

Canadian Council of Insurance Regulators

Consultation Document

Implementation of the Joint Forum Point of Sale Framework for Segregated Funds.

June 2009

For ease of consultation, CCIR is publishing just those sections of the CLHIA Guideline G-2 *Individual Variable Insurance Contracts Relating to Segregated Funds* that change as a result of implementing the Joint Forum Point of Sale Framework.

The current version of the full Guideline can be found on the CCIR website at [http://www.ccir-ccra.org/CCIR/CLHIA/CLHIA%20IVIC%20Guideline%20G2%20En%20\(effective%2030Jun06\).pdf](http://www.ccir-ccra.org/CCIR/CLHIA/CLHIA%20IVIC%20Guideline%20G2%20En%20(effective%2030Jun06).pdf)

PART II - DEFINITIONS:

2.1 In these Guidelines,

“initial purchase”

means either the purchase of an individual variable insurance contract or the first selection of a segregated fund for the purposes of allocating premiums to that fund under the contract.

“subsequent purchase”

means the selection of more units of, or a switch into, a segregated fund currently held under the contractholder’s insurance contract.

PART IV - GENERAL DISCLOSURE REQUIREMENTS:

4.1 Contract Disclosure:

The documents evidencing an individual variable insurance contract shall:

- (g) state that:
 - (i) the Fund Facts information which is required by Form 1, Part H, forms part of the individual variable insurance contract;
 - (ii) the Fund Facts information is accurate as of the date the information was prepared.

Note: As part of the consultation process, specific input is being sought as to adjustments and limitations to the above wording to ensure similar levels of protection for IVIC contractholders with those afforded to mutual fund investors, for instance: limitations on liability, maximum recovery amounts, time limits for exercising the right, etc.; and

- (h) state,
 - (i) that a contractholder may rescind the purchase of the segregated fund contract and any initial purchase of segregated funds by sending written notice requesting the rescission to the insurance company within two business days from the date the contractholder received confirmation of the purchase;
 - (ii) that for any subsequent purchase, the right to rescind will only apply in respect to additional premiums being allocated to an existing fund and written notice requesting the rescission must be provided within two business days from the date the contractholder received confirmation;

- (iii) that the contractholder will be refunded the lesser of the amount invested and the value of the fund on the valuation day following the day the insurer received the request for rescission plus any fees or charges associated with the transaction; and
- (iv) a contractholder will be deemed to have received the confirmation seven days after it has been mailed by the insurer.

4.3 Annual Statement to Contractholder:

The insurer shall provide to the contractholder, within four months of each successive fiscal year-end of the fund, a statement showing the following:

- (f) a statement that current Fund Facts information is available upon request together with contact information about how to obtain current Fund Facts information.

PART V - DELIVERY OF DOCUMENTS:

5.1 Delivery of Information Folder At Time of Application:

Before an application for an individual variable insurance contract is signed by a prospective contractholder, a true copy of the most current information folder including any applicable addenda shall be delivered to the prospective contractholder. A prospective contractholder may choose to receive the information folder either physically (in person, mail, or fax) or electronically (e-mail or viewed by consumer on-line). A prospective contractholder must be specifically directed or linked to the information folder if it is delivered electronically.

Where a contract is not an individual variable insurance contract at issue but is subsequently amended to become an individual variable insurance contract upon application by the contractholder for such amendment, the most current information folder including any applicable addenda will be provided in accordance with paragraph 1 above.

5.2 Acknowledgement of Receipt of Information Folder At Time of Application:

The insurer shall, at the time of delivery, obtain an acknowledgement in written, electronic or recorded oral form from any person to whom an information folder is delivered in compliance with Section 5.1 of this Guideline. The information folder will include delivery of Fund Facts information for all funds currently offered under the individual variable insurance contract.

5.3 Delivery of Fund Facts:

(a) General Principle:

Consumers must receive Fund Facts information before they purchase a fund and it is an advisor's responsibility to discuss and explain the contents to the consumer. Notwithstanding the general principle, in certain circumstances described below, consumers may choose to receive Fund Facts information with the confirmation of purchase.

