



Guideline G10

10-DAY INSURANCE CONTRACT RESCISSION RIGHT

This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). Member Companies are expected to adopt this CLHIA Guideline having regard to the company's structure, products and business processes, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.

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1. INTRODUCTION

This Guideline calls for a 10-day “free look” in the case of individual life insurance contracts and individual accident and sickness insurance contracts. More specifically, and subject to section 7 below, this Guideline calls on insurers to provide a 10-day “free look” for a purchaser of an individual life insurance or accident and sickness insurance contract to allow him or her time to review the policy to confirm that it is consistent with what was expected when he or she applied for the policy. If the purchaser is not satisfied, this Guideline calls on insurers to allow the purchaser to cancel the contract within the time provided for a refund of premiums paid.

In the event of any conflict between the provisions of this Guideline and any applicable law, the law takes precedence over the Guideline to the extent of the conflict.

2. DEFINITIONS

In this Guideline,

“contract” means a contract of life insurance or of accident and sickness insurance;

“creditor’s group insurance contract” means a contract of creditor’s group life insurance or of creditor’s group accident and sickness insurance;

“group insurance contract” means a contract of group life insurance or of group accident and sickness insurance; and,

“policy” means the document evidencing a contract.

3. RESCISSION OF CONTRACT BY POLICYHOLDER

An insurer is expected to allow a policyholder under a contract to rescind the contract within 10 days of the date of delivery to the policyholder of the policy, or within 60 days after the date the policy is issued, whichever is earlier, by notifying the insurer in writing of the policyholder’s rescission of the contract.

4. REFUND BY INSURER UPON RESCISSION

- (1) Where a policyholder rescinds a contract as contemplated in this Guideline, the insurer is expected to refund, without interest, any premium, deposit or other payment made by the policyholder, or on the policyholder’s behalf, in respect of the contract. Where a contract of life insurance is for a single premium or its value depends, in whole or in part, upon a specific rate of interest or return, a specific market index, the value of a stated group of assets or other such measure, it is expected that the refund would be adjusted to reflect the change in the value of the contract to the date the rescission becomes effective.

- (2) On receipt of a notice of rescission, the contract would be considered to never have been in effect and except for the refund described in subsection 4(1), the insurer would have no liability in respect of the contract.

5. DELIVERY DATE OF POLICY TO POLICYHOLDER

Where a policy is sent to the policyholder by mail, and is not returned undelivered, it is expected that the insurer would not begin to calculate the start of the 10-day “free look” period until at least the fifth day after the date it was mailed to the policyholder. Where a policy is sent to the policyholder by email, fax or other electronic means that can reasonably be expected to result in immediate delivery, and there is no notice of a failed transmission, it is expected that the insurer would begin to calculate the start of the 10-day “free look” period on the date it was emailed, faxed or sent by other electronic means.

6. NOTICE OF RESCISSION RIGHTS TO POLICYHOLDER

Where an insurer provides for a 10-day “free look” period as contemplated in this Guideline, it is expected that a notice in writing informing the policyholder of the “free look” period would be provided to the policyholder no later than the date the policy is delivered in accordance with section 5.

7. EXCEPTIONS

This Guideline does not apply to

- (i) a group insurance contract or a creditor’s group insurance contract;
- (ii) an annuity contract or an undertaking to provide an annuity;
- (iii) a contract under which the amount of insurance is in excess of \$2,000,000;
- (iv) an individual contract which is issued to the policyholder as a conversion from a group insurance contract if the individual contract provides benefits substantially similar to those provided to the group life insured or to the group person insured under the group insurance contract;
- (v) a non-renewable contract of accident and sickness insurance issued for a term of six months or less which covers loss arising from specified hazards incidental to, or defined by reference to, a particular activity;
- (vi) a non-renewable contract of accident and sickness insurance issued for a period of six months or less that is issued in relation to a ticket of travel; or
- (vii) credit protection insurance (referred to as 'loss of employment insurance' in some jurisdictions);

- (viii) a contract of individual insurance negotiated as part of a benefit plan in which participation is mandatory, provided that a sample of the individual policy to be issued as part of the benefit plan is provided to the plan sponsor in advance of issue, and the plan sponsor confirms satisfaction with the sample policy in writing.

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