

EMPIRE LIFE INFORMATION CIRCULAR

DATE: June 30, 2014

Nº. 2014-23

CATEGORY: INSURANCE/INVESTMENTS

TO: Managing General Agents, Associate General Agents, Advisors, General Agents, Independent Financial Advisors, National Accounts

SUBJECT: Sales to Canadian Non-residents

This Information circular clarifies our position on the sale of Life Insurance policies to individuals and entities that are not residents of Canada.

Policy Effective July 1, 2014, Empire Life will only sell life insurance policies in Canada in the province where the advisor and the insurer are licenced to conduct the sale, and when the life insured is a resident of Canada.

Change In the past we have made some exceptions for registered policies. We will no longer make exceptions since the rules apply equally to registered and non-registered policies.

Reasons

1. Empire Life is not licenced to solicit and sell insurance outside Canada and provincial legislation restricts the territory where an advisor can make a sale.
2. The Canadian income tax act imposes a financial penalty on Canadian life insurance companies that sell life insurance policies on the life of an individual that is not a resident of Canada.
3. There are additional costs to administer the non-resident reporting requirements that were not factored into the pricing of our products.

Examples

1. A divorced couple has two children. One spouse lives in the U.S. and the other lives in Canada. One child lives in the U.S. with one parent, and the other child lives in Canada with the other parent. The parent in Canada wishes to purchase life insurance on the lives of the two children.

We can issue a policy on the life of the child living in Canada. We cannot issue a policy on the life of the child living in the U.S.

2. A company operating in Canada is owned by three shareholders. Two of the shareholders are Canadian residents, the third is a non-resident of Canada. The company in Canada wishes to purchase insurance on all three lives.

We can issue a policy on the lives of the two Canadian residents. We cannot issue a policy that includes the life of the non-resident shareholder since this policy would not be "a life insurance policy in Canada".

3. A non-resident wants to transfer registered money (T2033) from another financial institution to Empire Life. We cannot accept this transfer request since the life insured is a non-resident..

Our policy on sale to non-residents only applies to the initial sale of the life insurance policy. This does not impact individuals who have initially purchased a life insurance policy in Canada and subsequently moved to another country. The Canadian Income Tax Act defines a "life insurance policy in Canada" as a life insurance policy where the life insured is a resident of Canada at the time the policy was issued or effected. Non-resident withholding rules will apply to Individuals who purchased a life insurance policy in Canada and subsequently moved to another country.

Reference **Kevin Pereira**, Director Tax Projects
Stephen Biringer, VP Retail Operations