(b) Initial Purchases:

(i) Advisor Initiated

Advisors must deliver Fund Facts information before or at the time of the transaction for any initial purchase of any fund the advisor recommends to a contractholder except as provided in (ii) below.

(ii) Money Market Funds

A contractholder may choose to receive Fund Fact information for any initial purchase of a money market fund at the time of the transaction or afterwards with the confirmation.

(iii) Contractholder Initiated

The contractholder may choose to receive Fund Facts with the confirmation of the initial purchase of any fund when the transaction is initiated by the contractholder.

(c) Subsequent Purchases

Fund Facts is not required to be delivered for subsequent purchases of, or switches into, a fund currently held under the contractholder's insurance contract.

(d) Methods of Delivery

A contractholder may elect to receive Fund Facts information either physically (in person, mail or fax) or electronically (e-mail or viewed by consumer on-line). A contractholder must be specifically directed or linked to the relevant Fund Facts. Delivery may include referring a contractholder to a particular Fund Facts previously delivered provided that the information is current, having been published not more than 12 months previously.

5.4 Continuous Availability of Fund Facts:

Insurers are required to make Fund Facts continuously available to contractholders on their website and in print upon request without charge.

FORM 1: INFORMATION REQUIRED IN THE INFORMATION FOLDER OF AN INSURER WITH AN INDIVIDUAL VARIABLE INSURANCE CONTRACT:

GENERAL INSTRUCTIONS:

- (a) The information required in Form 1 should be stated in plain language with minimal use of technical terminology.
- (b) The information folder should be presented in a format that assists in readability and comprehension.
- (c) All print shall be clearly readable (and at least 10 point font in Arial Script or equivalent).
- (d) Definitions in the Guideline apply to this Form.

PART B KEY FACTS EXECUTIVE SUMMARY:

Develop a Key Facts executive summary describing the key features of the individual variable insurance contract. Key Facts should be located at the beginning of the information folder on the first page immediately following the cover or face page. It is intended to be read with the Fund Facts for each investment option available under the contract.

The Key Facts should be brief and written in plain language for the average retail consumer.

The sections included in Key Facts should be set out in the following prescribed order and use the following headings:

- "What am I purchasing?"
- "What guarantees are available?"
- "What investments are available?"
- "How much will this cost?"
- "What can I do after I purchase this contract?"
- "What information will I receive about my contract?"
- "Can I change my mind?"
- "Where can I get more information or help?"

An optional section describing “Other key features of the product” may be included.

Each section should contain a reference stating where more information in the information folder can be found.

Item 1 – Identifying Information and Introduction

At the top of the first page of Key Facts include the name of the segregated fund product.

Include an introductory statement with language substantially similar to the following:

“This summary provides a brief description of the basic things you should know before you apply for this individual variable insurance contract. This summary is not your contract. A full description of all the features and how they work is contained in this information folder and your contract. You should review these documents and discuss any questions you have with your advisor.”

Item 2 – What am I purchasing?

Identify the name of the product and name of the insurer.

Briefly describe the nature of the product and its intended use including a discussion of the following elements:

- a statement that the product is an insurance contract;
- the contractholder instructs the insurer how to invest premiums;
- availability of guarantees;
- tax status (non-registered, RRSP, RRIF, TFSA, etc.); and
- right of the contractholder to designate a beneficiary.

Readers should be advised that there may be tax implications to the contract.

In this or the next section include a warning statement in bold print in substantially the following words:

“The value of your contract can go up or down subject to the guarantees.”

Item 3 – What guarantees are available?

Provide a general description of the guarantees available under the product including:

- a description of the maturity guarantees;
- death benefit guarantees;
- any other guarantees such as income guarantees; and

- any reset options available

Include a warning statement in substantially the following words:

“Any withdrawals you make will reduce the guarantees. For full details please see sections XX in this information folder and the contract.”

Maturity Guarantees

Describe maturity guarantees as they apply to both the contract and premiums and the costs associated with these guarantees.

Wording substantially similar to the following should be included as may be applicable:

“The contract maturity date establishes when the contract guarantee will come into effect.”

Death Benefit Guarantees

Describe what types of guarantees are provided upon death of the life insured.

