paid out in addition to the death benefit. However, you may borrow against the cash surrender value by paying interest, or obtain the entire cash surrender value when the contract is cancelled.

The net amount is the total of the values that will be paid if the policy is terminated. The stated amount takes into

account all the deductions that will be applied (reimbursement of loans, taxes, administration costs, etc.). This amount may be used for personal needs, to pay the premiums on a new policy, or as an investment. If the amount is invested, the rate used to calculate the estimated value must be realistic and market-based.

(b) TABLE

Insurance policy	Current policy	Proposed policy
Does the life insurance policy have a cash surrender values?	Yes____ No____	Yes____ No____
Amount of the guaranteed cash surrender values:	\$	\$
• in 10 years:	\$	\$
• at age 55:	\$	\$
• at age 65:	\$	\$
What would the net amount paid out by the company be if the life insurance policy were cancelled today	\$	\$
How would this amount be used		Not applicable If funded, projection at _____% Amount invested: \$ _____ Estimated amount: \$ _____ at _____ years

4.2 NON-GUARANTEED AMOUNTS

(a) GUIDE

Participation in profits: a participating life insurance policy entitles the policyholder to part of the profits generated by the insurance company. The participation is never guaranteed. It can be used to reduce the premium or take out additional life insurance, or it can be cashed in or otherwise used.

Projections are forecasts of future returns. They are not guaranteed.

Additional life insurance is the amount of additional life insurance purchased using the participation.

The investment amount is an estimate of the amount accumulated under the policy.

The total death benefit is the total coverage as indicated in point 11, to which the amounts estimated in (c) and/or (d) are added, where applicable.

(b) TABLE

Insurance policy	Current policy	Proposed policy
Will there be any participation in the company's profits?	Yes____ No____	Yes____ No____
If so, how will the participation be used?		
If the policy is a universal life-insurance policy, is the accumulated savings fund payable in addition to the death benefit?	Yes____ No____	Yes____ No____
What is the rate used for the illustration?	%	%
<i>Projections</i>		
Additional life insurance:		
— at age 55:	\$	\$
— at age 65:	\$	\$
— at age 75:	\$	\$
Savings fund available under the universal life insurance policy:		
• at age 55:	\$	\$
• at age 65:	\$	\$
• at age 75:	\$	\$

Total death benefit:

• at age 55:	\$	\$
• at age 65:	\$	\$
• at age 75:	\$	\$

5 — REASON FOR POLICY REPLACEMENT

(a) GUIDE

Remember that it is generally possible, and preferable, to amend an existing policy rather than replace it.

(b) TABLE

In what way does the proposed contract meet the needs of the policy-holder better, and what are the advantages and disadvantages of the policy replacement?

\_\_\_\_\_  
\_\_\_\_\_

Is there any other relevant information that should be given in connection with the policy replacement?

\_\_\_\_\_  
\_\_\_\_\_

**6 — SIGNATURES AND DATES**

(a) GUIDE

The policyholder must enter his reasons for replacing the life insurance policy. If the representative is a trainee, the prior notice of policy replacement must be authorized by the person supervising the trainee's activities, namely the training supervisor.

The entire form belongs to the policyholder, with the exception of the copies for the insurers involved.

(b) TABLE

**Before signing this form:**

1. Make sure that it was filled out entirely in your presence or has been explained to you point by point.
2. Make sure you keep your current life insurance policy until the new policy is in force.
3. Remember that it is your responsibility, as a consumer, to ask all the questions required to understand the product you are offered; it is the responsibility of the representative to disclose all the information needed to help you do so.

Representative: \_\_\_\_\_  
(family name, given name)

\_\_\_\_\_  
(Signature)      (Telephone no.)      (Certificate no.)

**Policyholder:**

I, the undersigned \_\_\_\_\_, after reading this notice and understanding its terms, wish to proceed with the replacement of my current life insurance policy for the following reasons:

\_\_\_\_\_  
(Signature)      (Date)      (Telephone no.)

**SCHEDULE 2**

(s. 28, par. 2)

**PRIOR NOTICE OF REPLACEMENT OF AN INDIVIDUAL DISABILITY INSURANCE CONTRACT**  
(please print)

Name of insured: \_\_\_\_\_

Address: \_\_\_\_\_

Date of birth of insured: \_\_\_\_/\_\_\_\_/\_\_\_\_  
Day Month Year

Telephone no.: \_\_\_\_\_

	<b>Replaced contract</b>	<b>Proposed contract</b>
Company:		
Policy no.:		
Waiting period:		
Duration of coverage:		
Amount of benefit:	\$	\$
Amount of premium:	\$	\$

**Reason for replacement**

1. How does the current contract fail to meet the client's needs?  
\_\_\_\_\_  
\_\_\_\_\_
2. How will the proposed contract better meet the client's needs?  
\_\_\_\_\_  
\_\_\_\_\_
3. Will the replacement involve any disadvantages for the client? If so, list them below.  
\_\_\_\_\_  
\_\_\_\_\_

**Important notice for client**

It is of the utmost importance, before signing this form, that you read all the information appearing on the reverse side of the client's copy.

