



Canadian Life & Health  
Insurance Association  
Association canadienne des  
compagnies d'assurances  
de personnes

April 8, 2025

Sarah O'Connor, Senior Policy Manager  
Canadian Council of Insurance Regulators  
and  
Peter Chung, Policy Manager  
Canadian Insurance Services Regulatory Organizations  
National Regulatory Coordination Branch  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario M2N 6S6

Submitted by email to: [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

**Re: CLHIA Response to CCIR/CISRO Public Consultation Draft of CCIR/CISRO Consolidated Segregated Fund Guidance**

Dear Sarah and Peter:

The CLHIA is pleased to provide comments regarding the CCIR/CISRO Public Consultation Draft of the CCIR/CISRO Consolidated Segregated Funds Guidance (the "Guidance").

Overall, the Guidance could provide an effective framework for regulation of individual variable insurance contracts (IVICs). The CLHIA is supportive of creating a modernized national standard for application in all provinces and territories.

The CLHIA is supportive of further harmonization with the investment funds industry in the area of market conduct requirements for intermediaries. However, we note that the Guidance is very prescriptive in comparison to the current industry guidance. Within the existing legislative framework for oversight of distribution where each insurer only has a limited view of an independent intermediary's book of business, it will remain challenging for insurers to ensure compliance with the requirements.

Principles-Based Framework

Many of the requirements are very prescriptive and move away from the principles-based approach. There is a need to keep the Guidance principles-based so that it remains flexible and can be applied in a variety of circumstances.

120 Bremner Boulevard, Suite 1520  
P.O. Box 4  
Toronto, Ontario M5J 0A8  
416-777-2221 [www.clhia.ca](http://www.clhia.ca)

120, boulevard Bremner, bureau 1520  
CP 4  
Toronto (Ontario) M5J 0A8  
416-777-2221 [www.accap.ca](http://www.accap.ca)

### Complexity of Requirements and Challenge for Intermediaries

We are concerned with the complexity of the Guidance as it relates to distribution. Requirements that are too prescriptive and burdensome will cause compliance challenges for intermediaries. This may lead to intermediaries not being able to comply with the requirements which could result in undesirable outcomes for consumers. There is a need to simplify the requirements as much as possible and avoid unnecessary duplication so that legal and compliance resources are optimally allocated to promote favourable outcomes for clients.

### Application of Guidance to Managing General Agents (MGAs)

It is hard to distinguish requirements that will apply to an intermediary in the context of being a business entity versus that of an individual. The CLHIA supports defining clear roles, responsibilities and accountabilities for MGAs. A clearly defined framework will assist with meeting compliance obligations. Further clarity is needed in the Guidance.

Coordination with the provincial regulatory frameworks is needed. A new MGA framework in Ontario could have an impact on operation of the Guidance. MGAs are independent business entity intermediaries, that must be independently accountable for their responsibilities to the applicable provincial regulator.

MGAs are also best equipped to ensure compliance with the new market conduct requirements efficiently, to ensure the best outcomes for clients. Duplication of responsibilities between Insurers, MGAs and intermediaries should be avoided.

Where a life insurance company distributes products through a captive sales force, the Guidance should clearly distinguish that the responsibility falls to the applicable firm or insurer.

### Training and KYP Competency

Insurers agree that there is a general obligation to make training material available to assist intermediaries in understanding the IVIC products an insurer offers. However, as intermediaries operate as independent professionals, the responsibility for KYP compliance and general product and distribution knowledge should rest with the individual intermediary and related MGA.

### Coordination with Other CCIR Guidance

There is a need to coordinate with the CCIR FTC Guidance and Incentives Management Guidance. Where possible, duplication of requirements should be avoided.

### Harmonization of Provincial Requirements

There is a general need to harmonize requirements between the provincial jurisdictions, especially on the topic of market conduct and distribution, where there are various pre-existing frameworks across the country.

### Timing for Implementation

There are many changes associated with the Guidance, that will require IT changes and changes requiring industry wide coordination. To ensure the appropriate implementation, sufficient time must be allowed and should include the amount of time that individual jurisdictions will require to complete their implementation.

### Removal of Semi-Annual Financial Statement Requirement

Due to the extremely low demand for semi-annual financial statements and the availability of other financial and performance information for policyholders, we believe this requirement should be eliminated.

An overview of our comments is outlined in Appendix A: Overview of CLHIA comments. Additional detailed comments in a section-by-section review of the Guidance are contained in the attached Appendix B: Chart.

We express, again, our appreciation for the opportunity to provide feedback and would be pleased to meet and discuss any questions you may have.

Yours sincerely,



Lyne Duhaime

Senior Vice President, Market Conduct Policy and Regulation

### **About the CLHIA**

The CLHIA is the national trade association for life and health insurers in Canada. Our members account for 99 percent of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities, and supplemental health insurance. Canadian life insurers operate in more than 20 countries and three of our members rank among the top 15 largest insurers in the world by market capitalization.

120 Bremner Boulevard, Suite 1520  
P.O. Box 4  
Toronto, Ontario M5J 0A8  
416-777-2221 [www.clhia.ca](http://www.clhia.ca)

120, boulevard Bremner, bureau 1520  
CP 4  
Toronto (Ontario) M5J 0A8  
416-777-2221 [www.accap.ca](http://www.accap.ca)

## Appendix A

### Overview of CLHIA Comments

#### Part 1 - Introduction

See comments on Definitions in the attached Appendix “B” Chart.

A definition of “advertisement” should be added to clearly define the applicable scope.

To further define the roles for individual intermediaries vs. entity intermediaries, we recommend the definition of “intermediary” be expanded to clearly outline obligations and expectations for individuals vs. corporate entities such as MGAs. See our discussion in Part 11 – Oversight.

#### Part 2 – Designing IVICs

##### Chapter 2.3 Advisor Chargeback Sales Charge Option

The insurance industry remains strongly supportive of the important role played by the advisor chargeback sales charge option (the “ACB Option”). The CLHIA is in agreement with limiting the ACB Option to a maximum 36 month period. Detailed comments regarding the wording of various sections of the ACB Option are included in the attached Appendix “B” Chart.

The CLHIA would like to reinforce that without access to the ACB Option access to advice will be lost for the majority of contractholders. The industry’s key reasons for supporting the continued use of the ACB Option are as follows:

- a) IVICs and mutual funds are complementary within an investor’s portfolio (not substitutes): IVICs are often part of a comprehensive financial plan and complement mutual funds due to their long-term nature and unique protection and financial planning benefits. Consequently, it is essential to acknowledge and support the differences in their regulatory frameworks.
- b) Advice is more important to accessing IVICs than mutual funds: IVICs provide unique tax, creditor, and estate planning optimization strategies to customers. These features can be complex and are not well known to the general population, which makes access to professional financial advice more important when investing in IVICs than mutual funds.
- c) Access to advice will be lost for the majority: We estimate IVIC accounts at \$50,000 and below are at serious risk of being uneconomic for advisors to serve in a trailer commission-only sales charge option. These account sizes represent approximately half of all IVIC customers.

- d. Fee-for-service sales charge option is not typical for IVICs: MGAs do not have the same Self-Regulatory Organization (SRO) oversight or expectations as securities dealers do. This means that sales charge options are generally managed with each separate insurer through client name accounts. Also, the investment management fees for IVICs are not tax deductible for segregated funds in the same way that they are for securities.
- e. Risk of conflict of interest is low with IVICs: The average hold time for IVICs is nearly 8 years. As such, it is not common that advisors have to return commissions. In addition, segregated funds within an IVIC can generally be switched without incurring chargebacks. Finally, in many cases, retaining the existing IVIC is in the best interest of the contract owner.

The requirement in section 2.3.2.3 for the value of compensation under an ACB Option to be “substantially similar” to the value of compensation the advisor would expect to receive under another sales charge option is not clear. Many compensation designs in the market pay more total commissions when you add up the sales commission and trailing commission percentages.

This provision should be removed with reliance placed on section 2.2.1.1 (e) of the Guidance relating to conflict of interest as well as the CCIR Incentive Management Guidance to cover this concern. This will limit duplication of rules with a risk of inconsistency. Alternatively, more clarity could be added by CCIR/CISRO about the concept of ‘substantially similar’.

### Part 3 – Training Intermediaries

The requirements for the insurer to provide training on their own products make sense and are generally workable. However, clarifications are needed related to the role that the insurer will play in ensuring compliance with the requirements by intermediaries. Recognition needs to be given to the independent distribution model for insurance and the limited role which the insurer plays in supervising intermediaries.

The Guidance should establish a framework which results in the intermediary having independent responsibility for the necessary knowledge about the products they are issued a licence to sell. Moreover, the expectation that insurers should ensure intermediaries understand the training is unworkable.

The process for an intermediary to obtain a licence that allows the intermediary to sell IVICs should include sufficient training before a licence is issued. The Guidance should recognize the Harmonized Life License Qualification Program (HLLQP) which has been updated and provides specific training on segregated funds. HLLQP provides a separate module on segregated funds which each licensed life insurance agent must pass. This should be sufficient to establish the general segregated funds knowledge of licensed agents, while acknowledging the need for ongoing training on new developments and specific products and insurer specific processes.

Responsibility should fall to MGAs, or firms or insurers where there is a captive sales force, to ensure compliance with training requirements in an independent distribution model. Duplicative training requirements should be avoided.

When an intermediary has general understanding of IVIC products this will better allow for effectively serving clients in a broad range of circumstances. There may not be any training available for legacy products. Additional training requirements should not result in creating orphaned clients since advisors won't take on new clients for IVIC products because they won't be able to meet the compliance obligations (i.e., transferring existing blocks).

#### **Part 4 – Compensating Intermediaries**

The requirements for managing conflicts of interest are generally workable. However, insurers and intermediaries should not be prohibited from offering time-limited increases in monetary compensation in respect of IVICs in the circumstances described in sections 4.1.2.3 and 4.2.2.3. Provided that conflicts of interest are properly managed, this should continue to be permitted.

The CCIR Incentives Management Guidance provides that time-limited increases are not a prohibition but a practice that could adversely affect FTC without proper controls in place. Section 3.7 of the Incentives Management Guidance requires that an insurer's assessment of unfair outcomes take into consideration the effects of time-limited sales campaigns. In addition to being aligned with the other guidance, as much as possible, the Guidance should be flexible, and principle based and not contain specific prohibitions.

#### **Part 5 – Advertising of IVICs**

Overall, the requirements related to advertising are a workable principles-based framework. We recommend that a definition of “advertising” be included to clarify the scope of applicability for this section.

#### **Part 6 – Understanding Products, Investment Strategies and Customers' Needs**

##### Overview

Although Part 6 contains elements that we welcome, such as a clearer expectation that intermediaries should analyse the needs of their clients, we'd like to stress that it will require major work to implement the requirements, and that the industry will need a significant amount of time.

The terms KYP and KYC are commonly used in the investment fund industry. Many advisors are dually licensed and it is important to be clear about the use of these terms and distinctions that may apply. Where appropriate, reference to general language of product knowledge and needs assessment will help to retain the distinctions.

The proposed changes will require significant IT work to implement new functionalities or controls.

#### Application to overall insurance business

Although the Guidance only applies for IVICs, it will be challenging for intermediaries and could provide a less-than-ideal result for consumers, if a different framework is applied to IVICs vs. other insurance products that are distributed by the same intermediaries, including annuities.

Consideration should be given to having best practices such as needs analysis, being established as a uniform obligation for life insurance agents, whether they sell IVICs or other insurance products.

#### Borrowing to Invest

The CLHIA agrees that when a client is borrowing money to invest or using a leveraging strategy which involves the use of leverage, particular care is needed in understanding the client's unique needs and assessment of suitability.

However, there is a need to structure the requirements to provide a more proportionately applied framework. The requirements need to be clarified as much as possible, so they are understandable.

If an intermediary is required to have an understanding about the general benefits, risks and costs of borrowing to invest (see section 6.1.4.1) before selling or servicing IVICs, the education requirement should be met by the party offering the borrow to invest option.

The requirements in this section need to be better coordinated with requirements in part 7. We recommend that the requirements in Part 6 be streamlined to avoid duplication and complexity in understanding the requirements.

## **Part 7 – Recommendations and Advice Intermediary Expectations**

#### Leveraging Strategies

The CLHIA agrees that the detailed disclosure requirements as outlined in section 7.3.1. are appropriate when a leveraging strategy is being applied. There should be alignment as much as possible with the CIRO disclosure obligations.

Distinction needs to be made between borrowing to invest and recommending a leveraging strategy to make better distinction of the obligations when a leveraging strategy is being recommended by the intermediary versus the client using borrowed money without application of a leveraging strategy being developed by the intermediary.

Borrowing to invest in the context of an RRSP loan should not necessarily trigger the detailed requirements of section 7.3.1. The definition of “Leveraging Strategy” should specifically carve out RRSP loans that have a defined amortization period. An RRSP loan strategy is designed to access the RSP tax benefit with a predefined repayment timeframe and should not be conflated with leveraging strategies. There are important differences that result in an RRSP loan strategy having significantly reduced risk to the client relative to a non-registered leveraging strategy. We believe these differences should result in a more nuanced approach to the collection of your client information, the assessment of suitability, and the supervision of RRSP loan recommendations.

The risks involved in each of these strategies are very different. The primary objective of an RRSP loan strategy is to invest for your retirement, to obtain a tax refund, and to set up a repayment strategy for the borrowed money. If done correctly, a customer will arrive at retirement with RRSP investments and no debt. By contrast, the primary objective of a non-registered leveraging strategy is to magnify investment risks by using borrowed funds to earn investment income at a rate of return that is hoped to be greater than the interest rate on the borrowed funds.

We would note that the requirements in [CIRO Guidance Note MSN-0074 Leverage Risk Disclosure](#) contemplate that when a client is borrowing money for purposes of investment in an RRSP or RESP it is permitted to provide a short form disclosure as follows:

*“Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines”.*

To simplify the Guidance, we recommend the requirements in section 7.1.3.4 be removed except to make reference to the requirements in section 7.3.1 about “Information to be Provided”. This will avoid repetition and add clarity.

#### Post-Transaction/Reasons Why Disclosure

The requirements for post-transaction reasons why disclosure need to be proportionate to the circumstances. The list of requirements in 7.7.2 should only be applied where it makes sense to do so. Reasons why disclosure should provide a brief summary.

## Part 8 – Annual Statements

### Exemption for Legacy Contracts

While this section is greyed-out, we emphasize the need for exceptions for contracts administered on legacy computer systems and closed blocks of business where the contracts are no longer being sold, deposits are no longer being accepted or the overall number of policyholders is low. For these small closed blocks of business, the cost to upgrade systems to comply with the Guidance may result in excessive costs being passed along to a small number of policyholders resulting in a disproportionate impact to individuals who own these older segregated fund contracts.

In the joint CSA and CCIR notice issued on April 20, 2023, regarding Total Cost Reporting (TCR) for Investment Funds and Segregated Funds, the CCIR promised to include a process for insurers to apply for exemptions from specific expectations in the Insurance Guidance, in cases where an insurer can demonstrate that complying with an expectation will result in costs to policyholders that would exceed the benefit to the same policyholders.

## Part 9 Corporate Governance and Ongoing Administration of Segregated Funds – Insurer Obligations

### Notice related to Fundamental Changes, Mergers and Closings of Segregated Funds

There should be a common 60 day notice requirement applied. Providing 90 days' advance notice to insurance regulators will be operationally challenging, and may not even be possible. Where a change stems from an underlying fund manager it is already challenging to meet the current 60-day notice requirement.

60 days' notice is sufficient for intermediaries to review changes with clients and respond to any questions. Intermediaries should not communicate changes in advance of the 60-day formal notice to clients being provided.

### Semi-Annual Unaudited Financial Report

Each year, members spend considerable time and effort to prepare semi-annual financial statements for each of their segregated funds in accordance with the current requirements of Guideline G2 as well as CCIR Guidance. However, members question the value semi-annual statements provide.

Based on a CLHIA survey covering 90% of the segregated funds market, more than 99% of the seg funds did not receive a single request for either the 2022 or 2023 semi-annual unaudited

financial statements. The same survey also revealed that at an individual customer level, CLHIA members received requests for semi-annual statements from less than 0.01% of the more than 2.5 million customers that hold an IVIC in both 2022 and 2023.

In our opinion, the requirement to produce semi-annual unaudited financial statements is redundant given the availability of other information for members such as fund performance reports, daily NAVs and individual annual audited financial statements in combination with the other reports available to customers noted above. These provide sufficient information to contractholders making the need for semi-annual unaudited statements redundant.

Given the extremely low level of requests that insurers receive, and given that fund performance reports are generally available, and the NAVs are published daily, we would request that this requirement be removed.

Furthermore, the TCR enhancements to client statement reporting will provide comprehensive individual reporting information.

### Annual Financial Statements

It should be noted that the updated requirements for annual financial statements add additional complexity with the number of break-outs required. Sufficient time is needed to comply with the changes and additional costs will be incurred.

## **Part 10 Recordkeeping – Intermediary Expectations**

We agree that customer records should be retained as long as the intermediary is serving the client and policies are in-force and for a period of time afterwards to provide protection in the event of any legal action.

## **Part 11 Oversight**

The Guidance provides that the insurer is expected to oversee the activities of each person the insurer authorizes to act on its behalf in the design, distribution, issuance, sale and administration of IVICs adopting a risk-based approach.

Where an insurer has a captive sales force, the responsibility for oversight should fall to the firm or insurer. However, where there is an independent distribution structure through MGAs, it is important to take into account that insurers will never be in a position to have a “global view” of the conduct, monitoring and activities of intermediaries. An insurer’s oversight is limited to the products that they manufacture, whereas MGAs have a more holistic line of sight into the individual intermediary’s activities across all manufacturers.

The Guidance framework does not address the current gaps in the system. The Guidance should help to establish a framework which will avoid further entrenchment of existing inefficiencies which will ultimately create additional challenges and increase costs.

The expectations for intermediary oversight in section 11.3.1 should be improved by clarifying the obligations that apply to MGAs as business entity intermediaries including reference to oversight obligations regarding needs assessment, KYC, KYP and training requirements.

As independent entities, MGAs recruit their own sales force of intermediaries and work with multiple insurers to provide their sales force with a wide range of insurance products. MGAs have separate and distinct responsibilities from insurers and they are uniquely positioned to monitor their intermediaries' needs-based sales practices.

Licensing of MGAs in Ontario will impact implementation of the Guidance. Sufficient detail should be included so that the Guidance can be easily implemented in a model where MGAs are independently licensed and have specific obligations.

As intermediaries are contracted to represent the products of multiple insurers, in most cases, having certain training needs addressed at the MGA level would be the most efficient and effective means of providing this training.

## Appendix A – Information Folder

Please see the attached Appendix “B” Chart which provides a section-by-section review. There are a few general points we would like to highlight.

### Allowance for Separate Key Facts

Part 1 should be expanded to allow for the creation of a separate Key Facts document in addition to separate Fund Facts.

There is a need to make point of sale disclosure easier and more convenient for customers to understand. To achieve this, it should be permissible for an insurer to develop a separate Key Facts executive summary for the information folder. Only the Key Facts executive summary and Fund Facts for the fund being purchased should be required to be delivered before purchase of an IVIC. The complete information folder should only be required to be delivered upon request. This will facilitate innovation in the development of information folder disclosure and allow for a more layered approach to disclosure.

The regulatory framework should accommodate the development of disclosure in a simplified and more flexible form. Recognition should be given to the new digital world where most customers now have easy access to documents electronically. Detailed information can be made easily available for customers upon request.

It is consistent with a more harmonized approach with the investment fund industry which now only requires Fund Facts for the fund being purchased to be provided at point of sale with the simplified prospectus being available upon request. (See NI 81—101 section 3.2.01 and companion Policy 81-101CP section 7.1) which states, “The Instrument contemplates delivery to all investors of a fund facts document in accordance with the requirements in securities legislation. It does not require the delivery of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus, unless requested”.

### Fund-of-fund Disclosure

The current approach is only to provide information about the investment objectives of segregated funds and not the underlying investment fund. Updates are needed to the Guidance to streamline the requirements and reflect the current industry approach. The requirements in Appendix A – Information Folder- Part 8 – Investments In Another Fund, Sections 1. (c) and (e) need to be removed.

As an extension, it is not reasonable for the insurer to have a general obligation to provide information about all of the underlying secondary funds upon request by a contractholder. Such information is generally available on SEDAR+. An intermediary will respond to particular client requests for information.

In many situations a segregated fund will hold more than one underlying fund. It is simply too complicated to provide disclosure about the underlying funds. It is too confusing for a customer to try to layer the underlying fund information together with the particular information for the segregated fund. It’s potentially misleading to customers, who may be led to believe that they have an interest in the underlying funds.

The approach taken is to disclose the top 10 holdings for an underlying fund if it represents 50% or more of the assets of a segregated fund. If the segregated fund invests in a secondary fund representing less than 50% of the assets of the segregated fund, only the name of the secondary fund is disclosed. (See the Guidance in Appendix B – Fund Facts Part 3, Section 1. (b)(iii).

### Approach to disclosure of fundamental investment objectives and investment strategies

Updates are needed to reflect that some insurers have opted to take the simplified approach of only disclosing the short form investment description included on fund facts and only providing information about the detailed Fundamental Investment Objectives and Investment Strategies upon request.

This approach was first introduced around 2010 when the new requirements for point of sale using fund facts were introduced and the requirement for delivery of the simplified prospectus for mutual funds was dropped. The simplified approach was agreed to by CCIR and FSCO at that time.

## Appendix B – Fund Facts

The updates to the fund facts template appear reasonable. Please see the attached Chart in Appendix B.

It is important to have a harmonized disclosure approach with the investment fund industry. The Guidance may result in an inconsistent disclosure approach with the investment fund industry by requiring disclosure of the FER in the Quick Facts section since the current obligation is to disclose MER, which is also the case for the investment fund industry, and we are not aware of any planned change in approach for investment funds. It would not be helpful to customers when comparing products. It would create an undue competitive disadvantage for insurers as the FER will always be higher than the MER. It is not clear how the investment fund industry will update the fund facts template requirements related to disclosure of FER. It should be optional for insurers to report  $MER + TER = FER$  in accordance with the current investment fund industry approach. We look forward to further discussion with CCIR about maintaining a harmonized approach.

## Appendix C – Risk of Borrowing to Invest

The disclosure document is generally appropriate. It should not require to be provided where a client is borrowing money for the purpose investment in an RRSP or RESP. An optional short form disclosure document should be allowed similar to the concept outlined in CIRO Guidance Note MSN-0074 Leverage Risk Disclosure.

## Updating CLHIA Guideline G2

Not all sections in the current CLHIA G2 Guideline are covered in the CCIR Guidance. In particular, the investment rules. CLHIA understands that CCIR intend that an updated version of CLHIA Guideline G2 will operate in parallel. CLHIA will look forward to coordinating with CCIR regarding updating Guideline G2.

Chapter/Section	Industry Comments
<b>Part 1. Introduction</b>	
<ul style="list-style-type: none"> <li>• <b>Chapter 1.1 Definitions</b></li> <li>• <b>“Advertisement”</b></li> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• We recommend that the Guidance include a definition of advertisement to help clarify the scope of applicability. For consistency of approach, we recommend inclusion of the definition of “advertisement” from our draft updated G2 Guideline.</li> <li>• The draft updated Guideline G2 includes a very broad definition of “advertisement” which includes information folders, fund facts and other disclosure documents. This contrasts with the approach in NI 81-102 which excludes from the definition of a “sales communication” the prospectus, fund facts and other specific disclosures. It makes sense for the requirements of Part 5 to apply to the point-of-sale disclosure documents since it provides a general protection in the circumstance where disclosure goes beyond the prescribed list of requirements.</li> <li>• In the draft updated CLHIA Guideline G2 “advertisement” is defined as follows:             <ul style="list-style-type: none"> <li>▪ Means any external communication by or on behalf of an insurer used in the solicitation for sale of an individual variable insurance contract including all printed and electronic:                 <ol style="list-style-type: none"> <li>I. Descriptive literature in newspapers or magazines, signage, and all radio, television or electronic messages on the internet and social media;</li> <li>II. Illustrations, circulars, memoranda, booklets; and</li> <li>III. Brochures, information folders, Fund Facts or other advertising documents produced for distribution to the public.</li> </ol> </li> </ul> </li> </ul>
<p><b>“Advisor Chargeback Sales Charge Option” or “ACB Sales Charge Option”</b> means any <b>option</b> under an IVIC, 1) in connection with which,</p> <p>(a) an Insurer pays monetary compensation to an Intermediary at the time the Owner deposits money in a Segregated Fund in the IVIC, and</p> <p>(b) the Intermediary that receives this payment may be required to repay all or part of the payment to the Insurer as a result of an IVIC Transaction, or</p> <p>2) that would be considered to operate in a similar manner to an advisor chargeback sales charge option described in subsection 1) (a) by a reasonable person with knowledge of:</p> <p>(a) IVICs,</p> <p>(b) sales charge options under IVICs,</p> <p>(c) how IVICs are Distributed, and</p> <p>(d) compensation with respect to IVICs.</p>	<ul style="list-style-type: none"> <li>• It would add clarity to replace the word option with “sales charge option”</li> <li>• It would add clarity to replace the words “monetary compensation” with “upfront commissions”</li> <li>• The reference in paragraph 2 to the criteria for a reasonable person adds a lot of unnecessary complexity to the section. We recommend it be shortened to:             <ul style="list-style-type: none"> <li>▪ “that operates in a similar manner to an advisor chargeback option described in section 1 (a).”</li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p><b>Customer Fees and Charges</b> means any sales charges, distribution fees, management fees, administrative fees, account set-up or closing charges, surrender charges, transfer fees, Insurance Fees and any other fees, charges or expenses whether or not contingent or deferred which are or may be payable by an Owner in connection with the depositing of money into, holding, <b>transferring</b> or withdrawing money from a Segregated Fund in an IVIC.</p>	<ul style="list-style-type: none"> <li>For completeness, we suggest also referencing “switching” in addition to “transferring”. Switching is generally when money moves within the same policy number (eg from fund to fund) whereas transferring is generally when money moves between two different policy numbers.</li> </ul>
<p><b>“Fundamental Investment Objectives”</b> means with respect to a Segregated Fund, the investment objectives of the Segregated Fund that define both the fundamental nature of the Segregated Fund and the fundamental investment features of the Segregated Fund and distinguish it from other Segregated Funds.</p>	<ul style="list-style-type: none"> <li>The examples included in the updated draft CLHIA Guideline G2 are helpful. Please consider adding to the definition: <ul style="list-style-type: none"> <li>“...and distinguish it from other Segregated Funds on the basis of parameters such as: <ol style="list-style-type: none"> <li>The investment fund category (e.g.: equity, fixed income, large cap, small cap); and</li> <li>Country or region where the segregated fund primarily invests.</li> </ol> </li> </ul> </li> </ul>
<p><b>Fund Expense Ratio</b> or “<b>FER</b>” means the sum of a Segregated Fund’s Management Expense Ratio and Trading Expense Ratio, expressed as a percentage.</p>	<ul style="list-style-type: none"> <li>Greyed out as being part of TCR but relevant to fund facts.</li> <li>This definition is harmonized with that in NI 31-103, however in the context of segregated funds, it may be helpful to add the detail that it may include insurance costs for clarity purposes.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>Fund Expense Ratio or FER means the sum of a Segregated Fund’s Management Expense Ratio and Trading Expense Ratio, expressed as a percentage and includes insurance costs that are part of the Management Expense Ratio.</li> </ul> </li> </ul>
<p><b>Fund Facts</b> means a disclosure document with respect to a Segregated Fund in an IVIC as described in Chapter 2.7 of this Guidance.</p>	<ul style="list-style-type: none"> <li>To be consistent with the G2 Guideline reference should be included in the definition of fund facts that it forms part of the Information Folder.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>“Fund Facts means a disclosure document with respect to an IVIC as described in Chapter 2.7 of this Guidance which forms part of the Information Folder”.</li> </ul> </li> </ul>
<p><b>“Fund Fees and Charges”</b> means all fees and charges <b>paid or payable</b> by the Segregated Fund and all expenses incurred in the ordinary course of business relating to the organization, management and operation of the Segregated Fund including interest charges, if any, and all taxes other than income taxes but excluding commissions and brokerage fees on the purchase and sale of portfolio securities.</p>	<ul style="list-style-type: none"> <li>Since the Segregated Fund isn’t an entity, it would be better to include the words “out of” instead of paid or payable by” to read: <ul style="list-style-type: none"> <li>“Fund fees and Charges” means all fees and charges paid out of the Segregated Fund and all expenses...”</li> </ul> </li> </ul>
<p><b>“Information Folder”</b> means a disclosure document with respect to an IVIC that includes the information described in Chapter 2.6 of this Guidance.</p>	<ul style="list-style-type: none"> <li>For consistency of approach with Guideline G2, we recommend that Information Folder include reference to Fund Facts and Key Facts similar to what is in the current G2.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li><b>“Information Folder”</b> means a disclosure document with respect to an IVIC that includes the information described in Chapter 2.6 of this Guidance and includes Key Facts and Fund Facts.</li> </ul> </li> </ul>
<p><b>“Insurer”</b> means an insurer as defined under the laws of the relevant Canadian jurisdiction.</p>	<ul style="list-style-type: none"> <li>The word “life” should be added to the definition to clarify that the Guidance applies only to “life insurers” since P &amp; C Insurers are not permitted to offer Segregated Funds.</li> <li>We recommend the following wording:</li> </ul>

Chapter/Section	Industry Comments
	<ul style="list-style-type: none"> <li>▪ <b>“Insurer”</b> means a life insurer as defined under the laws of the relevant Canadian jurisdiction.</li> </ul>
<p><b>“Intermediary”</b> means:</p> <p>(a) individual agents, brokers and representatives, and</p> <p style="padding-left: 20px;">(a) business entities including managing general agencies, third party administrators and national accounts, as the case may be,</p> <p>that are authorized to sell, Service or Distribute IVICs in any jurisdiction in Canada.</p>	<ul style="list-style-type: none"> <li>• This is a very broad definition, and its use is confusing throughout the Guidance. In many instances, it is hard to figure out if a given obligation targets individual agents or business entities such as MGAs.</li> <li>• The expectations/ roles and responsibilities should be clearly set out for each party.</li> <li>• There will often be situations where 3 intermediaries can be involved: e.g.: agent, MGA and AGA.</li> <li>• Consideration should be given to distinguishing between “Individual intermediaries” and “Entity intermediaries” and adding definitions for each of these. Doing so would facilitate targeting obligations to each.</li> <li>• The obligations for “Individual intermediaries” and “Entity Intermediaries” should also align with specific obligations in each province.</li> </ul>
<p><b>“Investment Option”</b> in connection with an IVIC means each Segregated Fund offered for investment under the IVIC and any other investment offered under the IVIC, including a guaranteed interest investment.</p>	<ul style="list-style-type: none"> <li>• IVICs may include a guaranteed interest option. We note that the Guidance does not provide any specific disclosure requirements for a guaranteed interest option.</li> </ul>
<p><b>“IVIC Structure”</b> with respect to a Customer’s IVIC means how the IVIC is structured including the following:</p> <p>(a) ownership structure, including whether there is one Owner or more than one and, if more than one, the respective rights of the Owners while they are alive and the ownership rights in the event of the death of an Owner, and the designation of successor or contingent Owners if applicable,</p> <p>(b) beneficiaries,</p> <p>(c) successor holders, if applicable,</p> <p>(d) Annuitant or Annuitants and successor Annuitants upon whose death the IVIC will end, and</p> <p>(e) the life or lives where benefits under the IVIC are available as long as one of the individuals is alive, if applicable.</p>	<ul style="list-style-type: none"> <li>• We recommend that e) be removed. The content of the criteria in e) is not clear.</li> <li>• We understand the concepts of ownership structure and annuitant are already covered in c) and (d) above.</li> </ul>
<p><b>“IVIC Transaction”</b> means an exercise of contractual or statutory rights with respect to an IVIC, including:</p> <p>(a) changes to the IVIC,</p> <p>(b) exercise of rights with respect to guarantees such as guarantee resets,</p> <p>(c) changes to the IVIC Structure such as a change in beneficiary,</p> <p>(d) changes to the Investment Options chosen by the Customer or the number of units of Segregated Funds</p> <p>(e) held in an IVIC, such as:</p> <p style="padding-left: 20px;">(i) allocating money to units of a Segregated Fund,</p>	<ul style="list-style-type: none"> <li>• In conjunction with the definition of “Material Change” which references “IVIC Transaction” please consider adding the following criteria: <ul style="list-style-type: none"> <li>▪ Entering into an IVIC</li> <li>▪ Terminating an IVIC</li> </ul> </li> <li>• Please consider adding clarity that “IVIC Transaction” is only intended to capture contractholder/owner-initiated transactions. We recommend the following wording: <ul style="list-style-type: none"> <li>▪ “IVIC Transaction” means an exercise of contractual or statutory rights by an <b>Owner</b> with respect to an IVIC, including: <ul style="list-style-type: none"> <li>(a) Changes to the IVIC</li> </ul> </li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<ul style="list-style-type: none"> <li>(ii) setting up a pre-authorized deposit plan for deposits into an Investment Option,</li> <li>(iii) making changes to a pre-authorized deposit plan, such as a default, Investment Option, or the amount or frequency of scheduled deposits,</li> <li>(iv) determining how deposits are allocated among Segregated Funds within the IVIC,</li> <li>(v) moving money among Segregated Funds within the IVIC, and</li> <li>(vi) withdrawing money from the IVIC.</li> </ul>	<ul style="list-style-type: none"> <li>(b) Exercise of rights with respect to guarantees such as guarantee resets,</li> <li>(c) Changes to the IVIC structure such as change in beneficiary,</li> <li>(d) Changes to the Investment Options chosen by the <b>Owner</b> or the number of units of Segregated funds held in an IVIC, such as...</li> </ul>
<p><b>“Management Expense Ratio” or “MER”</b> means the ratio, expressed as a percentage, of the Management Expenses of a Segregated Fund to the fund’s average daily Net Asset Value for a financial year calculated as described in section 2.8.1 of this Guidance.</p>	<ul style="list-style-type: none"> <li>• This language implies that the MER should only be calculated based on a financial year period (e.g. Jan to Dec).</li> <li>• It seems to imply that a similar calculation performed for any other period (e.g. Jan to June or July to Dec) would not meet the definition of an MER.</li> <li>• This also comes up in other sections such as 2.8.1.1</li> </ul>
<p><b>“Market Value”</b> of the units of a Segregated Fund in an IVIC means the value of the investments in that Segregated Fund, calculated by taking the number of fund units within the IVIC and multiplying it by the market value per unit at the end of the date for which the market value is calculated.</p>	<ul style="list-style-type: none"> <li>• We prefer the G2 definition because it references fair value. Please consider the following: <ul style="list-style-type: none"> <li>▪ <b>“Fair Market Value”</b> of the units of a Segregated Fund in an IVIC means the value of the investments in that Segregated Fund, calculated by taking the number of fund units within the IVIC and multiplying it by the market value per unit at the end of the date for which the market value is calculated or if no generally recognized source exists, a value that is fair and reasonable in all the circumstances.</li> </ul> </li> </ul>
<p><b>“Material Change to an IVIC”</b> means a change in a fact expected to be disclosed in the Information Folder, <b>other than a change in the investments of a Segregated Fund</b>, that would reasonably be expected to influence or change a decision by a Customer, including a decision to invest in an IVIC or with respect to an IVIC Structure, or with respect to an existing IVIC, a decision to make or not to make an IVIC Transaction.</p>	<ul style="list-style-type: none"> <li>• To avoid confusion, there should be coordination with the definition of “material change” in Guideline G2.</li> <li>• This can be done by following the draft updated G2 wording including a reference to a “non-material change” and including a definition of “non-material change”.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ <b>“Material Change to an IVIC”</b> means a change in a fact required to be disclosed in the Information Folder, other than a non-material change of the Segregated Fund that would reasonable be expected to influence or change a decision by a Customer, including a decision to invest in an IVIC or with respect to an IVIC Structure.</li> <li>▪ <b>“Non-material change”</b> means a change in a fact required to be disclosed in the Information Folder that is not material including: changes in non-static financial information such as fund facts financial information, performance data information and changes in top 10 holdings information, change of auditor information, change of portfolio manager not involving a change to the fundamental investment objective of the fund; changes which do not change the substance of the information presented; and correction of typographical errors.</li> </ul> </li> <li>• We noted that the references to “Material Change to an IVIC” are Section 3.1.5 – Updating Training</li> </ul>