Wording substantially similar to the following should be included as may be applicable:

“If you die before the contract maturity date your designated beneficiary will receive a death benefit equal to (the greater of the market value of your investments or X% of the premiums you have paid).”

Other Guarantees

Describe any income guarantees such as GMWB benefits or lifetime withdrawal benefits which are available.

Reset Option

Describe any options which the contractholder has to reset the guarantees and any additional fees associated with this option.

Item 4 – What investments are available?

Describe the investment options which are available and any general restrictions. Refer readers to the Fund Facts for more details.

Include a warning statement in substantially the following words:

“XX does not guarantee the performance of the segregated funds. You should carefully consider your tolerance for risk when you select an investment option.”

Item 5 – How much will this cost?

State that fees will be deducted from the fund to cover costs such as expenses, administration of the contract and management of the investment options.

Describe any fees paid directly by the client such as any fees associated with income guarantees.

Identify the factors which will vary the cost of the individual variable insurance contract for the consumer including any optional guarantees and any initial sales charges and deferred sales charges.

Identify other specific transactions which may trigger additional costs including any short-term trading fees, switch fee or change fee.

Readers should be referred to the Funds Facts for specific information regarding the different fees associated with each investment option.

Readers should be referred to the relevant section of contract regarding fees and charges.

Item 6 – What can I do after I purchase this contract?

Describe a contractholder's right to make changes under the contract including the right to switch investments from one fund to another, to withdraw money, to pay additional premiums into the contract and to receive annuity payments after maturity.

Include a general warning statement in substantially the following words:

"Certain restrictions and other conditions may apply. You should review the relevant section of your contract for full details."

Item 7 – What information will I receive about my contract?

State that the contractholder will receive information from the insurance company at least once a year detailing the value of the investments under the contract including a listing of all transactions the contractholder has made.

Advise the reader that the annual audited financial statements and semi-annual unaudited financial statements for each segregated fund are available upon request.

Item 8 – Can I change my mind?

Wording substantially similar to the following should be included:

"You can change your mind about purchasing the contract within two business days from the date you received confirmation of the purchase. You have to tell your insurer in writing that you want to cancel. The amount returned will be the lesser of the amount you invested, or the value of the fund if it has gone down. The amount returned will include a refund of any sales charges you paid."

You can also change your mind about subsequent transactions you make under the contract within two business days from the date that you received confirmation of the purchase. In this case, the right to cancel your purchase only applies to the new transaction."

Item 9 – Where can I get more information or help?

Provide contact information for the insurer including address information, telephone numbers and e-mail address.

Include wording substantially similar to the following:

"For information about handling issues you are unable to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at 1-800-268-8099 or on the web at www.clho.ca"

Include wording substantially similar to the following:

"For information about additional protection that is available for all life insurance contractholders, contact Assuris, a company established by the Canadian life insurance industry. See www.assuris.ca for details."

Include wording substantially similar to the following:

"For information regarding how to contact the insurance regulator in your province visit the Canadian Council of Insurance Regulators website at www.ccir-ccrra.org"

Item 10 – Other key features of the product

In this optional section, which may be included as part of the Key Facts using a title and in an order which assists comprehension by the reader, describe any additional key features of the product which are not covered in other sections of the Key Facts executive summary.

PART H FUND FACTS:

Develop a Fund Facts document describing the key features of each segregated fund offered under the individual variable insurance contract.

The Fund Facts should be brief and written in plain language for the average retail consumer.

The sections included in the Fund Facts should be set out in the following prescribed order and use the following headings:

- "Quick Facts"
- "What does the fund invest in?"

- "How has the fund performed?"
- "How risky is it?"
- "Are there any guarantees?"
- "Who is the fund for?"
- "How much does it cost?"
- "What if I change my mind?"
- "For More Information".

Set out below is a description of each required Item. Items 1 to 7 should be disclosed on the first page of the Fund Facts. Items 8 to 10 should be disclosed on the second page of the Fund Facts.

Attached as Appendix "A" is a Template with a sample layout for the required elements.

Item 1 – Identifying Information

At the top of each Fund Facts page include:

- i) Full legal licensed name of the insurance company offering the segregated fund;
- ii) Name of the segregated fund;
- iii) Name of the segregated fund product; and
- iv) Date of information being included.