**Signature:**

I hereby acknowledge that I have received a copy of this notice, duly completed, and that a copy of the notice will be sent to the mentioned companies.

Date: \_\_\_\_\_

Signature (insured): \_\_\_\_\_

Name of representative (block letters): \_\_\_\_\_

Signature of representative: \_\_\_\_\_

Telephone: \_\_\_\_\_

1. White: copy of the policyholder
2. Yellow: copy of the current insurer
3. Pink: copy of the new insurer
4. Gold: copy of the representative

**Important notice for the insured**

1. This notice is intended to inform and protect you as you consider the possibility of amending your disability insurance policy. The change you are considering may require the issue of a new disability insurance policy, or the cancellation of your current policy.

2. The contract to be replaced should not be terminated before the proposed contract is issued and in force in accordance with your instructions.

3. The following facts may influence your decision to replace or not to replace your current contract:

(a) the clause providing for the incontestability of the policy after two years is not generally transferred from one contract to another. The validity of the new policy

may, in some cases, be challenged in a situation where the old contract would have been incontestable.

(b) if your insurability has changed, a new policy may cost more and include more restrictions. You should not amend or cancel your current insurance contract without verifying your insurability.

(c) the new contract may not cover certain health problems which you may have contracted before it was issued and which may be covered by the replaced contract.

Please take these factors into account when you examine the prior notice of replacement.

**Procedures to be followed by the representative**

This document contains information required by the Bureau des services financiers when a disability insurance contract is replaced. It must be used whenever a contract is replaced.

1. Once the form has been duly completed, using a ball-point pen only, and signed by the insured, you must, using registered or certified mail and within five days of the signature of the proposal:

(a) send the yellow copy to the head office of the insurer that issued the replaced contract;

(b) send the pink copy to the head office of the insurer issuing the new contract.

2. The white copy must be given to the insured, and the gold copy must be kept for your records.

**COMPARATIVE CHART**

(write in capital letters)

Data sheet prepared for: \_\_\_\_\_  
insuredby: \_\_\_\_\_  
intermediary

Date: \_\_\_\_\_

**Replaced contract****Proposed contract****COMPANY**

Policy number \_\_\_\_\_

**CHARACTERISTICS OF CONTRACTS**

Amount of benefit

\$

\$

Compensation period

In case of accident

In case of sickness

**Elimination period**

Rehabilitation coverage	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
-------------------------	------------------------------	-----------------------------	------------------------------	-----------------------------

Occupation coverage	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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## Period of occupation coverage

Renewal	<input type="checkbox"/> garant. <input type="checkbox"/> not garant.	<input type="checkbox"/> garant. <input type="checkbox"/> not garant.
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Rescindale	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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Exclusion of pre-existing sickness	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
------------------------------------	------------------------------	-----------------------------	------------------------------	-----------------------------

**PREMIUMS**

	<input type="checkbox"/> variable <input type="checkbox"/> garant.	<input type="checkbox"/> lebel <input type="checkbox"/> not garant.	<input type="checkbox"/> variable <input type="checkbox"/> garant.	<input type="checkbox"/> lebel <input type="checkbox"/> not garant.
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At present		\$		\$
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In 5 years		\$		\$
------------	--	----	--	----

In 10 years		\$		\$
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Waiver of premiums	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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**EXCLUSION RIDERS**

	<input type="checkbox"/> yes If yes, list them in the comments section below	<input type="checkbox"/> no	<input type="checkbox"/> yes If yes, list them in the comments section below	<input type="checkbox"/> no
--	--	-----------------------------	--	-----------------------------

**INTEGRATION OF BENEFIT PROVISION**

With government plans	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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With other contracts	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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**ADJUSTMENT OF BENEFITS**

	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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Rate	___min. ___max. ___lev.	___min. ___max. ___lev.
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**PARTIAL DISABILITY**

	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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**Maximum period of compensation**

<b>PARTIAL LOSS OF EARNINGS</b>	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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## Maximum period of compensation

**INCREASE OF BENEFIT**

Option to increase benefit without evidence of insurability	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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Amount		\$		\$
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## Date of options

Possibility to exercise options during disability	<input type="checkbox"/> yes	<input type="checkbox"/> no	<input type="checkbox"/> yes	<input type="checkbox"/> no
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**ACCIDENTAL DEATH AND DISMEMBERMENT**

	<input type="checkbox"/> yes Amount	<input type="checkbox"/> no \$	<input type="checkbox"/> yes Amount	<input type="checkbox"/> no \$
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**COMMENTS:** Write in this section any other item comparing or contrasting the replaced contract(s) with the proposed contract.