Chapter/Section	Industry Comments
	<p>Material and Section 6.1.3.2 requirement for the Intermediary to understand “Material Change to an IVIC” before servicing.</p> <ul style="list-style-type: none"> <li>• Tying in “IVIC Transaction” seems too broad because this refers to a list of customer-initiated changes, not changes an insurer would make.</li> </ul>
<p>“Non-monetary Compensation” includes non-cash benefits, rewards and privileges such as travel, goods, hospitality, entertainment, titles, memberships, contest entry, Insurer client referrals and access to services that are related to performance targets.</p>	<ul style="list-style-type: none"> <li>• The word “includes” should be changed to “means” to make this a definitive list.</li> </ul>
<p>“Owner” means a person who owns an IVIC.</p>	<ul style="list-style-type: none"> <li>• The definition of an Owner should clarify that this excludes a trust company that is the legal owner of an IVIC held in a trustee registered plan on behalf of a beneficial owner. In such cases, the beneficial owner is an Owner.</li> </ul>
<p>“Secondary Fund” means a Segregated Fund, a mutual fund or other investment fund, limited partnership or income trust, including an index participation unit, in which a Segregated Fund may invest.</p>	<ul style="list-style-type: none"> <li>• Our preference would be to have exchange-traded fund specifically reference in the definition for additional clarity.</li> <li>• We understand that this would fall within the category of being a form of mutual fund or other investment fund.</li> </ul>
<p>“Segregated Fund” means a specified and distinct group of assets the Insurer holds with respect to an IVIC, in which an Owner can invest by allocating money to units of the specified and distinct group of assets under the IVIC.</p>	<ul style="list-style-type: none"> <li>• We prefer the G2 definition which is more compatible with the Insurance Companies Act.</li> <li>• Technically the Owner doesn’t invest in a Segregated Fund, the insurance company does. The CCIR definition may be confusing with respect to ownership.</li> <li>• We recommend the following: <ul style="list-style-type: none"> <li>▪ “Segregated Fund” means a separate and distinct segregated fund maintained by an Insurer in respect of which the non-guaranteed benefits of a variable insurance contract are provided.</li> </ul> </li> </ul>
<p>“Similar Segregated Fund” to a Segregated Fund currently invested in by Owners means another Segregated Fund that, at the relevant time:</p> <ul style="list-style-type: none"> <li>(a) has comparable Fundamental Investment Objectives to,</li> <li>(b) is in the same investment fund category in accordance with fund categories published in a financial publication with broad distribution as, and</li> <li>(c) has the same or lower Fund Expenses and Insurance Fees, if not already included in Fund Expenses as, the Segregated Fund currently invested in by Owners.</li> </ul>	<ul style="list-style-type: none"> <li>• The definition of a similar segregated fund in section 11.4 e) of G2 makes reference to “the same or lower management fee”. However, the CCIR Guidance definition includes reference to “Fund Expenses” which includes TER costs. The TER component can be volatile.</li> <li>• It is not clear whether, if a fund has a higher TER in a given year that would disqualify it from being a similar segregated fund in the next year, when it would have qualified in the year before.</li> <li>• Also, MERs shouldn’t be used because, for example, if a fund’s MER has a higher applicable tax rate in a given year that would disqualify it from being a similar segregated fund in the next year, when it would have qualified in the year before. Because of that, we should maintain management fees as the variable to consider.</li> <li>• We recommend that the definition of Similar Segregated Fund retain the reference to the “same or lower management fee” for increased certainty.</li> <li>• Finally, this could potentially have a big impact on 9.3.1.2 regarding closing of a fund and whether a</li> </ul>

Chapter/Section	Industry Comments
	fund is considered similar.
<b>Part 2. Designing IVICs</b>	
<p><b>Chapter 2.1 General Principle</b></p> <p>CCIR and CISRO expect that with respect to IVICs:</p> <p>(a) the design of a new insurance product or significant changes to an existing insurance product will take into account the expected characteristics, <b>interests and needs</b> of each target Customer group for the IVIC,</p> <p>(b) and any potential or actual conflicts of interest arising out of product design will be identified and avoided or properly managed and not affect the fair treatment of Customers.</p>	<ul style="list-style-type: none"> <li>• It is not clear what is meant by “interests and needs” in this context.</li> <li>• We recommend the words “interests and needs” be removed to help focus the requirements of this section and avoid confusion with considering individual needs or interests.</li> </ul>
<p><b>Chapter 2.2 - IVIC Design Process</b></p> <p>2.2.1.1 When designing each IVIC it will issue, an Insurer should, at a minimum, identify each target Customer group for the IVIC and have and maintain policies, procedures and controls that are reasonably designed to ensure that:</p> <p>(a) The IVIC is likely to meet the expected characteristics, <b>interests and needs of each target Customer group.</b></p> <p>(b) The IVIC delivers the reasonably expected benefits for each target Customer group,</p> <p>(c) Customers are treated fairly with respect to the sales charge options available under the IVIC,</p> <p>(d) The sales charge options available under the IVIC allow Intermediaries to comply with expectations under this Guidance to recommend suitable sales charge options to each target Customer group,</p> <p>(e) <b>Potential or actual conflicts of interest related to the sales charge options available under the IVIC are identified and avoided or properly managed, and</b></p> <p>(f) The Insurer minimizes the risk of sales of IVICs that are contrary to this Guidance</p> <p>2.2.1.2 For purposes of subsection 2.2.1.1, “reasonably expected benefits” means benefits a member of a target Customer group could reasonably expect to receive from an IVIC based on the IVIC’s contract, Information Folder, and most current Fund Facts, and on the advertising for the IVIC done by an Insurer or Intermediary.</p>	<ul style="list-style-type: none"> <li>• Most IVIC products are designed to meet the needs of a broad range of target customer groups and varying needs. A product will never meet all the needs of a customer.</li> <li>• We recommend the following wording for (a): <ul style="list-style-type: none"> <li>▪ “The IVIC is likely to meet one or more of the expected characteristics of each target Customer group”</li> </ul> </li> <li>• Our interpretation is that conflicts of interest in this context reference internal conflicts related to product design with suitable sales charge options available for the target customer group and not advisor conflicts associated with conflict between their duty to the client and their potential remuneration. This was confirmed by CCIR as referenced in question #7 in CLHIA Questions for CCIR on Seg Fund Guidance 20250324.</li> </ul>
<p>2.3.2.2 Where an IVIC it issues will include an ACB Sales Charge Option, the insurer is expected to take into account the expected characteristics, interests and needs of each target Customer group for the IVIC and offer alternative sales charge options under the IVIC that allow intermediaries to comply with the expectations under this Guidance to recommend suitable sales charge options to each target customer Group.</p>	<ul style="list-style-type: none"> <li>• This section appears to be largely a repeat of the requirements set out in section 2.3.2.1. We recommend it be removed to simplify the Guidance.</li> </ul>

Chapter/Section	Industry Comments
<p>2.3.2.3 For IVICs that it issues, an Insurer is expected to design their sales charge options, and associated compensation structures, that involve the Insurer paying commission to an Intermediary, so that</p> <p>(a) The value of the compensation the intermediary can expect to receive, including in the form of upfront commission and trailing commission, under the ACB Sales Charge Option, <u>is substantially similar to</u></p> <p>(b) The value of the compensation the Intermediary can expect to receive under the other sales charge options in the same class or series of Segregated Fund units, <u>Over the projected average time the Insurer expects each target Customer group will hold a Segregated Fund unit.</u></p>	<ul style="list-style-type: none"> <li>• The words “substantially similar” in this section introduces undue complication.</li> <li>• Many designs in the market pay more total commissions (when you add up the sales commission and trailing commission percentages) for ACB options relative to FEL. This is appropriate because there is a risk of a chargeback of sales commission associated with the ACB option (e.g., the advisor should expect more compensation in the presence of the risk that they will need to return the commission).</li> <li>• The reference to “projected average time the insurer expects each target Customer group will hold a segregated fund unit” creates complication.</li> <li>• Each Sales Charge Option may have a different target group and may have a different expectation of projected average time the group will hold a Segregated Fund unit. The expectation of projected average time the group will hold a Segregated Fund unit would be difficult to estimate and may lead to a different approach among insurers.</li> <li>• To address these concerns, our preferred approach is to remove Section 2.3.2.3 and rely on the requirement to avoid conflicts of interest in 2.2.1.1 (e): “Potential or actual conflicts of interest related to the sales charge options available under the IVIC are identified and avoided or properly managed.”</li> <li>• Another approach would be to align with the CCIR Incentive Management Guidance Approach: <ul style="list-style-type: none"> <li>▪ The language could be revised to be similar to the approach taken in the CCIR Incentive Management Guidance by referring generally to the requirement to include controls to avoid the risk of unfair outcomes to consumers and incentives being consistent with the level of service expected throughout the product’s life cycle.</li> </ul> </li> <li>• If these options are not acceptable by CCIR, we suggest clarity be added by making the language more specific.</li> </ul>
<p><b>2.3.3 – Effect of Advisor Chargeback Sales Charge Option on Customer Fees and Charges</b></p> <p>2.3.3.1 For IVICs that it issues, where an Insurer offers an ACB Sales Charge option, the Insurer should only increase fees, charges and expenses relating to this sales charge option for each relevant class or series of units in the Segregated Fund, in a manner that ensures the fair treatment of Owners under all available sales charge options for the same class or series of units.</p>	<ul style="list-style-type: none"> <li>• We note that scenarios may exist where lower customer fees and charges for a particular class or series of units may be charged. Tiering of fees generally occurs when large amounts are invested.</li> <li>• Expenses for one sales charge option should not be required to subsidize those of another. To do so would be contrary to the principle of fair treatment.</li> <li>• Any embedded fees associated with a class or series are disclosed on the fund facts document with publication of the MER.</li> </ul>
<p><b>2.3.4 Annual Chargeback-Exempt Withdrawal Amount</b></p> <p>2.3.4.1 For IVICs that it issues, an insurer that offers an ACB Sales Charge Option under an IVIC is expected to ensure an Owner who chooses that option will have the right each calendar year under an IVIC to withdraw the greater of:</p>	<ul style="list-style-type: none"> <li>• This section should be revised to reflect the current business practice which is to apply the free withdrawal right to the market value or based on the number of units in the contract as of December 31<sup>st</sup> of the prior year. The withdrawal right is not cumulative.</li> <li>• Also, the word “right” may cause confusion about ownership and confusion with mutual funds. There is always a right to withdraw/surrender the money in an IVIC.</li> </ul>

Chapter/Section	Industry Comments
<p>(a) <u>10% of each deposit made by the Owner in the Segregated Fund, and</u></p> <p>(b) If applicable, the minimum withdrawal amount prescribed for registered accounts under applicable legislation,</p> <p>Without triggering an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the Owner made the deposit in the IVIC.</p>	<ul style="list-style-type: none"> <li>It does not trigger an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the Owner made a deposit in the IVIC.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>(a) The current market value associated with 10% of the number of units as of December 31<sup>st</sup> of the prior year, and..."</li> </ul> </li> <li>Most designs are based on the number of units because the upfront sales commissions were based on the original purchase amount (which is tied to number of units).</li> </ul>
<p><b>2.3.6 Issued and Outstanding IVICs</b></p> <p>2.3.6.1 For an IVIC that was issued and outstanding prior to the date of this Guidance, an insurer is expected, where permitted by the terms of the IVIC, to comply with Chapter 2.3 with respect to all new deposits made by the Owner of the IVIC from the date of this Guidance forward.</p>	<ul style="list-style-type: none"> <li>We understand that the application to existing contracts would apply in a way similar to when restrictions were placed on DSC purchases. These new requirements on chargeback would (1) not apply to past contributions; and (2) would apply to future contributions (even to existing contracts) unless the contract does not permit the client to contribute to a non-ACB sales charge option (and in this situation, additional disclosure is required).</li> <li>Some companies have contracts that offer a 5-year ACB option. Therefore, if an existing ACB option does not meet the new requirements, no further premiums are permitted to be accepted into it. However, we understand that there does not need to be a change of approach for the existing assets already invested in it. This is fair for the insurer since the existing ACB option was designed on the basis of a planned set of outcomes and changing those outcomes to meet the new requirements would be inappropriate. For example, the amount of upfront commissions, which have already been provided in the past, was provided on the basis of the presence of a chargeback period of 5 years and requiring those previously sold units to have only a 3-year chargeback would unfairly disadvantage the insurer.</li> </ul>
<p><b>Chapter 2.5 Policy evidencing the IVIC</b></p> <p><b>2.5.1 Form and Content</b></p> <p>2.5.1.1 An Insurer's policy for each IVIC it issues is expected to:</p> <p>(a) On the cover or face page of the policy, include a warning statement in bold, in substantially the following words:</p> <p>"An amount that is allocated to a Segregated Fund is invested at the risk of the Owner and may increase or decrease in value."</p> <p>(b) Describe the Owner's rights and the nature of the guaranteed benefits under the IVIC,</p> <p>(c) State,</p> <p>(i) the method of determining the value of the benefits related to the Market Value of the Segregated Fund and the amount of the surrender value of the benefits, and</p>	<ul style="list-style-type: none"> <li>In the industry there is currently a lot of discussion about "policy" v "contract". The insurance acts state that a "contract" includes the "policy" which denotes they are different. The recent cases of Thomson vs. Ivvari and Van Huizen vs. Trisura distinguish that "policy" and "contract" cannot be understood as being interchangeable.</li> <li>The issue of policy v contract has also been important in discussions about TCR and the distinctions between "account level" vs "contract level" vs "policy level" reporting. We highlight that there is a difference in use of the terms.</li> <li>The contract is the broader agreement that encompasses all the terms of agreement and all the conditions between parties. The policy refers explicitly to the insurance coverage (proposition). CCIR should strive for consistency and use the same word instead of using one or the other.</li> <li>Arguably "policy" and "contract provisions" have the same meaning. Our preference would be to use the term "contract provisions".</li> <li>Note the role of contract/policy confirmation document as well, as it confirms acceptance of the application by the Insurer and confirms the terms of the contract.</li> </ul>

Chapter/Section	Industry Comments
<p>(ii) where a provision in the policy provides for part of the deposit to be allocated to provide the benefits related to the Market Value of the Segregated Fund, the percentage of the deposit so allocated,</p> <p>(d) State the times which should not be less than once monthly, at which the Segregated Fund should be valued and at which the value of the benefits related to the Market Value of the Segregated Fund may be determined,</p> <p>(e) <b>State</b> the Customer Fees and Charges, or basis for calculating the Customer Fees and Charges, against the Segregated Fund,</p> <p>(f) State the fundamental change rights applicable including the nature of the change and notice rights,</p> <p>(g) State that:</p> <p>(i) the information under the following parts in the most current Fund Facts for each Segregated Fund invested in under an IVIC forms part of the IVIC:</p> <p>(A) Name of the IVIC and the Segregated Fund (Appendix B – Fund Facts, Part 2 section 1 of this Guidance)</p> <p>(B) Fund Expense Ratio (Appendix B – Fund Facts, Part 3 section 1(a) of this Guidance,</p> <p>(C) Risk disclosure (Appendix B – Fund Facts, Part 3 section 1(d) of this Guidance),</p> <p>(D) Customer Fees and Charges (Appendix B – Fund Facts, Part 3 section 1(h) of this Guidance), and</p> <p>(E) Right to cancel (Appendix B – Fund Facts, Part 3 section 1i) of this Guidance), and</p> <p>(ii) The information in the Fund Facts for each Segregated Fund invested in under the IVIC is accurate and complies with Appendix B – Fund Facts of this Guidance as of the date the information was prepared, and</p> <p>(iii) The remedies for any error in the information in the Fund Facts referred to in paragraphs 2.5.1.1 (g)(i) – (ii) of this Guidance will include reasonable measures by the Insurer to correct the error in accordance with applicable law,</p> <p>(h) State that:</p> <p>(i) An Owner may cancel an IVIC and any allocation of deposits to a Segregated Fund under the IVIC by sending written notice requesting the cancellation to the insurance company within two business days of the date the Owner received confirmation of the issuance of the IVIC,</p> <p>(ii) For any allocation of deposits to a Segregated Fund other than at the time the IVIC is issued, the right to cancel will only apply in respect of the additional allocated deposits and written notice requesting the cancellation should be provided within two business days of the date the Owner received confirmation of the deposit,</p> <p>(iii) <b>The Owner will be refunded the lesser of the amount invested and the value of the fund on the valuation day following the day the Insurer receives the request for cancellation plus any Customer Fees and Charges associated with the transaction, and</b></p>	<ul style="list-style-type: none"> <li>Owner is defined in the Guidance as meaning “a person who owns an IVIC” and does not seem problematic except when there is a standard form text inclusion or warning where use of the term “Owner” may cause confusion about ownership rights in the segregated fund units. This is also a concern for references in the “Statement of Changes in Net Asset Attributable to Contractholders” in Appendix F.</li> <li>The wording “Any amount that is allocated to a Segregated Fund is invested at the risk of the Owner and may increase or decrease in value” should be adjusted to use the term “contractholder”.</li> <li>In e) it would be clearer to include the word “describe” rather than “state” since specific fees and charges information is generally included on the fund facts but not in the information folder.</li> <li>The wording in section 2.5.1 (h) (iii) should be clarified to state “The Owner will be refunded the lesser of either the amount invested plus any Customer Fees and Charges associated with the transaction, or the value of the fund on the valuation day following the day the Insurer receives the request for cancellation plus any Customer Fees and Charges associated with the transaction.”</li> </ul>

Chapter/Section	Industry Comments
<p>(iv) An Owner will be deemed to have received the confirmation five business days after it has been sent by or on behalf of the Insurer.</p>	
<p><b>Chapter 2.8 Expense Ratio Calculation Methodology</b>  <b>2.8.1 Calculation of Management Expense Ratio</b>            An Insurer is expected to calculate the MER of a Segregated Fund applicable to a particular fee option under an IVIC for any financial year by:</p> <p>(a) Dividing</p> <p>(i) The aggregate of:</p> <p>(A) Total expenses of the Segregated Fund, excluding commissions and other portfolio transaction costs, before income taxes, for the financial year as shown on the Segregated Fund’s statement of comprehensive income; and</p> <p>(B) Any other Fund fees and Charges that have the effect of reducing the Segregated Fund’s Net Asset Value:</p> <p style="text-align: center;">By</p> <p>(ii) The average Net Asset Value of the Segregated fund for the financial year obtained by:</p> <p>(A) adding together the Net Asset Value of the Segregated fund as at the close of business of the Segregated Fund on each day during the financial year on which the Net Asset Value of the Segregated Fund has been calculated, and</p> <p>(B) dividing the amount obtained under clause (A) by the number of days during the financial year on which the Net Asset Value of the Segregated Fund has been calculated, and</p> <p>(b) Multiplying the result obtained under paragraph (a) by 100.</p>	<ul style="list-style-type: none"> <li>• It would be helpful to include guidance regarding the MER calculation in a fund-of-fund situation.</li> </ul>
<p><b>2.8.2 Change in Basis of the Calculation of Fund Fees and Charges</b></p> <p>2.8.2.1 Where the basis of the calculation of Fund Fees and Charges that are charged to a Segregated Fund are changed or <b>proposed to be changed</b> and where such change would have a <b>material effect</b> on the MER for the last completed financial year of the Segregated Fund if such change had been in effect for such year, the Insurer is expected to ensure the applicable Information Folder and Fund Facts <b>disclose the effect of such change</b>.</p>	<ul style="list-style-type: none"> <li>• Clarification to section 2.8.1.1 is needed in reference to the words “proposed to be changed” and “material effect”.             <ul style="list-style-type: none"> <li>○ Does “proposed to be changed” mean a formal change in direction that hasn’t yet been implemented?</li> </ul> </li> <li>• What constitutes “material”. It seems reasonable to apply a 50 basis points change which is the threshold that is being applied for TCR and NAV error correction.</li> <li>• It is not clear how we should “disclose the effect of such change”. This could be done by adding a note to the fund facts but it would be cumbersome and possibly confusing to require to show both the before and after MER. The preferred approach would be to detail the change to the MER or direct a consumer about where to find additional information.</li> </ul>

Chapter/Section	Industry Comments
<b>Part 3. Training Intermediaries</b>	
<p><b>Chapter 3.1 Insurer Training Expectations</b></p> <p><b>3.1.1 General Principle</b></p> <p>CCIR and CISRO expect an Insurer that <b>insures</b> IVICs to take steps consistent with the fair treatment of Customers</p> <p>(a) to make training material available to Intermediaries selling or Servicing, directly or indirectly, its IVICs, that is reasonably designed to <b>enable</b> the Intermediaries to satisfy the expectations under this Guidance</p> <p>(b) that are reasonably <b>designed to ensure that intermediaries know and understand</b> the training material.</p>	<ul style="list-style-type: none"> <li>• It should be made clear that insurers should not be expected to provide training material on IVIC’s other than their own or on IVICs in general.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ CCIR and CISRO expect an Insurer that offers IVICs to take steps consistent with the fair treatment of Customers: <ul style="list-style-type: none"> <li>(a) To make training material on its IVICs available to Intermediaries selling or Servicing, directly or indirectly, its IVICs, that is reasonably designed to help the Intermediaries to satisfy the expectations under this Guidance, and</li> <li>(b) That are reasonably designed to ensure that Intermediaries can access and understand the training material.</li> </ul> </li> </ul> </li> <li>• It is important to note that it is the responsibility of the Intermediaries to understand the training and the Insurer is only responsible to provide the training. This is particularly important in the context of independent intermediaries who sometimes do not even have a contractual relationship with the Insurer.</li> <li>• The roles and responsibilities in accordance to each party’s own licence (Insurer vs Intermediary) should be respected.</li> <li>• Please consider replacing the words “that insures” with “that offers”.</li> </ul>
<p><b>3.1.3 Substance of Insurer’s Training Material</b></p> <p>3.1.3.1 Each insurer that <b>insures</b> IVICs is expected to prepare training material that contains the following information:</p> <p>(a) With respect to each IVIC it <b>insures</b>,</p> <p>(i) the characteristics of the IVIC as described in paragraph 6.1.3.1 (a) of this Guidance,</p> <p>(ii) the features of each Investment Option available under the IVIC as described in paragraph 6.1.3.1 (b) of this Guidance, and</p> <p>(iii) the elements of an IVIC structure that are available for that IVIC and how those elements can meet a Customer’s needs, as described in paragraph 6.1.3.1 (c) of this Guidance,</p>	<ul style="list-style-type: none"> <li>• The requirement for insurer’s training on products should be principles based so that there is flexibility to adapt based on the particular features of a product.</li> <li>• The required training material seems to extend beyond what a product guide or information folder would have. Is this intended?</li> <li>• It should be noted that most of the features required by (a) (ii) are already presented in each segregated fund’s fund facts. The fund facts can be used by the Intermediaries. Insurers should not be required to create a different document with the same information.</li> <li>• Please consider replacing the words “it insures” with “it offers”.</li> </ul>

Chapter/Section	Industry Comments
<p>3.1.3.1 Each insurer that insures IVICs is expected to prepare training material that contains the following information:</p> <p>(b) Information Intermediaries will need about the Insurer's forms and processes to enable the Intermediaries to satisfy the expectations under this Guidance about completing Customer Instruction as described in 7.6 of this Guidance.</p>	<ul style="list-style-type: none"> <li>Given that processes may differ between distribution channels, this requirement will result in a large amount of training material "versions" to be maintained, which is burdensome.</li> <li>Insurers should be able to apply a principles-based approach to this requirement.</li> <li>Please consider replacing the words "that insures" with "that offers".</li> </ul>
<p>3.1.3.1 Each insurer that insures IVICs is expected to prepare training material that contains the following information:</p> <p>(c) Information Intermediaries will need with respect to the Insurer's IVICs to satisfy expectations under this Guidance with respect to Customer's using money from one IVIC to invest in another IVIC, including,</p> <ul style="list-style-type: none"> <li>(i) what information the Intermediary should collect to compare the IVICs</li> <li>(ii) how to compare the IVICs</li> <li>(iii) how to identify the relative benefits of the IVICs such as guarantees,</li> <li>(iv) how to identify what a Customer could lose by Using money from one IVIC to invest in another IVIC,</li> <li>(v) how to effectively communicate the information in paragraphs 3.1.3.1 . c) (ii) (iii) and (iv) of this Guidance to the Customer, and</li> </ul>	<ul style="list-style-type: none"> <li>Only general training materials should require to be provided about the considerations involved with using money from one IVIC to invest in another.</li> <li>It should not be expected for training materials to compare an Insurer's product to any other product.</li> <li>Please consider replacing the words "that insures" with "that offers".</li> </ul>
<p>3.1.3.2 For further clarity, activities by and Insurer which promote, encourage, or facilitate borrowing to invest programs include:</p> <ul style="list-style-type: none"> <li>(a) Offering a loan, directly or indirectly, to a Customer which could be used for investment purposes,</li> <li>(b) Offering additional monetary or non-monetary compensation to an Intermediary to recommend a leveraging strategy, and</li> <li>(c) Recommending lending institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Replace "include" with "means".</li> </ul>
<p><b>3.1.4 Format of Training Material</b></p> <p>3.1.4.1 The training material described in this Part is expected to be:</p> <p>(d) (a) Provided in written or other recorded format in plain language, and</p> <p>(b) In a format that is easily accessible and understandable by Intermediaries.</p>	<ul style="list-style-type: none"> <li>We recommend the following wording:             <ul style="list-style-type: none"> <li>(a) Provided in written or other recorded format in plain language, or in a formal presentation, and ...</li> </ul> </li> </ul>
<p><b>3.1.5 Updating Training Material</b></p>	<ul style="list-style-type: none"> <li>We recommend the following wording:             <ul style="list-style-type: none"> <li>Each Insurer is expected to promptly update the training material when any Material Change</li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p>3.1.5.1 Each Insurer is expected to promptly update the training material when any Material Change to an IVIC is made to one of its IVICs, and when there has been a <b>fundamental change</b> to the Investment Options available under the IVIC.</p>	<p>to an IVIC is made to one of its IVICs and when there has been a significant change to the Investment Options under the IVIC.</p> <ul style="list-style-type: none"> <li>• If a material change to an IVIC or a fundamental change to an investment option does not impact the content of the training material, the training material should not have to be updated.</li> <li>• Fundamental changes to investment options are reflected in a timely basis in updated fund facts.</li> </ul>
<p><b>3.1.6 Training Intermediaries</b></p> <p>3.1.6.1 An Insurer is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure that:</p> <p>(a) Their IVIC training material and the method by which Insurers ensure the Intermediaries review and understand the training material are providing Intermediaries with the appropriate level of knowledge and expertise to satisfy the expectations under this Guidance, and</p> <p>(b) <b>Customers receive Servicing</b> for their IVICs from Intermediaries who have completed the relevant training as described in paragraph 3.1.6.1(a) of this Guidance.</p>	<ul style="list-style-type: none"> <li>• The compliance functions seem to be mixed in with the training.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ An Insurer is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure that: <ul style="list-style-type: none"> <li>(a) Their IVIC training material is providing Intermediaries with the appropriate level of knowledge and expertise to satisfy the expectations under this Guidance, and</li> <li>(b) Delete this section.</li> </ul> </li> </ul> </li> <li>• The Insurer should only be responsible for providing the training material.</li> <li>• It is the Intermediary's own responsibility to complete the relevant training,</li> <li>• It is the role of the Intermediary or MGA to assess understanding.</li> <li>• This requirement implies the need to create system-enforced controls that prevent an untrained advisor from being able to process a transaction.</li> <li>• This is a meaningful systems enhancement as transfer agency systems would need to be interfaced with insurer training logs/history.</li> </ul>
<p><b>3.1.7 Insurers Assessing Intermediaries' Understanding</b></p> <p>3.1.7.1 Each Insurer that insures IVICs is expected to take reasonable steps to <b>confirm</b> each Intermediary who sells or Services its IVICs has the knowledge and expertise necessary for the Intermediary to satisfy the expectations under this <b>Guidance</b>:</p> <p>(a) Before the Intermediary sells or Services, the Insurer's IVICs,</p> <p>(b) Within a reasonable time, but in no case more than three months, after the training material is updated as described in section 3.1.5 of this Guidance, and</p> <p>(c) Within a reasonable time, but in no case more than three months, after the Intermediary becomes responsible for Servicing an IVIC the Intermediary did not sell.</p>	<ul style="list-style-type: none"> <li>• Insurers should not be responsible for confirming that each Intermediary has the knowledge and expertise necessary to satisfy expectations of this Guidance.</li> <li>• This section should be amended to reflect that it is the Intermediary's responsibility.</li> <li>• Since Insurers are not issuing licences to Intermediaries, they should not have to "test" the knowledge and expertise of the Intermediary.</li> <li>• HLLQP should be sufficient in this regard.</li> <li>• If each Intermediary must pass a test with each Insurer for whom they sell IVICs, Intermediaries would be encouraged to reduce the number of products they offer, which is not the desired outcome for the customer.</li> <li>• An unintended consequence would be orphan clients not serviced by advisors.</li> <li>• Our preference is for section 3.1.7.1 to be removed.</li> <li>• If retained, it should be re-worded to include the obligation for intermediaries to meet the requirement of appropriate training having been completed.</li> </ul>

Chapter/Section	Industry Comments
	<ul style="list-style-type: none"> <li>The requirement should be for insurers to confirm compliance by adopting a risk-based monitoring approach but not a transactional approach.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>Each Intermediary is expected to have the knowledge and expertise necessary for the Intermediary to satisfy the expectations under this Guidance: <ul style="list-style-type: none"> <li>(a) Before the Intermediary sells or Services, the Insurer's IVICs</li> <li>(b) Within a reasonable time, but in no case more than three months after the training material is updated as described in section 3.1.5 of this Guidance, and</li> <li>(c) Within a reasonable time, but in no case more than three months, after the Intermediary becomes responsible for Servicing an IVIC the Intermediary did not sell.</li> </ul> </li> </ul> </li> </ul>
<p><b>Chapter 3.2 Intermediaries' Training Expectations</b></p> <p><b>3.2.1 Expectation to Complete Training</b></p> <p>3.2.1.1 An Intermediary should not sell, Service or provide recommendations and advice with respect to, an IVIC unless the Intermediary has completed the <b>applicable IVIC training</b> and has the knowledge and expertise to satisfy the expectations under this Guidance.</p>	<ul style="list-style-type: none"> <li>It is not clear what the definition of "applicable IVIC training" is.</li> <li>The HLLQP should be sufficient training, and expanded as may be necessary.</li> <li>Additional product specific training should be optional.</li> <li>More clarity is needed about the expectations for a business entity such as an MGA to complete training.</li> </ul>
<p>3.2.1.2 If a Customer requires assistance from the Intermediary responsible for Servicing an IVIC before the Intermediary has completed the related training, the Intermediary is expected to:</p> <p>(a) Complete the related IVIC training and assist the Customer, provided the Intermediary can do so before the Customer needs the assistance to be completed, or</p> <p>(b) <b>Inform</b> the Insurer that the Customer requires assistance but that the Intermediary has not yet completed the related IVIC training.</p>	<ul style="list-style-type: none"> <li>For a closed product there wouldn't be specific training.</li> <li>There is a need to encourage Intermediaries to service existing clients with older products.</li> <li>General segregated fund knowledge and support from the Compensating Intermediary and insurer should be sufficient.</li> <li>The limit on the ability to provide specific training needs to be recognized.</li> </ul>
<p>3.2.2 Intermediaries who Promote Borrowing to Invest</p> <p>3.2.2.1 An Intermediary that promotes, encourages or facilitates borrowing to invest programs to other Intermediaries is expected to provide training material reasonably designed to enable those Intermediaries to satisfy the expectations under this Guidance.</p> <p>3.2.2.2 For clarity, the training material referred to in subsection 3.2.2.1 of this Guidance:</p> <p>(a) Should include material on the potential costs, risks, and benefits of borrowing to invest, how to</p>	<ul style="list-style-type: none"> <li>More clarity is needed regarding what is meant by "borrowing to invest" programs.</li> </ul>

Chapter/Section	Industry Comments
<p>create a Leveraging Strategies for Customers, and how to determine the suitability of Leveraging Strategies for Customers, and</p> <p>(b) May be the same training material an Insurer provides, if appropriate.</p> <p>3.2.2.3 For clarity, activities which promote, encourage, or facilitate borrowing to invest programs include:</p> <p>(a) Offering additional monetary or non-monetary compensation to an Intermediary to recommend a Leveraging Strategy, and</p> <p>(b) Recommending lending institutions.</p>	
<p>3.2.2.4 Merely accepting a deposit from a Customer that comes from borrowed money does not <b>constitute</b> promoting, encouraging, or facilitating borrowing to invest programs.</p>	<ul style="list-style-type: none"> <li>We recommend the following wording:             <ul style="list-style-type: none"> <li>Merely accepting a deposit from a Customer that comes from borrowed money does not mean promoting, encouraging, or facilitating borrowing to invest programs.</li> </ul> </li> </ul>
<p><b>Part 4. Compensating Intermediaries</b></p>	
<p><b>Chapter 4.1 Insurer Compensating Intermediaries</b></p> <p><b>4.1.1 General Principle</b></p> <p>CCIR and CISRO expect an Insurer to:</p> <p>(a) treat Customers fairly in connection with the monetary and non-monetary compensation it designs and provides or offers to Intermediaries with respect to each of its IVICs, taking into account the expected characteristics, interests and needs of each target Customer group for the IVIC, and</p> <p>(b) identify and avoid or properly manage, potential or actual conflicts of interest with respect to the monetary and non-monetary compensation it provides or offers so that the fair treatment of Customers is not affected.</p>	<ul style="list-style-type: none"> <li>To streamline the wording and help avoid confusion about taking into account individual needs, similar to our comment in s. 2.1 above, please consider removing the words “interests and needs”.</li> </ul>
<p><b>4.1.2 Managing Conflicts of Interest</b></p> <p>4.1.2.3 An Insurer is expected to avoid conflicts that cannot be properly managed as described in subsection 4.1.2.2 of this Guidance. <b>For example, an Insurer should never offer time-limited increases in monetary compensation</b> paid to Intermediaries under an ACB Sales Charge Option at the time an Owner deposits money</p>	<ul style="list-style-type: none"> <li>Clarification is need regarding the requirement and the policy rationale that “insurers should never offer time-limited increases...” This is usually not a prohibition but a practice that could adversely affect FTC without proper controls in place. Note that section 3.7 of the Incentives Management Guidance requires that an insurer’s assessment of unfair outcomes take into consideration the effects of time-limited sales campaigns.</li> <li>In a proprietary sales model, there is not generally a conflict of interest with increasing commissions.</li> </ul>