Item 2 – Quick Facts

Under the heading "Quick facts" and using the sub-headings listed below provide information regarding the following:

- i) Date fund created
- ii) Total value on (specify date)
- iii) Net Asset Value per Unit
- iv) Number of Units Outstanding
- v) Management expense ratio (MER)
- vi) Portfolio Turnover Rate
- vii) Portfolio manager
- viii) Minimum investment

A range for the MER should be shown including the lowest possible MER and highest possible MER depending on the guarantee option a consumer chooses.

Item 3 – What does the fund invest in?

Under the heading "What does the fund invest in?" include the following:

- (i) a brief statement describing what the segregated fund invests in.
- (ii) List the top 10 holdings of the segregated fund as at the end of the most recent fiscal year. Where a segregated fund invests in a secondary fund representing 50% or more of the assets of the

segregated fund, disclose the top 10 holding of the secondary fund. If a segregated fund invests in a secondary fund representing less than 50% of the assets of the segregated fund, name the secondary fund.

- (iii) State the total number of investments.
- (iv) State the percentage of the segregated fund which the top 10 investments make up.
- (v) Include up to two pie charts showing the investment segmentation considered most appropriate by the fund manager. Each investment mix chart or table must show a breakdown of the fund's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the fund constituted by each subgroup. The names of the subgroups can include investment type, industry segment, or geographic location and use the most appropriate categories given the nature of the fund.

Item 4 – How has the fund performed?

Under the heading "How has the fund performed" describe how the segregated fund has performed over the past 10 years. Information should be shown based on the most basic guarantee option available under the fund and performance should be reported after the MER has been deducted. Where a segregated fund has been in existence for less than 10 years, but greater than 1 year, include information for the years in which the fund has been in existence.

A warning statement including language substantially similar to the following should be included as an introduction to the section:

"This section tells you how the fund has performed over the past 10 years for an investor who chooses the basic guarantee. Returns are after the MER has been deducted. It's important to note that this doesn't tell you how the fund will perform in the future. Also, your actual return will depend on the guarantee option you choose and on your personal tax situation."

- (i) Average return

Under the sub heading "Average return" state:

- (a) the amount of money which a person who invested \$1,000 in the fund 10 years ago and chose the most basic guarantee available would now have, and
- (b) the average per-cent return per year which investment in the fund for a 10 year period would work out to.

- (ii) Year-by-year returns

Under the heading "Year-by-year returns" include a bar chart showing how the fund has performed in each of the past 10 years. State the number of years, if any, during the past 10 year period when people who owned the fund at the start of the year would have lost money.

The following or similar language should be included as an introduction to the bar chart:

“This chart shows how the fund has performed in each of the past 10 years for a contractholder who chooses the basic guarantee. In the last 10 years the fund was up in value x years and down in value x years of the 10.”

Where a segregated fund invests in an underlying fund and historical performance information for the segregated fund does not exist, return information for the underlying fund may be presented provided that a note is included indicating information relates to the underlying fund.

Item 5 – How risky is it?

Under the heading “how risky is it?” state whether the insurance company has rated the fund’s risk as being: Very low, Low, Low to moderate, Moderate, Moderate to high or High and draw a colour coded bar chart to show which class the fund is in.

Include a warning statement in substantially the following words:

“The value of your investments under your contract can go down. Please see Section XX for further details.”

Item 6 – Are there any guarantees?

State that guarantees are provided under the contract including language substantially similar to the following:

“This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect a contractholder’s investment if the markets go down. The Management Expense Ratio (MER) includes the insurance cost for the guarantee. For details please refer to the information folder and contract.”

Item 7 – Who is this fund for?

Provide details regarding the type of investor the segregated fund would be suitable for stating the advantages and any necessary cautions or warnings. Suitability should be tied to the fundamental investment objective of the fund and risk category assigned in Item 5 above.

Item 8 – How much does it cost?

Include information which describes the fees and expenses a contractholder requires to pay to buy, own, and sell units of the fund.

Include wording substantially similar to the following as an introduction.

"The following tables show the fees and expenses you could pay to buy, own and sell units of the fund."

