



**Canadian Life
and Health Insurance
Association Inc.**

**Association canadienne
des compagnies d'assurances
de personnes inc.**

Frank Swedlove
President

September 11, 2009
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

Attn: Grant Swanson
Chair, IVIC Point of Sale Committee

Dear Mr. Swanson:

The Canadian Life and Health Insurance Association (CLHIA) is pleased to respond to CCIR's consultation on the implementation of the Joint Forum Point of Sale Framework with respect to segregated funds.

Established in 1894, CLHIA is a voluntary trade association that represents the collective interests of its member life and health insurers. Our members account for 99 per cent of the life and health insurance in force in Canada, administer more than half of Canada's pension plans, and provide employment to over 126,000 Canadians. The industry contributes to the financial well-being of about 26 million Canadians, as well as millions of policyholders in other countries around the world, by providing a wide range of financial security products such as life insurance, annuities, pensions, RRSPs, RRIFs, disability insurance and supplementary health insurance. In particular, 4 million Canadians hold Individual Variable Insurance Contracts (IVICs). Assets held in these contracts were over \$115 billion at the end of 2007. Of that, almost \$75 billion were held in segregated fund assets, the area relevant to this letter.

The industry has long provided its clients with information about IVICs and the segregated fund options within an IVIC, at or before the point of sale, and is committed to continuing to do so. We have also welcomed the opportunity to consider how information might be improved and, to the degree possible, to coordinate the look and timing of disclosure with the mutual fund industry.

Although the CCIR consultation mirrors the Joint Forum Framework, we would note that the consultation by the Canadian Securities Administrators regarding mutual funds implementation is considering diverging from the Framework in two key areas related to

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delivery and this creates uncertainty in both the timing and details of the overall implementation. As well, the CSA anticipates a two-stage implementation, beginning with a requirement to produce Fund Facts documents and post them on websites, with delivery requirements coming into force two years later.

While the life insurance industry is prepared to begin the implementation of the Joint Forum Framework, we would urge CCIR to exercise caution to ensure that equitable approaches are realized and to avoid creating an unlevel playing field in the interim if there are delays and/or changes in the mutual fund implementation. For instance, we would recommend that a decision about the timing of Fund Facts delivery for transactions into a new fund within an existing IVIC be deferred until the outcome of the CSA mutual funds consultation is known and the particulars can be synchronized.

Both CCIR and CSA have asked for input on how to describe different classes and series of Fund Facts (e.g., individually or in a single Fund Facts). It is our view that this can be achieved in a single Fund Facts and that this approach would assist the consumer in understanding their options. To require multiple Fund Facts would not only create unnecessary paper burden but would restrict the information available to the consumer (i.e., if they do not look at multiple pages, they would not know about the range of options).

CCIR is continuing to work with the industry to resolve concerns related to the Joint Forum requirement that Fund Facts be incorporated into the prospectus for mutual funds and the contract for segregated funds. To date, these discussions have identified three possible approaches that appear to be capable of addressing the public policy interest of providing equivalent consumer remedies for misrepresentation. We remain committed to continuing to work with CCIR to resolve this issue.

Although CCIR has adopted the Joint Forum language for "initial" and "subsequent" transactions, we are finding that this is creating considerable confusion. The challenge is that the use of these terms, as defined by the Joint Forum, works logically for mutual funds but is counter-intuitive when applied to IVICs, where the initial transaction would commonly be considered the time at which the consumer enters into the contract and subsequent transactions any activity related to the contract after that point. To call some subsequent transactions "initial" and other subsequent transactions "subsequent" is confusing both in concept and execution. We would recommend that consideration be given to developing language better suited to IVICs and its customers, while fully maintaining the spirit and objectives of the Joint Forum Framework.

Finally, we note with some concern that some mutual fund commentators have suggested that the CCIR approach diverges from the Joint Forum Framework (which it does not) and, further, questions how compliance would work without an equivalent to the securities' industry SROs. This reflects a lack of understanding of the insurance industry



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structure and regulation. In point of fact, the industry/regulatory infrastructure for a point-of-sale disclosure regime for IVICs was developed several decades ago and works very successfully. It includes regulatory/industry consultation about the particulars of disclosure material, insurer compliance with disclosure requirements, insurer policies and procedures that require that disclosure material be delivered before or at the point of sale (and written attestation by the consumer as confirmation), and additional checks and balances provided through regulatory scrutiny of the industry. As an industry, we reinforce our ongoing commitment to an effective and compliant point-of-sale disclosure regime.

We appreciate the opportunity to provide input into this process.

Sincerely,

Original signed by

Frank Swedlove

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