Chapter/Section	Industry Comments
<p>into an IVIC.</p>	<ul style="list-style-type: none"> <li>• Potential conflicts can be managed through disclosures and other means.</li> <li>• We emphasize the importance of a free competitive market, and Insurers should be able to respond to market conditions.</li> <li>• This should be amended in order not to target practices that do not cause risk to clients. For example, an incentive during a campaign to get advisors to use online tools instead of paper.</li> <li>• The words “should never” are absolutely not principles-based language.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ “For example, unless the risk of conflicts can be properly managed as described in subsection 4.1.2.2 of this Guidance, an Insurer should refrain from offering time-limited increases in monetary compensation paid to Intermediaries under an ACB Sales Charge Option at the time an Owner deposits money into an IVIC.”</li> </ul> </li> </ul>
<p><b>4.2 Intermediary who compensates other intermediaries</b></p> <p><b>4.2.2 Managing Conflicts of Interest</b></p> <p>4.2.2.1 When designing the monetary and non-monetary compensation they propose to provide or offer for IVICs, an Intermediary is expected to identify and assess conflicts of interest that will be created by the proposed compensation with the expected characteristics, interests and needs of each target Customer group for the IVIC.</p>	<ul style="list-style-type: none"> <li>• Clarity would be added by adding the word “internal”. We recommend the following wording: <ul style="list-style-type: none"> <li>▪ “When designing the monetary and non-monetary compensation they propose of offer for IVICs, an Intermediary is expected to identify and assess internal conflicts of interest that will be created by the proposed compensation with the expected characteristics of each target Customer group for the IVIC.</li> </ul> </li> <li>• Defining target Customer group should not be an Intermediary responsibility. Expectations of the Insurer would be included in the training material for Intermediaries.</li> <li>• To streamline the wording and help avoid confusion about taking into account individual needs, similar to our comment in s. 2.1 above, please consider removing the words “interests and needs”.</li> </ul>
<p>4.2.2.2 An intermediary who compensates other intermediaries is expected to have and maintain policies, procedures and controls that are reasonable designed to properly manage the conflicts referred to in subsection 4.2.2.1 of this Guidance and the risk that Intermediaries will not put Customers’ interests ahead of their own with respect to the IVICs.</p> <p>4.2.2.3 An intermediary is expected to avoid conflicts that cannot be properly managed as described in subsection 4.2.2.2 of this Guidance. For example, an Intermediary should never offer time-limited increases in monetary or non-monetary compensation to other Intermediaries with respect to the:</p> <ul style="list-style-type: none"> <li>(a) Sales of a particular IVIC,</li> <li>(b) IVIC Transactions with respect to a particular IVIC, and</li> <li>(c) Sales of IVICs of a particular Insurer.</li> </ul>	<ul style="list-style-type: none"> <li>• Similar to our comment in 4.1.2.3 above, we recommend that the following wording be included in 4.2.2.3 to allow flexibility related to Intermediary time-limited increases in monetary and non-monetary compensation.</li> <li>• We recommend the following wording to be included: <ul style="list-style-type: none"> <li>▪ “An Intermediary is expected to avoid conflicts that cannot be properly managed as described in subsection 4.2.2.1 of this Guidance. For example, unless the risk of conflicts can be properly managed as described in subsection 4.2.2.2 of this Guidance, an Intermediary should refrain from offering time-limited increases in monetary or non-monetary compensation to other intermediaries under an ACB Sales Charge Option at the time an Owner deposits money into an IVIC.”</li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p><b>4.2.3 Chargeback Arrangements</b></p> <p>CCIR and CISRO expect intermediaries to only pay monetary compensation to other intermediaries on a basis similar to compensation Insurers pay under the Advisor Chargeback Sales Charge Option where:</p> <p>(a) The Owner of an IVIC chooses to deposit money under the Advisor Chargeback Sales Charge Option,</p> <p>and</p> <p>(b) The conflicts of interest associated with the compensation the Intermediary pays are no greater than would apply if the Insurer paid compensation under the Advisor Chargeback Sales Charge Option directly to those other intermediaries.</p>	<ul style="list-style-type: none"> <li>An MGA will need to design a different commission split to account for expenses. This will result in the advisor receiving less compensation than would be paid directly by the insurer. However, it would likely be proportional.</li> </ul>
<p>4.2.3.3 CCIR and CISRO expect that <b>Intermediaries</b> will only pay monetary compensation as described in subsection 4.2.3.1 if:</p> <p>(a) The Insurer pays the Compensating Intermediary monetary compensation under an ACB Sales Charge Option with respect to the deposit described in paragraph 4.2.3.1(a),</p> <p>(b) The amount the Compensating Intermediary pays the other Intermediary with respect to the deposits described in paragraph 4.2.3.1(a) does not exceed the amount the Insurer pays the Compensating Intermediary under the ACB Sales Charge Option,</p> <p>(c) The period during which the Intermediary may be required to repay monetary to the Compensating Intermediary does not exceed the period during which the Compensating Intermediary may be required to repay monetary compensation to the Insurer, and</p> <p>(d) The Compensating Intermediary will not require the Intermediary to repay a larger part of the monetary compensation described in paragraph 4.2.3.1(a) with respect to any withdrawal or change to a sales charge option than the percentage of the Compensating Intermediary's compensation under the Advisor Chargeback Sales Charge Option for the same transaction that the Insurer requires the Compensating Intermediary to repay for the same transaction.</p> <p>(e) The Compensating Intermediary offers alternative sales charge options on a basis like that set out in section 2.3.3 of this Guidance, and</p> <p>(f) The Compensating Intermediary includes an annual chargeback-exempt withdrawal amount like that set out in section 2.3.4 of this Guidance.</p>	<ul style="list-style-type: none"> <li>To be consistent with 4.2.3.2, this should reference "Compensating Intermediaries".</li> </ul>
<p>4.2.3.4 An Intermediary is expected to have and maintain policies, procedures and controls that are reasonably designed to properly manage the conflicts referred to in section 4.2.3 of this Guidance and the risk the Intermediaries will not put Customer's interests ahead of their own with respect to IVICs</p>	<ul style="list-style-type: none"> <li>This section seems like a duplication of the concept in section 4.2.2.2. The Guidance is overly complicated. To simplify and assist with readability, we recommend section 4.2.3.4 be removed.</li> </ul>

Chapter/Section	Industry Comments
<b>Part 5. Advertising IVICs</b>	
<p><b>Chapter 5.1 Fair Treatment of Customers</b></p> <p><b>5.1.1 General Principle</b></p> <p>CCIR and CISRO expect Insurers and Intermediaries to treat Customers fairly with respect to advertisements</p>	<ul style="list-style-type: none"> <li>The advertising section has been re-designed by CCIR and most of it seems reasonable. Generally speaking, it is a principles-based framework.</li> <li>It would be helpful to add an additional section 5.2.8 entitled “Awards” to clarify that an advertisement by an insurer referencing the receipt of an award related to a segregated fund is permissible provided the advertisement is clear and accurate and not misleading.</li> <li>Consideration should be given to including a definition of “advertisement” as we proposed in Chapter 1.1 in the Guidance to help a reader understand applicability of the section.</li> </ul>
<p><b>Chapter 5.2 Accuracy and Avoiding Misleading Advertising</b></p> <p><b>5.2.2 Advantages and Limitations</b></p> <p>5.2.2.1 Where an advertisement mentions an advantage, it should mention any limitations and exceptions that affect or reduce the advantage.</p>	<ul style="list-style-type: none"> <li>This wording appears to be adapted from standard insurance language which requires the disclosure of “limitations, exceptions and exclusions”. It does not make sense in this context.</li> <li>We suggest to; 1 – target the obligation on the IVIC and 2 – it should be required to disclose applicable risks instead of exceptions, which would align with the current industry practice of advising that there is a level of risk that goes with investing and that consumers should obtain individual advice from their advisor.</li> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>“Where an advertisement mentions an advantage, it should mention any limitations and disclosure about risks that affect or reduce the advantage.”</li> </ul> </li> </ul>
<p><b>5.2.4 Timelines</b></p> <p>5.2.4.1 All information in advertisements should be up to date.</p>	<ul style="list-style-type: none"> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>“All information in advertisements should be up to date at the time it is produced.”</li> </ul> </li> </ul>
<p><b>5.2.5 Information about Performance</b></p> <p>5.2.5.1 Where an advertisement includes performance data for a Segregated Fund:</p> <p>(a) The performance data should be calculated in accordance with generally accepted industry best practices,</p> <p>(b) The performance data should include data for representative durations since the Segregated Fund was opened for deposits,</p> <p>(c) The advertisement should describe applicable Fund Expenses and how they affect performance,</p> <p>(d) If there are different classes or series of units available for a Segregated Fund, the advertisement should clearly specify which class or series the performance data relates to and avoid presenting information in a way that could cause confusion among classes or series, and</p> <p>(e) If <b>material changes</b> have happened since the beginning of the period for which performance data is</p>	<ul style="list-style-type: none"> <li>It would be helpful to include in (b) an example of representative durations.</li> <li>We recommend the following inclusion to the wording: <ul style="list-style-type: none"> <li>“For example, 1, 3, 5, 10 years, since the last major change to the fund such as changing the fund manager”</li> </ul> </li> <li>It is not clear what is meant by “material changes” in this context. It would make sense to include reference to significant change.</li> </ul>

Chapter/Section	Industry Comments
<p>presented, explain the changes and their effects</p>	
<p><b>5.2.6 Paid Testimonials</b></p> <p>5.2.6.1 Insurers should disclose the fact that monetary or non-monetary compensation is provided for testimonials used in advertisements, where applicable.</p>	<ul style="list-style-type: none"> <li>• We suggest that CCIR include the language regarding paid testimonials from the updated version of G2 as follows: <ul style="list-style-type: none"> <li>▪ “Testimonials used in an advertisement must be of a general nature, be authentic and express the current opinion of the author of the testimony at that time. Where a testimonial or a recommendation is paid directly or indirectly by the insurer, or someone on its behalf, the advertisement shall so state. When using a testimonial, the insurer shall be deemed to assume as its own all of the statements contained therein.”</li> </ul> </li> <li>• The CLHIA suggested language includes more detail which is helpful to setting the appropriate parameters for use of a paid testimonial.</li> </ul>
<p><b>5.2.7 Guarantees</b></p> <p>5.2.7.1 Advertisements that <b>mention</b> an IVIC’s guarantees should:</p> <p>(a) Be clear about what is guaranteed, particularly where the guarantee is for less than 100% deposits,</p> <p>(b) Be clear about when the guarantee applies, particularly where a maturity guarantee only applies at the end of the IVIC, and</p> <p>(c) Avoid creating the inaccurate impression the guarantees are insured by the Canada Deposits Insurance Corporation or similar government deposit Insurers.</p>	<ul style="list-style-type: none"> <li>• Use of the word “mention” is not clear.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ “Advertisements that describe an IVICs guarantees should....”</li> </ul> </li> <li>• It should be permissible for an advertisement to make general reference to insurance product features such as guarantees without providing specific details, provided the advertisement is not misleading.</li> <li>• See our suggested definition of “Advertisement” above.</li> <li>• It would be better to make a positive reference to protection provided by Assuris and avoid possible confusion related to reference to CDIC.</li> <li>• It may be better to rely on the general prohibition on misleading advertising and the requirement for accuracy.</li> </ul> <p>Please consider the following suggested wording:</p> <ul style="list-style-type: none"> <li>▪ “Be clear regarding protection that is provided by Assuris in the event of an Insurer insolvency.”</li> </ul>
<p><b>Chapter 5.3 Clarity for Target Customers</b></p> <p><b>5.3.1 General Principle</b></p> <p>CCIR and CISRO expect advertisements to be clear and presented in a way that helps members of the target Customer groups to understand them and the IVICs they describe.</p>	<ul style="list-style-type: none"> <li>• It would be helpful for the Guidance to include a definition of advertisement to be clear about the scope of applicability.</li> </ul>

Chapter/Section	Industry Comments
<p><b>Chapter 5.3.2 Prominence of Limits and Exceptions</b></p> <p>5.3.2.1 Where advantages are described, limitations and exceptions should be described in the same manner, as clearly and as prominently as the advantages.</p>	<ul style="list-style-type: none"> <li>• This wording appears to be adapted from standard insurance language which requires the disclosure of “limitations, exceptions and exclusions”. It does not make sense in this context.</li> <li>• We suggest to; 1 – target the obligation on the IVIC and 2 – it should be required to disclose applicable risks instead of exceptions, which would align with the current industry practice of advising that there is a level of risk that goes with investing and that consumers should obtain individual advice from their advisor.</li> <li>• We recommend the following wording:</li> <li>• “5.3.2.1 Where the advantages of the IVIC are described, limitations and disclosure about risks should be described in the same manner, as clearly and as prominently as the advantages.”</li> <li>• However, the requirement in section 5.4.2.1 requiring disclosure about risk of loss seems sufficient and our preference would be for section 5.3.2.1 to be removed.</li> </ul>
<p><b>Chapter 5.4 Supporting Informed Investment Decisions</b></p> <p><b>5.4.1 General Principle</b></p> <p>CCIR and CISRO expect advertisements to help Customers make informed decisions about investing in IVICs.</p>	<ul style="list-style-type: none"> <li>• The verb “supporting” should also be in the French title.</li> <li>• Chapitre 5.4 <u>Soutenir des</u> décisions d’investissement éclairées</li> </ul>
<p><b>5.4.3 Effects of Fund Expenses</b></p> <p>5.4.3.1 Advertisements should explain the Fund Expenses that may apply and how they would affect performance.</p>	<ul style="list-style-type: none"> <li>• It should not be a requirement that all advertisements explain the effect of fund expenses. This should only be required where performance is referenced, not for advertisements which are very general in nature.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ “When advertisements reference Segregated Fund performance, they should also explain the Fund Expenses that may apply and how they would affect performance.”</li> </ul> </li> </ul>
<p><b>Chapter 5.6 Identity of Advertiser</b></p> <p><b>5.6.1 General Principle</b></p> <p>CCIR and CISRO expect advertisements to clearly indicate who is advertising.</p>	<ul style="list-style-type: none"> <li>• Clarification: If the Intermediary is using Insurer material, does the Intermediary need to have their name on the advertisement?</li> <li>• Same question applies to 5.6.2.1.</li> </ul>
<p><b>5.6.3 Avoiding Confusion</b></p> <p>5.6.3.1 Where there is a risk of confusion, an advertisement should clearly indicate the insurer is responsible for the promises made under the IVIC, and any other party, including cases where:</p> <p>(a) The advertisement mentions a Segregated Fund that invests in another Segregated Fund, or</p> <p>(b) The name of a Segregated Funds includes the name of an entity other than the insurer</p>	<ul style="list-style-type: none"> <li>• For additional clarity, it would be helpful to add reference in section 5.6.3.1 (a) to investments in another “investment fund” which is a common situation.</li> </ul>

Chapter/Section	Industry Comments
<ul style="list-style-type: none"> <li>Part 6. Understanding Products, Investment Strategies and Customer's Needs</li> </ul>	
<p><b>Chapter 6.1 Know your Product and Know Your Investment Strategies – Intermediary Expectations</b></p> <p><b>6.1.1 General Principle</b> CCIR and CISRO expect an Intermediary to know, understand and be able to explain to Customers:</p> <p>(a) the characteristics of IVICs they sell or Service and how these IVICs can meet Customers' needs, and</p> <p>(b) the general benefits, risks and costs of:</p> <p>(i) borrowing to invest in an IVIC, and</p> <ul style="list-style-type: none"> <li>Using money from one IVIC to invest in another IVIC.</li> </ul>	<ul style="list-style-type: none"> <li>More clarity is needed about what the agent/agency/firm responsibilities are vs those of an MGA.</li> <li>Requirements of the general principle should be restricted to KYP.</li> <li>More clarity is needed between KYP and KYC responsibilities.</li> <li>It is important to note that it will require major work to implement this Guidance, and the industry will need a significant amount of time.</li> <li>To be properly implemented, the changes will inevitably have to come with IT work, to implement new functionalities and controls.</li> <li>In addition, many systems will have to co-exist to align with this reform due to the large number of independent advisors, MGA's and carriers.</li> </ul>
<p><b>6.1.3 Know Your Product – Particular IVIC being considered</b></p> <p>6.1.3.1 Before selling or Servicing a particular IVIC, an Intermediary is expected to, at a minimum, know, understand and be able to explain the following about the IVIC:</p> <p>(a) The characteristics of the IVIC including:</p> <p>(i) each target Customer group for the IVIC,</p> <p>(ii) the guarantees offered under the IVIC and how such guarantees function,</p> <p>(iii) the impact of withdrawals on the guarantees offered under the IVIC,</p> <p>(iv) initial and ongoing costs of acquiring, owning, and <b>disposing of the IVIC</b>,</p> <p>(v) the Customer's right to rescind the IVIC or IVIC Transaction,</p> <p>(vi) <b>conflicts of interest associated with the IVIC</b>, if any, including monetary and non-monetary compensation or <b>related party involvements</b> in the IVIC, and</p> <p>(vii) the overall complexity of the IVIC and how the <b>complexity</b> relates to the expected characteristics, interests, and needs of each target Customer group for the IVIC,</p> <p>(b) The features of each Investment Option available under the IVIC including,</p> <p>(i) <b>each target Customer group for the Investment Option</b>,</p> <p>(ii) the potential volatility of returns,</p> <p>(iii) the key features of the Investment Option's investment objectives,</p> <p>(iv) the Investment Option's investment time horizon, and</p> <p>(v) the performance history of the Investment Option, and</p>	<ul style="list-style-type: none"> <li>There should be some recognition of proportionality in 6.1.3.1, for example, for subsequent deposits into the same fund, or receiving a straightforward RRSP contribution.</li> <li>In 6.1.3.1 (a) (iv) replace "disposing of the IVIC" with "surrendering or terminating the IVIC".</li> <li>In 6.1.3.1 (a) (vi) clarity is needed to understand how an advisor would be aware of any related third-party involvement.</li> <li>In 6.1.3.1 (a) (vi) clarity is need regarding what is meant by "conflicts of interest associated with the IVIC". Is this intended to mean conflicts of interest between the Intermediary and the IVIC/Insurer, or conflicts that the IVIC (an by extension the Insurer) has? If the latter, that is best dealt with by the conflict of interest disclosure rules applicable to Insurers and should be removed from here.</li> <li>In 6.1.3.1 (vii) clarity is needed about what complexity means. All collective investment schemes are somewhat complex, including mutual funds and it should be sufficient that Intermediaries explain the characteristics of an IVIC.</li> <li>In 6.1.3.1 (b) (i) to identify the target customer group for each investment option should be satisfied by reference to the Fund Facts disclosure of "Who is this fund for?"</li> </ul>

Chapter/Section	Industry Comments
(c) The choices available under the IVIC that can be used to meet the Customer's needs, including choices related to the IVIC structure	
6.1.3.2 When an Intermediary becomes aware of a <b>Material Change</b> to an IVIC they sold or Serviced or of a <b>fundamental change</b> to the <b>selected</b> Investment Options available under the IVIC, the Intermediary should know and understand the applicable change before doing any further Servicing or sales of the IVIC.	<ul style="list-style-type: none"> <li>• Please confirm that this section applies to a product change rather than a client-initiated change. The word "selected" creates some confusion.</li> <li>• Additional clarity is needed regarding the reference to "fundamental change". To avoid confusion with "Fundamental Changes" which is defined, please consider using the words "significant change".</li> </ul>
<p><b>6.1.4 Know Your Investment Strategies – Knowledge and Understanding about Borrowing to Invest – General</b></p> <p>6.1.4.1 Before selling or Servicing IVICs, an Intermediary should, at a minimum, know, understand and be able to explain:</p> <p>(a) The general benefits, risks, and costs of borrowing to invest in an IVIC,</p> <p>(b) <b>How to identify whether the Intermediary has sufficient knowledge and expertise</b> to competently provide recommendations and advice on borrowing to invest in an IVIC as described under the Guidance, and</p> <p>(c) The expectations under this Guidance relating to borrowing to invest in an IVIC.</p>	<ul style="list-style-type: none"> <li>• The general understanding needed by an Intermediary should be provided by the HLLQP which should be sufficient for selling and servicing an IVIC.</li> <li>• We recommend this to be stated as a more general requirement along the lines of "Intermediaries are expected to possess the general competency to perform the activity."</li> <li>• Please review the grammar structure in 6.1.4.1 (b). Who is the Intermediary in each portion of the sentence? Is it the same person or an individual agent vs MGA?</li> </ul>
<p><b>Chapter 6.2 Know your Customer – Intermediary Expectations</b></p> <p><b>6.2.1 - Know Your Customer – General Principle</b></p> <p>CCIR and CISRO expect an Intermediary to take reasonable steps to collect up-to-date information about a Customer that enables them to assess the Customer's needs, determine whether an IVIC or IVIC Transaction is suitable for the Customer, and provide suitable recommendations or advice to the Customer.</p>	<ul style="list-style-type: none"> <li>• Currently advisors keep general notes.</li> <li>• KYC needs to be proportional to what the client wants to do.</li> </ul>
<p><b>6.2.2 – Know your Customer Information</b></p> <p>6.2.2.1 Before an Intermediary sells an IVIC to, or Services an IVIC, for the first time for a Customer, the Intermediary should, at a minimum, take reasonable steps to collect and document the following up-to-date information about the Customer's:</p> <p>(a) Financial circumstances including:</p> <p>(i) details of other relevant Life Insurance contracts and investments the Customer owns, and</p> <p>(ii) whether the Customer is,</p> <p>(A) borrowing to invest in an IVIC,</p> <p>(B) Using money from one IVIC to invest in another IVIC, or</p> <p>(C) Obtaining money from an existing insurance product to make the deposit</p>	<ul style="list-style-type: none"> <li>• 6.2.2.1 and 6.2.3.1 are basically the same requirement.</li> <li>• Delete 6.2.2.1 (ii) A, B as covered in 6.2.3.1.</li> </ul>

Chapter/Section	Industry Comments
<p>(b) Personal circumstances, including identification of people the Customer may want to benefit from the IVIC upon the Customer's or Annuitant's death,</p> <p>(c) Relevant insurance needs and objectives, such as guarantees the Customer wants or needs,</p> <p>(d) Investment needs and objectives,</p> <p>(e) Investment time horizon,</p> <p>(f) Investment knowledge,</p> <p>(g) Risk tolerance, specifically how much risk the Customer wants to take, and</p> <p>(h) Risk capacity, specifically how much financial loss the Customer can withstand.</p>	
<p><b>6.2.3 Additional Know Your Customer Information when Customer Borrowing to Invest</b></p> <p>6.2.3.1 In addition to the information collected under section 6.2.2, if:</p> <p>(a) An Intermediary knows, or <b>reasonably ought to know</b> a Customer intends to borrow to invest in an IVIC, and</p> <p>(b) The Intermediary is competent to provide recommendations and advice on borrowing to invest as described in Part 7 of this Guidance,</p> <p>the Intermediary should, at a minimum, take reasonable steps to collect and document up-to-date information necessary to enable the Intermediary to satisfy the expectations with respect to borrowing to invest under this Guidance.</p> <p>6.2.3.2 For purposes of subsection 6.2.3.1, the necessary information includes, at a minimum:</p> <p>(a) The Customer's:</p> <p>(i) total net worth,</p> <p>(ii) liquid net worth,</p> <p>(iii) income and expenses, and</p> <p>(iv) marginal income tax rate,</p> <p>(b) Copies of the loan application and lending documents, including interest rate, terms for repayment, and the outstanding loan value, and</p> <p>(c) Where the Customer is following a Leveraging Strategy created by someone other than the Intermediary, copies of documents setting out the Leveraging Strategy.</p>	<ul style="list-style-type: none"> <li>The words "reasonably ought to know" creates ambiguity in the requirement and should be removed.</li> </ul>
<p>6.2.3.3 When an intermediary becomes aware a Customer has borrowed to invest in an IVIC, the Intermediary is expected to inform the applicable Insurer and any other Intermediaries who have oversight responsibility for the Intermediary.</p>	<ul style="list-style-type: none"> <li>It is unclear what the Insurer (or other Intermediary) is expected to do after being informed about a customer borrowing to invest.</li> </ul>

Chapter/Section	Industry Comments
<p><b>6.2.4 Additional Know Your Customer Information when Customer Using money from one IVIC to invest in another IVIC</b></p> <p>6.2.4.1 In addition to the information collected under section 6.2.2 of this Guidance, before providing recommendations and advice to a Customer about, Using money from one IVIC to invest in another IVIC, an Intermediary is expected to, at a minimum, take reasonable steps to collect and document up-to-date information necessary to assess and compare the relative suitability of the existing IVIC to the proposed IVIC, including their respective IVIC Structures and Investment Options.</p> <p>6.2.4.2 For purposes of subsection 6.2.4.1 of this Guidance, the necessary information includes:</p> <p>(a) A copy of the existing IVIC,            (b) Copies of any existing documents relevant to the existing IVIC Structure, and            (c) Copies of recent statements from the Insurer to the Customer with respect to the existing IVIC.</p>	<ul style="list-style-type: none"> <li>Setting expectations for the act of comparison in 3 different sections (3.1.3.1, 7.1.5.3) makes it complicated to navigate.</li> <li>Please review to streamline and remove duplication.</li> <li>This is an opportunity to set an expectation to prepare a reason why letter.</li> </ul>
<p><b>6.2.6 Updating Know Your Customer Information - Intermediary Expectations</b></p> <p>6.2.6.1 An Intermediary is expected to ask each Owner about Material Changes to Customer Information and, if there has been a Material Change to Customer Information, document and <b>fully update</b> the Owner's information collected under Chapter 6.2:</p> <p>(a) Before providing recommendations and advice on a new IVIC or IVIC Transaction to the Owner, and            (b) When the Intermediary knows <b>or reasonably ought to know there</b> has been a Material Change to Customer Information.</p> <p>6.2.6.2 An Intermediary is expected to fully update each Owner's information:</p> <p>(a) Annually if the Intermediary knows <b>or reasonably ought to know</b>, that the Owner has borrowed to invest in an IVIC, and            (b) In any other case, no less frequently than once every three years, while the Owner continues to own the IVIC.</p> <p>6.2.6.3 Where an Intermediary updates an Owner's information as described in subsections 6.2.6.1 and 6.2.6.2, the Intermediary should promptly provide the updated information to the Owner and ask the Owner to contact them promptly if the Owner does not understand, or disagrees with, the information the Intermediary provided.</p>	<ul style="list-style-type: none"> <li>The standard created by the words "reasonably ought to know" is vague and should be removed.</li> <li>This requirement should be revised to more closely match the securities industry requirement:             <ul style="list-style-type: none"> <li>NI 31-103 – 13.2 (4) "after the registrant becomes aware of a significant change in the client's information"</li> </ul> </li> <li>We recommend the following wording in 6.2.6.1:             <ul style="list-style-type: none"> <li>An Intermediary is expected to ask each Owner about Material Changes to Customer Information and, if there has been a Material Change to Customer Information, document and update as appropriate, the Owner's information collected under Chapter 6.2:                 <ul style="list-style-type: none"> <li>(b) When the Intermediary knows there has been a Material Change to Customer Information.</li> </ul> </li> </ul> </li> <li>We recommend the following wording in 6.2.6.2:             <ul style="list-style-type: none"> <li>An Intermediary is expected to fully update each Owner's information:                 <ul style="list-style-type: none"> <li>(a) Annually if the Intermediary knows that the Owner has borrowed to invest in an IVIC, and ....</li> </ul> </li> </ul> </li> </ul>
<p><b>6.2.7 Customer Unwilling or Unable to Provide Information</b></p>	<ul style="list-style-type: none"> <li>Clarity is needed about whether this requirement applies at the time of sale or when updating information or both.</li> <li>Where a client is unwilling to provide certain requested information, the Intermediary should record the</li> </ul>

Chapter/Section	Industry Comments
<p>6.2.7.1 Where a Customer is unwilling or unable to provide an Intermediary with the information described in Chapter 6.2 the Intermediary should assess whether they have the necessary information to be able to satisfy the expectations on them under this Guidance and if not, the Intermediary:</p> <ul style="list-style-type: none"> <li>(a) Should not provide recommendations and advice to the Customer about an IVIC or an IVIC Transaction, other than to give the Customer any information and assistance the Customer needs to exercise contractual or statutory rights under existing IVICs,</li> <li>(b) Should not take an application for an IVIC,</li> <li>(c) Should tell the Customer why the Intermediary cannot provide recommendations and advice to the Customer, and</li> <li>(d) Document what the Intermediary has told the Customer pursuant to subsection</li> </ul>	<p>fact that the customer would not provide the information, but the Intermediary should be permitted to continue with the transaction.</p> <ul style="list-style-type: none"> <li>• It is a client’s right to instruct on a specific request and the client should be free to decline to provide information for privacy purposes.</li> <li>• The concept in the CLHIA Reference Document “The Approach – Serving the Client through Needs-Based Sales Practices” should be followed with the Intermediary preparing a Reason-why letter noting any differences between an advisor’s recommendation and the client’s choice.</li> <li>• We note that NI section 13.3 (2.1) provides that it is permissible to proceed with a transaction not recommended if the client is informed why the action is not suitable, an alternative course of action is recommended and there is recorded confirmation of the client’s instructions to proceed with the action despite the determination about suitability.</li> </ul>
<p><b>Chapter 6.3 Needs Analysis – Intermediary Expectations</b></p> <p><b>6.3.1 Needs Analysis – General Principle</b></p> <p>CCIR and CISRO expect an Intermediary to identify and analyze a Customer’s needs based on the Customer’s disclosed information. <u>and assess whether an IVIC will meet the Customer’s needs</u> before providing a recommendation or advice about an IVIC to the Customer or accepting an application for an IVIC from the Customer.</p>	<ul style="list-style-type: none"> <li>• The industry prefers a high-level principle to align with the securities industry model.</li> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ CCIR and CISRO expect an Intermediary to identify and analyze a Customer’s needs based on the Customer’s disclosed information before providing recommendations and advice about investing in an IVIC to the Customer or accepting an application for an IVIC from the Customer.</li> </ul> </li> </ul>
<p><b>6.3.2 Customer Needs when Investing in an IVIC</b></p> <p>6.3.2.1 Before providing recommendations and advice about investing in an IVIC, and before accepting an application for an IVIC from a Customer an Intermediary is expected to:</p> <ul style="list-style-type: none"> <li>(a) Identify the Customer’s needs,</li> <li>(b) Assess, based on the identification of the Customer’s needs under paragraph 6.3.2.1(a), whether the Customer has: <ul style="list-style-type: none"> <li>(i) needs an IVIC can meet, <b>including:</b> <ul style="list-style-type: none"> <li>(A) guaranteed payout on maturity or death or both,</li> <li>(B) guaranteed income to provide, or supplement, retirement income,</li> <li>(C) estate preservation, to allow assets to pass directly to beneficiaries without probate fees,</li> <li>(D) privacy, to allow assets to pass directly to beneficiaries without passing through an executor or probate, and</li> <li>(E) potential creditor protection, to protect assets from potential future creditors, <b>such as</b> where the Customer is a professional or an entrepreneur, and</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ Before providing recommendations and advice about investing in an IVIC, and before accepting an application for an IVIC, an Intermediary is expected to: <ul style="list-style-type: none"> <li>(a) Identify the Customer’s needs,</li> <li>(b) Assess, based on the identification of the Customer’s needs under paragraph 6.3.2.1 (a) whether the Customer has: <ul style="list-style-type: none"> <li>i. Needs an IVIC can help meet, which may include, but is not limited by, the following examples: <ul style="list-style-type: none"> <li>(A) guaranteed income to provide, or supplement retirement income</li> <li>(B) guaranteed payout on maturity or death or both,</li> <li>(C) estate preservation,</li> <li>(D) privacy, and</li> <li>(E) potential creditor information.</li> </ul> </li> <li>ii. Investment goals an IVIC can meet, which may include, but are not limited by the following: <ul style="list-style-type: none"> <li>(A) Income that is not guaranteed,</li> <li>(B) Wealth accumulation</li> <li>(C) Liquidity, and</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p>(ii) investment goals an IVIC can meet, including:</p> <p>(A) income that is not guaranteed,</p> <p>(B) wealth accumulation,</p> <p>(C) liquidity, and</p> <p>(iii) Assess how investing in the IVIC being considered, with the proposed IVIC Structure, and proposed Investment Options, would affect the needs of the Customer determined under paragraph 6.3.2.1 (b) both positively and negatively.</p>	<p>(c) Assess how investing in the IVIC being considered, with the proposed IVIC Structure, and proposed Investment Options would affect the needs of the Customer under paragraph 6.3.2.1 (b) both positively and negatively</p>
<p><b>6.3.3 Updating Customer Needs when there is a Material Change to Customer Information</b></p> <p>6.3.3.1 An Intermediary is expected to complete the steps set out in section 6.3.2 for a Customer whenever the Intermediary knows or reasonably ought to know the Customer has a Material Change to Customer Information.</p>	<ul style="list-style-type: none"> <li>We recommend this section be removed as it is a repeat of the requirement to update customer information in 6.2.6.1 (b).</li> </ul>
<p><b>6.3.4 Customer Needs for an IVIC Transaction</b></p> <p>6.3.4.1 Before providing recommendations and advice to a Customer about an IVIC Transaction, an Intermediary is expected to know the Customer’s needs as described in <b>Error! Reference source not found.</b> that are relevant to the IVIC Transaction and assess the</p> <ul style="list-style-type: none"> <li>positive and negative impact the IVIC Transaction would have on those needs.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend this section be removed as it is a repeat of the requirement in section 6.3.2.1 (c).</li> </ul>
<p><b>Part 7 Recommendations and Advice – Intermediary Expectations</b></p>	
<p><b>Chapter 7.1 Recommendations and Advice – Intermediary Expectations</b></p> <p><b>7.1.2 Suitable Recommendations and Advice</b></p> <p>7.1.2.1 An Intermediary is expected to place a Customer’s interests ahead of their own when providing recommendations and advice to the Customer about:</p> <p>(a) Investing in an IVIC,</p> <p>(b) An IVIC Structure,</p> <p>(c) Making an IVIC Transaction, and</p> <p>(d) Borrowing to invest or Using money from one IVIC to invest in another IVIC.</p>	<ul style="list-style-type: none"> <li>We recommend the following wording: <ul style="list-style-type: none"> <li>An Intermediary is expected to make suitable recommendations and advice to the Customer about...</li> </ul> </li> <li>This is in alignment with the securities industry NI 31-103 sections 13.2, 13.2.1 and 13.3.</li> <li>Are the expectations of Part 7 also applicable for an Intermediary acting in the capacity of being a business entity such as an MGA? If so, how would this work?</li> </ul>

