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Global Pacific Financial Services Ltd.

Important Notice

Submitted by Josh on September 15, 2014 - 11:49am

Life Insurance Premium Financed by External Lender

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To all Industrial Alliance Sales Force

September 15, 2014

Life Insurance Premium Financed by External Lender

We have recently come across a new scheme in the life insurance market in Canada. This scheme is known under different names such as ***Life Collateral Loans***, ***Premium Financed Loan***, or ***Non-Recourse Premium Financing***. Other names are also possible. This is in fact the financing of life insurance premiums by an external lender who has no bond whatsoever with the insured.

With this scheme, the client subscribes to a life insurance policy of thousands and even millions of dollars with a well-known insurance company. An external lender, who has no bond with the insured, grants a loan to the insured and pays the premiums on the policy. The policy is thereby assigned as collateral to the lender. The loan and the paid premiums constitute a loan that bears interest at a rate up to 12% annually, which will be repaid with the death proceeds; excess amount, if any, is to be paid to the designated beneficiary.

We think that such a scheme goes against the main principles of insurance, which is based on insurable interest and wealth protection of an individual. Using insurance as an investment vehicle by a third party who has no real insurable interest constitutes a practice that we consider unhealthy for our industry and do not want participate in.

Such transactions are not allowed at Industrial Alliance and consequently, it is not permitted to submit any policy using this scheme or any variation of it. We will refuse any such applications or other transactions that are submitted. Additionally, with respect to any policies which have previously been issued and subsequently been assigned to a third party, should we discover that this scheme was used, the policies may be terminated and all charge backs would be applied. Any agents who contravene this rule will have their contract terminated.

Please inform your Branch Manager or your MGA immediately if you have already submitted applications using this scheme.

We thank you for your cooperation.

www.inalco.com

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