

Agenda Item 5(h)
February 25/20 EOC Teleconference Meeting

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Sent: February-14-20 5:58 PM

To: Brendan Wycks <brendan.wycks@cafii.com>

Subject: RE: Proposed Amendments To Regulations Under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); and Potential Impact Upon Life Insurers, Brokers, and Agents

As CAFII members will be aware, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) is a federal statute that imposes compliance obligations on entities, with the objectives of detecting and deterring money laundering and terrorist financing, responding to the threat of organized crime by providing needed information to law enforcement, and to assist in fulfilling Canada's international commitments to fight transnational crime, particularly money laundering, and to fight against terrorist activity.

Life insurance companies have limited compliance obligations under this law, related to life insurance and annuity products.

However, the Regulations under the Act have been revised to provide that life insurance companies, brokers and agents are now subject to the same obligations as financial entities when they offer loans or pre-paid products to the public, or maintain accounts with respect to such products.

The following types of loans, though, are exempt:

- Policyholder loans made with respect to terminal illnesses ("life advances");
- Policyholder loans made to finance the policy;
- Advance payments to which the policyholder is entitled.

In addition, life insurance companies will be required to make a PEP (politically exposed person) determination in cases where they remit \$100,000 or more over the duration of an annuity or life insurance policy. Life companies will of course remain subject to the rules regarding recordkeeping and reporting suspicious transactions.

The new regulatory requirements for life insurance companies are noted to come into force on June 1, 2021."
<http://gazette.gc.ca/rp-pr/p2/2019/2019-07-10/html/sor-dors240-eng.html>

Regards,

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