Chapter/Section	Industry Comments
<p><b>7.1.2.3</b> An Intermediary’s recommendations and advice to a Customer about investing in an IVIC, the IVIC Structure, or making an IVIC Transaction are expected to be suitable for the Customer based on:</p> <p>(a) the Intermediary’s knowledge and expertise of the IVIC and any relevant investment strategies as described in Chapter 6.1 of this Guidance and Chapter 6.2 of this Guidance,</p> <p>(b) up-to-date information the Intermediary collected as described in Chapter 6.2 of this Guidance,</p> <p>(c) the needs analysis the Intermediary is expected to perform as described in Chapter 6.3 of this Guidance.</p> <p>(d) the potential and actual impact of the cost of the IVIC or IVIC Transaction on the Customer’s return on investment, and</p> <p>(e) a reasonable range of alternative products or IVIC Transactions that are available to the Intermediary at the time the recommendation or advice is provided.</p>	<ul style="list-style-type: none"> <li>In 7.1.2.3 (e) “a reasonable range of alternative products...” should mean a range of alternative <u>insurance</u> products, not investment funds or ETFs.</li> </ul>
<p><b>7.1.2.4</b> For purposes of this Guidance, providing recommendations and advice about an IVIC to a Customer includes recommendations and advice not to:</p> <p>(a) Invest in an IVIC, or</p> <p>(b) Make an IVIC Transaction</p>	<ul style="list-style-type: none"> <li>This section should be removed.</li> <li>We note that NI section 13.3 (2.1) provides that it is permissible to proceed with a transaction not recommended if the client is informed why the action is not suitable, an alternative course of action is recommended and there is recorded confirmation of the client’s instructions to proceed with the action despite the determination about suitability.</li> </ul>
<p><b>7.1.3 Recommending Leveraging Strategies and Borrowing to Invest – General Principle</b></p> <p>If an Intermediary knows or <u>reasonably ought to know</u> a Customer intends to borrow, or has borrowed, to invest in an IVIC, CCIR and CISRO expect the Intermediary to only sell an IVIC or provide Service with respect to one if the Intermediary has sufficient knowledge and expertise about borrowing to invest to provide competent recommendations and advice.</p> <p>In addition to the expectations in section 7.1.2, where an Intermediary sells or Services an IVIC where the Customer is using a Leveraging Strategy or has borrowed to invest in the IVIC, CCIR and CISRO expect the Intermediary to also satisfy the expectations in sections 7.1.3 and 7.1.4.</p>	<ul style="list-style-type: none"> <li>We recommend removing “reasonably ought to know”.</li> <li>It is not clear from the definition of Intermediaries how this section applies to MGAs.</li> <li>Where the client arranges their own financing, it may be difficult in some cases for an Intermediary to obtain details of the lending arrangement from the client.</li> <li>We should emphasize, take reasonable steps to collect.</li> </ul>
<p><b>7.1.3.2</b> Before an Intermediary recommends a Customer borrow to invest, the Intermediary is expected to create a suitable Leveraging Strategy for the Customer, based on the criteria set out in subsection 7.1.3.4 of this Guidance, that sets out, at a minimum:</p> <p>(a) The proposed duration of the Leveraging Strategy, including duration of the loan,</p> <p>(b) Loan terms, including interest rate and required payments,</p>	<ul style="list-style-type: none"> <li>The wording in this section should be revised to clarify that it is applicable when a leveraging strategy is recommended, which should be distinguished from borrowing to invest.</li> <li>Borrowing to invest captures things that are not leveraging strategies.</li> <li>These requirements should not be unduly complicated. We don’t want to capture things that will make the customer’s investment experience unduly complicated.</li> </ul>

Chapter/Section	Industry Comments
<p>(c) Collateral security for the loan, if applicable,            (d) When and how a Customer may be required to make payments toward the loan's principal and/or interest,            (e) The IVIC and IVIC Structure,            (f) The Investment Options,            (g) Performance of Investment Options required to enable the Customer to make a profit, net of expenses such as Customer Fees and Charges and costs of borrowing to invest, under the Leveraging Strategy, and            (h) When and how the Customer may make any withdrawals from the IVIC.</p>	
<p>7.1.3.3 An Intermediary is expected to only recommend a Customer <b>borrow to</b> invest in an IVIC if the recommendation is in accordance with a Leveraging Strategy that the Intermediary has determined is suitable for the Customer in accordance with section 7.1.3 of this Guidance.</p>	<ul style="list-style-type: none"> <li>We recommend deleting the words “borrow to” to clearly distinguish between borrowing and a leverage strategy.</li> </ul>
<p>7.1.3.4 Where an Intermediary assesses the suitability of a Leveraging Strategy for a Customer, the Intermediary is expected to make that assessment based on:</p> <p>(a) The Customer's risk tolerance, noting a Leveraging Strategy is rarely suitable for Customers with a low risk tolerance,            (b) The Customer's investment knowledge and experience, noting a Leveraging Strategy is rarely suitable for Customers with limited:                (i) investment experience, or                (ii) understanding of investments,            (c) The Customer's age, noting a Leveraging Strategy is rarely suitable for elderly Customers,            (d) The Customer's net worth and the Customer's ability to sustain any loss which may occur,            (e) The Customer having sufficient income, assets and liquidity to pay ongoing loan payments and the loan balance when it comes due,  <b>(f) The likelihood the Customer will be able to make a profit, net of expenses, under the Leveraging Strategy considering:</b>                (i) the terms of the loan,                (ii) the cost of borrowing to invest, and                (iii) the likely performance of the chosen investment over the relevant time period, net of Customer Fees and Charges,            (g) The tax benefit or consequences of the Leveraging Strategy,            (h) Impact of a collateral assignment to the Customer, if applicable, such as the potential the Customer will be unable to make IVIC Transactions while the IVIC is collaterally assigned,</p>	<ul style="list-style-type: none"> <li>In article 71.3.4 (f) we recommend this paragraph be removed.</li> <li>“likelihood” implies a probability analysis exercise that the advisor should not have to perform.</li> <li>There is a need to clarify the intent related to the expectation for an MGA.</li> </ul>

Chapter/Section	Industry Comments
<p>(i) The Customer's investment time horizon and the intended duration of the loan,            (j) How the IVIC and Investment Options being considered interact with the Leveraging Strategy,            (k) The IVIC Structure being considered,            (l) The details of the Leveraging Strategy if created by someone other than the Intermediary, and            (m) Other factors relevant to borrowing to invest or Leveraging Strategies, including guarantees under the IVIC.</p>	
<p><b>7.1.4 Additional Considerations with respect to Borrowing to Invest</b></p> <p>7.1.4.1 If an Intermediary does not recommend a Leveraging Strategy but knows or reasonably ought to know a Customer intends to borrow, or has borrowed, to invest in an IVIC, the Intermediary is expected to complete the steps described in the Chapter promptly and in any case before:</p> <p>(a) accepting an application for an IVIC from the Customer, or            (b) Helping the Customer to complete the related IVIC Transaction</p>	<ul style="list-style-type: none"> <li>We recommend removing (a) and (b) to simplify the requirement.</li> </ul>
<p>7.1.4.3 In the situation described in subsection 7.1.4.1 of this Guidance if the Intermediary has sufficient knowledge and expertise with respect to Leveraging Strategies to provide competent recommendations and advice with respect to borrowing to invest, the Intermediary is expected to:</p> <p>(a) If the Customer has provided a Leveraging Strategy to the Intermediary, assess whether the Leveraging Strategy is suitable for the Customer as described in section 7.1.3 of this Guidance,            (b) If the Customer has not provided a Leveraging Strategy to the Intermediary or the Intermediary determines the Leveraging Strategy that the Customer has provided is not suitable for the Customer and the Customer has not yet implemented it, assess whether it is possible to create a suitable Leveraging Strategy, and</p> <p>(i) if the Intermediary identifies a suitable Leveraging Strategy, follow the steps described in section 7.1.3, or            (ii) if the Intermediary cannot identify a suitable Leveraging Strategy, and the Customer has not yet invested borrowed money, inform the Customer that the Intermediary has not identified a suitable strategy and recommend the Customer not borrow to invest in an IVIC, or            (c) If the Customer has provided a Leveraging strategy to the Intermediary and the Intermediary determines the Leveraging Strategy is not suitable for a Customer, but the Customer has already implemented it, the Intermediary is expected to recommend a course of action that is suitable for the Customer.</p>	<ul style="list-style-type: none"> <li>This section should be simplified to be clear.</li> <li>If a client wishes to follow a leveraging strategy which the Intermediary determines to be unsuitable, or unduly risky, the Intermediary should be required to document this.</li> <li>Clients have a right to seek a level of advice that is commensurate with their goals. It is overly invasive for an advisor to police their individual financial decisions, beyond the scope of advising on the product.</li> <li>This interferes with the customer and advisor relationship.</li> </ul>
<p>7.1.4.4 Depending on a Customer's circumstances, the course of action in paragraph 7.1.4.3(c) may include:</p> <p>(a) Recommending the Customer exit the Leveraging Strategy and, if the Customer agrees, working with</p>	<ul style="list-style-type: none"> <li>See notes above.</li> <li>We note that NI section 13.3 (2.1) provides that it is permissible to proceed with a transaction not recommended if the client is informed why the action is not suitable, an alternative course of action is</li> </ul>

Chapter/Section	Industry Comments
<p>the Customer to develop and implement a plan to exit the Leveraging Strategy in a way that is suitable for the Customer's situation and needs, if possible,</p> <p>(b) Amending the Leveraging Strategy to make the Leveraging Strategy suitable for the Customer and recommend the Customer take steps to implement the amended Leveraging Strategy, or</p> <p>(c) Recommending the Customer not make any changes while the Intermediary continues to closely monitor the investment and the Leveraging Strategy, if exiting the Leveraging Strategy at that time would not be suitable for the Customer and it would not be possible to amend the Leveraging Strategy to make it suitable for the Customer.</p>	<p>recommended and there is recorded confirmation of the client's instruction to proceed with the action despite the determination about suitability. Similar concepts should apply.</p>
<p><b>7.1.5 Using Money from one IVIC to Invest in Another IVIC – General Principle</b></p> <p>In addition to the expectations in section 7.1.2 of this Guidance, where the Intermediary knows or <b>reasonably ought to know</b> a Customer intends to Use money from one IVIC to invest in another IVIC, CCIR and CISRO expect the Intermediary to also satisfy the expectations in section 7.1.5 of this Guidance.</p>	<ul style="list-style-type: none"> <li>• We recommend removing "reasonably ought to know".</li> </ul>
<p><b>7.1.5.2</b> If an Intermediary does not recommend a Customer Use money from one IVIC to invest in another IVIC, but knows or <b>reasonably ought to know</b> the Customer intends to do so, the Intermediary is expected to complete the steps described in subsection 7.1.5.3 of this Guidance promptly and in any case before:</p> <p>(a) Accepting an application for an IVIC from the Customer, or</p> <p>(b) Helping the Customer complete the related IVIC Transaction.</p>	<ul style="list-style-type: none"> <li>• We recommend removing "reasonably ought to know".</li> </ul>
<p><b>7.1.5.3</b> In the circumstances described in subsections 7.1.5.1 and 7.1.5.2 of this Guidance, an Intermediary is expected to:</p> <p>(a) Assess the suitability of any proposed IVIC, IVIC Structure, Investment Options or other IVIC Transaction for a Customer,</p> <p>(b) Assess the suitability of the existing IVIC from which money is to be taken and the associated IVIC Structure, and Investment Options for the Customer, and</p> <p>(c) Compare the existing and proposed IVICs to determine which IVIC is more suitable for the Customer, considering:</p> <p>(i) the respective maturity, death benefit and if applicable, income guarantees of the IVICs, including all relevant factors such as:</p> <p>(A) The percentage amount,</p> <p>(B) The guarantee effective dates,</p> <p>(C) Whether maturity guarantees are deposit level or contract level, and</p>	

Chapter/Section	Industry Comments
<p>(D) Whether guarantees in the existing IVIC from which the money is to be taken exceed Market Value and the probability that they may in the future exceed Market Values.</p> <p>(ii) other contract features, such as reset options and bonuses, which could benefit the Customer in the future but would be given up as a result of the proposed transaction.</p> <p>(iii) the respective provisions, Investment Options and Customer Fees and Charges associated with the IVICs</p> <p>(iv) any reduction in liquidity or Customer Fees and Charges the Customer would incur when obtaining access to funds invested in the proposed IVIC.....</p>	
<p><b>7.1.5.4</b> An Intermediary is expected to only recommend Using money from one IVIC to invest in another IVIC where the Intermediary determines the proposed investment in the proposed IVIC is <b>more suitable</b> for the Customer than keeping the money in the existing IVIC from which money is to be taken</p>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ An Intermediary is expected to only recommend Using money from one IVIC to invest in another IVIC where the Intermediary determines the proposed investment in the proposed IVIC is suitable for the Customer considering the factors noted in 7.1.5.3.</li> </ul> </li> </ul>
<p><b>7.1.6 Unmet Needs</b></p> <p>7.1.6.1 Where an Intermediary determines it is not possible to meet <b>all the needs</b> of a Customer that are identified as described in Chapter 6.3, but the Intermediary provides recommendations and advice about investing in an IVIC, an IVIC Structure, or making an IVIC Transaction that will meet <b>some of those needs</b>, the Intermediary is expected to explain to the Customer:</p> <p>(a) Why the recommendation and advice does not meet all the Customer’s identified needs,</p> <p>(b) Which of the identified needs the recommendation and advice will meet, and</p> <p>(c) Which of the identified needs the recommendation and advice will not meet.</p>	<ul style="list-style-type: none"> <li>• The wording “all the needs” is too broad.</li> <li>• We recommend removal of the word “all”.</li> <li>• This should be part of the reason why letter disclosure.</li> </ul>
<p><b>Chapter 7.1.7 Suitability of Instructions not based on Intermediary Recommendations</b></p> <p>7.1.7.2 Where an Intermediary determines under subsection 7.1.7.1 of this Guidance that the Customer’s instructions to invest in an IVIC or make an IVIC Transaction <b>does not fully meet the Customer’s identified needs or does not meet the Customer’s needs at all</b>, the Intermediary is expected to:</p> <p>(a) Provide the Intermediary’s determination with respect to suitability and their reasons in writing to the Customer,</p> <p>(b) If possible and the Intermediary has not already done so, suggest an alternative insurance product or IVIC Transaction which more fully meets the Customer’s needs, and</p> <p>(c) If the Customer still wishes to proceed with their original instruction and the Intermediary wishes to assist the Customer, obtain written, or in another recorded format, confirmation from the Customer</p>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ Where an Intermediary determines under section 7.1.7.1 of this Guidance that the Customer’s instructions to invest in an IVIC or an IVIC Transaction do not meet the requirement of being <u>suitable</u>, the Intermediary is expected to:...</li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p>to proceed with completing the instruction despite the Intermediary's recommendation.</p>	
<p><b>Chapter 7.1.8 Reassessing Suitability with Customer's Needs</b></p> <p>7.1.8.1 An Intermediary is expected to assess whether an existing IVIC, IVIC Structure or Investment Option choice made by a Customer continues to meet the Customer's needs and take reasonable steps in response to the assessment, within a reasonable time after any of the following:</p> <p>(a) The Intermediary becomes responsible for Servicing the IVIC,</p> <p>(b) The Intermediary becomes aware of a Material Change to an IVIC for which it is responsible for Servicing,</p> <p>(c) The Intermediary becomes aware of a <b>fundamental change</b> to any of the Customer's chosen Investment Options under the IVIC,</p> <p>(d) The Intermediary becomes aware of a Material Change to Customer Information, and</p> <p>(e) The collection of updated Customer information as described in section 6.2.6.</p>	<ul style="list-style-type: none"> <li>Additional clarity is needed regarding the reference to "fundamental change". To avoid confusion with "Fundamental Changes", we recommend using the words "significant change".</li> </ul>
<p><b>7.1.8.2</b> An Intermediary who has sufficient knowledge and expertise with respect <b>Leveraging Strategies</b> to provide competent recommendations and advice with respect to <b>borrowing to invest</b> is expected to assess whether the Leveraging Strategy continues to be suitable for the Customer and the Customer is continuing to follow it and take reasonable steps in response to the assessment:</p> <p>(a) At least once each year, and</p> <p>(b) Within a reasonable time after the Intermediary becomes aware of a material change to any of the elements of the Customer's Leveraging Strategy.</p>	<ul style="list-style-type: none"> <li>Clarity is needed regarding leveraging strategy vs borrowing to invest.</li> <li>We recommend removing the words "borrowing to invest".</li> </ul>
<p><b>Chapter 7.2 Pre-Transaction Disclosure – Intermediary Expectations</b></p> <p>7.2.1 General Principle</p> <p>Before an Intermediary provides recommendations and advice to a Customer about investing in an IVIC, an IVIC Structure, or making an <b>IVIC Transaction</b>, CCIR and CISRO expect the Intermediary to give the Customer the information the Customer needs to make an informed decision about whether to proceed with investing in the IVIC, the IVIC Structure or the IVIC Transaction.</p>	<ul style="list-style-type: none"> <li>"IVIC Transaction" is very broad and it's not clear that it doesn't include subsequent deposits or purchases.</li> <li>It would be better to link this requirement to when a recommendation is given, in line with <i>Part 7 Recommendations and Advice</i>.</li> </ul>
<p>7.2.2 Information Folder and Fund Facts</p> <p>7.2.2.1 Before a Customer applies for an IVIC, an Intermediary is expected to deliver to the Customer the most current Information Folder for the IVIC including:</p> <p>(a) The most current Fund Facts for each Segregated Fund in which the Customer intends to invest at the</p>	<ul style="list-style-type: none"> <li>The requirement should allow for separate delivery of key facts and not require delivery of the full information folder but only "Key facts and Fund Facts"</li> <li>See Appendix "A" Overview of CLHIA Comments.</li> </ul>

Chapter/Section	Industry Comments
<p>time of the application, and (b) An applicable addendum to the Information Folder.</p>	
<p><b>Chapter 7.3 Pre-transaction Disclosure – When Borrowing to Invest</b> <b>7.3.1 Information to be Provided</b> 7.3.1.2 Where an Intermediary recommends a Customer borrow to invest in an IVIC, the Intermediary is expected to provide the Customer with the following items in writing and clearly and accurately explain to the Customer:</p> <p>(a) A risk information document containing information substantially similar to Appendix D – Risk of Borrowing to Invest of this Guidance,</p> <p>(b) Details of any conflicts of interest that arise between the Intermediary and the Customer in connection with the recommendation, including any monetary and non-monetary compensation the Intermediary receives with respect to the loan, such as a referral fee or loan placement fee, other than monetary and nonmonetary compensation received in respect of a deposit to a Segregated Fund, and</p> <p>(c) A suitable Leveraging Strategy setting out, at a minimum,</p> <p>(i) the proposed duration of the Leveraging Strategy, including duration of the loan,</p> <p>(ii) loan terms, including interest rate and required payments,</p> <p>(iii) collateral security for the loan, if applicable,</p> <p>(iv) when and how a Customer may be required to make payments toward the loan’s principal and/or interest, (v) the IVIC and IVIC Structure,</p> <p>(v) (vi) the Investment Options,</p> <p>(vi) performance of Investment Options required to enable the customer to make a profit, net of expenses such as Customer Fees and Charges and costs of borrowing to invest, under the Leveraging Strategy, and</p> <p>(vii) when and how the Customer may make any withdrawals from the IVIC.....</p>	<ul style="list-style-type: none"> <li>• To comply with 7.3.1.2 (c) (vii) an illustration would be required, and this is challenging and problematic.</li> <li>• Advisor competencies should not include complex illustration modelling.</li> <li>• It should be sufficient for the rate of interest on the loan to be clearly disclosed.</li> <li>• We recommend the following change to the wording: <ul style="list-style-type: none"> <li>▪ “returns of Investment Options required to enable the customer to make a profit, net of expenses such as Customer fees and Charges and costs of borrowing to invest, under the Leveraging Strategy, and...”</li> </ul> </li> </ul>
<p>7.3.1.4 Where an Intermediary does not recommend borrowing to invest but knows or <b>reasonably ought to know</b> the Customer intends to borrow, or has borrowed, to invest in an IVIC, the Intermediary is expected to provide the Customer a risk information document containing information substantially similar to Appendix D and clearly and accurately explain it to the Customer.</p>	<ul style="list-style-type: none"> <li>• We recommend removing the words “reasonably ought to know”.</li> </ul>
<p><b>7.4 Pre-transaction Disclosure – When Customer Using money from one IVIC to invest in another IVIC</b> 7.4.1.2 The Intermediary is expected to clearly and accurately explain to the Customer, and provide in plain language writing, the following information:</p>	<ul style="list-style-type: none"> <li>• This section seems repetitive.</li> <li>• We recommend it be removed.</li> <li>• If this section is retained, the words “more suitable” should be replaced by “recommended”.</li> </ul>

Chapter/Section	Industry Comments
(a) Why Using money from one IVIC to invest in another IVIC is <b>more suitable</b> for the Customer than not Using money from one IVIC to invest in another IVIC, and...	
<p><b>Chapter 7.6 – Completing Customer Instructions</b></p> <p><b>7.6.6 Insurer – General Principle</b></p> <p>CCIR and CISRO expect an Insurer to make information available to Intermediaries on how to follow the Insurer’s policies, procedures and controls to implement Customer instructions and, where Customers <b>have the right</b> to deal directly with the Insurer, to have efficient processes to receive and implement Customer instructions.</p>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ The CCIR and CISRO expect the Insurer to make information available to Intermediaries on how to follow its policies, procedures and controls in order to carry out Customer Instructions and where the clients have the right to deal directly with the Insurer, so that the Insurer has sufficient processes in place to receive and implement Customer Instructions.</li> </ul> </li> </ul>
<p><b>Chapter 7.7 Post Transaction/Reasons Why Disclosure – Intermediary Expectations</b></p> <p>7.7.1 General Principle</p> <p>CCIR and CISRO expect an Intermediary to provide a Customer with a written explanation in plain language of the Intermediary’s recommendation and advice and the basis for it, <b>promptly after</b> the date the Customer receives confirmation the IVIC has been issued, or such earlier date in a jurisdiction as may be set out under applicable law.</p>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ CCIR and CISRO expect an Intermediary to provide a Customer with a written explanation in plain language of the Intermediary’s recommendation and advice and the basis for it, within a reasonable time of the date the Customer receives confirmation the IVIC has been issued.</li> </ul> </li> <li>• “reasonable” provides a clear reference in a legal context.</li> </ul>
<p><b>7.7.2 Information to be Provided</b></p> <p>7.7.2.1 An Intermediary is expected to provide, <b>at a minimum</b>, the following information to a Customer, written in plain language:</p> <ul style="list-style-type: none"> <li>(a) The information collected about the Customer as set out in Chapter 6.2 of the Guidance</li> <li>(b) The needs identified with respect to an IVIC as set out in Chapter 6.3 of the Guidance,</li> <li>(c) The recommendations and advice provided to the Customer as set out in Chapter 7.1 of the Guidance. including: <ul style="list-style-type: none"> <li>(i) how the Intermediary’s recommendation and advice with respect to investing in an IVIC, making an IVIC Transaction, or an IVIC Structure addresses the Customer’s needs, and</li> <li>(ii) the needs, if any, of the Customer that cannot be met by the recommendation and advice and why, and</li> </ul> </li> <li>(d) The Customer’s instructions to the Intermediary as set out in Chapter 7.6 of the Guidance, and</li> <li>(e) If the IVIC recommended by the Intermediary has more than one sales charge option, a statement confirming the sales charge option chosen by the Customer, and an explanation of the other sales charge options available and how they impact the IVIC.</li> </ul>	<ul style="list-style-type: none"> <li>• We recommend the words “at a minimum” be replaced with “as applicable” to provide more flexibility for the advisor.</li> </ul>

Chapter/Section	Industry Comments
<p>7.7.2.2 The information set out in subsection 7.7.2.1 should be provided by an Intermediary to a Customer promptly after the date the Customer receives confirmation the IVIC has been issued is delivered, or such earlier date in a jurisdiction as may be set out under applicable law.</p>	<ul style="list-style-type: none"> <li>Replace “promptly” with “within a reasonable time” as explained above.</li> </ul>
<p><b>7.7.2.3</b> An Intermediary is expected to ask each Customer to contact them promptly if the Customer does not understand, or disagrees with, information the Intermediary provides to the Customer pursuant to Section 7.7.2 of this Guidance.</p>	<ul style="list-style-type: none"> <li>This requirement is already covered in the reason why letter components listed in the Approach and should be removed.</li> </ul>
<p><b>7.7.3 Additional Information to be provided if Customer using a Leveraging Strategy or Borrowing to Invest</b></p> <p>7.7.3.1 At the same time as the information described in section 7.7.2 is provided by an Intermediary to a Customer, the Intermediary is expected to provide, at a minimum, the following information to the Customer, written in plain language where the Intermediary recommends a Customer borrow to invest in an IVIC in connection with the related investment in the IVIC:</p> <p>(a) A statement that the Intermediary provided the document specified in subsection 7.3.1.2 before the Customer applied for the IVIC, and</p> <p>(b) A statement confirming whether the Customer has decided to implement the Leveraging Strategy described in this document.</p>	<ul style="list-style-type: none"> <li>How do you comply with this requirement? Is a letter required?</li> </ul>
<p><b>Part 9. Corporate Governance and Ongoing Administration of Segregated Funds – Insurer Obligations</b></p>	
<p><b>Chapter 9.1 Corporate Governance</b></p> <p><b>9.1.1 Corporate Governance of Segregated Funds</b></p> <p>An Insurer that establishes and maintains a Segregated Fund available for the allocation of deposits under an IVIC is expected to:</p> <p>(a) Prepare, on an annual basis, financial statements for the Segregated Fund as described in section 9.4.3 of this Guidance,</p> <p>(b) Appoint an auditor to report on the financial statements for the Segregated Fund,</p> <p>(c) Ensure that the Segregated Fund has an investment policy, and monitor the Segregated Fund for compliance with that policy, and</p> <p>(d) Ensure that all fundamental changes to, and partitions, mergers and closings of, a Segregated Fund comply with Part 9 of this Guidance.</p>	<ul style="list-style-type: none"> <li>In accordance with the draft updated Guideline G2, we recommend the inclusion of the following: (e) “establish compliance processes to monitor for adherence to the requirements of this Guideline”.</li> </ul>
<p><b>Chapter 9.2 Partitioning of Assets held in Segregated Funds</b></p>	<ul style="list-style-type: none"> <li>Partitioning of assets held in a Segregated Fund are quite rare.</li> <li>The industry requests there be a standard 60-day notice to regulators and Intermediaries for all</li> </ul>

Chapter/Section	Industry Comments
<p><b>9.2.3 Notice to Insurance Regulators, Intermediaries and Owners</b></p> <p>9.2.3.1 Where an Insurer intends to partition assets within a Segregated Fund, the Insurer should send a notice written in plain language of the partition to:</p> <ul style="list-style-type: none"> <li>(a) Each applicable insurance regulator, at least <b>90 days prior</b> to the occurrence of the partitioning of assets within the Segregated Fund,</li> <li>(b) Each Intermediary responsible for servicing IVICs for Owners invested in the Segregated Fund at least <b>90 days prior</b> to the occurrence of the partitioning of assets within the Segregated Fund, and</li> <li>(c) Each Owner invested in the Segregated Fund, at least <b>60 days</b> prior to the occurrence of the partitioning of assets within the Segregated Fund.</li> </ul>	<p>situations where notice is required.</p> <ul style="list-style-type: none"> <li>• This will maintain consistency with the current notice requirements which apply for fundamental changes and the closing of segregated funds.</li> </ul>
<p><b>Chapter 9.3 Fundamental Changes, Mergers and Closings of Segregated Funds</b></p> <p><b>9.3.1 Merger or Closing of a Segregated Fund – Notice</b></p> <p>9.3.1.1 Where an Insurer intends to (i) merge one of its Segregated Funds with one or more of its other Segregated Funds, or (ii) close one of its Segregated Funds, the Insurer should send a written notice in plain language of the merger or closing, as applicable to:</p> <ul style="list-style-type: none"> <li>(a) Each applicable insurance regulator, at least <b>90 days</b> prior to the occurrence of the merger or closing, as applicable,</li> <li>(b) Each Intermediary responsible for servicing IVICs for Owners invested in the applicable Segregated Funds, at least <b>90 days</b> prior to the occurrence of the merger or closing, as applicable, and</li> <li>(c) Each Owner invested in the applicable Segregated Funds, at least 60 days prior to the occurrence of the merger or closing, as applicable.</li> </ul>	<ul style="list-style-type: none"> <li>• See comments above</li> <li>• There should be flexibility for providing notice in digital form where there is the consent of the client.</li> <li>• General posting of changes on Insurer’s website should be sufficient notice.</li> </ul>
<p>9.3.1.2 The notice referred to in subsection 9.3.1.1 of this Guidance is expected to include, at a minimum:</p> <ul style="list-style-type: none"> <li>(a) A general assessment, including a quantitative assessment, in plain language written and illustrative form, about the significant impact, if any, of the merger or closing of the Segregated Fund for Owners invested in the Segregated Fund, on the following: <ul style="list-style-type: none"> <li>(i) death or contract maturity guarantees available to Owners under the corresponding IVICs,</li> <li>(ii) Customer Fees and Charges incurred by Owners,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Notices with individualized information should not be required to be provided.</li> <li>• Owners should be invited to contact their representative for more details.</li> <li>• This concept aligns with the concept for application of fundamental change rights in section 11.5 (b) (i) (B) of G2.</li> <li>• We recommend the following wording for 9.3.1.2 (d);</li> </ul>

Chapter/Section	Industry Comments
<p>(iii) sales charge options available under the corresponding IVICs, and</p> <p>(iv) income taxes payable by Owners,</p> <p>(b) Disclosure of significant income tax implications for Owners invested in the applicable Segregated Funds resulting from the merger or closing,</p> <p>(c) An invitation to Owners invested in the applicable Segregated Funds to contact the Intermediary responsible for servicing their IVICs to discuss the impact of the merger or closing on them,</p> <p>(d) The right of Owners invested in the applicable Segregated Funds to transfer within their IVIC to a similar Segregated Fund offered by the Insurer that is not subject to the merger or closing for which the notice is being delivered:</p> <p>(i) without affecting any other rights or obligations of the Owner under the terms of their IVIC,</p> <p>(ii) without incurring any charges, fees or costs as a result of making the transfer, and</p> <p>(iii) provided the Owner gives written notice of their election to make the transfer to the Insurer at least 5 business days prior to the expiry of the notice period expected under subsection 9.3.1.1 of this Guidance,</p> <p>(e) An option permitting Owners invested in the applicable Segregated Funds to withdraw money from their Segregated Funds without being charged any fees or costs for making the withdrawal, provided that they give written notice of this election to the Insurer at least 5 business days prior to the expiry of the notice period expected under subsection 9.3.1.1 of this Guidance.</p> <p>(f) Disclosure clearly stating that if the Owner chooses the option in paragraph 9.3.1.2 (e) of this Guidance, the Owner will receive the fair market value of the Segregated Funds they are withdrawing from, but will not receive the guarantee benefit under their IVIC, unless the IVIC has reached maturity, or it coincides with the death benefit,</p> <p>(g) If multiple options are offered to Owners invested in the applicable Segregated Funds, a comparison of the options,</p> <p>(h) A reasonable period for Owners invested in the applicable Segregated Funds to finalize any decisions they may be required to make as a result of the merger or closing, and obtain support from the Intermediary responsible for servicing their IVICs, and Information on how Owners can access the most current Fund Facts for the Segregated Funds being merged or closed.</p> <p>Information on how Owners can access the most current Fund Facts for the Segregated Funds being merged or closed</p>	<ul style="list-style-type: none"> <li>• The right of Owners invested in the applicable Segregated Funds to transfer within their IVIC to a similar Segregated Fund, if available, offered by the Insurer that is not subject to the merger or closing for which the notice is being delivered:             <ol style="list-style-type: none"> <li>1. Without affecting any other rights or obligations of the Owner under the terms of their IVIC,</li> <li>2. Without incurring any charges, fees or costs as a result of making the transfer, and</li> <li>3. Provided the Owner gives written notice of their election to make the transfer to the Insurer at least 5 business days prior to the occurrence of the merger or closing period expected under subsection 9.3.1.1 of this Guidance.</li> </ol> </li> <li>• We recommend the following wording for 9.3.1.2 (e):             <ul style="list-style-type: none"> <li>• An option permitting Owners invested in the applicable Segregated Funds to withdraw money from their Segregated Funds without being charged any fees or costs for making the withdrawal, provided they give written notice of this election to the Insurer at least 5 business days prior to the occurrence of the merger or closing period, and provided there is no “Similar Segregated Fund”, expected under subsection 9.3.1.1 of this Guidance.</li> </ul> </li> </ul>
<p>9.3.1.3 In the notice referred to in subsection 9.3.1.1 of this Guidance an insurer may provide that during the 60-day notice period described in subsection 9.3.1.1 (c) of this Guidance, an Owner shall not be permitted to transfer or allocate a deposit to the merging or closing Segregated Funds, unless the Owner agrees to waive the right to withdraw set out in subsection 9.3.1.2 (f) of this Guidance.</p>	<ul style="list-style-type: none"> <li>• The reference to section 9.3.1.2 (f) should also include reference to section 9.3.1.2 (e).</li> </ul>
<p><b>9.3.2 Merger with Another Segregated Fund of a Different Insurer</b></p>	<ul style="list-style-type: none"> <li>• In the draft updated G2 the previous sections 11.1 – Merger with Another Segregated Fund of the Same</li> </ul>

Chapter/Section	Industry Comments
<p>9.3.2.1 Where two or more insurers intend to merge their Segregated Funds (the ‘terminating funds’) into one fund (the “continuing fund”) as a result of the merger of the Insurers themselves, or as part of the sale of a block of insurance business, the Insurers are expected to ensure that:</p> <p>(a) <b>The continuing fund shall assume all guarantees and maturity dates in the terminating funds,</b> and</p> <p>(b) Written notice in plain language of the merger that complies, as applicable, with subsection 9.3.1.2 of this Guidance is sent to:</p> <p>(i) Each applicable insurance regulator, at least <b>90 days</b> prior to the occurrence of the merger,</p> <p>(ii) Each Intermediary responsible for servicing IVICs for Owners invested in the terminating funds, at least <b>90 days</b> prior to the occurrence of the merger, and</p> <p>(iii) Each Owner invested in the terminating funds at least 60 days prior to the occurrence of the merger.</p>	<p>Insurer and 11.2 – Merger with a “Fundamental Changes, Merger or Closing of a Segregated Fund” were combined recognizing that all of these types of changes are now approached in a similar manner.</p> <ul style="list-style-type: none"> <li>• Since 9.3.2.1 of Guidance makes reference to applying the requirements in section 9.3.2.1, we recommend removing this section to simplify the overall Guidance.</li> <li>• Change 90-day notification to 60 days.</li> <li>• 9.3.2.1 (a) wording is incorrect. The fund isn’t responsible for the guarantees and maturity dates, the IVIC is.</li> <li>• These are contract level responsibilities, not fund level responsibilities.</li> <li>• Flexibility should be given to insurers for the way that Intermediaries are informed. This should not necessarily require a formal written notice.</li> </ul>
<p><b>9.3.3 Fundamental Changes – Notice</b></p> <p>9.3.3.1 An insurer should send written notice to (i) each applicable insurance regulator, (ii) each Intermediary responsible for servicing IVICs for Owners invested in the Segregated fund, and (iii) each Owner invested in a Segregated Fund before making any of the following changes to a Segregated Fund:</p> <p>(a) <b>An increase in the Fund Expenses</b> which may be charged against the assets of the Segregated Fund,</p> <p>(b) A change in the Fundamental Investment Objectives of the Segregated Fund,</p> <p>(c) A decrease in the frequency with which units of the Segregated Fund are valued, or</p> <p>(d) An increase in the Insurance Fee limit specified pursuant to subsection 2.8.3.2 of this Guidance.</p>	<ul style="list-style-type: none"> <li>• In section 9.3.3.1 (a), we recommend the following wording: <ul style="list-style-type: none"> <li>▪ An increase in management fees which may be charged against the assets of the Segregated Fund,</li> </ul> </li> <li>• An increase in fund expenses may result from an increase in trading expenses which can be normal, and isn’t a fundamental change.</li> <li>• Using “fees” instead of “expenses” insulates against impacts from a change in fund size.</li> </ul>
<p>9.3.3.2 An Insurer should send the notice expected under subsection 9.3.3.1 of this Guidance to:</p> <p>(a) each applicable insurance regulator, at least <b>90 days</b> prior to each change,</p> <p>(b) each Intermediary responsible for servicing IVICs for Owners invested in the Segregated Fund, at least <b>90 days</b> prior to each change, and</p> <p>(c) each Owner invested in the Segregated Fund at least 60 days prior to each change.</p>	<ul style="list-style-type: none"> <li>• To maintain flexibility, the industry requests that the current 60-day notice be maintained.</li> </ul>
<p>9.3.3.3 The notice expected under subsection 9.3.3.1 of this Guidance should provide Owners invested in the Segregated Funds with:</p>	<ul style="list-style-type: none"> <li>• We recommend changing the words “expiry of the notice period” to be changed to “fundamental change” in section 9.3.3.3 (a) (iii) and 9.3.3.3 (b). The governing event is the fundamental change.</li> <li>• The wording in 9.3.3.3 (b) should be modified to stipulate that a free exit will only be provided in a</li> </ul>

