

April 25, 2003

Joint Forum of Financial Market Regulators  
Joint Forum Project Office  
5160 Yonge Street  
Box 85, 17th Floor  
North York, Ontario  
M2N 6L9

Attention: Stephen Paglia, Senior Policy Analyst

Dear Sir:

**Joint Forum of Financial Market Regulators (the “Joint Forum”) Consultation Paper 81-403 Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds (the “Consultation Paper”)**

I am writing on behalf of The Great-West Life Assurance Company, London Life Insurance Company and Quadrus Investment Services Ltd, a mutual fund dealer subsidiary of London Life. We greatly appreciate the opportunity to review and comment on the Consultation Paper. We specifically wish to congratulate the Joint Forum for the consultation process it has followed and continues to follow in the development of the proposals embodied in the Consultation Paper.

Together with its subsidiary, London Life Insurance Company, Great-West serves the financial security needs of more than nine million Canadians through a network of Great-West and Freedom 55 Financial security advisors, and through brokers and marketing partnerships with other financial institutions. Great-West, together with London Life, is the leading provider of segregated funds in Canada.

Quadrus Investment Services Ltd. is one of Canada's largest mutual fund dealers, with over 3,000 registered mutual funds salespersons in all Provinces.

### ***CLHIA Submission Supported***

We have had an opportunity to participate in the development of the comments provided to you by the Canadian Life and Health Insurance Association. We fully endorse their comments in their entirety.

### ***The “Disconnect”***

We strongly support the concept of an educated and informed financial services consumer. Similarly, we believe that every potential client who wishes it should be provided with an appropriate level of information about the investment product they are considering in order for them to make the right choice for their specific needs. It has been our experience that the format of current disclosure documents, for both segregated and mutual fund products, accomplishes neither of these goals. Current disclosure materials are, despite the best efforts of issuers and regulators to simplify and make them more understandable, overly complex, detailed and muddled. Neither consumers nor those authorized to distribute these products see the prospectus or information folder as useful and informative documents. This applies whether the materials cover 1 fund or 100 funds. Consumer’s decisions do not appear to be made based upon the information presented in the mandated disclosure materials, no matter how clear and concise it may be.

### ***Unbundling the Disclosure Materials***

We strongly support the concept of “unbundling” the various forms of information currently required at the point-of-sale. We do not believe that it is the responsibility of the issuer to take on the task of educating the consumer about general investment concepts as part of the sales process.

We do believe that the issuer must provide information about the specific product being purchased or contract being entered into. We also believe that this information should be provided in language that is readily understood, and in a format that is useful. We agree that too much information may dissuade the investor, however we also believe that we should not excise relevant and important materials simply to save space.

### ***“Fund” versus “Family” Disclosure at Point of Sale***

We strongly oppose the proposal that a “fund summary document” be limited to only one fund, rather than incorporating all funds available to the client under their particular agreement with the fund manager or insurer.

Most clients investing in mutual and segregated funds invest with companies that offer “families” of funds. This allows them to invest in multiple funds and thus achieve some level of diversification, but it also allows them to switch from one fund type to another within the family over the years, to accommodate changes in their risk profile and the investment environment in general without incurring costs that may apply if they move outside the family.

It has been our experience that greater than 70% of our clients invest in more than 5 funds at a time, either directly or indirectly through investing in asset allocation funds. Just under 10% invest in only one fund.. Requiring separate fund documentation to be delivered at point of sale would create an untenable situation for any advisor that offers more than a few funds. Similarly, it would make it more difficult for clients wishing to quickly compare amongst funds available to them within a fund family. This approach would ultimately create limited or no cost savings to the funds either, as it would be necessary for every representative to carry separate disclosure material for all funds offered – the total volume of materials for 60 funds would be comparable to the current information folder, for example.

We are convinced that a simple, clear, easy to follow summary document can be created that presents useful information on the entire fund family available to the client without overwhelming the client. In fact, we think that without the comparison information, consumers would not be properly informed of their rights and options. This is especially the case for variable annuity (segregated fund) contracts, which are by their very nature contracts between the insurer and the consumer providing for the opportunity to move between funds at any time.

Consequently, we cannot accept any solution that limits the insurers ability to fully inform their client regarding their migration rights under the contract at point of sale. Similarly, for purposes of harmonization, mutual fund families must not be restricted from providing a family based summary document at point of sale.

***“Access Equals Delivery”***

We strongly support the concept of “access equals delivery”, coupled with clear instructions to the consumer as to how they can obtain paper copies of the Foundation Document and the Continuous Disclosure Record. Today’s financial consumer has many sources of information - newspaper, advisors, columnists and internet to name but a few. Much of this information is more timely and more specific to the consumers needs than the material required to be disclosed in the current point-of-sale materials. Requiring all unitholders to bear the cost of producing materials that are of little or no value to the vast majority is counterproductive and counterintuitive.

Consumers who want this material, and there are very few of them, can obtain them directly through the internet, or directly from the agent or issuer upon request. We believe this is a much fairer way to deal with the costs of producing this material. We believe that the costs charged against the fund will drop dramatically if the issuer is required to provide a paper copy only to those consumers who actually want to receive it.

We do not support a proposed approach that would require the issuer to deliver the detailed materials to consumers *unless* they indicate that they do not want it. This reverse approach would require full print runs at the outset, because the issuer would have no idea how many consumers would refuse delivery. There would be no cost savings, and potentially a great deal of wasted paper. In addition, the current regime effectively allows for this approach - clients can throw out their prospectus/folder at the point-of-sale if they do not want to read it, and it appears that that is exactly what most people do.

We believe that consumers, when presented directly with a useful summary of information of direct, practical importance to them at the point-of-sale, will be able to decide for themselves if they want more details or not. If they do, they can ask for it immediately from the representative, or review the materials available to them on the internet. This approach recognizes that consumers also have a duty to give consideration to their personal investments and can be empowered to obtain information that is of relevance to themselves personally.

Again, we are very impressed with the work that has gone into this Consultation Paper and, subject to the comments above and in the CLHIA response, strongly support the initiative. We would be pleased to discuss any of our responses with you in more detail at your convenience.

Yours truly,

Rick Rausch  
Senior Vice President  
Great-West Life  
London Life