(i) Sales charges:

Under the sub-heading "Sales charges" include a table showing the percentage amount of any initial sales charge and the percentage amount of any deferred sales charge and a description for each of how they work.

(ii) Ongoing fund expenses:

- (a) Under the sub-heading "Ongoing fund expenses" describe the MER for the fund including any different charges for different guarantee options.

Wording substantially similar to the following should be included:

"The management expense ratio (MER) includes the management fee and operating expenses of the fund. The MER includes the insurance cost for the guarantee. You don't pay these expenses directly. They affect you because they reduce the return you get on your investment. For details about how the guarantees work, see your insurance contract."

- (b) Include a table showing the different guarantee options available and the MER for each option.
- (c) Describe any trailing commissions.

(iii) Other fees:

Under the sub-heading "Other fees" describe any other fees a contractholder may have to pay in order to sell or transfer units of the fund including any short-term trading fee, switch fee or change fee.

Describe any fees associated with guaranteed income benefits.

Item 9 – What if I change my mind?

Describe a contractholder's right to cancel the decision to invest in the fund and provide details regarding the amount of money which will be returned to the investor if the investor exercises the option to cancel.

Wording substantially similar to the following should be included:

"You can change your mind within two business days from the date you received confirmation of the purchase for initial transactions under the contract. You have to tell your insurer in writing (by email, fax or letter) that

you want to cancel. The amount returned will be the lesser of the amount you invested or the value of the fund if it has gone down. The amount returned will include a refund of any sales charges you paid.”

“You can also change your mind about subsequent transactions you make under the contract within two business days from the date you received confirmation of the purchase. In this case, the right to cancel your purchase only applies to the new transaction.”


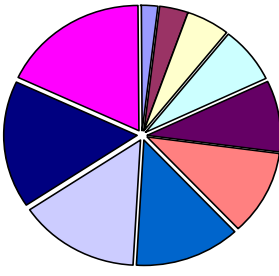
Item 10 – For more information

Include a warning statement that the Fund Facts summary may not contain all the information which a contractholder needs.

Wording substantially similar to the following should be included:

“This summary may not contain all the information you need. Please read the contract and the information folder.”

Include contact information for the insurance company including address information, telephone numbers and e-mail address.

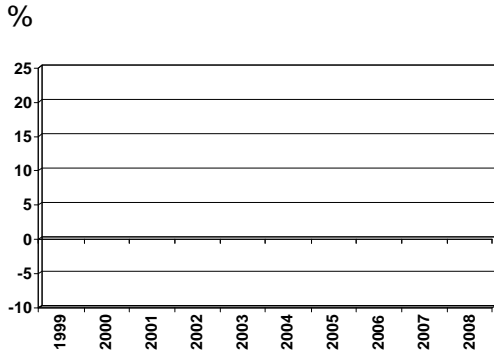
<p>Item 1</p> <div style="text-align: center; margin: 10px 0;">  </div> <p>Full Legal Licensed name of the Insurance Company Name of the Segregated Fund Product Name of the Segregated Fund Date of Information</p>							
<p>Item 2</p> <p>Quick facts</p> <p>Date fund created: _____</p> <p>Total value on (specify date): _____</p> <p>Net Asset Value per Unit: _____</p> <p>Number of Units Outstanding: _____</p> <p>Management expense ratio (MER): (include range) _____</p>	<p>Portfolio manager: _____</p> <p>Portfolio Turnover Rate: _____</p> <p>Minimum investment: _____</p>						
<p>Item 3</p> <p>What does this fund invest in?</p> <p>Top 10 investments</p> <ol style="list-style-type: none"> 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. <p>Total investments</p> <p>The top 10 investments make up x% of the fund.</p>	<p>Pie Chart showing Investment Segmentation (specify date)</p> <div style="text-align: right; margin-right: 20px;"> Industry Sector % </div> <div style="text-align: center;">  </div>						
<p>Item 4</p> <p>How has the fund performed?</p> <p>This section tells you how the fund has performed over the past 10 years for a contractholder who chooses the basic guarantee. Returns are after the MER has been deducted.</p> <p>It's important to note that this doesn't tell you how the fund will perform in the future. Also, your actual return will depend on the guarantee option you choose and on your personal tax situation.</p>	<p>Item 5</p> <p>How risky is it?</p> <p>The value of your investments can go down.</p> <table border="1" style="margin-left: auto; margin-right: auto; text-align: center; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px;">Very low</td> <td style="padding: 2px 10px;">Low</td> <td style="padding: 2px 10px;">Low to moderate</td> <td style="padding: 2px 10px;">Moderate</td> <td style="padding: 2px 10px;">Moderate to high</td> <td style="padding: 2px 10px;">High</td> </tr> </table>	Very low	Low	Low to moderate	Moderate	Moderate to high	High
Very low	Low	Low to moderate	Moderate	Moderate to high	High		

