

Client Explainer

Why people revisit life insurance later in life

Life insurance is often purchased many years – sometimes decades – before retirement. Over time, circumstances change.

It is common for seniors and their families to reassess life insurance when:

- Children are financially independent
- A spouse has passed away
- A business has been sold or wound down
- Retirement income is tighter than expected
- Premiums have increased and are harder to manage
- The original purpose of the policy no longer applies

Revisiting a policy does not mean a decision has already been made. It simply means reviewing whether the policy still fits today's needs.

Common options when a policy is no longer needed or affordable

When a life insurance policy no longer feels practical, families are often aware of only two options:

1. Letting the policy lapse by stopping premium payments
2. Surrendering the policy back to the insurance company for its cash surrender value (if any)

In some situations, there may be additional options worth understanding before a decision is made. Two of these are life settlements and policy-backed advances.

These options are not suitable for every policy or every individual, but they can be appropriate in certain circumstances.

What is a life settlement?

A life settlement is the sale of an existing life insurance policy to a third party.

In simple terms:

- The policy owner receives a cash payment or a series of payments
- Ownership of the policy is transferred
- The buyer takes over responsibility for future premiums
- The buyer receives the death benefit in the future

Life settlements are typically considered only for older policyholders and permanent life insurance policies.

Importantly, in Canada, **life settlements are currently permitted only in Quebec**, subject to legal and regulatory review.

What is a policy-backed advance (life advance)?

A policy-backed advance, sometimes called a life advance, is not a sale. It is structured as a non-recourse loan secured by the life insurance policy.

In simple terms:

- The policy owner receives a tax-free advance (or series of advances)
- The policy remains in force
- Future premiums will be paid by the advance provider
- The loan is repaid from the policy's death benefit
- The policy owner does not make loan payments during their lifetime

Because it is a loan rather than a sale, a policy-backed advance is often used **outside Quebec**, where outright policy sales are restricted.

How these options differ from surrendering or lapsing a policy

Letting a policy lapse or surrendering it to the insurer may result in little or no value being received, particularly for older policies.

Life settlements and policy-backed advances are different because they are based on the idea that a life insurance policy can have economic value beyond its surrender value, depending on the policy and the insured's circumstances.

That said, these options are not always better. In some cases, keeping the policy or choosing another strategy may be more appropriate.

Important provincial differences

Canada does not have a single, uniform approach to life insurance transactions.

In Quebec: Both life settlements and policy-backed advances may be possible, subject to review.

Outside Quebec: Life settlements are generally restricted. In these provinces, policy-backed advances are typically the structure considered.

Your advisor can explain which options are available based on where the policy was issued and where the policy owner resides.

The role of your advisor

Your financial advisor remains central throughout this process.

An advisor's role typically includes:

- Helping determine whether reviewing the policy makes sense
- Coordinating discussions with specialists
- Ensuring decisions fit within your broader financial plan
- Involving family members where appropriate
- Helping you understand alternatives and trade-offs

Nothing proceeds without the policy owner's consent, and no decision is made without discussion.

Important things to keep in mind

- Not all policies are eligible
- Not all seniors benefit from these options
- Medical and policy information may be reviewed
- Tax treatment can vary by individual situation
- Every case is assessed individually

There is no obligation to proceed simply because an option is available.

Who these options are generally considered for

They are most commonly reviewed when several of the following apply:

- The insured is typically age 70 or older, *or* younger with a serious medical condition that may shorten life expectancy
- The policy is a permanent life insurance policy, such as:
 - Whole life
 - Universal life
 - T100
 - Or a term policy that can still be converted to permanent insurance
- The policy has a death benefit of \$100,000 or more
(In some cases, multiple policies can be reviewed together)
- The policy is no longer needed for its original purpose, or the premiums have become difficult to maintain

Meeting these general conditions does not mean an offer will be made.

They simply help determine whether a review is appropriate.

Every case is assessed individually, taking into account the policy details, health information, provincial rules, and overall financial context.

A brief note on next steps

If this overview raises questions, the next step is usually a **conversation with your advisor** — not a commitment.

That conversation can help clarify:

- Whether a review is appropriate
- Which options may apply
- What information would be needed
- Whether it makes sense to proceed further

This document is provided for general information purposes only. Every case is reviewed individually. Nothing herein constitutes an offer or financial advice.