Chapter/Section	Industry Comments
<p>(a) the right to transfer within their corresponding IVIC to a similar Segregated Funds offered by the insurer that is not subject to the change for which the notice is being delivered:</p> <p>(i) without affect any other rights or obligations of the Owner under the terms of that IVIC,</p> <p>(ii) without incurring any fees for making the transfer, and</p> <p>(iii) provided the Owner gives written notice of their election to make the transfer to the insurer at least 5 business days prior to the <b>expiry of the notice period</b> expected under subsection 9.3.3.2 (c) of this Guidance, and</p> <p>(b) an option permitting Owners invested in the Segregated Funds to withdraw money from those Segregated Funds without being charged any fees for making the withdrawal, provided that they given written notice of this election to the insurer at least 5 business days prior to the <b>expiry of the notice period</b> expected under subsection 9.3.3.2 (c) of this Guidance</p>	<p>situation where a Similar Segregated Fund does not exist. This follows the concept in the current G2.</p> <ul style="list-style-type: none"> <li>• Suggested wording: <ul style="list-style-type: none"> <li>▪ b) an option permitting Owners invested in Segregated Funds to withdraw money from those Segregated Funds without being charged any fees for making the withdrawal, provided that they are given written notice of this election to the Insurer at least 5 business days prior to the fundamental change expected under subsection 9.3.3.2 c) of this Guidance unless the investment will be transferred to a Similar Segregated Fund offered by the insurer.</li> </ul> </li> </ul>
<p><b>Chapter 9.4 Audit and Accounting Requirement</b></p> <p><b>9.4.4 Semi-Annual Unaudited Financial Report</b></p> <p>9.4.4.1 An Insurer should have, for each of its Segregated Funds, a semi-annual unaudited financial report which includes:</p> <p>(a) a statement of financial position as at the end of the semi-annual period and a statement of financial position at the end of the immediately preceding financial year,</p> <p>(b) a statement of comprehensive income for the semi-annual period and a statement of comprehensive income for the corresponding period in the immediately preceding financial year,</p> <p>(c) a statement of changes in net assets attributable to Owners for the semi-annual period and a statement of changes in net assets attributable to Owners for the corresponding period in the immediately preceding financial year,</p> <p>(d) a statement of cash flows for that semi-annual period and a statement of cash flows for the corresponding period in the immediately preceding financial year,</p> <p>(e) a schedule of investment portfolio as at the end of that semi-annual period,</p> <p>(f) a statement of financial position as at the beginning of the immediately preceding financial year if the Segregated fund discloses in its semi-annual financial report an unreserved statement of compliance with International Accounting Standard 34 Interim Financial Reporting and the Segregated Fund:</p> <p>(i) applies an accounting policy retrospectively in its <b>interim financial report</b>,</p> <p>(ii) make a retrospective restatement of items in its <b>interim financial report</b>, or</p> <p>(iii) reclassifies items in its <b>interim financial report</b>; and</p> <p>(g) notes to the semi-annual financial report.</p>	<ul style="list-style-type: none"> <li>• Based on a CLHIA survey covering 90% of the segregated funds market, more than 99% of the seg funds did not receive a single request for the 2023 or 2022 semi-annual unaudited financial statements. In terms of requests from individual customers, CLHIA members received less than 250 requests from individual customers for the semi-annual unaudited financial statements in both 2023 and 2022 which equates to less than 0.01% of total segregated fund customers (estimated at 2.5 million consumers).</li> <li>• In our opinion, the availability of annual audited financial statements in combination with the other reports available to customers noted above provides sufficient information to unit holders making the need for semi-annual unaudited statements redundant.</li> <li>• Given the extremely low level of requests that insurers receive, and given that fund performance reports, TCR enhanced reports and daily NAVs are available, we request that this requirement be removed.</li> <li>• If the requirement to produce semi-annual statements is maintained, we suggest that in section 9.4.4.1 (f)(i)(ii)(iii) the references should be to “semi-annual financial report” and not “interim report”.</li> </ul>

Chapter/Section	Industry Comments
<b>Part 10 Recordkeeping – Intermediary Expectations</b>	
<p><b>Chapter 10.2 Record Keeping</b></p> <p>10.2.1 General Records</p> <p>10.2.1.1 An Intermediary is expected to create, keep updated as expected under this Guidance and maintain, at a minimum, records of</p> <ul style="list-style-type: none"> <li>(a) The training the Intermediary has provided to other Intermediaries, if applicable, as described in s. 3.2.2 of this Guidance</li> <li>(b) The identification, assessment, and management of conflicts of interest as described in section 4.2.2 of this Guidance, if applicable,</li> <li>(c) The chargeback arrangements the Intermediary has designed to compensate other Intermediaries as described in section 4.2.3 of this Guidance, if applicable, and</li> <li>(d) The knowledge and expertise the Intermediary is expected to have as described in Chapter 6.1 of this Guidance, and</li> <li>(e) The notification from an Intermediary to an Insurer, or to any other Intermediaries who have oversight responsibility for the Intermediary, when the Intermediary becomes aware a Customer has borrowed to invest in an IVIC as described in subsection 6.2.3.3 of this Guidance.</li> </ul>	<ul style="list-style-type: none"> <li>• This section must be in accordance with the obligations that exist in Quebec regarding customer records: <a href="https://www.chambresf.com/en/infodeonto/record-management/client-files/content/insurance-financial-planning">https://www.chambresf.com/en/infodeonto/record-management/client-files/content/insurance-financial-planning</a></li> <li>• As a general comment, it seems confusing who should keep the customer and general records. Intermediary has a broad definition under this Guidance, and it is not in the consumer interest to have duplicate records for privacy reasons.</li> </ul>
<p><b>10.2.2 Customer Records</b></p> <p>10.2.2.1 An Intermediary is expected to create, keep updated as expected under this Guidance and maintain, at a minimum, records for each Customer of:</p> <ul style="list-style-type: none"> <li>(a) The Customer’s information collected as described in Chapter 6.2 of this Guidance</li> <li>(b) The identification and analysis of needs done for the Customer as described in Chapter 6.3 of this Guidance,</li> <li>(c) The recommendations and advice provided to the Customer as described in Chapter 7.1 of this Guidance,</li> <li>(d) The information provided or delivered, as applicable, to the Customer as described in: <ul style="list-style-type: none"> <li>(i) Chapter 7.2 of this Guidance,</li> <li>(ii) Chapter 7.3 of this Guidance,</li> <li>(iii) Chapter 7.4 of this Guidance,</li> <li>(iv) Chapter 7.5 of this Guidance and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• See comments above</li> </ul>

Chapter/Section	Industry Comments
<p>(v) Chapter 7.7 of this Guidance,</p> <p>(e) Having provided the information described in paragraph 10.2.2.1(d) of this Guidance to the Customer, and</p> <p>(f) The instructions provided by the Customer as described in Chapter 7.6 of this Guidance, and</p> <p>(g) Any consents obtained from the Customer under this Guidance.</p>	
<p><b>Chapter 10.3 Form, accessibility and retention</b></p> <p>10.3.1 Intermediary Expectations</p> <p>10.3.1.1 An Intermediary is expected to keep its records:</p> <p>(a) In a secure location and separate from <b>other non-insurance records</b> the Intermediary maintains relating to a Customer,</p> <p>(b) In a format that is easily accessible and readable by the Intermediary and all parties authorized under applicable law to access the records,</p> <p>(c) In the case of records relating to an Intermediary’s training on a particular IVIC as referred to in subsection 10.2.1.1, for a minimum period that is the longer of:</p> <p>(i) a period starting on the date the training was completed and ending a minimum of 5 years following the date the Intermediary ceases selling and Servicing that particular IVIC, and</p> <p>(ii) such other period in a jurisdiction as may be set out under applicable law.</p> <p>(d) In the case of records other than those referred to in subsection 10.2.1.1, for a minimum period that is the longer of:</p> <p>(i) <b>5 years from the date:</b></p> <p>(A) A Customer’s IVIC ends, or</p> <p>(B) The Intermediary provided recommendations and advice to a Customer that did not result in the investment in an IVIC, and</p> <p>(ii) Such other period in a jurisdiction as may be set out under applicable law.</p>	<ul style="list-style-type: none"> <li>• Does “other non-insurance records” mean that things like estate plan, trust information, wills etc. should not be kept in this location?</li> <li>• A 10-year retention period may make sense as protection against litigation.</li> </ul>
<b>Part 11 - Oversight</b>	
<p><b>Chapter 11.2 Insurer Expectations</b></p>	<ul style="list-style-type: none"> <li>• The words “to ensure” should be removed as the Insurer cannot ensure an Intermediary’s conduct.</li> </ul>

Chapter/Section	Industry Comments
<p>11.2.1.2 An Insurer that is legally required to oversee its Intermediaries' compliance with relevant insurance laws, or expected by guidance issued by a relevant Canadian jurisdiction to do so, is expected to have and maintain policies, procedures, and controls reasonably designed using a risk-based approach, <b>to ensure</b> the Insurer:</p> <p>(a) Monitors activities or circumstances which could suggest sales practices or IVIC Transactions that contravene applicable laws or guidance, including this Guidance,</p> <p>(b) Where the Insurer detects activities or circumstances that suggest such practices or transactions may have occurred, assesses the activities or circumstances to determine if such sales practices or transactions have occurred, and</p> <p>(c) Where appropriate, implements measures to address such transactions and sales practices.</p>	<ul style="list-style-type: none"> <li>• We recommend the following wording: <ul style="list-style-type: none"> <li>▪ An Insurer that is legally required to oversee its Intermediaries' compliance with relevant insurance laws, or expected guidance issued by a relevant Canadian jurisdiction to do so, is expected to have and maintain policies, procedures, and controls reasonably designed using a risk-based approach to: <ul style="list-style-type: none"> <li>(a) Monitor activities or circumstances that could suggest sales practices or IVIC Transactions that contravene applicable laws or guidance, including this Guidance,</li> <li>(b) Where the Insurer detects activities or circumstances that suggest such practices or transactions may have occurred, and</li> <li>(c) Where appropriate, implement measures to address such transactions and sales practices.</li> </ul> </li> </ul> </li> </ul>
<p><b>Chapter 11.4 Increased Monitoring</b></p> <p>11.4.1 Patterns which may Suggest a Need for Increased Monitoring</p> <p>11.4.1.1 For purposes of subsections 11.2.1.2 and 11.3.1.2, examples of activities, circumstances and sales practices that may need increased monitoring include patterns of:</p> <p>(a) Customers incurring deferred sales charges due to early surrenders,</p> <p>(b) Customers surrendering their IVICs within six months of the issuance of the IVIC,</p> <p>(c) Customers making excessive withdrawals or withdrawals not aligned with time horizon of the IVIC,</p> <p>(d) Customer money moving into and out of an IVIC,</p> <p>(e) Customers borrowing to invest, particularly where the sales are predominately made under an ACB Sales Charge Option or similar chargeback arrangement as referred to in section 4.2.3 of this Guidance.....</p>	<ul style="list-style-type: none"> <li>• It should be clarified that for Insurers this refers to risk-based systems which identify patterns and not individual transaction monitoring.</li> <li>• MGAs Intermediaries should also have an obligation for increased monitoring.</li> </ul>
<p>11.4.2 Specific monitoring expectations</p> <p>11.4.2.1 Insurers and Intermediaries with legal or contractual oversight responsibilities over other Intermediaries are expected to monitor the treatment of Customers for unfair treatment:</p> <p>(a) During, and for a reasonable period of time after, the period during which an Intermediary's compensation relating to an IVIC may be reduced due to commission chargeback under an ACB Sales Charge Option or similar chargeback arrangement referred to in section 4.2.3 of this Guidance,</p> <p>(b) In the sales practice of an Intermediary who has debt arising from commission chargeback relating to ACB Sales Charge Options, or relating to a similar chargeback arrangement referred to in Section 4.2.3 of this Guidance, and</p>	<ul style="list-style-type: none"> <li>• See comments above.</li> </ul>



Chapter/Section	Industry Comments
<p>"The value of your <b>IVIC</b> can go up or down and is subject to the guarantees you have and any withdrawals you make. You should discuss any questions you have about the value of your <b>IVIC</b> with your [specify appropriate term e.g. advisor or representative],</p>	<ul style="list-style-type: none"> <li>▪ "The value of your contract can go up or down subject to guarantees."</li> <li>• Use of the word "contract" in the statement rather than "IVIC" is more plain language.</li> </ul>
<p>(c) A section called "What guarantees are available?" that includes</p> <p>(i) a general description of the guarantees available under the IVIC including:</p> <p>(A) maturity guarantees, including the following:</p> <ul style="list-style-type: none"> <li>• information on the maturity guarantees as they apply to both the IVIC and deposits and the costs associated with these guarantees, wording substantially similar to the following, as may be applicable: "The <b>IVIC</b> maturity date establishes when the <b>IVIC</b> guarantee will come into effect."</li> </ul> <p>(B) death benefit guarantees, including the following:</p> <ul style="list-style-type: none"> <li>• information on the types of guarantees provided upon death of the last surviving annuitant,</li> <li>• wording substantially similar to the following, as may be applicable: "If the <b>last surviving annuitant</b> dies before the <b>IVIC</b> maturity date your designated beneficiary will receive a death benefit equal to the greater of the market value of your investments of [X%] of the <b>deposits</b> you have made."</li> </ul>	<ul style="list-style-type: none"> <li>• Use the word "contract" in standardized wording statement rather than "IVIC"</li> <li>• For section (B) the following wording is recommended: <ul style="list-style-type: none"> <li>▪ "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."</li> </ul> </li> <li>• We suggest the warning statement be simplified by removing reference to the "last surviving annuitant" to be more plain language with reduced inclusion of difficult to understand insurance terms, however, we agree that the reference to "last surviving annuitant" is accurate and accounts for the situation where the annuitant is not the Owner.</li> </ul>
<p>(g) A section called "What information will I receive about my IVIC?" that includes the following:</p> <p>(i) a statement that the Owner will receive information from [name of Insurer] at least once a year detailing the value of the investments under the IVIC including a listing of all transactions the Owner has made, the charges and fees the Owner incurred, and the value of the Owner's guarantees, and</p> <p>(ii) a statement that the annual audited financial statements and semi-annual unaudited financial statements for each Segregated Fund are available upon request,</p>	<ul style="list-style-type: none"> <li>• In accordance with the request to remove the obligation to provide "semi-annual unaudited financial statements", this section should be updated to only require inclusion of a statement that "the annual audited financial statements for each Segregated Fund are available upon request".</li> </ul>
<p>h) A section called "Can I change my mind?" that includes:</p> <p>(i) a statement substantially similar to the following: "You can change your mind about purchasing the <b>IVIC</b> within two business days of the earlier of the date you received the confirmation of your deposit or five business days after we <b>mailed</b> it. You have to tell [specify name of Insurer] in writing that you want to cancel. The amount returned will be the lesser of the amount you <b>deposited into</b> the IVIC, or the value of the Segregated Fund units attributed to you as at [specify date of valuation] if it has gone down. The amount returned will include a refund of any sales charges or other fees you paid."</p> <p>You can also change your mind about any further deposits you make under the IVIC within two business days of the earlier of the date you received the confirmation for the deposit or five business days after we <b>mailed</b> it. In this case, the right to cancel only applies to the new deposit. The amount returned will</p>	<ul style="list-style-type: none"> <li>• We recommend the word "mailed" be replaced by "forwarded" to allow flexibility for electronic delivery where a client has consented to receive documents electronically.</li> <li>• We recommend the following wording from the updated Guideline G2: <ul style="list-style-type: none"> <li>▪ "You can change your mind about purchasing the contract within two business days of the earlier of the date you received the transaction confirmation or five business days after it is forwarded. 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 values of the fund units attributed to you if it has gone down. The amount returned will include a refund of any sales charges or other fees you paid.</li> <li>▪ You can also change your mind about any other transaction you make under the contract within two business days from the date that you received the transaction confirmation. In</li> </ul> </li> </ul>

Chapter/Section	Industry Comments
<p>be the lesser of the amount you invested, or the value of the Segregated Fund units attributed to you as at [specify date of valuation] if it has gone down.” And</p> <p>(ii) For Segregated Funds sold by a dealer in nominee name, adjustment to the wording may be made as appropriate to allow for notice being provided by the dealer rather than the Insurer,</p>	<p>this case, the right to cancel only applies to the new transaction. The amount returned will be the lesser of the amount you invested or the value of the fund units attributed to you if it has gone down.”</p>
<p>(i) A section called “Where can I get more information or help?” that includes:</p> <p>(i) contact information for the Insurer including address information, telephone numbers and website information</p> <p>(ii) a statement substantially similar to the following: “For information about handling issues you are unable to resolve with [specify name of Insurer], contact [specify appropriate ombudservice- eg Ombudservice for Life and Health Insurance-or local ombudservice or dispute resolution service] at [specify current phone number] or on the web at [specify current website address]”</p>	<ul style="list-style-type: none"> <li>• The current requirement about how to contact local regulators is by referring to the CCIR website not each individual jurisdiction.</li> <li>• It would be practical to add contact information for AMF.</li> </ul>
<p><b>Part 4. Details about the IVIC and Unit Features</b></p> <p>(vi) Charges on Withdrawal</p> <p>(A) the manner in which the value of units on partial and full withdrawal of money from an IVIC is calculated and the retention charges in the event of full withdrawal of money from the IVIC expressed in dollars and cents or as a percentage of the amount withdrawn as of the end of each of <b>the first, third, and fifth year that the IVIC is in effect and</b></p>	<ul style="list-style-type: none"> <li>• Please consider using a more general requirement such as “description of any charges that will apply on withdrawal of money from the IVIC.”</li> </ul>
<p>(vii) Fundamental Change Rights</p> <p>(A) the notice expectations and rights and obligations relating to fundamental changes as set out in Part 9 of the Guidance including:</p> <ul style="list-style-type: none"> <li>• disclosure that the rights depend upon the happening of one or more of [specify events set out in subsection 9.3.3.1 of the Guidance]</li> <li>• the notice expectations, as well as the transfer and exit rights,</li> <li>• the definition of Similar Segregated Fund”,</li> <li>• if the Insurer specifies a separate insurance or guarantee charge, disclosure about the maximum Insurance Fee up to the greater of the existing charge, plus 50% or 50 basis points, and</li> </ul> <p>(B) if an Insurer no longer offers for sale to the public any IVICs, the Insurer’s existing IVICs are still</p>	<ul style="list-style-type: none"> <li>• Subsection B should be relocated to Part 9 since it is not a disclosure obligation that makes sense for Information Folder disclosure.</li> </ul>

Chapter/Section	Industry Comments
<p>subject to the fundamental change expectations set out in Part 9 of the Guidance</p>	
<p><b>Part 5. Information on Segregated Fund Management</b></p> <p>2. Policies with respect to Investments for the Segregated Fund</p> <p>(a) The Information Folder should include a brief description of the following matters with respect to each Segregated Fund:</p> <ul style="list-style-type: none"> <li>(i) the Fundamental Investment Objective(s) of the Segregated Fund,</li> <li>(ii) the principal investment strategies that the Insurer intends to use in achieving the Segregated Fund's fundamental investment objective(s) which may include any investment approach, philosophy, practices or techniques used by [specify Insurer] or any particular style of portfolio management that [specify Insurer] intends to follow,</li> <li>(iii) the principal risks applicable to the Segregated Fund,</li> <li>(iv) whether or not the Segregated Fund uses leverage, and if so, how it controls the risk related to this leverage (e.g., use of secondary funds, diversification, etc.), and</li> <li>(v) where the Segregated Fund is an index fund, disclosure that as a result of investment decisions for the Segregated Fund being based on one or more permitted indices, the Segregated Fund may have more of the net assets of the Segregated Fund invested in one or more issuers than is usually permitted for Segregated Funds, and disclosure of the risks associated with that fact, including the possible effect of that fact on the liquidity and diversification of the Segregated Fund, the ability to satisfy withdrawal requests and on the volatility of the Segregated Fund.</li> </ul>	<ul style="list-style-type: none"> <li>• A simplified approach to disclosure was introduced when the new Fund Fact requirements were introduced in 2010 -2011. At the time CCIR gave approval to this approach.</li> <li>• Draft revisions to CLHIA Guideline G2 include that where the insurer opts to take a simplified approach to disclosure and omit descriptions of the Fundamental Investment Objectives and Principle Investment Strategies from the information folder, it shall include: <ul style="list-style-type: none"> <li>• A brief statement in the information folder indicating that information is available upon request regarding:</li> <li>• the fundamental investment objective(s) of each segregated fund;</li> <li>• the principal investment strategies that the manager intends to use in achieving each segregated fund's fundamental investment objective(s);</li> <li>• whether or not each segregated fund uses leverage, and if so, the manner by which it controls the risk related to this leverage (e.g., use of secondary funds, diversification, etc.).</li> <li>• the principal risks applicable to each segregated fund.</li> <li>• any segregated funds that are index funds; and</li> <li>• the information folder must indicate that a change to the fundamental investment objective(s) of the segregated fund is a fundamental change.</li> </ul> </li> </ul>
<p>(b) A statement that a detailed description of the Segregated Fund's investment policy is available from [specify name of Insurer] and specific information as to how it can be accessed or obtained.</p> <p>(c) If the Segregated Fund invests in a secondary fund indicate that copies of the disclosure documents and financial statements of the secondary fund are available upon request.</p>	<ul style="list-style-type: none"> <li>• Industry discussion is that there are no requests received for information that is included in a simplified prospectus.</li> <li>• The meaning of this requirement is unclear and is best removed.</li> <li>• Experience in the industry is that insurers do not receive requests for underlying fund disclosure documents and financial statements.</li> <li>• It is reasonable to limit the disclosure a customer can request to limit confusion on the part of the customer.</li> <li>• This requirement should be removed.</li> </ul>
<p><b>5. Segregated Fund Manager and Portfolio Advisor</b></p> <p>Where the manager or <b>portfolio advisor</b> of the Segregated Fund is a person other than [specify name of Insurer], the Information Folder should include the <b>name of the person</b> who performs such function, if such person is a</p>	<ul style="list-style-type: none"> <li>• There are no definitions for manager or portfolio advisor in the CCIR guidance.</li> <li>• Confirm that "person" can refer to a "company".</li> </ul>

Chapter/Section	Industry Comments
<p>related party to [specify name of Insurer] and if so, describe the methods that have been established to deal with conflicts of interest.</p>	
<p><b>Part 6. Fees and Sales Incentives</b> <b>2. Other Fees and Charges and “Trailer “or Service Fees</b></p> <p>The Information Folder Should Include: ...</p> <p>(a) description, by type, of all the other fees and charges which may be charged against.....and any fees or charges paid by the manager of the Segregated Fund, that are charged against the assets of the Segregated Fund...</p> <p>(c) Where an Owner chooses the ACB sales charge option offered by [specify name of Insurer] under the IVIC, disclosure about the Owner’s right each calendar year under an IVIC to withdraw the greater of:</p> <p>(i) 10% of each deposit made by the Owner in the Segregated Fund, and</p> <p>(ii) If applicable, the minimum withdrawal amount prescribed for registered accounts under applicable legislation, without triggering an obligation for an intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the Owner made the deposit in the IVIC.</p>	<ul style="list-style-type: none"> <li>• The approach in the industry is to calculate the 10% free amount as being 10% of the market value of the number of units of the segregated fund at the beginning of the calendar year.</li> <li>• It is not a cumulative amount.</li> <li>• See our notes in section 2.3.4.1.</li> <li>• Please consider the following wording: <ul style="list-style-type: none"> <li>▪ (a) The current market value associated with 10% of the number of units as of December 31<sup>st</sup> of the prior year, and...”</li> <li>▪ Most designs are based on the number of units because the upfront sales commissions were based on the original purchase amount (which is tied to number of units).</li> </ul> </li> </ul>
<p><b>Part 7. Restrictions, Risk Factors and Significant Holdings in Other Issuers.</b></p> <p>1. Investments in Mortgages, Real Estate and Derivatives</p> <p>The Information Folder should include, where applicable:</p> <p>(b) Real Estate Disclosure</p> <p>(B) a statement that such Segregated Funds units can be withdrawn from only on specified dates and only on a specified number of days prior notice as provided in the IVICs and accordingly are not a suitable investment for Owners who require liquidity,</p> <p>(C) a statement that withdrawals from Segregated Funds units may be suspended during any period that the Segregated Fund does not have sufficient cash or readily marketable securities to meet requests for withdrawals,</p>	<ul style="list-style-type: none"> <li>• For clarity, in (B) and (C) the word “units” should be added.</li> </ul>
<p><b>Part 8. Investments in Another Fund</b></p> <p><b>1. Secondary Fund Disclosure Requirements</b></p> <p>Where the Segregated Fund invests in a secondary fund, the Information folder for the Segregated Fund should include:</p> <p>...</p>	<ul style="list-style-type: none"> <li>• The word “Customer” should be replaced by “Owner”.</li> <li>• Comment c) should be removed as disclosure of underlying fund information would be particularly complicated where there are several different funds, and disclosure may be misleading to consumers who might get confused about the nature of the IVIC and that they don’t own a direct stake in any secondary fund.</li> </ul>

Chapter/Section	Industry Comments
(j) A statement that a <b>Customer</b> is purchasing an insurance contract and is not a unitholder of the secondary fund, (k) disclosure of the Fundamental Investment Objectives and policies of the secondary fund	
(e) a statement that copies of the simplified prospectus, annual information form, financial highlights and audited financial statements or other disclosure documents required for the secondary fund, are available upon request, and ...	<ul style="list-style-type: none"> <li>• Insurers do not receive requests for copies of the disclosure documents for underlying funds.</li> <li>• Insurer should focus on the top segregated fund.</li> <li>• We recommend this requirement be removed.</li> </ul>
(g) a description of all contract charges, distinguishing them from Segregated Fund charges, under one common heading, and disclosure about the individual elements of the MER of the Segregated Fund as either: (i) the MER and management fee of the Segregated Fund (each including the corresponding MER and management fee of the secondary fund) or (ii) the MER of the secondary fund, plus the management fee and administrative expenses of the Segregated Fund.	<ul style="list-style-type: none"> <li>• There appears to be misnumbering of the requirements and (f) is missing.</li> <li>• CLHIA included a calculation formula for MER for fund of funds in the updated G2 draft.</li> <li>• This is based on the concept that there is proportional inclusion of the underlying fund MER added together with the segregated fund expenses.</li> </ul>
<b>Appendix B: Fund Facts</b>	
<b>Part 3 Other Information</b> The Fund Facts should include: (a) A section called “Quick Facts” that includes the following sub-headings and information: <ul style="list-style-type: none"> <li>(i) date the Segregated Fund was created,</li> <li>(ii) total value of the Segregated Fund on [specify date]</li> <li>(iii) net Asset Value per Segregated Fund Unit,</li> <li>(iv) number of Segregated Fund Units Outstanding,</li> <li>(v) Fund Expense Ratio for the Segregated Fund. If the FER varies according to the fee or guarantee option a Customer chooses, a range of <b>FER</b> should be shown including the lowest possible and highest possible FER,</li> <li>(vi) portfolio turnover rate</li> <li>(vii) portfolio manager, and</li> <li>(viii) minimum investment.</li> </ul>	<ul style="list-style-type: none"> <li>• The requirement to disclose FER in Quick Facts needs to match with the disclosure obligation for investment funds.</li> <li>• At the current time, we understand investment funds are still reporting MER.</li> <li>• If Segregated Funds report FER and investment funds do not, this will be confusing for consumers, and we will be at a competitive disadvantage because our product will appear more expensive.</li> </ul>
(c) A section called “how has the Segregated Fund performed, that includes: Where a Segregated Fund invests in an <b>underlying fund</b> 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 <b>underlying fund</b> .	<ul style="list-style-type: none"> <li>• We recommend changing “underlying fund” to “secondary fund” as “secondary fund” is defined.</li> </ul>

Chapter/Section	Industry Comments
<p>(e) A section called “Are there any guarantees?” that includes:</p> <p>(i) a statement that guarantees are provided under the IVIC and include wording substantially similar to the following:</p> <p>“This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect an Owner’s investment if the markets go down. <b>The Management Expense Ratio</b> includes the insurance cost for the guarantee. For details, please refer to the information folder and your contract.”</p>	<ul style="list-style-type: none"> <li>For consistency, we recommend updating the MER reference to FER.</li> </ul>
<p>(h) A section called “how much does it cost?” that includes:</p> <p>(iii) a subsection called “Sales charges” that includes:</p> <ul style="list-style-type: none"> <li>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,</li> <li>A description of any other sales charge options such as ‘low load’, ‘advisor charge back’ or “fee for service” (F-Series) type options, and</li> <li>Where an Owner chooses the ACB sales charge option offered by [specify name of Insurer] under the IVIC, disclosure about the Owner’s right each calendar year under an IVIC to withdraw the greater of : <ul style="list-style-type: none"> <li>(A) <b>10% of each deposit made by the Owner in the Segregated Fund</b>, and</li> <li>(B) If applicable, the minimum withdrawal amount prescribed for registered accounts under applicable legislation, without triggering an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the Owner made the deposit in the IVIC,</li> </ul> </li> </ul> <p>(iv) a subsection called “Ongoing expenses’ that includes:</p> <ul style="list-style-type: none"> <li>A description of the FER for the fund including any different charges for different guarantee options,</li> <li>Wording substantially similar to the following should be included:</li> </ul> <p>“The fund expense ratio (FER) is the sum of the management expense ratio (MER) and the trading expense ratio (TER). The TER includes the commissions and other portfolio transaction costs payable from the assets of the Segregated Fund. The MER includes the management fee and operating expenses of the fund. <b>The MER includes the insurance cost for the guarantee.</b> 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 the Information Folder or your contract.”</p>	<ul style="list-style-type: none"> <li>The reference to “10% of each deposit made by the Owner in the Segregated Fund” should be changed to “the current market value associated with 10% of the number of units as of December 31<sup>st</sup> of the prior year, and...”</li> <li>To be consistent with wording in the “Are there any guarantees?” section the reference to MER includes the insurance cost for the guarantee should be updated to FER.</li> <li>It should be optional for Insurers to present MER + TER = FER consistent with the current approach for mutual funds.</li> <li>A harmonization approach to disclosure of FER vs MER on the fund facts template should be permitted.</li> </ul>
<b>Appendix C: Risk of Borrowing to Invest</b>	
	<ul style="list-style-type: none"> <li>The disclosure form is reasonable.</li> <li>A short form disclosure form should apply for RRSP loans.</li> </ul>

Chapter/Section	Industry Comments
<b>Appendix F: Financial Statement Information</b>	
<p><b>1. Statement of Financial Position</b></p> <p>1.1 Every statement of financial position of a Segregated Fund should present fairly the financial position of the Segregated Fund as of the period end and the applicable comparative period, and distinguish separately, if material, at least:</p> <p>(ii) investments at <b>carrying</b> value, (xvi) net <b>asset value per unit at the period end based on the number of units outstanding at the period end, with prior year comparisons.</b></p>	<ul style="list-style-type: none"> <li>• CCIR uses market value / carrying value in places with respect to investment values. We think it would be best if CCIR guidance used “fair value” consistently in the guideline. Further, we note that the Guidance includes a definition of “Fair Value”. Please consider updating this to “Fair Value” as defined under IFRS 13.</li> <li>• Insurers would also like flexibility to show net asset value per unit information in another reasonable location, such as in the notes to the financial statements.</li> </ul>
<p><b>2. Statement of Comprehensive Income</b></p> <p>2.1 Every statement of comprehensive income of a Segregated Fund should present fairly the results of the operations of the Segregated Fund for the period covered by the statement and the applicable comparative period and distinguish separately, if material, at least:</p> <p>(x) Fund Expenses, excluding incentive or performance fees, (xii) Insurance Fees,</p>	<ul style="list-style-type: none"> <li>• It should be clarified in (xii) that this means insurance fees where they are charged separately from the MER.</li> <li>• It should be noted that the updated requirements add additional complexity. Whereas the current G2 includes 7 lines for break-out in the Statement of Comprehensive Income, going forward there will be 19 to be considered. Sufficient time is needed to comply with the changes and industry will incur additional costs to disclose this information.</li> <li>• In spite of this suggestion, we recommend that management fees, excluding incentive or performance fees, should be disclosed separately from other expenses consistent with disclosure today.</li> </ul>
<p><b>3. Statement of Changes in Net Assets Attributable to <b>Owners</b></b></p> <p>3.1 Every statement of changes in net assets attributable to <b>Owners</b> of a Segregated Fund should present fairly the information shown therein for the period covered by the statement and the applicable comparative period, and should show separately, if material, at least:</p> <p>(i) net assets attributable to <b>Owners</b> at the beginning of the period, (ii) deposits, (iii) increase/decrease in net assets from operations attributable to <b>Owners</b>, (iv) if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold, (v) withdrawals, and (vi) net assets attributable to Owners at the end of the period.</p>	<ul style="list-style-type: none"> <li>• We recommend that the title for this section not include reference to “owners” and remain titled “Statement of Changes in Net Assets Attributable to Contractholders”</li> <li>• It is potentially misleading to describe contractholders as being “owners”. The contractholder only owns notional units with legal ownership remaining with the insurance company.</li> <li>• In all instances, in this section, the word “owner” should be replaced by “contractholder”.</li> </ul>
<p><b>5. Schedule of Investment Portfolio</b></p> <p>5.1 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on the equities it holds, as of the period end:</p> <p>(i) the name of each issuer of securities held,</p>	<ul style="list-style-type: none"> <li>• As recommended above, we recommend that the term “market value” be revised to “fair value” which should be defined in a manner consistent with IFRS 13.</li> <li>• The sub-total requirement for foreign equities should be clarified – if the requirement is one total of all foreign equities or a total by country.</li> </ul>

Chapter/Section	Industry Comments
<p>(ii) the class or designation of each security held,            (iii) the number or aggregate face value of each class or designation of securities held,            (iv) the <b>market</b> value of each class or designation of securities held,            (v) the cost of each class or designation of securities held and, where the basis of computing cost is other than average cost, a statement of the basis of computing the cost, and            (vi) sub-total(s) of foreign equities</p> <p>5.3 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on the mortgages it holds, as of the period end:</p> <p>(i) the total number of mortgages held, and their total <b>market</b> value,            (ii) by province,            (iii) by type of mortgage, including distinguishing between, mortgages insured under the National Housing Act (Canada), insured conventional mortgages and uninsured conventional mortgages as well as between residential, industrial or commercial, and maturity dates, and            (iv) by interest rate at 1/4% intervals</p>	
<p>6.5 The disclosure referred to in section 6.4 of this Appendix should include each of the following:</p> <p>(i) The name of each person or company who was entitled to receive payments out of the gross amount generated from the securities lending transactions of the <b>investment fund</b>,            (ii) The amount each recipient was entitled to receive, and            (iii) The aggregate of the amounts disclosed as a percentage of the gross amount generated from the securities lending transactions of the Segregated Fund.</p>	<ul style="list-style-type: none"> <li>We think the reference in section 6.5 (i) to “investment fund” should read “segregated fund”.</li> </ul>

April 2, 2025

Sarah O'Connor, Senior Policy Manager  
Canadian Council of Insurance Regulators (CCIR)  
Peter Chung, Policy Manager  
Canadian Insurance Services Regulatory Organizations (CISRO)  
National Regulatory Coordination Branch  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario  
M2N 6S6  
[ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

## **Re: Notice and Request for Comment – Proposed Consolidated Segregated Funds Guidance**

FAIR Canada is pleased to provide comments in response to the above-referenced Consultation.