Average return

A person who invested \$1,000 in the fund and chose the basic guarantee 10 years ago now has \$xxxx. This works out to an average of x % a year.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years for a contractholder who chose the basic guarantee. In the last 10 years the fund was up in value x years and down in value x years of the 10.



Item 6

Are there any guarantees?

This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect a contractholder's investment if the markets go down. (The MER includes the insurance cost for the guarantee/or: A separate insurance fee is charged for the guarantee.) For details please refer to the information folder and contract.

Item 7

Who is this fund for?

Item 8

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell units of the fund. The ongoing fees and expenses are different for each guarantee option.

1. Sales charges

Sales Charge Option	What you Pay		How it works
Initial Sales Charge	Up to X% of the amount you buy		<ul style="list-style-type: none"> You and your advisor decide on the rate. The initial sales charge is deducted from the amount you buy. It goes to your (advisor) as a commission.
Deferred Sales Charge	If you sell within: 1 year of buying 2 years of buying 3 years of buying 4 years of buying 5 years of buying 6 years of buying After 6 years	X% X% X% X% X% X% nothing	<ul style="list-style-type: none"> The deferred sales charge is a set rate. It is deducted from the amount you sell. When you buy the fund, XX pays your advisor a commission of XX%. Any deferred sales charge you pay goes to XX. You can sell up to XX% of your units each year without paying a deferred sales charge. You can switch to units of other funds under the insurance contract at any time without paying a deferred sales charge as long as you do not change your guarantee option. The deferred sales charge schedule will be based on the date you bought your first fund.

2. Ongoing fund expenses

The management expense ratio (MER) includes the management fee and operating expenses of the fund.

(The MER includes the insurance cost for the guarantee/or: A separate insurance fee is charged for the guarantee. You don't pay these expenses directly. They affect you because they reduce the return you get on your investment. For details about how the guarantees work, see your insurance contract.

Guarantee Option		MER (Annual rate as a % of the funds value)
Basic	75/75	X%
Full	100/100	X%

Trailing commission

XX pays your (advisor) a trailing commission for as long as you own the fund. It is for the services and advice your (advisor) provides to you. The trailing commission is paid out of the management fee. The rate depends on the sales charge option you choose:

- Initial sales charge – up to X% of the value of your investment each year
- Deferred sales charge – up to X% of the value of your investment each year

3. Other fees

Income Guarantee Fees (if applicable). The (income guarantee fee) of XX% is paid out of the contract.

You may have to pay other fees when you sell or transfer units of the fund.

Fee	What you pay
Short term trading fee	X% of the value of units you sell or transfer within X days of buying them. This fee goes to the fund.
Change fee	XX may charge you up to X% of the value of units you transfer to another guarantee option of the fund.

Item 9

What if I change my mind?

- You can change your mind within two business days from the date you received confirmation of the purchase for initial transactions under the contract. You can also change your mind about subsequent transactions you make under the contract within two business days from the date you received confirmation of the purchase. In this case the right to cancel your purchase only applies to the new transaction.
- You have to tell your insurer in writing, by email, fax or letter, that you want to cancel.
- The amount returned will be the lesser of the amount you invested or the value of the fund if it has gone down.
- The amount returned will include a refund of any sales charges you paid.

Item 10

For more information

This summary may not contain all the information you need. Please read the contract and the information folder.

Name of Insurance Company
Address,
Telephone numbers and e-mail.