

A 91-Year-Old's Fight to Take Care of His Wife -- By Legalizing Life Settlements

If the Ontario legislation that Morris Adams is fighting for wins enough support, it could pave the way for the rest of Canada to follow.

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Morris Adams is worried about running out of money to pay his wife's caretakers so she can remain at home. His wife, Ruth, suffers from depression and some dementia, and he has paid for aides to assist her for the past eight years. Adams, an accountant who works during income tax season, reached out to Manulife last year with a proposal to sell his \$250,000 life insurance policy back to the insurance company.

"I said, 'I'm 91. ... It could be two, three or five years and you'll have to pay out. If you give me half the money now, you'll save half the money,'" he recalled telling the insurer.

He thought his idea made perfect sense, but it was not to be. Adams, who lives in Toronto with his 89-year-old wife, was told that selling his policy was illegal in Ontario.

Manulife could give him what it called a "compassionate loan" against his policy, but there was one drawback: His doctor had to certify he was terminally ill. Adams, who doesn't meet that standard, is now the poster boy for an effort to pass life-settlement legislation in Ontario, one of six provinces in Canada that prohibits the sale of policies in the secondary market. Only four provinces -- Saskatchewan, Quebec, Nova Scotia and New Brunswick -- allow it.

To work toward changing that, Adams approached his legislative representative, Mike Colle, a member of the Parliament in Ontario, who is sponsoring Bill 162 to legalize life settlements in Canada's most populous province. Ontario comprises 30% to 40% of the

country's population, and if its lawmakers decide to pass such legislation, it is expected to carry weight with other provincial governments.

Although the legislation passed its second reading Oct. 19, adoption is not assured. The Canadian Life and Health Insurance Association opposes the measure, which isn't a surprise considering the resistance the market has faced over the years from the U.S. life insurance industry. The group said it believes allowing people to sell their policies would open up "a largely vulnerable population (senior policyholders) to potential financial exploitation." The biggest hurdle, however, will be drumming up public support for an asset seniors don't even know exists. "The challenge is that it's a member's bill, not a government bill," Colle said. "It has to have much more buy-in and public momentum to keep going forward."

The legislation would next go to a committee, but that won't happen unless "there's a public groundswell," he said. "I think we've got to work on and build the public outcry," Colle said. "The real challenge is getting the average consumer to understand this option."

The lawmaker is working with the Life Insurance Settlement Association of Canada, the country's trade group, to generate support from seniors who could advocate for his bill with their representatives. Leonard Goodman, chairman and founder of the trade group, which has about 100 members, said the life insurance industry in Canada ignored the legislation initially, ultimately putting a "very weak argument out" against it.

The organization plans to write open letters to the media, conduct a direct-mail campaign and reach out to 20 senior organizations to whom Adams and Colle have offered to speak. It will also sponsor a seniors' day to bring several hundred seniors by bus to the Parliament building.

Of the 14 million people who live in Ontario, the senior population makes up about 2 million, or 15%, and is projected to widen to 23% in a decade, the trade group says. It further contends that 21 million Canadians own policies, including 54% of seniors. The effort to pass life settlement legislation in the province has been years in the making.

Goodman, a retired financial services professional with 50-plus years of experience, and David Hughes, executive director of the trade group, wrote a book about life settlements three years ago. In 2000, a legislator put forward a proposal on legalizing the asset, but it had little support and went nowhere after the insurance industry opposed it, Hughes said. The law proposed now differs in some aspects from its American counterparts. People wouldn't be allowed to sell their policies until they owned them for three years, compared with two years in most of the U.S., and viatical settlements -- policy sales by the terminally ill -- wouldn't be permitted either.

"It would be great if life settlements were legalized in Ontario," said John Norman, director of the Perisen Life Settlements Corp., a Quebec-based investment fund that's managed in Toronto. He said his firm receives two to five calls a week from Canadian seniors looking to sell their policies, but rejects 60% right away because the holders don't live in provinces that allow settlements. The vast majority of policies it buys are from U.S. holders.

"We're very supportive" of the legislation," Norman said. "It would be very helpful for the rest of the country. It would be a very positive step."