FAIR Canada is a national, independent, non-profit organization known for balanced and thoughtful commentary on public policy matters. Our work includes advancing the rights of investors and financial consumers in Canada through:

- Informed policy submissions to governments and regulators
- Relevant research focused on retail investors
- Public outreach, collaboration, and education
- Proactive identification of emerging issues.<sup>1</sup>

### **A. Overview**

FAIR Canada generally supports the CCIR and CISRO proposed guidance (the Guidance) for individual variable insurance contracts (IVICs). The Guidance sets a national standard for insurers and intermediaries for the design, distribution, sale and servicing of IVICs. It also creates a level playing field across Canada for IVICs, promoting consistent consumer protection and public confidence in the insurance market.

In our comments, we make two key recommendations: (1) the Guidance should strongly signal regulators' disapproval of advisor chargebacks (ACBs), and (2) CCIR and CISRO

---

<sup>1</sup> Visit [www.faircanada.ca](http://www.faircanada.ca) for more information.

should encourage regulators across Canada to implement the Guidance in the form of enforceable rules, where possible.

## **B. The Guidance Should Disapprove of Advisor Chargebacks**

### **Conflicts of Interest**

Although we generally support the Guidance, we disagree with its approach to ACBs. ACBs prioritize intermediary compensation over consumer protection. They create a conflict between the intermediary's and the client's interests, which could lead to poor customer outcomes. We believe insurers cannot effectively manage this conflict through disclosures or controls and that ACBs should be banned.<sup>2</sup>

ACBs place the interests of the intermediary and the client in direct conflict during the chargeback period. Although clients are meant to hold IVICs for an extended period, they may want or need to redeem their investment early. When this occurs, the interests of the client (who wants to sell) and the intermediary (who does not want to repay the commission) are opposed. This serious conflict risks distorting the intermediary's advice and harming consumers. The prospect of paying the chargeback could lead the intermediary to discourage the client from selling early, even if exiting may be best for the client.

Instead of disapproving of ACBs, the Guidance contemplates insurers offering them with appropriate policies and internal controls. It includes various measures to address ACBs, including:

- Insurers should offer other sales charge options (SCOs) besides ACBs;
- The compensation intermediaries receive under ACBs should be similar to what they would receive under other SCOs;
- Insurers should only raise fees relating to ACBs in a way that treats all policyholders fairly, regardless of their SCO;
- Customers should be able to withdraw some of their IVIC deposits each year without triggering an ACB;
- The chargeback period should be less than three years;
- Intermediaries should explain to the customer that they may have to repay their compensation under an ACB;
- Insurers should not offer temporary increases in intermediary compensation under an ACB option; and
- Insurers should monitor for unfair treatment of customers when they use ACBs.

While these controls are better than having none, they will not eliminate the fundamental, irresolvable conflict that arises when a client wants to sell their investment during the

---

<sup>2</sup> FAIR Canada also expressed concerns about ACBs in our [comment letter](#) to the CCIR dated November 7, 2022 on its Discussion Paper on Upfront Compensation in Segregated Funds.

chargeback period. The controls should be treated as temporary solutions until insurance regulators across Canada ban ACBs completely. Prohibiting them entirely would be more effective than trying to regulate a conflicted sales structure.

We are disappointed that the Guidance does not do more to discourage ACBs. The Guidance should make it clear that ACBs create significant conflicts of interest that pose serious risks to consumers. It should also state unequivocally that insurers should avoid using them.

## Limits of Disclosure

One proposed control is that intermediaries should explain to customers that they may have to repay their compensation under an ACB. We are concerned that many retail investors will not fully grasp how ACBs work or may influence an intermediary's recommendations to his or her client.

Many consumers lack the financial literacy needed to understand ACBs. FAIR Canada's research showed that average investors find investing and the regulatory system hard to navigate. Participants struggled to comprehend terminology and investment documents. Despite some claiming average or intermediate investment knowledge, they could not answer basic questions about their investments.<sup>3</sup>

Low financial literacy affects consumers' ability to evaluate sales charges and how advisors get paid. Research shows that it also impacts the ability to assess fees and choose mutual funds effectively.<sup>4</sup>

Research has also revealed the limits of disclosure in addressing conflicts of interest. A study found that even when commission types are explained, half of the retail investors could not form an opinion about whether the commission posed a potential conflict of interest. Of those who did form a viewpoint, three-quarters believed the advisor would look out for their best interest. The researchers concluded that this belief gives investors little reason to seek alternative forms of compensation.<sup>5</sup>

These findings show that disclosing and explaining conflicts to the average consumer is insufficient to manage them. The better approach is to avoid conflicts altogether and ban ACBs.

## Limits of Monitoring

The Guidance advises insurers to monitor for unfair customer treatment both during and for a reasonable period after any reduction in an intermediary's compensation resulting from a chargeback. Monitoring for unfair treatment is much less effective than an outright ACB ban because:

---

<sup>3</sup> FAIR Canada, [Focus Groups - Understanding Canadian Investors](#), January 2024.

<sup>4</sup> Edwin Weinstein, The Brondesbury Group, [Mutual Fund Fee Research](#), Spring 2015, p. 48.

<sup>5</sup> Ibid.

- **Monitoring is reactive** rather than preventive—it identifies issues after they have already harmed customers;
- **Monitoring requires significant resources** and a commitment from insurers to enforce the standards; and
- **Monitoring will not detect all unfair treatment.** Subtle forms of unfair treatment might go undetected, allowing harm to persist. Without a ban, intermediaries might take calculated risks, knowing that monitoring will not catch every misstep. Banning ACBs would remove this risk entirely, enhancing consumer protection.

## C. Implement the Guidance as Enforceable Requirements

CCIR and CISRO set national expectations for insurers through guidance. Each jurisdiction then decides how to adopt guidance within its legal and regulatory framework. CCIR and CISRO should encourage each jurisdiction to implement the Guidance through binding, harmonized requirements, where possible, rather than non-binding expectations.

The Guidance aims to provide comparable consumer protection for segregated funds and mutual funds because of their similarities as investment vehicles. For instance, it sets standards for know-your-client, know-your-product, and suitability, which are fundamental, enforceable obligations in securities regulation.

To achieve similar consumer protection, the standards in the insurance and securities industries should have the same level of enforceability. Different approaches for advisors selling insurance and securities—one that uses guidance and the other enforceable rules—makes little sense from a consumer protection standpoint.

Governments across Canada should consider whether insurance regulators need stronger tools, such as the authority to make binding, enforceable rules. Enforceable obligations would create a more level playing field between the insurance and securities industries, reducing the chances of regulatory arbitrage. They would also better protect consumers by strengthening accountability and providing recourse if an insurer or intermediary breaches a rule. Lastly, enforceable rules would provide greater certainty, minimizing confusion and inconsistencies in insurer practices that could harm consumers.

\*\*\*\*\*

Thank you for considering our comments on this important issue. We welcome any further opportunities to advance efforts that improve outcomes for consumers. We intend to post our submission on the FAIR Canada website and have no concerns with CCIR and CISRO publishing it on their websites. We would be pleased to discuss our submission with you. Please contact Jean-Paul Bureaud, Executive Director, at [jp.bureaud@faircanada.ca](mailto:jp.bureaud@faircanada.ca) or Tasmin Waley, Policy Counsel, at [tasmin.waley@faircanada.ca](mailto:tasmin.waley@faircanada.ca).

Sincerely,



Jean-Paul Bureaud  
Executive Director  
FAIR Canada | Canadian Foundation for Advancement of Investor Rights



Regulatory Advocacy Committee  
March 28, 2025

Financial Planning Association of Canada  
28 March 2025

## RE: Proposed Consolidated Segregated Funds Guidance January 2025

Thank you for the opportunity to respond to the proposed Guidance. We believe the proposed Guidance, overall, is an important step towards achieving CCIR and CISRO's aims.

We believe there are some risks for Clients if the proposed Guidance is implemented as currently proposed.

We have elaborated our concerns below. We have tried to be as prescriptive as possible. Our 6 areas of concern have been categorized as:

1. Concerns Regarding Use of Leverage
2. Concerns with the Advisor Chargeback Option
3. Defining and Assessing Investment Risk Profile
4. Conflicts of Interest for Intermediaries
5. Segregated Funds Needs Analysis
6. Opportunities for Improved Clarity

We are happy to elaborate on any of the items discussed within this document, or answer any other questions as the CCIR and CISRO Working Group sees fit. We believe implementing our suggested changes will improve Intermediary proficiency, reduce opportunities for regulatory arbitrage, and improve consumer protection.

### 1. Concerns Regarding Use of Leverage

We believe the proposed Guidance creates substantial risk for investors and presents opportunities for regulatory arbitrage. We believe the CCIR and CISRO should take an approach closer to that of CIRO's Guidance Note GN-3200-22-001. We believe this in line with the original stated intent of CCIR and CISRO to reduce regulatory arbitrage between securities registrants and insurance licensees.

Some specific examples of our concerns:

1. Section 3.2.2.4 reads:
  - a. "Merely accepting a deposit from a Customer that comes from borrowed money does not constitute promoting, encouraging, or facilitating borrowing to invest programs."
  - b. This stands in contrast to 3.2 of the CIRO Guidance Note which places a high burden on all parties to identify off-book leverage.

- c. Section 6.2.3.1(a) of this Guidance also suggests that off-book leverage should be addressed.
  - d. Section 7.1.8.2 also seems to suggest that off-book leverage should be addressed as part of the Intermediary's Know Your Client responsibilities.
  - e. We believe this concern can and should be easily addressed by removing or substantially amending 3.2.2.4. To be clear, we believe the Intermediary's responsibilities concerning leverage do not change whether the Intermediary was the source of the leverage, or whether it was the client's idea to use leveraged funds.
2. We have greater concerns around sections dealing with suitability and appropriateness of leverage.
- a. Sections 6.1.4 and 6.1.5 describe the Intermediary's responsibilities with respect to "Know Your Investment Strategies – Borrowing to Invest".
  - b. Neither of these sections explicitly addresses the suitability of leverage as compared to other concepts. We are recommending that the guidance be expanded to include:
    - i. What objective(s) is the Client going to achieve using leverage?
    - ii. What is the probability that the Client can achieve those objectives without leverage?
    - iii. We believe some sort of probabilistic measure of different outcomes (e.g. a Monte Carlo or similar analysis) should be applied demonstrating that leverage is suitable in the circumstances.
    - iv. We believe the Intermediary must clearly demonstrate the most likely set of outcomes using a leveraged strategy to the most likely set of outcomes without using leverage.
  - c. 7.1.3.2 doesn't make any obvious reference to variable rate loans and their possible implications for a Client. Variable-rate loans (including both variable-rate and adjustable-rate lending) have become very common. Intermediaries should be able to help Clients understand the impact and likelihood of interest rate volatility.
  - d. We have substantial concerns with some of the language at 7.1.3.4. Notably:
    - i. Section (a) seems to indicate that leverage might be suitable ("rarely suitable") for a client with "low risk tolerance".
    - ii. This same type of language is applied to investors with limited investment experience and understanding of investments at section (b).
    - iii. Section (c) opens up leverage for elderly Clients.
    - iv. The evidence does not support clients without at least a moderate ability to take on investment risk (including a relatively long time horizon, and some understanding of what they are investing in) using leverage to increase investment returns.

While the academic evidence around this is fairly dense, one example of academic writing on the topic of retail investors using leverage is the work of Aizhan Anarkulova, Scott Cederburg, and Michael S. O'Doherty. Scott Cederburg, notably, has been regarded as quite influential in advancing theories of investing among retail investors in recent years.

Anarkulova et al show that leverage is most likely not suitable for most households. Where leverage is available at a cost of 6.5% higher than the risk-free rate, no leverage is optimal for any household. Where leverage can be cheaply obtained at a rate 1.40% higher than the risk-free rate, a household with a 100% equity allocation can optimally apply leverage by borrowing 55% of its wealth to invest. For households with less than a 100% equity allocation, there is no optimal use of leverage at this borrowing cost.

While matching different measures of risk tolerance can generate imperfect results, academic evidence generally suggests that risk tolerance is normally distributed across the population. Brayman and Potts find that 31% of the population has a risk tolerance of high, very high, or extremely high. This is probably a good proxy for those who might hold 100% equities in a portfolio. Any such determination should be further tempered by recognizing that those who have declining or lost capacity should probably avoid leverage altogether.

Applying academic evidence suggests that something less than 31% of households should be leveraged; those households should only use leverage when it's available at a low cost; and that those households using leverage should use it to a limited extent. We fear that some readers of the proposed Guidance might arrive at substantially different conclusions.

- v. We believe this section, as currently written, will give Intermediaries implicit permission to apply leverage in cases where it should not be applied.
- e. Appendix C, under the heading "You Can End Up Losing Money" should include a statement to the effect of, "Monthly or Annual debt servicing may be required, regardless of the performance of the underlying investment. This can have a negative impact on your cash flow." The statement concerning a requirement to repay a loan partly covers this, but Clients relying on this statement may take a future orientation, reducing the pain associated with this outcome. Clients should have the opportunity to realize that pain associated with a leverage strategy can be felt in the very near-term.



Regulatory Advocacy Committee  
March 28, 2025

3. Section 7.1.3.4(f)(iii) makes reference to the likely performance of an investment. We agree that this should be stated net of fees and charges.
  - a. We do not see any reference elsewhere in this document that suggests Intermediaries will be trained on or have any responsibility to assess likely performance. We have further comments concerning this shortcoming at the section of this paper dealing with "Defining and Assessing Investment Risk Profile".
  
4. Section 7.3.1.2(c) does not discuss the possibility of meeting or not meeting objectives by using leverage, nor does it discuss the objectives to be met by applying leverage. We believe this section should be expanded. This echoes the concerns around sections 6.1.4 and 6.1.5 as discussed earlier in this document.

References for this section:

1. Anarkulova et al., Academic paper describing what sort of investor uses leverage and to what extent:

Anarkulova, Aizhan and Cederburg, Scott and O'Doherty, Michael S., Beyond the Status Quo: A Critical Assessment of Lifecycle Investment Advice (March 03, 2025). Available at SSRN: <https://ssrn.com/abstract=4590406> or <http://dx.doi.org/10.2139/ssrn.4590406>

2. Brayman and Potts, White paper discussing the normal distribution of risk tolerance across populations.

Brayman, Shawn, and Potts, Nicki, Morningstar Risk Profiler: FinaMetrica Psychometric Risk Tolerance Methodology (June 01, 2021). Morningstar publication. Available on request from Morningstar.

3. CIRO Guidance Note-3200-22-001 "Guidance on Borrowing for Investment Purposes": <https://www.ciro.ca/newsroom/publications/guidance-borrowing-investment-purposes#toc-2-1-know-your-client-and-suitability>

## 2. Concerns with the Advisor Chargeback Option

We have concerns around the ongoing acceptance of the Advisor Chargeback Option (ACO). We are aware that Deferred Sales Charge (DSC) structures are no longer permitted, but we believe the ACO presents many of the same problems as the previous DSC structures.

We are aware that ACO won't result directly in additional fees or charges to the client. But we believe it still opens the door to harm to be done to clients.

1. We believe the Intermediary should recommend investments and the investment strategy that is most likely to achieve the Client's objectives with the least amount of risk. We also recognize that conflicts of interest are difficult to mitigate. The ACO, via its



Regulatory Advocacy Committee  
March 28, 2025

more generous compensation structure when compared to other investments, provides an opportunity for an unmitigated conflict of interest.

2. The academic paper “The Misguided Beliefs of Financial Advisors” demonstrates that most Intermediaries will ignore conflicts of interest when selecting funds. According to this research, they will choose expensive funds that are most likely to underperform. Allowing Insurers to provide remuneration options that enhance conflicts of interest and reduce the likelihood of choosing the best funds for a Client’s circumstances will result in harm to Clients.
3. Any regulator or compliance professional who has spent time in the mutual funds world when DSCs were allowed there is well familiar with the challenges this will generate. Churning investment funds to ensure that maturing units continue to generate new DSCs has been a rampant problem in the mutual funds industry. There is no reason to expect this problem won’t appear with segregated funds as well. There is a reason the securities sector banned DSCs outright and didn’t allow any structures that generate substantially different compensation for registrants. The press release from the Canadian Securities Administrators that announced this ban specifically mentioned lower-cost investment choices and acknowledged that Clients suffer from illiquidity, whether forced or implied.
4. We acknowledge that most Intermediaries will act ethically and consider conflicts of interest when Clients who are experiencing unexpected liquidity needs ask for redemptions. We also recognize that a minority of Intermediaries will either act unethically in such cases or let themselves be influenced by conflicts of interest. Any review of insurance disciplinary matters reveals a rich sample of Intermediaries who have acted improperly when faced with possible chargebacks.
5. If the Advisor Chargeback Option is permitted to continue to exist, we would prefer some enhancements at 2.3.4.1. For locked-in accounts, we believe it would be appropriate to allow withdrawals up to the legislated maximum for the jurisdiction in question. Where other unlocking options are available (e.g. financial hardship, or 50% unlocking) we do not believe the Advisor Chargeback Option should serve as an impediment to those withdrawals. However the Insurer designs its withdrawal choices is up to the insurer, but the Client’s tax planning should not be adversely impacted by the Advisor Chargeback Option.
6. If the measure suggested at #5, immediately above, is not implemented, we propose, in the alternate, that the training section for Intermediaries (3.1.6) and the Needs Analysis section (6.3) be expanded to include explicit discussion concerning minimum withdrawals, maximum withdrawals, and unlocking features of locked-in plans for all jurisdictions in which the Intermediary is licensed. Failing to train Intermediaries on



Regulatory Advocacy Committee  
March 28, 2025

unlocking provisions may cause the Intermediary to create barriers to effective tax and liquidity planning under incorrect assumptions concerning the ability to access locked-in funds.

We acknowledge it may be outside the scope of this Consultation to ban Advisor Chargeback Options. If that is the case, we would ask for far more explicit requirements concerning Conflict of Interest training (see "Conflicts of Interest for Intermediaries", below). Sections 7.2.2.2(c) and 7.5.1.2(d) can be expanded based on our comments earlier in this section.

References for this section:

1. CSA News Release concerning the DSC ban:  
<https://www.securities-administrators.ca/news/canadian-securities-regulators-adopt-ban-on-deferred-sales-charges/>
2. Linnainmaa, et al. Academic paper dealing with Intermediaries acting on unfounded perceptions of the value of investment products.

Linnainmaa, Juhani T. and Melzer, Brian and Previtero, Alessandro, The Misguided Beliefs of Financial Advisors (May 16, 2018). Journal of Finance, Forthcoming, Kelley School of Business Research Paper No. 18-9, Available at SSRN: <https://ssrn.com/abstract=3101426> or <http://dx.doi.org/10.2139/ssrn.3101426>

### 3. Defining and Assessing Investment Risk Profile

We have concerns around the Intermediary's interactions with the Client when it comes to assessing and advising around investment risk. Several sections of the proposed Guidance point to investment risk, but we cannot see a specific section of the proposed Guidance that includes any attempt to systematically define or operate within an investment risk framework.

We believe the Guidance should include some discussion around how Insurers and Intermediaries train Intermediaries with respect to investment risk. There is an ample body of literature on this topic. The securities industry, notably within its Client Focused Reforms (CFR) framework, has substantially advanced how advisors (a rough proxy for Intermediaries in this Guidance) interact with Clients concerning the assessment of a client's need, willingness, and ability to take on investment risk. We believe this Guidance presents an opportunity to introduce a similar framework to Insurance Intermediaries.

Part 13 of the Companion Policy to National Instrument 31-103 includes a detailed discussion around the Know Your Client responsibility. The most relevant section of that document is under the heading Client's Risk Profile / Determination of the Client's Risk Profile:



Regulatory Advocacy Committee  
March 28, 2025

#### Client's risk profile

##### *Determination of the client's risk profile*

Subparagraph 13.2(2)(c)(v) requires the registrant to have sufficient information about the client's risk profile. Establishing a client's risk profile involves understanding the client's willingness to accept risk, sometimes referred to as risk tolerance, and their ability to endure potential financial loss, sometimes referred to as risk capacity. Risk tolerance and risk capacity are separate considerations that together make up the client's overall risk profile.

Registrants should have in place a process for assessing a client's risk profile that includes:

- assessing a client's willingness to accept risk (risk tolerance) and a client's ability to endure potential financial loss (risk capacity),
- appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers, and
- identifying clients that are more suited to placing their money in cash deposits or guaranteed products because they are unwilling or unable to accept the risk of loss of capital.

Assessing a client's capacity for loss involves the registrant having an understanding of the other factors prescribed in paragraph 13.2(2)(c), particularly the client's financial circumstances, including liquidity needs, debts, income and assets. Another consideration in determining risk capacity is how much of a client's total investments an account or a particular securities position represents. Age and life stage can also be important considerations when assessing a client's capacity to withstand loss. The risk profile for a client should reflect the lower of (a) the client's willingness to accept risk and (b) the client's ability to endure potential financial loss.

The process for developing a client's risk profile should be supportable and reliable. Tools such as questionnaires should be designed to arrive at a meaningful risk profile for the client. The questions and answers that are used to establish the level of risk a client is willing and able to accept should be documented. The questions should be fair, clear and not misleading. A client's risk profile should not be manipulated to justify recommending higher-risk products, for example, by only having a single category for risk tolerance. Clients should not be influenced by a representative as to the way they respond to questions related to their risk tolerance or risk capacity.

Within this document, our specific concerns pertaining to defining and assessing risk profile pertain to the following sections:

1. Section 1.1 includes a definition for "Similar Segregated Fund." There is already a widely accepted framework in Canada for assessing similarities between funds. The Canadian Investment Funds Standards Committee Classifications provide guidelines for benchmarking funds and defining what is 'similar'. We suggest that this Guidance make reference to that service rather than allowing Insurers and Intermediaries to arrive at their own conclusions. We recognize that this framework can be imperfect, but we have seen many 'chart crimes' in which funds were compared to dissimilar funds, whether in retail investment funds, exempt retail investment, or segregated funds.
2. Section 1.1 lacks any definition of risk tolerance, risk capacity, risk composure, or any related terms. We believe it would be appropriate to apply widely accepted definitions of these and similar terms to this Guidance. Shawn Brayman or Professor John Grable are excellent examples of authorities in understanding how the ability to take on investment risk can be understood, measured, and explained.
3. Section 5.2.5.1 includes a discussion of the presentation of performance data. We do not see a reference here to appropriate benchmarking. Anybody involved in the presentation of performance data should understand how to appropriately benchmark. For example, we have seen numerous examples of investment funds (including segregated funds) with global exposure benchmarked against an all-Canada index. This is misleading.



Regulatory Advocacy Committee  
March 28, 2025

4. We encourage CCIR and CISRO to consider encouraging Insurers and Intermediaries to use a widely accepted standard for assessing 'likely performance' as indicated at 7.1.3.4(f)(iii). A readily available, free, and robust standard for measuring returns is the Projection Assumption Guidelines generated by the Institute of Financial Planning and the FP Canada Standards Council®.

We believe there is an opportunity for Intermediaries to receive training that helps them correctly identify the investment risk that a Client is capable of taking on. We also believe it's possible to arrive at a reasonable standard for Intermediaries who are projecting likely future outcomes.

References for this section:

1. Biography of John Grable, Client Investment Risk Expert:  
<https://www.fcs.uga.edu/people/bio/john-grable>

2. Brayman, et al. Academic paper dealing with Client Risk Profile

Brayman, Shawn and Grable, John E. and Griffin, Paul, and Finke, Michael, Assessing a Client's Risk Profile: A Review of Solution Providers (January 2017). Journal of Financial Services Professionals. Available at  
<https://fpperformancelab.org/wp-content/uploads/Assessing-a-Clients-Risk-Profile-A-Review-of-Solution-Providers.pdf>

3. FP Canada Projection Assumption Guidelines:  
[https://www.fpcanada.ca/docs/professionalsitelibraries/standards/2024-pag---english.pdf?sfvrsn=e15d436d\\_1](https://www.fpcanada.ca/docs/professionalsitelibraries/standards/2024-pag---english.pdf?sfvrsn=e15d436d_1)

4. OSC Version of Companion Policy to National Instrument 31-103:  
[https://www.osc.ca/en/securities-law/instruments-rules-policies/3/31-103/unofficial-consolidation-companion-policy-31-103cp-registration-requirements-exemptions-and-1#\\_Toc102727223](https://www.osc.ca/en/securities-law/instruments-rules-policies/3/31-103/unofficial-consolidation-companion-policy-31-103cp-registration-requirements-exemptions-and-1#_Toc102727223)

#### 4. Conflicts of Interest for Intermediaries

Part 3 of the proposed Guidance includes a detailed description of the training that an insurer is expected to provide for Intermediaries. We note there is no explicit requirement here for conflict-of-interest training.

7.3.1.2(b) explicitly requires that Intermediaries disclose conflicts of interest. We believe this is a useful and necessary expectation. We believe it would be made more robust with mandatory conflict-of-interest training.

Disclosing conflicts of interest leads to complex and sometimes contradictory outcomes. Nonetheless, we believe it is most appropriate to include robust training on this topic.



Regulatory Advocacy Committee  
March 28, 2025

References for this section:

1. Sah and Loewenstein. Academic paper demonstrating the complexity of conflict of interest disclosures.

Sah, Sunita and Loewenstein, George F., Nothing to Declare: Mandatory and Voluntary Disclosure Leads Advisors to Avoid Conflicts of Interest (July 4, 2013). Psychological Science, 2014, 25(2), 575-584. , Georgetown McDonough School of Business Research Paper, Edmond J. Safra Working Papers, Available at SSRN: <https://ssrn.com/abstract=2289975> or <http://dx.doi.org/10.2139/ssrn.2289975>

## 5. Segregated Funds Needs Analysis

Section 6.3 introduces a framework for a Needs Analysis for Intermediaries recommending segregated funds. The inclusion of such a framework is highly beneficial. We believe this framework can be expanded upon in ways that will benefit both the Intermediary and the Consumer.

1. When using leverage, to what extent is the client likely to achieve their aims absent the use of leverage? How does applying leverage change those outcomes?
2. When applying guarantees, what is the likelihood the client needs those guarantees?
  - a. We have seen many cases where the utility of guarantees was substantially overstated. An Intermediary should be able to demonstrate over a meaningful historical period how often a given guarantee would have paid out.
3. When applying creditor protection, what is the likelihood the client needs that creditor protection?
  - a. We have seen many cases where creditor protection was oversold. For example, a couple of employees who own a home and only registered assets, and have adequate liability insurance, are very unlikely to need creditor protection.
4. When applying estate preservation, what is the cost of using segregated funds vs alternate methods?
  - a. We have seen many cases where estate preservation was oversold. For example, using a segregated fund with an MER 100 basis points higher than a comparable mutual fund to avoid probate, in a jurisdiction where probate fees are only 70 basis points.
5. When applying privacy, what are the pros and cons?
  - a. We have seen many cases where privacy as a concept was oversold. Privacy is often a substitute for simply communicating one's intentions to family members and can often result in messier outcomes than intended when it is a guiding principle in estate planning. Insurance Intermediaries are not estate lawyers, and should not confuse their role as such.
6. There is no mention at 6.3.2.1 of cost structure compared to other investments. Segregated funds continue to be one of the most expensive (based on annual costs of



Regulatory Advocacy Committee  
March 28, 2025

investing, whether considering MERs, TERs, or any other annual allocation of costs to investors) ways for a Canadian retail investor to invest. That higher cost structure should be contemplated. We understand there is some challenge here, in that an Intermediary who is only insurance licensed cannot make a comparison to specific investments, such as mutual funds, ETFs, or individual securities. But that Intermediary can compare cost structures to a base set of assumptions, such as a portfolio that costs the Client 50 basis points, 100 basis points, and 150 basis points. This comparison can be done agnostic of what the underlying investment is.

7. Considering the overall investment structure, to what extent are these features redundant? E.g. an RRSP can provide creditor protection, estate preservation, and privacy. Have the given features of an existing structure been accounted for?

Overall, we believe that segregated funds can fill a valuable role. But we encounter far too many situations where the features of segregated funds did not match up to the Client's circumstances. The Intermediary's role in determining the suitability of segregated funds to meet the Client's objectives cannot be overstated.

References for this section:

1. OSC Version of Companion Policy to National Instrument 31-103:  
[https://www.osc.ca/en/securities-law/instruments-rules-policies/3/31-103/unofficial-consolidation-companion-policy-31-103cp-registration-requirements-exemptions-and-1#\\_Toc102727223](https://www.osc.ca/en/securities-law/instruments-rules-policies/3/31-103/unofficial-consolidation-companion-policy-31-103cp-registration-requirements-exemptions-and-1#_Toc102727223)

## 6. Opportunities for Improved Clarity

The scope of this proposed guidance is very broad. We understand the effort that goes into creating such a document. We have some general comments here about clarity and communication within this proposed guidance.

1. We note that the Definitions section refers to a Customer as the entity with whom an Intermediary is dealing. The guidance itself sometimes uses the term 'Customer' and sometimes 'Client'. We have chosen to use the shorter word, Client, in this document. We believe the guidance should standardize this in the interests of consistency and clarity.
2. There are 21 references in the proposed Guidance to 'using money from one IVIC to invest in another IVIC' or some variation on that theme. We don't see any discussion around the underlying concern here. Is this pertaining to Advisor Chargeback Options and the risk of churning, or are there other concerns? We believe a clear policy statement, possibly including an expansion of the principle discussed at 7.1.5 would be useful.



Regulatory Advocacy Committee  
March 28, 2025

3. We have concerns with the language at 7.1.2.1. We believe this is the only place in the document where such language appears, but this section uses language very close to what we sometimes see used when discussing fiduciary obligations. We are not lawyers, but we believe a lawyer with experience in fiduciary matters should be consulted here. We have concerns that the rest of the proposed Guidance seems to deal with a Suitability standard, while this section of the proposed Guidance may point to a fiduciary obligation.
4. We believe the language at 7.1.2.3(e) points to a need for an enhanced discussion around the principles that determined how this Guidance was drafted. This is one of the few places in this document where an explicit comparison is made between a segregated fund and other products. In this case, the comparison is to 'alternative insurance products.' We wonder if this is meant to create a comparison between segregated fund investments and either cash value insurance, payout annuities, or accumulation annuities. We understand licensing restrictions, but we believe it will generally be far more appropriate, and in the Client's best interests, to compare segregated fund investments to mutual funds or exchange-traded funds. If this is not going to be explicitly permitted due to licensing restrictions, we believe the Client should be explicitly warned that the Intermediary they are dealing with did not have reasonable access to a broad range of possible retail investments.
5. We would prefer that section 10.3.1.1 include a specific discussion around the storage of electronic documents. Without such an explanation, we fear that Insurers and Intermediaries will default to the most cumbersome method of document retention – paper files. Such discussion should be based on existing legislation and avoid commonly cited fallacies, such as the oft-cited mythical requirement to store documents on Canadian servers.

Yours,

Signed by:

A blue ink signature of Julia Chung, written in a cursive style.

9A078537427644A...  
Julia Chung, CFP, CLU,  
FEA, TEP

Chair, FPAC

Signed by:

A blue ink signature of Joanna Schultz, written in a cursive style.

CF5768E3B27B4F6...  
Joanna Schultz

CEO, FPAC

Signed by:

A blue ink signature of Devan Legare, written in a cursive style.

FB073DA0A467407...  
Devan Legare

Chair, FPAC Regulatory  
Advocacy Committee

# CONSUMER ADVISORY PANEL

March 31, 2025

Delivered electronically to [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

To: Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO)

## **Re: CAP Comment on CCIR and CISRO Proposed Consolidated Segregated Funds Guidance**

On behalf of FSRA's Consumer Advisory Panel (CAP), we appreciate the opportunity to provide feedback on your proposed guidance for segregated funds. We commend the CCIR and CISRO for your ongoing commitment to enhancing transparency, consumer protection, and regulatory oversight in the segregated funds market. While the proposal represents a significant step forward, we believe there are several areas where the guidance could be further refined to better serve consumer interests and address persistent industry challenges.

### 1. Enhancing Clarity and Accessibility of Information

While the proposal emphasizes transparency, we believe additional measures are necessary to ensure that documentation and disclosures are truly accessible to consumers:

- Implement diverse communication strategies, including visual aids such as charts, graphs, and infographics, to cater to different learning styles.
  - Mandate that 'Know Your Client' processes and suitability assessments be documented and shared with customers to ensure accuracy and comprehension.
1. Establish a clear definition of "plain language" within the guidelines, recommending adherence to the Flesch-Kincaid Grade Level 8 or below.
  2. Conduct usability testing of consumer documentation with diverse audiences to verify clarity and effectiveness.
  3. Prominently display complaint processes and regulator contact information in all consumer facing materials.

### 2. Strengthening Fee Disclosure and Agent Compensation Transparency

We propose the following enhancements to fee transparency measures:

- Mandate comprehensive disclosure of all fees, bonuses, commissions, and agent incentives, including those not directly paid by the consumer.
- Consider prohibiting upfront compensation to agents to mitigate potential conflicts of interest.
- Require plain language explanations of agent fees and compensation structures to help consumers understand their impact on investments.

### 3. Expanding Consumer Awareness and Outreach

To ensure effective implementation of this guidance, we recommend:

- Collaborating with consumer advocacy groups and financial literacy organizations to develop targeted educational campaigns.
- Implementing ongoing consumer engagement strategies with periodic assessments to measure their effectiveness in enhancing financial literacy and decision-making.

### 4. Facilitating Product Comparisons

We strongly urge the inclusion of a requirement for sales representatives to provide comparisons between segregated funds and alternative products, enabling consumers to make more informed decisions.

