

Canada Life Caves Into Pressure by Trade Group to Allow Policy Transfer

Life Insurance Settlement Association of Canada chairman and founder Leonard Goodman gave the insurer an ultimatum to process the transfer or he would sue.

By [Donna Horowitz](#)

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Life Insurance Settlement Association of Canada Chairman Leonard Goodman

A life insurance company has caved into a demand by the head of Canada's life settlement trade group to allow an insured to transfer his \$300,000 policy for a loan or a sale.

Leonard Goodman, chairman and founder of the Life Insurance Settlement Association of Canada, had given **Canada Life** until Friday, Feb. 9, to allow the transfer to go through or his group would sue as well as seek counsel to determine if the case merited a class-action suit. "What should have been a simple, 48-hour process of transferring a life insurance policy became a battle of endurance over three months, numerous letters and an ultimatum to take it to the courts," Goodman said.

He said the insured, a 73-year-old Toronto man who is in poor health, thanked him profusely for acting on his behalf and breaking through the logjam. "I actually had a call from another man, a friend of his, who said, 'I want to thank you for what you're doing,'" and he promised to contact his member of Parliament to ask him to support Bill 162, which is currently under consideration to legalize life settlements in Ontario.

Goodman credits the pressure tactics with persuading the carrier to reconsider its position. He said he believes a large institution can be "somewhat of a bully. There's an intimidating factor ... They don't get much pushback." Asked if he believes this case will encourage Canada Life to re-think how it responds to transfer requests in the future, Goodman said his instincts tell him it won't motivate a change. "They'll put it aside and go back to normal practice," he predicted.

Rachael Noye, vice president of client services and claims with Canada Life who wrote back to the insured on Feb. 9, and again Thursday, Feb. 15, including Goodman this time as well, didn't respond to a request for comment. In her Feb. 9 letter to the insured, whose name isn't being used per his request relayed through Goodman, she said she regretted how long it's taken to address the issues around the transfer. But she said the carrier is obligated to collect certain client information as a federally regulated financial institution. When it doesn't receive information it requests, this delays the processing time, she said.

Canada Life had objected to what it saw as inconsistent answers from the policyowner and the intended policyowner over what was being paid for the policy. It said a form sent to the company indicated that consideration paid for the policy was "nil," although the policyowner told the company that he received "consideration" for the policy. Canada Life contends it has tax reporting obligations and thus the policyowner might owe tax on the transaction.

Goodman had differed with the carrier, saying consideration reported by the insured only referred to an institutional loan and would have no implications for tax reporting purposes. Noye responded in her Feb. 9 letter that if the insured wanted to continue with his proposed transaction, "We are prepared - based on the transfer form you have provided us - to process this transfer immediately upon receipt of the completed Declaration, as enclosed. This is needed in order to resolve the consideration amount issue." But she also urged the insured to reach out to his insurance agent and a legal or tax professional to determine his best course. "As your life insurance company, we consider it important that you have the advice and information you need in order to make a decision that best meets your needs and circumstances," Noye wrote. "Our company has no interest in preventing you from exercising any of your contractual rights as a policyowner, but it is of utmost importance to us that before you permanently forfeit your insurance coverage, you do so with a solid understanding of the options available, and the implications of this decision." She apparently was referring to Goodman's Feb. 7 letter in which he accused Canada Life of continuing to obstruct the insured by not responding to his transfer request and interfering with his contractual rights.

Noye further told the insured that, depending on his health, he may be able to obtain a lump sum advance on his policy's death benefit while still maintaining the coverage. The amount and the interest then would be deducted from the proceeds at the time of the payout.

In response to a followup email from Goodman asking for more information about an advance on the death benefit, Noye replied Feb. 15 that it would be a loan against the policy for up to 50% of the death benefit, or \$50,000, whichever is less. This was just general information and not an actual offer, she noted. She said Canada Life would require a doctor's opinion saying the insured has no more than 24 months to live.

Goodman has said that while the insured is in poor health, he's not suffering from a terminal illness and so wouldn't meet that requirement. The insured had initially reached out to Canada Life in December because he could no longer afford the \$6,000 annual premiums on his \$300,000 universal policy, Goodman had said.

Since purchasing the policy in 1995, he has paid \$130,000 in premiums on it, Goodman previously said. The policy has no cash value for the insured to retrieve from Canada Life. As to what the insured will do now, Goodman said "we'll proceed with a transfer for fair market value." "We haven't determined whether it will be a loan or a sale," Goodman added.

The transaction originally had been contemplated as a loan with a private, institutional fund. Canada Life apparently had initially asked for information on the assets of the company, which Goodman contends is none of its business. Goodman previously said the insured's policy had been valued at \$20,000 based on his life expectancy estimate.

As Goodman continues to promote Ontario's legislative proposal to legalize life settlements in blog postings on the trade group's website, he has begun starting to hear from others in similar quandaries. He said his first response to such people is to ask if they have reached out to their brokers first to see if they can help.