

Dear Ms. Shevlin:
(Policy Mgr, Canadian Council of Insurance Regulators Secretariat)

I sent in my initial concerns within the insurance and investment industry on August 2/05, by e-mail. You did acknowledge receipt of my submission by e-mail on August 5th. Thank you for the invitation to also comment on Managing Conflicts of Interest, which is my reason for response today (before tomorrow's deadline).

My main concern is related to misrepresentative point-of-sale disclosure in group plans. I still have the same concerns as I expressed in August, and have been slowly gathering research to support my position that full, plain, and fair disclosure on product offerings is not being done in group plans by insurance companies. It has gone downhill since the mid-2004 formulation of the Capital Accumulation Guidelines by the Joint Forum of Market Regulators.

Managing Conflicts of Interest does not go far enough, in my opinion. To specifically answer the Consultation Questions:

#1. Yes, the principles outlined in the paper do reflect some best practices (and basic ethics), but not ALL the best practices that need consideration in this study. The committee has not given due regard to the best practice of : **Fair and reasonable disclosure of all costs (to the client) associated with an investment offering.** Also, under Recommendation 2 dealing with conflicts of interest: **Why are the expense-paid trips (volume related) not in the list of conflicts that MUST be disclosed?** The mutual fund industry began prohibiting these back in the late 1990s, and the insurance industry blatantly continues sending people to "the black pearl of Tahiti" (one contest brochure that came across my desk last year).

#2. No. I don't really foresee practical problems with the practical implementation of the recommendations outlined in this consultation paper as long as BIG insurance companies support the spirit in full and require field agents to adhere to the principles.

#3. Sample disclosure letters (some companies have been coming out with them already). Continue to lobby for ALL best practices, and in my view, apprenticeships in our industry.

The largest conflict that I find unsettling is the non-harmonization between the Insurance Act and the Securities Acts with regard to required point of sale disclosure for segregated funds vs. mutual funds. The mutual fund industry cleaned up its act 10 years ago and the insurance industry still is fighting hard to maintain a competitive advantage. I remain very dismayed, as a licensed insurance agent and a licensed investment advisor both (full securities), that the point-of-sale disclosure in Capital Accumulation Plans has gone backward since the Joint Forum formulated new CAP guidelines in May/04, instead of moving to better disclosure for group plan members. Typically, these are not sophisticated investors. They are given these documents in the workplace with minimal one-on-one assistance. Most people

answering the 1-800 helplines don't even know what a Management Expense Ratio (MER) is. I have evidence that BIG insurance, subsequent to the May 2004 CAP guidelines being formulated, has begun disclosing GROSS historical rates of return on group plan investment offerings, management fees only (not full MER including operating costs), and then compares these gross rates of return to benchmarks which are NET, in point of sale documents, to group plan members. How can this be viewed as a best practice? Best for insurance company profits, unfair to the investor. Since the CAP guidelines assign the responsibility for full cost disclosure to the sponsor (employers of the group plan members), not the supplier company, the insurance companies are not legally responsible under the CAP guidelines for the full, true, and plain disclosure. However, if they, the suppliers, do not give full, true and plain disclosure to the plan sponsors, how can the sponsors in turn disclose to the plan members? We cannot let this continue. It is just plain wrong.

Thank you for further considering these serious concerns of mine. I am speaking as a licensed agent and advisor, but also with due regard for the client's priority of interest, your Recommendation #1. These are my opinions only and should not be regarded as the corporate opinions of Bieber Securities Inc.

Respectfully yours,

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