### 5. Strengthening Implementation, Enforcement, and Anti-Churning Measures To ensure the success of this initiative, we recommend

- Adopting the guidance as enforceable rules in each jurisdiction, with robust enforcement provisions to prevent non-compliance.
- Implementing specific measures to address churning practices, ensuring that incentive management policies effectively discourage such behavior.

### Conclusion

While the CCIR's proposal aligns with CAP's overarching goals of improving transparency and consumer protection, we believe these recommended refinements are crucial for achieving meaningful progress in the segregated funds market. We appreciate the opportunity to contribute to this important initiative and look forward to further engagement with the CCIR on these matters.

Yours sincerely,

FSRA's Consumer Advisory Panel



## HUB Financial Inc.

3700 Steeles Avenue West, 10<sup>th</sup> Floor  
Woodbridge, Ontario L4L 8M9

Tel: 905-264-1634      FAX: 905-264-5463  
Toll Free: 800-561-2405      Toll Free FAX: 866-479-1701

[andrew.fink@hubfinancial.com](mailto:andrew.fink@hubfinancial.com)

[www.hubfinancial.com](http://www.hubfinancial.com)

April 7, 2025

Canadian Council of Insurance Regulators (CCIR) and  
Canadian Insurance Services Regulatory Organizations (CISRO)  
National Regulatory Coordination Branch  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario  
M2N 6S6

Sent via email to The CCIR Secretariat at [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

**Attn:** Sarah O'Connor, Senior Policy Manager  
Peter Chung, Policy Manager

### **RE: CCIR-CISRO Proposed Consolidated Segregated Funds Guidance - January 2025**

Dear Ms. O'Connor and Mr. Chung,

HUB Financial Inc. appreciates the opportunity to provide feedback on the proposed Consolidated Segregated Funds Guidance, as published by CCIR and CISRO in January 2025. HUB Financial Inc. ('HUB') is the largest independent Managing General Agents ('MGA') in Canada and is dedicated to supporting and representing independent MGAs within the insurance sector. HUB is at the forefront of the industry, with senior representation in Canadian Association of Independent Life Brokerage Agencies (CAILBA), Canadian Life and Health Insurance Association (CLHIA), APEXA Strategic Governance, Canadian Life Insurance EDI Standards (CLIEDIS) and FSRA's Stakeholder and Technical Advisory Committees, including the Segregated Funds Technical Advisory Committee. In addition, HUB Financials' sister company, HUB Capital Inc., is a long-standing mutual fund dealership.

HUB acknowledges and supports the importance of maintaining the efficient operation of segregated funds within the industry and the oversight requirements to protect policyholders and ensure fair treatment. After reviewing the proposed guidance, we offer the following feedback:

#### **Clarity of Terminology and Definitions**

We believe that while the draft guidance effectively addresses the key aspects of segregated funds, some terminology and definitions could benefit from further clarification. The particular areas are outlined in the following **Appendix**. Some refinement and clarity would provide industry stakeholders with more actionable guidance and reduce interpretive risks.

## **Policyholder Disclosure and Education**

One of the most critical aspects of segregated funds is ensuring policyholder awareness and understanding of their investment choices and associated risks. While we support the proposed enhancements to disclosure requirements, we suggest an emphasis on not only increasing the quantity of information provided but also on ensuring that the language used is comprehensible to policyholders. Guidelines supporting disclosures that are consumer-friendly, without overwhelming policyholders with technical language and other data that could encourage policyholders to skip the necessary review of information due to the overwhelming nature of the statement received.

In addition, HUB proposes the creation of an official, accessible platform or tool that would allow consumers to compare the performance of segregated funds. This would provide an easy-to-use interface where intermediaries and investors can filter by criteria such as risk profile, investment goals, and historical performance, much like the platforms currently available for mutual funds. Such measures would empower investors to make more informed decisions, facilitate healthy competition within the industry, and ultimately contribute to the fair treatment of customer principles.

## **Alignment with Other Regulatory Initiatives**

In reviewing the proposed guidance, it is also crucial that the requirements align with other ongoing or upcoming regulatory initiatives in the broader insurance and investment management sectors. For example, FSRA's proposed RULE 2025-001 discusses the definition of an MGA and the roles and responsibilities which are being considered. The CCIR/CSRO Guideline indicates:

**"Distribution"** includes directly or indirectly recruiting, screening, training, compensating or monitoring the Intermediaries who directly sell IVICs. This definition includes industry participants including Insurers, MGAs, National Accounts, etc.

**"Intermediary"** means:

- (a) individual agents, brokers and representatives, and
- (b) business entities including managing general agencies, third party administrators and national accounts,

This implies an MGA is both a Distributor and an Intermediary. The roles of Distributor and Intermediary are distinct, with the MGA typically acting as a conduit between the Insurer and the licensed agent, rather than a direct distributor to the consumer. The Intermediary expectations and the various principles outlined within, including recommendations and advice along with the various disclosures and know your product training to customers is generally not performed by MGAs direct to consumers. Classifying an MGA as both could lead to confusion about its responsibilities and obligations, potentially creating compliance challenges and oversight burden.

Maintaining a clear distinction between the MGA's / Distributor role and the Licensed agent/ Intermediary role would help to ensure regulatory clarity, reduce unnecessary complexity, and align with industry norms. We encourage CCIR and CSRO to work in close collaboration with other regulatory bodies to ensure consistency and minimize the risk of conflicting requirements for industry participants.

## **Ongoing Feedback Mechanism**

HUB also recommends that a process for ongoing consultation with industry stakeholders following the implementation of the consolidated guidance be allowed to help ensure that any unintended consequences or areas for improvement can be addressed as the industry adapts to the requirements of the Guideline.

We appreciate CCIR and CSRO thoughtful approach in seeking to improve the regulation of segregated funds and for providing the opportunity for stakeholders to comment on the draft guidance. We hope our feedback is useful in ensuring a balanced and effective framework for segregated funds. We look forward to continuing our collaboration with regulators to ensure that the Canadian insurance industry remains strong and consumer oriented.

If you have any further questions or would like additional clarification on any of our comments, please do not hesitate to contact us.

Thank you for your consideration.

Sincerely,



Andrew Fink, President  
HUB Financial Inc.



Aly Damji, President  
HUB Capital Inc.

## APPENDIX

### 2.3.2 Offering Alternative Sales Charge Options

**Concern:** Clarification on how multiple sales charge options should provide a consistent compensation and be communicated to the target customer group. Specifically, 2.3.2.3 is unclear on how the ACB Sales Charge Option would equal the value of other Sales Charge Options over the term of the contract.

**Proposed Amendment:** "Insurers must ensure that the available sales charge options are clearly explained to both Intermediaries and Customers, highlighting how each option is tailored to meet the needs of the target Customer group."

It is important that consistency of compensation for the intermediary be focused upon to avoid potential conflicts of interest where a customer decision is driven by the higher compensation or incentives which would be realized through Insurer promotions.

### 2.5 Policy evidencing the IVIC

**Concern:** Does not include it is mandatory for the Owner's to receive both the Information folder and Fund Fact documents at time of sale and/or upon receipt of the policy evidence.

**Proposed Amendment:** "An Insurer's policy for each IVIC is expected to: include a warning statement that outlines the requirement to receive both Information Folder and Fund Fact documents.

### 2.8.3 Insurance Fees

**Concern:** "The Insurer may include an Insurance Fee as part of the management fee charged against the assets of the Segregated Fund or may separate it from the management fee."

**Proposed Amendment:** Where the Insurance Fee charged by the insurer, is not separated from the management fee charged, the Insurer must ensure full transparency to IVIC Owners by reporting the fees separately through its periodic reporting to clients.

### 3.1.7 Insurers Assessing Intermediaries' Understanding

**Concern:** Insurers are expected to take "reasonable steps" to confirm each Intermediary who sells or Services its IVICs has the knowledge and expertise necessary for the Intermediary to satisfy the expectations. The document does not define what constitutes "reasonable steps".

**Proposed Amendment:** Clarify how Insurers would take "reasonable steps" in meeting this requirement.

## 4 Compensating Intermediaries

HUB is supportive of the Guidance requirement to prohibit offering time-limited increases in monetary compensation paid as incentives to Intermediaries intended to increase specific product sales. (ie. Advisors with a minimum of \$500,000 in net sales in the calendar year qualifies for a bonus payout up to \$45,000 per year; or Deposits and transfers to funds received before December 31 will receive the promotional rate of 7% initial sales commission via CBUs). These programs represent a conflict of interest and could incentivize intermediaries to prioritize sales over the best interests and long-term needs or goals of their clients.

#### 5.2.4 Advertisement Timeliness

**Concern:** The term "up to date" appears to be vague in practical terms.

**Proposed Amendment:** "All information in advertisements must be current, and if there are any updates or changes to the information, the advertisement should reflect those changes promptly, within a reasonable timeframe, not more than x# days from the date of publication."

#### 6.2.4 Additional Information when Customer Using money from one IVIC to invest in another IVIC

**Proposed Amendment:** "In addition to the information collected under section 6.2.2.....an Intermediary is expected to.... compare the relative suitability of the existing IVIC to the proposed IVIC, including their respective IVIC Structures and Investment Options and *outline in writing any disadvantages or penalties the customer may incur.*" Or, as outlined within Section 7.1.5 and 7.4.

#### 5.2.5 Information about Performance

Consideration should be given to whether a rate of return is being reported or not. If it is reported, is the method used for calculating a rate of return disclosed to the client?

#### 6.1.3 Know Your Product – Particular IVIC being considered

This section does not indicate whether any consideration will be given to the following:

- A review of any marketing materials related to the IVIC;
- Consideration of competitive investment products that may be less costly or less risky; or
- Any embedded costs.

#### 6.2.7 Customer Unwilling or Unable to Provide Information

**Concern:** Section 6.2.7.1(b) suggests the intermediary should not take an application if the customer is unwilling or unable to provide information.

In practice, customers may sometimes be unwilling or unable to provide all the necessary information due to privacy concerns or lack of understanding of the importance of the information. Allowing the intermediary to proceed with documenting the exchange is possible practical solution to move forward in such cases rather than refusing service and abandoning the process entirely. This demonstrates the intermediary has done everything reasonably possible to fulfill their regulatory obligations, while still taking an active role in offering advice or guidance despite the information gap. This approach balances regulatory requirements with the practical realities of customer interactions.

**Proposed Amendment:** "Whenever a customer is unwilling or unable to provide required information, the intermediary must document the specific reasons for the customer's refusal or inability to provide information and outline the actions taken as a result." Or, as described within Section 7.1.7.2.

#### 6.3.4 Customer Needs for an IVIC Transaction

**Error in Document** – "Before providing recommendations ... needs as described in **Error! Reference source not found.** of this Guidance ..."

### 7.1.34 Recommending Leveraging Strategies and Borrowing to Invest

“Where an Intermediary assesses the suitability of a Leveraging Strategy for a Customer, the Intermediary is expected to make that assessment based on:”

- a) Suggestion to define the risk tolerance to be Medium or higher. The use of leverage would not be suitable for clients with a risk lower than “medium”.
- c) Suggestion to have an age defined where it would be deemed unsuitable (i.e. 60 or above).
- i) Suggestion to define the long-term time horizon to be no less than 5 years.

### 7.1.8 Reassessing Suitability with Customer’s Needs

**Concern:** The section does not specify the “reasonable” timeframe for reassessing suitability, which could lead to inconsistent application by Intermediaries.

**Proposed Amendment:** “An Intermediary is expected to reassess the suitability of a customer’s investment strategy within *six* months of becoming responsible for servicing of the IVIC, at least *biennially* for existing customers, or *immediately* in response to changes in customer circumstances, market conditions, or regulatory requirements. This reassessment should be documented and clearly communicated to the customer.”

#### 7.2.1.1 Pre-Transaction Disclosure – Intermediary Expectations

**Error in Document** – Where an Intermediary deals with a Customer .... while satisfying the expectations set out in **Error! Reference source not found.** of this Guidance and **Error! Reference source not found.** explain to the Customer ...

### 7.3.1 Information to be Provided

**Concern:** This section specifies a list of required documents but does not include how the Intermediary confirms the Customer has an understanding of the material and the strategy recommended.

**Proposed Amendment:** “Before proceeding with any recommendation to borrow to invest, the Intermediary is expected to provide clear, written explanations and to verify that the Customer understands the risks and terms associated with borrowing to invest. This should include obtaining written confirmation that the Customer fully understands the Leveraging Strategy.”

### 7.6.4 Completing Forms and Processes which do not Require further Customer Action

**Concern:** An Intermediary may obtain Customer consent under a limited transaction authorization form to allow the Intermediary to implement certain Customer instructions without further action by the Customer.

**Proposed Amendment:** The Customer signs a separate **and** identified “limited transaction authorization” form approved by the Insurer to ensure the customer is aware and agrees to, through separate signature, of the authorization granted. This authorization should not be embedded within the IVIC application.

### 9.3.1 Merger or Closing of a Segregated Fund – Notice

**Concern:** Insurers are expected to provide written notice to contract owners at least 60 days prior. 9.3.1.2(h) language could be clearer regarding what constitutes a “reasonable” period for owners to finalize decisions.

**Proposed Amendment:** “The reasonable period for Owners to make decisions should not be less than 30 days after receiving the notice.”



Independent Financial Brokers of Canada  
PMB 521, 2400 Dundas St. West, Unit 6  
Mississauga, Ontario  
L5K 2R8

April 8, 2025

Sarah O'Connor,  
Senior Policy Manager  
Canadian Council of Insurance Regulators

and

Peter Chung,  
Policy Manager  
Canadian Insurance Services Regulatory Organizations  
National Regulatory Coordination Branch  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario M2N 6S6

Submitted via email: [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

*RE: Public Consultation Draft of CCIR/CISRO Consolidated Segregated Funds Guidance*

Independent Financial Brokers of Canada (IFB) is a national, not-for-profit association representing approximately 2,000 licensed professionals across Canada. Most IFB members are licensed as life/health insurance agents. Often, they earn additional licenses or accreditations which permit them to address the broader financial needs of today's client. These can include securities/investments, mortgages, P&C insurance, deposit instruments, estate/tax services, and financial planning. IFB members must agree to adhere to [IFB's Code of Ethics and Standards of Professional Conduct](#) as a condition of membership.

IFB appreciates the opportunity to provide its comments on *Public Consultation Draft of CCIR/CISRO Consolidated Segregated Funds Guidance*. The IFB supports the overall objective of the Guidance, which is to ensure the fair treatment of customers and to promote a strong and stable insurance industry. IFB has been pleased to

participate in past CCIR/CISRO consultations on this topic over the course of the past several years.

### *Potential for confusion*

We note that the Guidance uses the term "intermediary" to refer to both advisors and Managing General Agents/Agencies ("MGAs/AGAs"). This is confusing as each plays a different role in the sales and servicing of IVICs. Advisors are client-facing and provide advice and recommendations to clients, while MGAs/AGAs typically provide support and oversight to advisors. To group them together under a single identifier runs the risk of overlooking their distinct roles and the different implications that the guidance has for each.

For example, in *Part 4* the Guidance addresses compensation structures and potential conflicts of interest for Intermediaries. The nature of these conflicts, however, differs significantly between client-facing advisors who receive commissions, and non-client-facing entities whose compensation models might be fee-based or involve overrides. In some instances, the Guidance is relevant only to client-facing advisors, as in the case of the ACB Compensation Option, rather than to MGAs, AGAs or TPAs.

Similarly, the Guidance emphasizes the importance of "Know Your Customer" information and suitability assessments. While these principles are crucial for client-facing advisors, their application to MGA/AGAs is less clear.

To address these potential misunderstandings, IFB suggests that the Guidance clearly distinguishes between client-facing advisors and non-client facing entities throughout the Guidance, using distinct terminology where appropriate. It may also be useful to develop separate sections within the Guidance that address the specific obligations and expectations for each. Sections relating to compensation, disclosure, recordkeeping and oversight, for example, could be tailored to the distinct roles and responsibilities of client-facing advisors and non-client-facing entities.

### *Leveraging and IVICs*

The Guidance focuses heavily on leveraging. To better understand the frequency of leveraging in the sale of IVICs, we surveyed IFB members for whom segregated funds sales make up a part (and in some cases, all) of their business. The results indicate that among the independent financial professionals in our membership, 86.67% say that they rarely or never encounter leveraging in the sale of IVICs.

Leveraging is a complex and potentially risky strategy; however, we believe the Guidance should be proportionate to the risks involved with IVICs. Consequently, we

believe that the extensive guidance on leveraging is over-emphasized in this Guidance given the low incidence of its use in the sale of segregated funds.

We suggest that the information relating to the risks of leveraging and information for client-facing intermediaries on best practices when a client borrows to invest may be more valuable as a standalone piece of guidance relating to insurance sales more generally.

#### *Compensation arrangement vs. Sales Charge*

We note that in *2.3.2 Offering Alternative Sales Charge Options*, and throughout the Guidance, the Advisor Chargeback option is referred to as a Sales Charge. We argue that the ACB is not a sales charge in that it has no impact on the client's investment, but rather that it is a compensation arrangement between the insurer and a client-facing intermediary.

We agree that the client should have the choice to choose the option that best suits their needs, accompanied by a plain language explanation of the mechanics of each option and any potential impact on the client.

#### *Conclusion*

IFB believes that the proposed Guidance is a positive step towards ensuring the fair treatment of customers and promoting a strong and stable insurance industry. We believe that the Guidance could be further improved by addressing the concerns and recommendations outlined above.

IFB appreciates the opportunity to comment on the *Public Consultation Draft of CCIR/CISRO Consolidated Segregated Funds Guidance* and looks forward to working with the CCIR and CISRO to ensure that the final Guidance is clear, effective, and proportionate.

Should you wish to discuss this response further, please do not hesitate to contact the undersigned at [allan@ifbc.ca](mailto:allan@ifbc.ca).

Sincerely,

*Nancy Allan*

Nancy Allan  
Executive Director

April 8, 2025

**Submitted via Email:**

Attention:

Sarah O'Connor  
Senior Policy Manager  
Canadian Insurance Services Regulatory Organizations  
National Regulatory Coordination Branch  
100-25 Sheppard Avenue West  
Toronto, Ontario M2N 6S6  
Email: [ccir-ccra@fsrao.ca](mailto:ccir-ccra@fsrao.ca)

Peter Chung  
Policy Manager  
Canadian Insurance Services Regulatory Organizations  
National Regulatory Coordination Branch  
100-25 Sheppard Avenue West  
Toronto, Ontario M2N 6S6  
Email: [ccir-ccra@fsrao.ca](mailto:ccir-ccra@fsrao.ca)

Dear Sir/Madame:

**RE: CCIR AND CISRO - PROPOSED CONSOLIDATED SEGREGATED FUNDS GUIDANCE**

We write in response to the Canadian Council of Insurance Regulators (“**CCIR**”) and the Canadian Insurance Services Regulatory Organization’s (“**CISRO**”) Proposed Consolidated Segregated Funds Guidance (the “**Proposed Guidance**”).

**OVERVIEW OF POSITION**

We generally support the objectives of the Proposed Guidance, which include creating a comprehensive guidance document for insurers and intermediaries related to the design, distribution, issuance, sale, and servicing of individual variable insurance contracts (“**IVIC**”).

We generally agree that the “principles” included in the Proposed Guidance are consistent with existing CCIR/CISRO guidance and insurance regulations. To the extent that the Proposed Guidance is designed to bridge gaps in the regulation of mutual funds and segregated funds, we also generally agree that the Proposed Guidance includes new expectations that derive from and are consistent with the CISO’s *Mutual Fund Dealer Rules* (the “**MFD Rules**”) and related guidance. As such, we are of the general view that the Proposed Guidance serves to consolidate the general principles that apply IVIC products.

---

However, in consideration of these generally accepted principles, there are areas of the Proposed Guidance that appear to be overly prescriptive and unnecessary. In addition, there are some areas of the Proposed Guidance that may serve to create confusion rather than clarity for insurers and intermediaries. As discussed below, we encourage CCIR/CISRO to maintain a principle-based approach to regulation that does not create unnecessarily burdensome expectations for insurers and intermediaries. In order to maintain that approach, we recommend that the CCIR/CISRO remove the expectations discussed below.

## COMMENTS ON PROPOSED GUIDANCE

Please see our below comments on each part of the Proposed Guidance.

### Part 2 – Designing IVICs

We generally agree that the principles articulated in this part of the Proposed Guidance are consistent with CCIR/CISRO's *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* (the "**FTC Guidance**"). In addition, we note that the expense ratio calculation methodology in this chapter corresponds with the Canadian Life & Health Insurance Association's *G2 Guidelines on Individual Variable Insurance Contracts Relating to Segregated Funds* (the "**G2 Guidelines**"). These alignments are helpful.

However, in review of the Proposed Guidance, we do not believe that Ch. 2.5 of Part 2 is necessary or helpful for insurers/intermediaries. This guidance is overly prescriptive and potentially burdensome and does not appear to substantively add to the principles included in this part of the Proposed Guidance.

### Part 5 – Advertising IVICs

In our review, Part 5 of Proposed Guidance draws from and builds on the FTC Guidance and the MFD Rules. We do not take any issue with the general principles articulated in Part 5 which include, for example, the expectations that insurers/intermediaries treat customers fairly with respect to advertising, avoid conflicts of interest, and refrain from making false or misleading advertisements. We note, however, that this part of the Proposed Guidance is more detailed/onerous than the MFD Rules and includes guidance that is largely unnecessary considering the above noted principles. This includes the following provisions that we view as being unnecessary:

1. **Ch 5.2.5 – Information about performance:** This chapter includes prescriptive guidance on use of data on performance of segregated funds. These expectations are overly burdensome and should be deleted. Concerns are adequately addressed by the general prohibition against misleading advertising.
2. **Ch 5.2.7 – Guarantees:** This chapter includes prescriptive guidance on references to guarantees in advertisements. These expectations are overly burdensome and should be deleted. Concerns are adequately addressed by the general prohibition against misleading advertising.
3. **Ch 5.3.3.1 – Ease of Comprehension:** This chapter includes prescriptive guidance on advertising for target customer groups including "information presented, wording, order of information, font size, speed of audio, volume, and other factors that affect comprehension." These expectations are overly burdensome and should be deleted. Concerns are adequately address by the principle of fairness and the general prohibition against misleading advertising.

- 
4. **Ch 5.6.3 – Avoiding Confusion:** Provides that “where there is a risk of confusion, an advertisement should clearly indicate the insurer is responsible for the promises made under the IVIC, and not any other party [...]”. This expectation should be deleted. Although insurers are responsible for their advertising, this does not preclude the possibility that others may be liable.

## **Part 6 - Understanding Products, Investment Strategies and Customers’ Needs**

Part 6 of the Proposed Guidance includes the CCIR/CISRO’s know your product, know your client, and needs analysis expectations for intermediaries. We understand that this part of the Proposed Guidance is largely derived from the MFD Rules, MFDA Staff Notice MSN-0048, and MFDA Staff Notice MSN-0069. The principles included in this part are generally consistent with the MFD Rules and Staff Notices.

While we understand that the Proposed Guidance has been modified to account for the characteristics of IVIC products, part 6 of the Proposed Guidance also includes the following provisions, which are more onerous than the equivalent MFD Rules, unnecessary, and ambiguous::

1. **Ch 6.1.4 and Ch 6.1.5 – Know Your Investment Strategies – Knowledge and Understanding about Borrowing to Invest:** These provisions are poorly drafted and overly burdensome. We note, for example, that 6.1.4.1 contemplates that, before an intermediary sells an IVIC, the *intermediary* is expected to “know how to identify whether the *intermediary* has sufficient knowledge and expertise to competently provide recommendations and advice on borrowing to invest in an IVIC”. This guidance mixes KYC consideration with competency considerations, which creates confusion for insurers and intermediaries as to their obligations and should be deleted.
2. **Ch 6.1.4 and Ch 6.1.5 – Know Your Investment Strategies – Knowledge and Understanding about Borrowing to Invest:** Whereas Ch 6.1.4.1 purports to set minimum KYC standards, 6.1.5.1 goes on to state that the standards in Ch 6.1.4.1 are “not sufficient”. “Not sufficient” should be deleted as this phrase creates ambiguity as to CCIR/CISRO’s minimum expectations.

## **Part 7 – Recommendations and Advice – Intermediary Expectations**

Generally speaking, the principles that are outlined in this part of the Proposed Guidance are consistent with the suitability determination requirements found in the MFD Rules and MFDA Guidance Note MSN-0069. However, as noted above, in consideration of these well-established and accepted principles, the Proposed Guidance includes several chapters that are unnecessarily prescriptive and burdensome. We draw your attention to the following:

1. **Ch 7.1.1 – General Principles** – This chapter provides that an intermediary should only advise a customer about an IVIC if the “intermediary is competent to do so”. This appears to mix two related but distinct concepts (suitability vs. competency). As noted above, we believe that importing a consideration of advisor competency into the suitability should be avoided.
2. **Ch 7.1.3 – Recommending Leveraging Strategies and Borrowing to Invest – General Principles:**
  - a. Ch. 7.1.3.1 expressly refers back to Ch 6.1.4 and 6.1.5, which, as noted above, include drafting deficiencies. As a result, those deficiencies bleed into 7.1.3.
  - b. More generally, we note that the provisions related to leveraging strategies and borrowing to invest in Ch. 7.1.3 are more detailed and onerous than the MFD Rules and the commentary in Guidance Note MSN-0069 and should be deleted.

- 
3. **Ch 7.1.6 – Unmet Needs:** This section draws a distinction between IVIC transactions that meet all of a customer’s needs and IVIC transactions that only meet some of a customer’s needs and imposes additional disclosure requirements for the latter category of transactions. This confuses the suitability analysis which does not recognize “partially” suitable investments, which should be avoided. This section should be deleted.
  4. **Ch 7.6 – Completing Customer Instructions:** This section is overly detailed and unnecessary apart from the general principles set out in Ch 7.6.1 and should be deleted.
  5. **Ch 7.7 – Post-Transaction/Reasons Why Disclosure – Intermediary Expectations:** Again, this section is overly detailed and unnecessary apart from the general principles set out in Ch 7.7.1 and should be deleted.

## **Part 11 – Oversight**

We understand that the insurer expectations, and the intermediary expectations included in this part of the Proposed Guidance are drawn from and expand upon the FTC Guidance and the Segregated Fund Working Paper. This includes, for example, the general principle that insurers/intermediaries are responsible for overseeing the activities that have been assigned/delegated to another and must have sufficient policies, procedures, and controls in place to ensure oversight/compliance.

We note, however, that this Ch 11.4 includes specific monitoring expectations and contemplates that intermediaries/insurers are expected to undertake increased monitoring where intermediaries/insurers detect activities that *may* be contrary to the Proposed Guidance. These provisions are not found in prior guidance or the MFD Rules:

1. **Ch 11.4.1 – Patterns which may suggest a need for increased monitoring:** This Chapter (and referenced Ch. 11.2.1.2 and 11.3.1.1) impose obligations on insurers to undertake “increased monitoring” if non-compliance is suspected. These provisions are impractical and overly prescriptive in light of the overarching oversight expectations and should be deleted.
2. **Ch 11.4.2 – Specific monitoring expectations:** This Chapter imposes specific monitoring obligations on insurers to undertake “increased monitoring” if non-compliance is suspected. These provisions suffer from drafting deficiencies, are impractical and should be deleted in light of overarching oversight expectations. I.

We appreciate CCIR/CISRO’s efforts to create a consistent regulatory approach as between IVIC and mutuals funds that reflects the general similarities between these product types but recognizes the unique characteristics of IVIC-related investment product.

Respectfully submitted,

***Investment Industry Association of Canada***

**Via email:** [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

April 8, 2025

Canadian Council of Insurance Regulators and Canadian Insurance Services Regulatory Organizations  
25 Sheppard Avenue West  
Box 21 - Suite 100  
Toronto, ON M2N 6S6

**Attention: Huston Loke, CCIR Chair and Patrick Ballantyne, CISRO Chair**

Re: Consultation on Guidance: Consolidated Segregated Funds (the “Guidance”).

Dear Sirs/Mesdames,

On behalf of PPI Management Inc. (“PPI”), please find below our feedback in response to the CCIR and CISRO proposed Consolidated Segregated Funds Guidance.

Founded in 1978 and headquartered in Toronto, Ontario, PPI is one of the oldest and largest managing general agencies (MGA) in Canada, with approximately 7,000 advisors, 10 branch offices, and over 300 employees. We facilitate the distribution of the insurance products of every major life insurance carrier in Canada and our advisors serve a broad range of consumers across the country. Through our longstanding and ongoing participation in the work of all relevant industry organizations, PPI is a leader in industry improvement, innovation and collaboration.

**PPI is aligned with the spirit and intentions of the Proposed Guidance**

We support CCIR and CISRO’s overall mission and applaud the stated goals of the Guidance in support of that mission, including promoting the Fair Treatment of Customers by providing clarity around the expectations of carriers and intermediaries (including advisors, AGAs and MGAs) to create consistent national standards for the design, sale and servicing of segregated funds.

We fully support the goal of promoting consumer protection and a consistent, holistic customer experience, while acknowledging that there are fundamental differences between segregated funds and other types of investment products, including mutual funds. Given that reality, some distinctions are required in the way we implement actions to achieve those goals in order to avoid inefficiencies, such as duplication of effort by multiple parties in the lifecycle of the design, sale, service and ultimate dismantling of a segregated fund and potentially consequent unintended outcomes, such as inconsistent

approaches in different provinces, creating unnecessary additional burden on advisors, MGAs and insurers, and ultimately increased costs to consumers. For example, an agent can sell several insurers' products through multiple MGAs, while a mutual fund representative can only sell mutual funds through one dealer. In addition, because segregated funds are more complex than mutual funds, these factors should be taken into account when determining Know Your Product responsibilities and standards for agents.

With both these common goals, as well as a desire to avoid unintended outcomes, we hope to start the conversation about this Guidance by seeking clarity to better understand certain specific aspects. Once we have that clarity, we would like to participate in ongoing conversations with CCIR CISRO and other industry stakeholders to further develop effective, efficient and clear expectations of each industry role in the lifecycle of a segregated fund.

### **Intermediary Definition and Expectations**

The Guidance defines "Intermediary" broadly, and as it is currently worded, would include agents, brokers and representatives, MGAs, third party administrators and National Accounts. Since each of those stakeholders plays a different role in the lifecycle of a segregated fund sale and service, we recommend breaking the definition down further, for example, into customer facing and non-customer facing roles. Once those distinctions have been established, it would be helpful to then specify which Intermediary is intended to be responsible for each individual activity throughout the rest of the Guidance. For example, items (a) through (h) under the "Servicing" definition are all customer facing activities and are core activities of the agent. Some other examples of places where we would seek confirmation that Intermediary means agent are section 2.2.1.1(d) regarding recommending suitable sales charge options and substantially all of Part 6 regarding understanding products, investment strategies and customers' needs (KYP, KYIS, KYC), as these obligations all pertain to customer facing activities. The MGA supports these activities by supporting the advisor behind the scenes, but is not customarily customer facing.

### **Distinctions between agent and MGA recordkeeping expectations**

We seek clarification under section 10 of the Guidance to identify which aspects of recordkeeping are the responsibility of the agent and which belong with the MGA, in order to ensure that recordkeeping is complementary rather than duplicative. For example, the agent should keep records referenced in section 10.2.1.1, 10.2.1.2, and 10.2.2.1, with the exception of 10.2.1.2 (a), (c) and (e), their own training completed, and conflict of interest management, not the MGA.

## **Distinctions between insurer and MGA roles and responsibilities**

### **1. Training**

In Part 3 on training intermediaries, we agree with the included elements of what the insurer training should include, as it is critical that agents have a fulsome understanding of how the products they sell work, and what fee structures and strategies are available and appropriate for helping customers achieve their investment goals in various circumstances. We request clarification that the target of the training is again customer facing intermediaries, i.e. agents, and that this is for whom the insurers are to create and deliver training content. Specifically, it should be training on their products, as well as strategies and concepts that they promote. MGAs do not provide this type of training for the following reasons:

- Agents should only be required to undertake the training of the specific carriers with whom they do segregated fund business, to avoid an overly onerous burden and repetitive training, especially with respect to strategies. While insurer products may differ, many of the strategies are substantially similar. We submit that insurer product training should include demonstrating how their specific products can be used to implement the different strategies. Agents should not have to do repeated stand-alone training on strategies with each individual carrier.
- The insurers are in the best position to confirm and monitor current agent training, since they can check that training has been completed on the most up-to-date information available for their products when the agent submits an application.

To further clarify, the MGA role in training agents is more appropriately focused on market conduct requirements, such as best practices to meet FTC standards in their customer interactions, their firm processes and their client file documentation. MGAs may also provide support to advisors in navigating comparisons between the product shelves of the various carriers with whom they hold contracts. PPI expects our Regional Directors of Wealth to know the segregated fund product shelf of all insurers with whom PPI has an agreement. This includes the individual features and benefits of each segregated fund available on each insurer's product shelf. Our advisors may have agreements to sell the products of some carriers and not others. We leverage the wholesalers at the carriers to provide training on their specific products.

PPI agrees that specific agent training is needed where borrowing to invest is part of the strategy, in order to ensure that the agent is competent to help the customer understand the risk and benefits of this strategy and how it works. That training, as stated above, should be part of the carrier product training. We wish to clarify, in reference to section 3.2.2, that if intermediaries here refers to MGAs, that PPI does not promote, facilitate, or encourage borrowing to invest. Our role is to monitor agent practices to look for file

documentation that any strategy employed for a customer, including leveraging, is suitable for the specific customer in their unique circumstances.

## **2. Compensating Intermediaries**

PPI agrees with the general principles aimed at avoiding or managing conflicts of interest and embracing FTC to mitigate the risk that customers' needs will not be put first in Section 4 on Compensating intermediaries.

We request clarification of the intent of the time limit set in Section 4.2.3.3 (c):

4.2.3.3 CCIR and CISRO expect that Intermediaries will only pay monetary compensation as described in subsection 4.2.3.1 of this Guidance if:

(c) The period during which the Intermediary may be required to repay monetary compensation to the Compensating Intermediary does not exceed the period during which the Compensating Intermediary may be required to repay monetary compensation to the Insurer

A potential unintended consequence as this reads, is that MGAs would not be able to seek repayment from agents after the MGA has repaid the insurer, which is virtually the situation we are always in.

## **3. Oversight**

PPI agrees with the insurer and MGA oversight responsibilities set out in section 11 of the Guidance. In addition, MGAs can use the data available from all carriers to look for trends and indicators of risk that an agent might not be engaging in customer-centred suitable sales. We request that the Guidance acknowledge that our ability to look for concerning trends is limited by the quality, completeness and comparability of certain types of data provided by the insurers. For example, where an application involves leveraging, it is the insurer who is in a position to review the appropriateness of the strategy in each specific circumstance during underwriting.

## **Understanding Products, Investment Strategies and Customers' Needs**

Agents and the insurers whose segregated fund products they sell are responsible for their understanding of the characteristics of the segregated fund products they sell, including the general benefits, risks and costs of borrowing if applicable, in order to meet customer needs. MGA subject matter experts support that understanding when providing specific case consultations to assist the agent in making suitable recommendations from the insurer products available to the agent.

