

Reasons for replacing an insurance policy

Any policy replacement must be justified by the advisor in the **Reasons for replacement** section of the [Notice of Replacement of Insurance of Persons Contract](#). The advantages and disadvantages of the policy replacement must be explained and various elements must be taken into account.

Elements to be documented

The following elements must be documented in the notice and explained based on the client's needs:

- Shortcomings of the existing contract.
- Advantages of the proposed contract.
- Disadvantages of the proposed contract.
- Reasons for not modifying the existing contract.
- Financial impact of the replacement.
- Difference between complementary or optional guarantees.

Shortcomings of the existing contract

You must demonstrate in a concrete and objective manner the reasons behind your recommendation to purchase a new contract by presenting the shortcomings of the existing contract.

Advantages of the proposed contract

You must present the advantages of the proposed contract that meet your client's needs and are not reflected in the existing contract:

- Advantages of the proposed contract compared to the existing contract.
- Client's needs met by these advantages.
- Link between the advantages and needs mentioned above.

Disadvantages of the proposed contract

You must indicate all the direct and indirect disadvantages of the proposed replacement, even those already indicated in other parts of the notice. Here are some typical examples of disadvantages to be considered:

- Higher premium payable by the client.
- Insurability to be reconfirmed.
- Addition of exclusions.
- Longer waiting period.
- No conversion privilege to permanent insurance.
- Resumption of the payment period.
- Loss of permanent protection.
- Loss of the right to pay up the policy.
- Reduction of the benefit period.
- Reduction of the number of illnesses covered.
- Temporary loss of benefits associated with suicide and incontestability clauses.
- Loss of any other acquired contract provision.

Reasons for not modifying the existing contract

You must state the reasons for signing a new contract. Here are some potential reasons:

- Unable to add a rider.
- Higher premiums at renewal.

Financial impacts of the replacement

You must fully explain to your client the consequences of the replacement on their finances. You may use illustrations using practical examples. Here are some examples of the financial implications to be considered:

- Surrender fees.
- Cash values (guaranteed or non-guaranteed).
- Cancellation fees.
- Premiums.
- Tax considerations.
- Policyholder dividends.
- RRSP registration.
- Upcoming dividend payment.

Differences between complementary and optional guarantees

You must explain the differences between the complementary and optional guarantees of the existing and proposed contract. These should be based solely on complete and detailed information and be supported by verifiable figures. Here are some examples of guarantees to be considered:

- Waiver of premium.
- Guarantee of insurability.
- Protection in case of accidental death or dismemberment.
- Critical illness rider.
- Disability credit rider.
- Premium refund.
- Child endorsement.
- Temporary insurance rider.
- Waiting period.

You will find some [examples of filled notices of replacement](#) in the InfoDeonto toolbox.