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Subject: Disclosure in the Insurance Industry (to IPRC & CAPSA & CSA)

As a fully licensed financial planner and investment advisor (securities and insurance, in Manitoba) I have a concern with misleading (I believe) disclosure that I've encountered from several insurance companies (SunLife, GWL, Manulife) since the Capital Accumulation Plan guidelines were released in May/04.

- The insurance companies have changed from disclosing net rates of return (after MER) on fund offerings in group plans, to giving GROSS historical rates of return when bidding new contracts.
- These gross historical rates of return are being compared to benchmarks which of course carry no MER, so the comparison is misleading...it's not apples to apples...it's gross to net, effectively.
- Investment management fees (IMFs) are being disclosed, but not full management expense ratios (MER), all in.
- Human representatives of the issuers are telling potential group members that the cost of ownership of funds in the group plans are substantially lower than funds they can buy elsewhere (again disclosing IMFs only, not full MERs).
- The answers that I'm getting from the insurance companies when I query the inadequacy of the above disclosures (versus MER all-in) are:
 - The plan participants will see net rates of return on their personalized statements only (the consumer will see the net result after joining the plan and seeing results after 1-2 years, at which time true MER may not be calculable if the employee has been continuously adding to a holding during the year), and
 - They don't have to disclose MERs because they fall under the Insurance Acts, and
 - The CAP guidelines are only guidelines and not mandatory, and
 - Under the CAP guidelines it is the plan sponsors who are responsible for disclosing fund operating expenses (see page 10 of CAP guidelines), not the responsibility of the supplier. I ask what are the sponsors to do if the suppliers are not disclosing all built-in or embedded costs to them, for example, in a fund of funds offering?

In short, it appears to me from my vantage point that the insurance companies have figured out a way to fly under the radar screen of the intended spirit of the CAP guidelines, and I'm not comfortable with it, as a licensed advisor.

Since CCIR has a new consultation paper out, in response to U.S. kerfuffle, I agree fully that it is time to examine our own store and clean up from within. Please advise me if I should take my concerns to my provincial regulators in Manitoba as well because I cannot sit by on the sidelines on this issue.

I thank you for considering my comments, and particularly for including them in response to

Industry Practices Review Committee request for feedback. I have not read the 48-pg consultation paper in full simply because I'm busy trying to serve my clients (I've printed it and scanned, but not read in full). I have been working on gathering info on the CAP disclosure issue, though, ever since I had a couple of clients bring in their disclosure kits on group plans in their workplaces (over the past 3-4 months). The misrepresentative disclosure is distressing to me as an advisor.

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