We seek clarification of the meaning of section 6.1.4.1 (b) with respect to the expectation that an Intermediary “know(s) how to identify whether the Intermediary has sufficient knowledge and expertise to competently provide recommendations and advice on borrowing to invest...” Does this mean that the MGA is expected to have mechanisms in place to assess whether an agent has these competencies? If so, we respectfully submit that the insurers are in a better position to track whether the agent has adequate training as stated above.

We substantially agree with the Guidance on the relevant elements of information an agent should collect about a customer to be positioned to do an adequate analysis of needs and make suitable recommendations in section 6. We submit that section 6.2.7.1, which speaks to the circumstance where a customer is unwilling to provide certain information, that there should be an option for the agent to sell the customer the requested product, as they can capture the unwillingness to engage in a full disclosure, analysis and recommendation process in the Reason Why Letter, just as they can when selling risk insurance products.

The Guidance references Intermediary (we assume in this case, agent) responsibilities when they “know or reasonably ought to know” that the customer is borrowing to invest, or moving funds from one segregated fund to another (sections 6.2.3.1 (a), 7.1.3, 7.1.5). We would like to clarify that an agent can reasonably be expected to ask the client about the source of funds and document the response, but the agent cannot control nor verify the veracity of the customer’s response.

## **Conclusion**

Role clarification in the Guidance will provide consistent understanding and enforceability of the accountabilities of all industry stakeholders which will help to better achieve the goal of Fair Treatment of Customers. We look forward to further opportunities to work with CCIR CISRO and all industry stakeholders on the Guidance and thank CCIR CISRO for the opportunity to comment.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Cathy Hiscott  
President & CEO PPI



**Head Office/Siege Social**  
6985 Financial Drive, Suite 400  
Mississauga, ON L5N 0G3

Mailing Address/Adresse Postage  
P.O Box 174/C.P. 174  
Streetsville, ON L5M 2B8

## Table of Contents

<b>RE: Public Consultation of CCIR/CISRO Consolidated Segregated Funds Guidance</b>	<b>2</b>
<hr/>	
<i>About Primerica</i>	2
<hr/>	
<i>General Comments</i>	3
<i>Principles-Based versus Prescriptive Approach</i>	3
<hr/>	
<i>Proportionality, Flexibility and Outcomes-Based Framework</i>	4
<hr/>	
<i>Duplication and Overlap</i>	4
<hr/>	
<i>Conclusion</i>	5
<hr/>	
<b>Appendix 1: Comments by Section</b>	<b>6</b>
<b>Section 1 - Definitions</b>	<b>6</b>
<hr/>	
<b>Section 3 - Training Intermediaries</b>	<b>6</b>
<hr/>	
<b>Section 4 – Compensating Intermediaries</b>	<b>8</b>
<hr/>	
<b>Section 6.1 - Know Your Product (KYP)</b>	<b>8</b>
<hr/>	
<b>Section 6.2 - Know Your Customer (KYC)</b>	<b>9</b>
<hr/>	
<b>Section 7 – Intermediary Expectations</b>	<b>10</b>
<hr/>	
<b>Section 10 – Recordkeeping</b>	<b>11</b>
<hr/>	
<b>Section 11 – Oversight</b>	<b>11</b>
<hr/>	
<b>APPENDIX 2: Simplifying the Guidance by Eliminating Duplication and Overlap</b>	<b>13</b>

April 8<sup>th</sup>, 2025

Sarah O'Connor, Senior Policy Manager  
 Canadian Council of Insurance Regulators  
 Peter Chung, Policy Manager  
 Canadian Insurance Services Regulatory Organizations  
 National Regulatory Coordination Branch  
 e-mail: [ccir-ccrra@fsrao.ca](mailto:ccir-ccrra@fsrao.ca)

## RE: Public Consultation of CCIR/CISRO Consolidated Segregated Funds Guidance

Primerica Life Insurance Company of Canada (PLICC) and Primerica Financial Services Ltd (PFS) (collectively, Primerica, we or our) is pleased to respond to the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) consultation regarding the Consolidated Segregated Funds Guidance (Guidance). We commend the regulators for consulting on a robust regulatory ruleset for the sale of segregated funds.

### About Primerica

Our Canadian corporate group includes our mutual fund dealer, PFSL Investments Canada Ltd., our life insurance company, PLICC, and our life insurance agency PFS. PLICC and PFS are represented by more than 10,000 licensed life insurance agents across the country, and approximately 6,800 of our life insurance agents are dually registered as mutual fund representatives. PLICC insures almost 550,000 lives and operates in every province and territory across Canada.

Our products and personal advice help middle-income Canadians establish long-term financial goals. Our representatives guide their clients at life's critical points, helping them avoid common pitfalls to gaining financial independence: higher cost and lower face value insurance that does not protect adequately, starting to save too late, not saving enough, and neglecting tax-advantaged savings opportunities, to name a few. Our representatives take a holistic approach with their clients and offer our digital FNA (Financial Needs Analysis), which provides them with a snapshot of their financial situation and a road map to achieve their goals. Our goal is to empower Canadians to make informed financial choices through education and help them set and achieve their financial goals.

We pride ourselves on our high customer satisfaction and retention, our collaboration with regulators as we believe in strong consumer protection, and our compliance record. Primerica's people-first philosophy and our commitment to doing what's right for our clients is evident in the millions of families who trust Primerica for their family's financial needs across North America.

One of the distinguishing features of our business model is that we continue to distribute our products through an exclusive sales force of representatives, which allows us to put supervision, monitoring, controls, and restrictions in place based on trends and risks we identify.

We offer our comments through this lens, drawing on nearly forty years of experience successfully serving middle-income Canadian families.

## General Comments

Primerica is supportive in principle of the Guidance. The initiative to establish comprehensive guidelines that ensure fair treatment of consumers and strengthen sales practice for segregated funds is important. However, as currently worded, the Guidance requires more clarity, especially as it pertains to the roles and responsibilities of insurers as manufacturers, versus insurers and other entities (such as MGAs) as distributors versus life insurance agents as intermediaries directly selling Individual Variable Insurance Contracts (IVICs). Clearly identifying the roles and responsibilities at the appropriate levels will ensure that the Guidance fulfills the desired outcome of consumer protection.

While consistency with mutual fund regulation is important to maintain consumer clarity and competitive balance, it is equally essential to account for structural, legislative and regulatory distinctions between the segregated fund and mutual fund sectors to ensure feasibility and proportionality. The final framework must balance alignment with other investment products while respecting the specificities of the life insurance sector and the distinction of the IVIC product.

We were encouraged to read the regulators' intention of providing principles-based guidance. However, we are concerned that parts of the Guidance as drafted are overly prescriptive and wouldn't allow distributors and intermediaries to set policies or create compliance frameworks that are tailored to their business model while still fulfilling the desired outcome of consumer protection. This will unintentionally deter firms, particularly smaller and newer ones, and those who serve modest income families, from selling IVICs.

Additionally, several granular requirements, particularly those related to training, know-your-product (KYP), know-your-client (KYC), and certain intermediary obligations, risk creating substantial compliance burdens and administrative red tape for firms that serve smaller investors. As currently drafted, the cost of servicing individual accounts could rise significantly, potentially making it uneconomical to continue offering IVICs to modest investors.

These increased burdens may also lead to a contraction in product shelf offerings, limiting consumer choice and dampening innovation and productivity within the industry. Given that segregated fund complaints and negative outcomes remain relatively rare, a careful cost-benefit analysis of the Guidance as structured is warranted to ensure proportionality, regulatory effectiveness, compliance efficiency and most importantly consumer access to IVICs.

### *Principles-Based versus Prescriptive Approach*

While we recognize the need for detailed guidance to address regulatory gaps, we believe the segregated fund framework should prioritize principles-based regulation wherever possible. Given the diversity of business models and products in the marketplace, this approach offers the necessary flexibility for firms to tailor their compliance frameworks to achieve regulatory objectives effectively.

The draft Guidance itself acknowledges the importance of a principles-based approach. However, certain aspects of the proposal are overly prescriptive, providing granular guidance that may not be practical or applicable in all circumstances. A principles-based framework that establishes clear expectations while allowing firms to determine the most appropriate compliance measures will be more effective in achieving the intended regulatory outcomes.

In the life insurance sector, principles-based regulation is particularly important as it enables firms to adapt to evolving market conditions, fosters competition and innovation, and supports a range of business models, all while ensuring consumer protection. In contrast, overly prescriptive regulations can be restrictive,

redundant, or not relevant in every circumstance. They also risk unintended consequences such as reducing consumer access and increasing costs.

### *Proportionality, Flexibility and Outcomes-Based Framework*

As stated above, overly prescriptive provisions may unintentionally increase operational complexity, discourage participation by smaller investors, or restrict access to services. A risk and principles-based framework should allow for proportional and scalable compliance approaches.

For instance, specific carve-outs could exempt modest monthly contributions made through pre-authorized payment chequing plans (PACs) from some of the more burdensome requirements. Risk-based and monetary thresholds could be introduced to trigger more detailed analysis or documentation only when appropriate. Furthermore, documentation requirements should be tailored to the size and complexity of the account, ensuring that smaller, simpler accounts are not burdened by requirements designed for high-net-worth, high-risk or complex portfolios and accounts.

### *Duplication and Overlap*

In addition, we have observed several repetitive parts within the proposed Guidance and recommend an extensive review to remove duplication and repetition. We note that several concepts, such as 'value for money', 'needs-based suitability', and the 'fair treatment of customers', are repeated across multiple sections (e.g., Sections 2.2, 2.4, 2.6 and 3.1, 3.2, 4.1), often using similar language. While we support these principles, their restatement throughout the document adds unnecessary length and complexity. Similarly, knowledge of and compliance with rules and regulations by insurers and intermediaries should be presumed to be a given expectation and do not need to be included in various sections but should be an overarching expectation that can be stated once at the outset. We recommend consolidating these expectations into a single, clearly defined section, with cross-references if absolutely necessary. This approach would promote clarity, ease of compliance, and reduce potential confusion or duplication of internal processes. This clarity is crucial as firms must train their staff and implement the new Guidance effectively and without ambiguity. We have provided a summary of our duplication and overlap analysis in Appendix 2.

### *Clarifying Roles Across the IVIC Distribution Chain*

The proposed Guidance, as currently drafted, does not sufficiently distinguish between the roles of manufacturers and distributors. These two functions are often entirely separate within the life insurance industry. While some manufacturers, such as PLICC, may also distribute segregated funds directly, this is not the prevailing model in Canada, where third-party organizations such as Managing General Agencies (MGAs) play a significant role in product distribution.

We also note that the term "intermediary" is used inconsistently throughout the Guidance, at times referring to individual life insurance agents, and at other times to business entities such as MGAs. For clarity and consistency, we recommend using the term "life insurance agent" when referring to individuals and reserving the term "intermediary" for entities involved in distribution, such as MGAs.

Further, the Guidance should explicitly recognize the unique position of life insurance companies that distribute their own products through a captive or dedicated salesforce. These integrated distribution models carry different compliance oversight responsibilities than third-party models. As such, the Guidance should clearly state that life insurers employing a captive salesforce remain responsible for overseeing the sale of IVICs by those agents. We highlight this distinction to prevent the emergence of a potential regulatory gap: if some provisions are amended to relieve manufacturers of certain responsibilities (e.g., under a third-party distribution model), life insurers who also distribute their products directly could be inadvertently left without

clear obligations, despite their active role in distribution. Ensuring that oversight responsibilities are not unintentionally excluded for these dual-role entities is critical to the integrity of the framework.

For these reasons, it is essential to clearly delineate the responsibilities of each party involved, spanning product design, training development and delivery, sales supervision, and post-sale servicing. Clear and consistent role definitions will reduce ambiguity, avoid duplication of effort, and support more effective compliance. Most importantly, this clarity will improve consumer outcomes by ensuring that accountability is appropriately aligned with actual business practices and responsibilities.

### *Implementation Timelines and Phase-In Period*

The scope and complexity of the Draft Guidance will require a multi-year implementation period. The proposed requirements introduce significant operational, compliance, and technology impacts, including but not limited to, systems changes, programming and model updates, policy and procedure development, revised forms and disclosures, enhanced supervisory oversight frameworks, staff training, and training of life insurance agents. In addition, the industry is currently navigating several concurrent regulatory initiatives, many of which compete for similar technology, operations, legal, and compliance resources. To ensure that implementation is effective, coordinated, and does not result in unintended disruption for consumers or market participants, we recommend a minimum three-year phased implementation period, with additional time or flexibility provided for particularly complex areas such as product-level documentation, intermediary oversight, and training infrastructure.

A well-designed transition timeline will ensure that the Guidance achieves its intended outcomes while maintaining industry stability and customer access to advice and products.

### Conclusion

Primerica supports the CCIR/CISRO initiative to enhance the regulatory framework for segregated funds. While the Draft Guidance effectively reinforces consumer protection principles, targeted adjustments are needed to avoid an overly prescriptive approach, duplication and red tape. Aligning more closely with a proportional, outcomes-based regulatory model would enhance clarity, reduce unnecessary compliance burdens, and support innovation and accessibility in the segregated fund marketplace. These observations are submitted in the spirit of supporting effective and practical implementation of the regulatory framework.

We look forward to continued collaboration with CCIR/CISRO and other industry stakeholders to ensure the fair treatment of customers and the integrity of the segregated funds market.

Sincerely,

*[Original Signed By]*

John Adams, CPA, CA  
Chief Executive Officer, Primerica

## Appendix 1: Comments by Section

### Scope of Comments

For efficiency and clarity, our submission focuses only on those sections of the Draft Guidance we believe warrant further refinement or clarification based on our organization's distribution model and practical experience. We have not provided line-by-line commentary on every provision. We also participated in the consultation response process coordinated by the Canadian Life and Health Insurance Association (CLHIA) and are generally aligned with the positions reflected in their submission. Where comments required further nuance based on our model and experience, we expanded upon those in the interest of constructive policy development.

### Section 1 - Definitions

The definition of "Leveraging Strategy" should specifically exclude RRSP loans with a defined amortization period. A standard non-registered leveraging strategy magnifies investment risk, which necessitates additional KYC and suitability requirements to assess the strategy. By contrast, an RRSP loan strategy is designed to access a current RSP tax benefit with a predefined repayment timeframe – it is merely a financing plan for a contribution and doesn't need much in the way of additional KYC or analysis to establish its suitability. We believe that there are important differences in the two that result in an RRSP loan strategy having significantly reduced risk to the client relative to a non-registered leveraging strategy. We believe these differences should result in a more nuanced approach to the collection of know your client information, the assessment of suitability, and the supervision of RRSP loan recommendations. We provide further details on our rationale on this distinction in the leveraging section of our comments.

### Section 3 - Training Intermediaries

General Observation: This section introduces a level of granularity that risks veering into curriculum design, prescribing detailed content and time-bound procedures that may not be workable across diverse business models. In particular, the requirement to confirm intermediary understanding within a fixed three-month window is overly rigid and potentially misaligned with the broader principles-based intent of the Guidance. A more effective approach would be to set a qualitative expectation for timely knowledge verification, allowing flexibility based on the nature of the training and the intermediary's role.

Additionally, the Guidance should explicitly recognize the foundational role of the Harmonized Life License Qualification Program (HLLQP), which has been updated to include a dedicated segregated funds module. Completion of this module is mandatory for all life insurance licensees and provides a standardized baseline of knowledge on segregated fund structures, regulatory context, and key product characteristics. The HLLQP standard should be acknowledged as sufficient for licensing competency, with ongoing training reserved for product-specific nuances, evolving regulatory developments, and insurer-specific processes.

We support the intention to ensure intermediaries are properly trained to advise on IVICs. Accordingly, we recommend clear accountability to reflect the practical realities of the life insurance distribution framework. Specifically, given that life insurance companies that manufacture IVICs are best positioned to create, deliver, and certify product-specific training, it is the life insurance companies that should determine the content and procedures for the training related to their products. As product manufacturers, they possess the detailed knowledge required to accurately communicate product structures, guarantees, limitations, and compliance requirements.

### Section 3.1.1

We support the principle that manufacturers of IVICs should be responsible for developing and delivering product-specific training, and for certifying that intermediaries have completed this training prior to selling those products. Intermediaries (as in life insurance agents), in turn, would remain responsible for understanding and applying that training in practice.

#### Section 3.1.3.1(d)

Requiring all life insurance agents to receive leveraging-related training just because the insurer offers or promotes this option is onerous and adds unnecessary cost and complication. A life insurance agent who is not eligible to recommend or support leveraged investment strategies due to such strategies being prohibited by the business intermediary with which the life insurance agent is affiliated should not be subject to that training. We recommend replacing this provision with the following approach:

“Where insurers or business intermediaries promote or recommend leveraged investment strategies, they should ensure that life insurance agents are trained to understand and explain the associated risks, costs, and suitability factors. Notwithstanding that an insurer may promote or recommend leveraged investment strategies, should a business intermediary through which a life insurance agent conducts licensed activities not permit leveraged investment strategies, then such training is not required.”

#### Section 3.1.4 – Format of Training Material

The Guidance should recognize multiple modes of delivery, including live and virtual formats such as webinars and workshops. A flexible, outcome-based expectation is preferable to a rigid specification of format. We recommend framing expectations as:

“Training should equip intermediaries with sufficient product and process knowledge to ensure customers receive informed, fair, and suitable advice.” A non-binding appendix of suggested topics could accompany the final Guidance.

Section 3.1.6 (a) should simply require that training programs enable intermediaries (as in life insurance agents) to achieve adequate knowledge. Subsection (b) duplicates content from 3.1.7.1 and could be removed.

#### Section 3.1.7 – Assessing Intermediaries’ Understanding

We recommend that manufacturers of IVICs, who possess the most comprehensive understanding of product features and risks, also be responsible for certifying an intermediary’s initial understanding of a product or suite of products that they will sell. However, we strongly oppose rigid re-certification obligations triggered by every update to training materials. Instead, the Guidance should adopt a principles-based requirement such as: *“Insurers must offer intermediaries (as in life insurance agents) up-to-date product and process information, using reasonable and risk-appropriate approaches.”* This avoids service disruptions and unnecessary administrative burden while reinforcing outcome-based compliance.

#### Sections 3.2.1 and 3.2.2 Ongoing Training

We caution against prescriptive provisions that would require intermediaries (i.e., life insurance agents) to pause client servicing due solely to minor or administrative delays in training completion. This is particularly impractical when updates are immaterial to product suitability or risk. Only material changes should prompt the manufacturer to develop updated training, and even in those cases, mandatory re-certification should not be automatically triggered.

After careful consideration, we are unable to identify a realistic scenario where changes to IVIC training materials would be so fundamental as to warrant forced re-certification across the board. Life insurance

agents should be expected to maintain current knowledge, but this expectation must be balanced against client service continuity and proportionality of regulatory burden. Ultimately, the manufacturer is in the best position to determine whether changes to their IVIC or training materials warrant re-certification, while life insurance agents themselves are in the best position to judge their own knowledge to serve their clients appropriately.

We recommend that life insurers retain the discretion to implement re-certification only when warranted, rather than defaulting to a mandatory, one-size-fits-all trigger. This ensures appropriate oversight while preserving operational flexibility and consumer access.

Finally, we reiterate that RRSP loan strategies are fundamentally different from traditional leveraging and should not be included in leveraging training unless specifically relevant.

## Section 4 – Compensating Intermediaries

We recommend clarifying the scope of the prohibition in Section 4.2.2.3, which could be interpreted as a blanket ban on all time-limited incentives. While we agree with the underlying concern about creating conflicts of interest by promoting one IVIC over another, we believe it is important to preserve the ability to offer time-limited incentives with appropriate controls in place. These can be used effectively to drive advisor engagement, promote inclusion of small investors, or support new product launches, provided they are properly monitored and any potential conflicts are managed.

This position aligns with the CCIR Incentives Management Guidance, which does not prohibit time-limited campaigns but requires that their potential impacts on customer outcomes be carefully assessed and managed.

We therefore suggest rewording this section and permitting time-limited compensation programs where appropriate controls are in place. This would preserve flexibility while maintaining strong consumer protections and adherence to fair treatment of customers.

## Section 6.1 - Know Your Product (KYP)

Section 6.1.4 should be simplified to state that intermediaries must understand the general benefits, risks, and costs of borrowing to invest in an IVIC. For greater clarity, it could also reference that for further guidance on leveraging, that intermediaries are expected to comply with section 7.1.3.

RRSP loans should not be categorized as “leveraged strategies” within the context of this Guidance. RRSP loan strategies are fundamentally different from non-registered borrowing-to-invest strategies and should be treated as such for the purposes of risk assessment, compliance obligations, and suitability analysis. These differences warrant a proportionate and less onerous regulatory approach.

The core objective of an RRSP loan is to help clients build retirement savings, typically by enabling contributions that generate an immediate tax refund and are repaid over a fixed timeframe. When structured appropriately, RRSP loans allow clients to enter retirement with a growing RRSP balance and no associated debt. This stands in contrast to non-registered leveraging strategies, which are generally designed to amplify returns using borrowed funds and carry significantly higher market and borrowing risks.

Key distinctions include:

Primerica Client  
Services Inc.

Primerica Life Insurance  
Company of Canada

PFSL Investments  
Canada Ltd.

PFSL Fund  
Management Ltd.

Les Services à la Clientèle  
Primerica Inc.

La Compagnie d'Assurance-Vie  
Primerica du Canada

Les Placements PFSL  
du Canada Ltee

Gestion des fonds  
PFSL ltee

- Tax Efficiency: RRSP loan strategies provide clients with an immediate tax benefit (refund), which can be used to reduce the loan balance, meet other tax obligations, or pay down higher-interest debt.
- Contribution Catch-Up: Longer-term RRSP loans enable clients to make use of unused contribution room, even if they lack sufficient liquidity at the time.
- Defined Repayment: RRSP loans are typically amortized over a defined term, with full repayment expected. In contrast, many non-registered leveraging strategies rely on interest-only repayments, which can result in prolonged debt exposure.
- Lower Loan Amounts: RRSP loans tend to be modest in size relative to other leveraging programs, further reducing overall risk exposure.

These characteristics materially reduce the risk profile of RRSP loan strategies. As such, they should not be subject to the same rigorous disclosure, suitability testing, or documentation requirements as traditional non-registered leveraging strategies. A differentiated, risk-proportionate compliance approach is both justified and necessary to ensure clients continue to benefit from a valuable, widely used retirement planning tool.

In section 6.1.4.1(b), the requirement to “know how to identify whether the Intermediary has sufficient knowledge and expertise to competently provide recommendations and advice on borrowing to invest in an IVIC” should only be applicable where the intermediary (as in the life insurance agent) is actively engaged in leverage strategies. Intermediaries that do not offer leveraging strategies should only be required to have the general knowledge contemplated under 6.1.4.1(a).

The phrase “reasonably ought to know” introduces legal ambiguity and can be problematic in compliance contexts because it blends subjective inference with a loosely defined standard of diligence. For clarity and enforceability, we recommend replacing it with “knows or has been informed” throughout the Guidance document.

## Section 6.2 - Know Your Customer (KYC)

Section 6.2.3’s income and expense collection is overly detailed. Net and/or disposable income would be a simpler and more meaningful metric and avoid customer reluctance on sharing actual debt details.

Section 6.2.4 should exempt near-maturity IVICs in transfer scenarios from full documentation and other requirements that apply when switching IVICs as this is unnecessary and cumbersome in the case of an IVIC that is going to terminate if no action is taken. It could have the unintended consequence of delaying the transaction and harming the client.

Additionally, the language in 6.2.6.2(b) could be rephrased to: “Intermediaries are expected to make reasonable efforts to update each Owner’s information no less than once every three years, or sooner if servicing activity occurs or a material change is identified.” This reframing supports proportionality by applying more intensive oversight only where warranted and increases clarity on what triggers a review.

Section 6.2.7 lacks clarity regarding its application to new applications versus updates for existing clients, particularly in situations where the client has not responded to a request for updated Know Your Customer (KYC) information. We recommend that expectations in these cases be aligned with established securities and mutual fund frameworks, where a client has not responded to an information update request, client information is updated once a new transaction is initiated, rather than mandating updates based on time-

based cycles alone. This approach promotes consistency across financial sectors and supports operational feasibility.

Furthermore, the section is unclear about the limitations on intermediary action when a client is unwilling or unable to provide updated information. We believe that, in such instances, the intermediary should be permitted to proceed with the transaction, provided that the circumstances are appropriately documented. To support both regulatory intent and client autonomy, we suggest that the Guidance clarify that it is not intended to restrict a client's right to direct a transaction. Instead, intermediaries should be explicitly allowed to proceed with a "reason-why" letter, which outlines the rationale for proceeding despite incomplete KYC updates.

By rewriting this section to explicitly allow such flexibility, the Guidance will better reflect the practical realities of client servicing while upholding the principles of transparency, documentation, and client protection.

## Section 7 – Intermediary Expectations

Part 7 introduces some of the most granular requirements, particularly regarding suitability, switching, and leveraging and the entire section would benefit from an exercise of simplification and streamlining to reduce red tape, confusion and undue increase in cost. As stated in Section 6, the phrase “reasonably ought to know” introduces legal ambiguity and for clarity and enforceability, we recommend replacing it with “knows or has been informed” throughout the Guidance document.

In Section 7.1.3, RRSP loans should not be classified as a leveraging strategy, as we stated in previous sections.

Sections 7.1.5.4 and 7.4.1 introduce a “more suitable” product comparison requirement, which establishes a subjective comparative standard. This approach is impractical and potentially harmful, particularly when applied to IVICs nearing maturity, where comparison to a soon-to-be-defunct contract lacks meaning and could delay beneficial client actions.

We recommend replacing the “more suitable” standard with a straightforward “suitability” standard compliant with applicable provincial insurance legislation. Replacing the “more suitable standard” would further the Guidance’s stated aim of harmonizing sales and compliance practices between mutual funds and segregated funds. The Canadian Securities Administrators (CSA) addressed this issue directly in their Client Focused Reforms (CFRs). In response to industry concern during public consultations, the CSA intentionally adopted a “suitability” standard—rejecting “most suitable” or “more suitable” as overly subjective and likely to create confusion or compliance ambiguity. As noted in their official guidance: *“A registrant must always exercise professional judgment [...] to meet its suitability determination obligation.”* We encourage CCIR and CISRO to adopt a similarly clear and practical approach, focusing on a well-reasoned “suitability” determination rather than setting a moving target through comparative standards. This ensures both regulatory consistency and greater certainty.

These sections should also explicitly exclude IVICs nearing maturity for the reasons stated above.

Sections 7.1.6 and 7.1.7 require clarifying the language of “needs” and suitability.

We recommend replacing the phrase “all needs” in Section 7.1.6 with “identified needs” to reflect an evidence-based and documentable understanding of the client’s objectives, rather than implying an exhaustive and subjective obligation. This change would align the Guidance with Section 6.3.2, which introduces a more practical and specific framework for identifying and recording client needs.

Similarly, in Section 7.1.7, the phrase “fully meet the customer’s needs” should be revised or removed. This language introduces subjective ambiguity and could create unrealistic expectations or regulatory uncertainty.

These concerns mirror those raised by the industry during consultations on the CSA’s Client Focused Reforms, where the CSA declined to adopt standards such as “most suitable” or “more suitable” due to the risk of vague or overly burdensome obligations. The CSA’s response emphasized the importance of professional judgment, suitability grounded in client-specific KYC data, and the expectation to put the client’s interest first versus meeting an undefined or absolute threshold.

Adopting similar clarity in the IVIC Guidance will help ensure consistent regulatory outcomes across both sectors, support fair treatment of customers, and offer a clear, implementable standard for the industry.

## Section 10 – Recordkeeping

Section 10 outlines intermediary recordkeeping responsibilities, which are important for transparency and accountability but risk becoming overly granular and administratively heavy in the draft Guidance.

Section 10.2.1.1 requires intermediaries to maintain records of completed training (per Section 3.2.1). This is appropriate, but the level of formality may deter minor training updates. A flexible approach allowing summary logs, email or other digital evidence of registration or completion should be considered.

Section 10.2.1.2 introduces expectations for maintaining records of intermediary-provided training, conflicts of interest, compensation design, KYP expertise, and leveraging disclosures. The breadth of these records, especially on training and knowledge, creates redundancy with other obligations in Sections 3, 4, and 6, and should be streamlined to emphasize outcomes over administrative repetition.

Section 10.2.2.1 lists an extensive recordkeeping matrix for each customer (e.g., KYC, needs analysis, advice, disclosures, instructions, consents). This prescriptive breakdown duplicates guidance already captured in Sections 6 and 7. It should be recast as an outcomes-based principle: that intermediaries must maintain records sufficient to demonstrate compliance with suitability, disclosure, and servicing standards.

Section 10.3.1 prescribes how long records must be retained (e.g., 5 years after training ends or after an IVIC closes). These timeframes are reasonable and align with regulatory norms, but the Guidance should reiterate that these may be adjusted where shorter retention is permitted by applicable law.

Additionally, language suggesting that records must be kept “separate from other non-insurance records” is impractical for dual-licensed advisors. This should be clarified to mean “separately identifiable” rather than physically separate.

## Section 11 – Oversight

Part 11 outlines the expectations for insurer and intermediary oversight but introduces several ambiguities and gaps that need to be clarified or streamlined.

The Guidance should explicitly acknowledge that life insurers with captive salesforces are both manufacturers and distributors and therefore retain oversight responsibilities for IVIC sales. Clear recognition of this dual role is essential to avoid regulatory gaps that may arise if manufacturer responsibilities are relaxed for third-party distribution models.

Section 11.1 sets a general expectation of oversight for all parties but does not clearly differentiate responsibilities between insurers, distributors such as MGAs, and intermediaries (as in life insurance agents). A more explicit assignment of oversight by role would support accountability and implementation. This goes back to our earlier general comment about clarifying and clearly delineating roles and responsibilities to avoid duplication or unintended gaps in oversight and responsibility.

Section 11.2.1 suggests that insurers are responsible for full oversight of intermediary activity. In practice, insurers can only monitor activity tied to their own products and their own advisors in the case of a captive salesforce. Oversight of holistic intermediary conduct and sale practices, where it is **not** tied to a single insurer, should be assigned to licensed business entities like MGAs who have contractual obligations and levers.

Section 11.3.1 assigns oversight to intermediaries, including monitoring and investigating peer conduct. These obligations are impractical for individuals and should apply only to licensed business entities like insurers who have a direct sales force or MGAs/distributors with contractual oversight roles. While there may be some monitoring and coaching of less experienced peers happening organically in the industry, ultimate responsibility of overseeing conduct should rest with entities that are specifically structured and resourced for this function. An entity could always assign or delegate such tasks to a responsible and experienced intermediary (as in life insurance agent) but should not be absolved from ultimate responsibility.

Section 11.4.1 includes a prescriptive list of red flags requiring increased monitoring (e.g., early withdrawals, high activity). While these are relevant indicators, they should be presented as flexible risk-based examples and not a fixed or exhaustive compliance checklist.

## APPENDIX 2: Simplifying the Guidance by Eliminating Duplication and Overlap

We have undertaken a detailed review of the Public Consultation Draft of the CCIR/CISRO Consolidated Segregated Funds Guidance (January 2025) and identified several instances where key regulatory principles and expectations are repeated across multiple sections, often with only minor differences in language. While some level of reiteration can reinforce important concepts, excessive duplication may obscure the core messages, increase compliance complexity, and reduce the overall clarity and efficiency of the document.

While the Draft Guidance is comprehensive and generally aligned with regulatory best practices, we believe that targeted consolidation and improved cross-referencing would significantly enhance its clarity, usability, and practical application. These observations are provided in support of that objective, with the intent of helping to ensure the final Guidance remains both effective in protecting consumers and workable for implementation by insurers, distributors, and intermediaries.

Below is a summary of the most notable redundancies, along with suggested opportunities for streamlining the Guidance:

### Part 1 – Introduction and Fair Treatment of Customers (FTC) Principles (pp. 1–4)

The principle of Fair Treatment of Customers (FTC) is appropriately introduced as a foundational standard. However, the same FTC-related expectations are restated in multiple subsequent parts (e.g., Parts 2, 3, 4, 6, and 11), often using near-identical phrasing. These sections could more effectively reference the FTC standard in Part 1 rather than repeating its full articulation. Doing so would enhance readability while preserving emphasis on this critical principle.

### Part 2 – Designing IVICs (pp. 5–14)

The principle of delivering value-for-money (VfM) appears prominently in Sections 2.2 (Product Design), 2.4 (Fees and Charges), and 2.6 (Product Review). While VfM is essential to consumer protection, the repeated articulation of its meaning and implications in similar terms suggests the opportunity to consolidate related guidance into a single, unified section. Context-specific applications could then be addressed through targeted sub-paragraphs.

### Part 3 – Training Intermediaries (pp. 21–25)

Content related to leveraging—specifically training on borrowing to invest—appears in both Section 3.1.3(d) (insurer-provided content) and Section 3.2.2 (intermediary-led training). Each section outlines nearly identical coverage (i.e., risks, benefits, and suitability assessments of leveraging strategies). These expectations could be more effectively integrated into a single leveraging-specific subsection, clearly delineating responsibilities by stakeholder role.

### Part 4 – Compensating Intermediaries (pp. 26–28)

This section revisits themes related to the FTC principle, particularly with regard to aligning compensation models with the interests of customers. Given that FTC considerations are already extensively addressed in Parts 1 and 2, full restatement here is unnecessary. A concise cross-reference to those earlier sections would suffice to maintain regulatory cohesion.

### Part 6 – Understanding Products, Investment Strategies and Customers' Needs (pp. 35–39)

Guidance on Know Your Customer (KYC) obligations is broken into multiple subsections (6.2.2 through 6.2.7), which address overlapping requirements such as collecting, updating, and documenting customer information. Although different scenarios are considered (e.g., leveraging, switching), the core expectations remain consistent. Consolidating these into a general KYC framework with scenario-specific appendices or footnotes would streamline the guidance and promote operational clarity.

### Part 7 – Recommendations and Advice (pp. 42–57)

Two complex topics, leveraging and switching IVICs, are addressed across multiple, dispersed subsections:

- Leveraging: Sections 7.1.3–7.1.4 (recommendation principles), 7.3 (pre-transaction disclosure), and 7.7.3 (post-transaction obligations)
- Switching IVICs: Sections 7.1.5, 7.4, and 7.7.4

Each cluster restates similar compliance steps: suitability assessment, risk disclosure, and rationale documentation. Structuring these into two standalone scenario-based subsections (e.g., “Guidance on Leveraging Strategies,” “Guidance on Switching IVICs”) would reduce redundancy and enhance compliance.

### Part 8 – Annual Statements (pp. 58–60)

Section 8.4 reintroduces the expectation that insurers should encourage customers to update their KYC information. This is an obligation already covered in detail in Part 6. A simple reference to the relevant KYC provisions would ensure alignment without unnecessary repetition.

### Part 10 – Recordkeeping (pp. 66–69)

Sections 10.2.2 and 10.3.1 mandate recordkeeping practices concerning recommendations, advice, and transactions. These requirements mirror obligations already established in Parts 6 and 7. Cross-referencing those earlier discussions would prevent duplication and reinforce internal consistency.

### Part 11 – Oversight (pp. 69–71)

Oversight responsibilities for insurers and intermediaries are reiterated here, including many governance and monitoring functions discussed previously in Parts 2 (Product Governance), 3 (Training), and 6 (KYP/KYC). This material could be consolidated into a governance matrix or tabular summary, which would more clearly delineate accountability while reducing textual redundancy.