Good evening Chair and members of the Committee.

My name is Michael Hawkins. I reside in Grey County. Our family operates a mixed farm, beef cattle and wheat. I am also a qualified life insurance actuary and operate an independent consulting practice, serving clients across Canada, in the United States and internationally.

I would like to discuss the amendment to the Insurance Act, in particular, the addition of section 201.2 which is given as section 5 of Schedule 22 to Bill 229. This amendment would affect life insurance contracts with a certain feature. The type of life insurance affected is known in the industry as “universal life”.

Some background. I am a Fellow of the Canadian Institute of Actuaries and a Fellow of the Society of Actuaries. I have been employed by life insurance companies and as a consultant. I have 28 years of experience in the industry. In 2015, at the request of the Department of Justice, I was qualified as an expert in life insurance by the Tax Court of Canada.

Universal life is flexible by design. It has protection and investment components. The consumer chooses how much emphasis to give to the protection and investment components. Some products have minimum or maximum investment requirements while others give the consumer complete flexibility on how much they choose to invest. As life changes, the consumer can change how they use their contract.

The consumer is offered various investment accounts within the contract: daily interest, GICs, domestic and international stock market indices and mutual funds. These are complicated contracts. The contract can be 50 or more pages in length. The insurance company offers the contract to the consumer on a take-it or leave-it basis.

Consumers use these contracts for long term safety nets, for retirement and estate planning and as savings vehicles. These contracts have been sold throughout the province for decades, to thousands and thousands of your constituents.

The amendment aims to limit the amount that can be invested in a particular account within universal life insurance contracts. The amendment would intrude into existing private contracts. It would forbid insurance companies from honouring their existing contracts. It would revoke existing rights of consumers, disallowing consumers from making full use of their existing life insurance contracts.

It is important to realize that life insurance is long term business. I own a life insurance contract that I obtained 28 years ago. This summer I assisted a gentleman, a resident of Toronto, with his life insurance contracts issued to him in the 1960’s, the oldest contract being 58 years old.

A consumer, who has been paying premiums to a life insurance contract for 20 or 40 years, suddenly without consultation or compensation, has this amendment intrude into that contract, forcing the insurance company to dishonour the contract and revoking the rights and benefits bought and paid for by the consumer.

Life insurance predates Confederation. Canada Life was the first Canadian life insurance company, founded in 1847. I am not aware of any other instance where the Ontario legislature has inserted itself to revoke benefits or entitlements within life insurance contracts or to prohibit life insurance companies from honouring their contracts or restricting insurers from providing certain types or amounts of life insurance protection to consumers. I invite the members of the Committee to review the Insurance Act to see that this type of intrusion is not the history of life insurance in Ontario.

In my practice I work with lawyers, accountants, insurance advisors and other actuaries. We take life insurance contracts as written. We do not expect government to suddenly step in to forfeit benefits.

If life insurance contracts in Ontario and the guarantees and promises therein are now subject to the whims of a budget document, you make them flimsy and flighty, you degrade all life insurance contracts and in fact you degrade all contract law.

The budget document states:

> The government is protecting families by proposing legislative amendments to ensure that this sector is not vulnerable to exploitative behaviour by individuals and companies using life insurance policies with side accounts for investment purposes.

But a purpose of the affected life insurance contracts is to let consumers invest money. The amendment will damage financial protections of Ontarians. It does not protect them. Further, the amendment as written is biased, arbitrary and ambiguous. It is to a bad end as well as badly drafted.

Even if life insurance companies were vulnerable, for whatever reason, the Government should not take away the benefits and rights of ordinary Ontarians under their life insurance contracts in order to protect shareholders of large multinational corporations. There already exists a legislative regime to manage distressed insurers, having a budget document shave or skin this or that insurance benefit in order to boost the fortunes of an insurance company is completely outside the box.

As it is, there is no evidence that Ontarians are investing unusually large amounts in these contracts and there is no evidence that life insurance companies are vulnerable because of such activity or for any other reason.

Manulife reported 3rd quarter net earnings of $2.1 billion, is paying out $540 million as its quarterly dividend, it has a market capitalization of $43 billion.

Sun Life reported 3rd quarter net earnings of $750 million, is paying out $320 million as its quarterly dividend, it has a market capitalization of $34 billion.

Not exactly vulnerable. These insurance companies can, and should, honour their obligations to Ontarians.

The purpose of the Insurance Act is not to act against the consumers of Ontario by revoking rights and benefits that have been bought and paid for by consumers. This amendment clearly needs review. The integrity of the purpose of the Insurance Act as a piece of consumer protection legislation should be upheld and not turned on its head. I encourage the Committee to remove sections 4 and 5 from Schedule 22 in order to have full public consultation before any such amendment is made to the Insurance Act. I would be happy to participate in future consultation.

Thank you for your consideration.