



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA
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August 3, 2005

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

**Attn.: Mr. Stephen Paglia
Policy Manager (A)**

Dear Sirs/Mesdames:

Re: CCIR's and CISRO's Industry Practices Review Committee's *Relationships Between Insurers and Sales Intermediaries Consultation Paper*

We are writing to you on behalf of The Investment Funds Institute of Canada ("IFIC") and its Members to provide our comments on The *Relationships Between Insurers and Sales Intermediaries Consultation Paper* ("Consultation Paper") released by The Canadian Council of Insurance Regulators' ("CCIR") and The Canadian Insurance Services Regulatory Organizations' ("CISRO") Industry Practices Review Committee.

IFIC is the national association of the Canadian investment funds industry. IFIC's membership includes fund managers representing nearly 100% of the \$526.9 billion in mutual fund assets under management in Canada¹, retail distributors of investment funds and affiliates from the legal, accounting and other professions.

We applaud CCIR's and CISRO's efforts to canvass interested stakeholders on the issues that are raised in an examination of the relationship between insurers and their sales intermediaries. Engaging industry debate and encouraging regulatory development through consultation serves to create legislation that meets the goals of the regulators and the financial services industry and most significantly, the public that they both serve.

The Canadian Life and Health Insurance Association ("CLHIA") has recently developed Guidelines that regulate Individual Variable Insurance Contracts ("IVICs" also known as

¹ As at June 30, 2005 – source IFIC Member Statistics.

segregated funds). These Guidelines have been endorsed by all Canadian provincial and territorial insurance regulators, and are applied consistently across the country. This endorsement demonstrates that industry associations can provide regulators with valuable resources and expertise. We believe that CLHIA and IFIC could work together with regulators to develop legislation that best serves the consumers of mutual fund products and segregated fund insurance products. Since segregated and mutual fund investors are buying similar products, both types of investors should be given access to equal disclosures and receive equal regulatory protections.

As the Consultation Paper recognizes, segregated funds are very different from other insurance products and are sold more like securities products such as mutual funds². We believe that CCIR and CISRO should coordinate their goal of managing the conflicts of interest in the marketplace with the Joint Forum of Financial Market Regulators ("Joint Forum") in areas such as the regulation of segregated funds.

We support the Joint Forum's commitment to work to harmonize the regulation of segregated funds and mutual funds and to harmonize financial services regulation across different sectors and jurisdictions. The Joint Forum is in the process of developing a point of sale disclosure project that harmonizes the point of sale disclosure for mutual funds and segregated funds. We believe that the Joint Forum could expand on its current project to harmonize disclosure and that it could develop, in consultation with industry participants, a model to regulate potential conflict of issues.

As the Consultation Paper states, the public policy objectives for the development of the policy options discussed in the Consultation Paper include "Informed consumers: providing consumers with a disclosure environment conducive to making well-informed decisions [and] Level playing field: ensuring that different types of market participants are not inappropriately advantaged or disadvantaged, relative to others, by the regulatory framework"³. We believe that to create an environment where consumers are informed and a level playing field is established, the regulation that mutual funds and segregated funds are subject to must be more similar than the current regulatory model recognizes. This type of similar regulation for mutual funds and segregated funds would logically include sales practices and the regulation of sales incentives, which are already regulated in detail in the mutual funds industry by National Instrument 81-105 *Mutual Fund Sales Practices*.

² The Canadian Council of Insurance Regulators and The Canadian Insurance Services Regulatory Organizations Industry Practices Review Committee *Relationships Between Insurers and Sales Intermediaries Consultation Paper*, at page 13.

³ *Ibid*, at page 5.

We look forward to the opportunity to discuss these matters with you further. Please contact the undersigned directly by email at thockin@ifc.ca or by telephone at (416) 363-2150 Ext. 241; John W. Murray, Vice President, Regulation & Corporate Affairs, by email at jmurray@ifc.ca or by telephone at (416) 363-2150 Ext. 225; or Stacey Shein, Legal Counsel, by email at sshein@ifc.ca or by telephone at (416) 363-2150 Ext. 238 should you require further information or wish to discuss our comments.

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

“Original Signed by Hon. Thomas A. Hockin”

By: Hon. Thomas A. Hockin
President & Chief Executive Officer

cc: Greg Traversy, President
The Canadian Life and Health Insurance Association