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VIA: FAX/COURIER/E-MAIL

Attn: Mr. Neil Mohindra
Acting Policy Manager

Re: Joint Forum Proposed Framework 81-406

Dear Sir:

We are writing to provide our comments on the Joint Forum of Financial Market Regulators ("Joint Forum") *Proposed framework 81-406, Point of sale disclosure for mutual funds and segregated funds* ("Proposal").

The Great-West Life Assurance Company is a leading Canadian insurer, with interests in the life insurance, health insurance, investment and retirement savings and reinsurance businesses, primarily in Canada and Europe.

In Canada, Great-West and its subsidiaries serve the financial security needs of more than 12 million people across Canada and have more than \$163 billion in assets under administration of which approximately \$21 billion is held in individual retail segregated funds^{1*}.

¹ *as at Dec. 31, 2006

Great-West is a wholly-owned subsidiary of Great-West Lifeco Inc. and a member of the Power Financial Corporation group of companies.

We have had the opportunity to review the submissions made by the Canadian Life and Health Insurance Association (“CLHIA”) and we support them. The following comments reflect areas of specific concern to us.

Background:

Great-West, together with its subsidiaries, London Life Insurance Company and The Canada Life Assurance Company, is one of the largest issuers of individual variable insurance contracts (“IVIC’s”) in Canada - approximately 920,000 IVIC policies already in force. These contracts allow the consumer to allocate their premiums among various investment options throughout the life of the contract. These investment options include daily and guaranteed interest options and segregated funds – pools of assets owned by the insurer that are used to measure the insurer’s contractual obligation to the policyholder.

IVIC’s offer several benefits not available through mutual funds, including various kinds of guarantees on maturity or death of the policyholder.

Currently insurance companies that offer segregated funds as investment options under IVIC’s are required to generate an information folder setting out mandated minimum information regarding the IVIC, including the funds available under the IVIC. Insurers deliver the information folder prior to the sale of the IVIC. Many insurers offer a broad array of segregated fund investment options in order to meet the diverse needs of a large client base. This degree of diversification is appropriate, as it allows each client to build their own investment mix to suit their particular comfort level and needs and to change it easily as their circumstances change. The information about each fund is shown in a standardized format for ease of comparison.

An issue identified by the Joint Forum is a concern that many clients may not read this material even though it is delivered directly to them prior to the sale, due to the amount of information contained in these disclosure documents.

The objective of the Proposal is to develop a simplified point of sale disclosure document that Canadians might use. In seeking to accomplish this objective, the Joint Forum has determined that any solution should satisfy three principles:

- (1) Provide investors with key information about the fund they want to invest in
- (2) Provide the information in a simple, accessible and comparable format
- (3) Provide the information before investors make their decision to buy

These principles are laudable, but there are other principles that Great-West believes warrant at least equal consideration:

- (4) Clients' existing contractual rights should not be adversely affected
- (5) A disclosure should not be so simplified or incomplete that it may be misleading
- (6) Clients should retain power to control how they receive information

Great-West strongly believes that the current IVIC disclosure regime satisfies the three principles set by the Joint Forum – the information for each fund available in the IVIC is presented in simple, accessible and comparable formats, and it is provided before the purchase of the IVIC. As the client has the right throughout the life of their IVIC to select from all of the investments available under the IVIC, all options are provided in comparable format and detail to avoid any potential for misleading the consumer as to their contractual rights and options. In addition, the features of the IVIC are described often through examples.

Great-West has worked with the Canadian Council of Insurance Regulators and the CLHIA since 2002 in an effort to develop a simpler, shorter, more consumer

friendly document that would cover the major points of an IVIC, without limiting the contractual rights of the consumer, misleading them as to the nature of their investment or creating barriers to future product innovation.

Current Proposal:

Great-West is strongly supportive of many aspects of the current proposal. The concept of separating complex products into simplified introductory materials and readily accessible detailed information is a good one. The content of the Key Facts documents generally reflects our thoughts on what a consumer would like to know. Similarly, the Fund Facts document generally includes information that we currently provide to our clients.

However, there are some aspects of the proposal that we believe warrant some further consideration to avoid results that we believe are not intended by the Joint Forum or expected by consumers. The following sections address our primary concerns in the following areas:

- Implications of Delivering Only One Fund Fact Document
- Implications of Prior Deliver for Subsequent Transactions
- Implications of Separate "Insurance Cost" Disclosure
- Implications of Incorporating Key Facts by Reference
- Implications of Cooling Off Period for Subsequent Transactions

For each issue we describe our concerns and set out proposed solutions.

Delivery of Only One Fund Document:

The Proposal requires that clients receive a Fund Facts sheet for only the investment options they select at the initial point of sale of an IVIC and no others. This approach has the following potential issues:

- (1) clients may believe that they have purchased the segregated funds, when in fact they have purchased an IVIC
- (2) clients may believe that they have to pay exit fees if they choose to switch to another investment option under the IVIC
- (3) clients will not have comparable information on the other segregated fund options under the IVIC

Insurance legislation prohibits insurers from providing clients with material that misrepresents, by statement or omission, the terms of its policy. We are firmly in support of this requirement. However, attempting to satisfy the regulatory objective of simplification by limiting disclosure of key fund information only to segregated funds actually selected by the client, is overly restrictive and may not achieve reasonable disclosure.

We are very concerned with only providing clients with the Fund Facts sheet for the investment option they selected at point of sale in an effort to simplify disclosure and harmonize IVIC's with mutual funds and not fully disclosing all the investment options available to the client in the same level of detail.

Solutions:

We suggest two solutions to the challenge of ensuring that clients receive an accurate description of their rights and options at the IVIC point of sale, while supporting the goals of simplification and comparability:

- (1) A revised Key Facts/Fund Facts document, as proposed by the CLHIA and attached to its submission, showing key limited information for all investment fund options available under the IVIC in simplified and comparable chart form, together with more detailed Fund Fact sheets to be delivered with the contract or transaction confirmations; or
- (2) Consolidate the Fund Fact sheets, in substantially the format in the Proposal, for all the investment options available under the IVIC into one document (“consolidated Fund Facts disclosure”)

Revised Fund Facts Document:

The revised Fund Facts disclosure approach proposed by the CLHIA would show, in chart form, basic information for each of the segregated funds available under the IVIC. The Funds would be grouped by category for ease of reference, and show MER, generic risk, IFSC fund category, short investment mandate description, and 1, 3, 5 and 10 year performance numbers. This is the key information for direct comparability of all the investment options available within the IVIC, and provides the same level of disclosure for each option. This document would be required to be delivered prior to accepting an application and premium.

Insurers would also make single Fund Fact sheets for each investment option, in a format similar to that in the Proposal, available upon request and on-line. This would allow consumers and advisors to access the more detailed single Fund

Fact sheets at any time. Insurers would remind clients from time to time of their ability to obtain this information.

Under this proposal, clients would also be separately provided with specific Fund Fact sheets for any funds they select, but this would be delivered with the contract or confirmation statement.

Finally, we propose that any cooling off period that clients have should run from the date they are deemed to receive the contract or confirmation statement and Fund Fact documents for the fund options they selected. We believe that a “deemed receipt” date should be based on a reasonable number of days following the date the materials are mailed by the insurer, to allow for certainty for both parties as to when the cooling off period begins and ends.

We believe that this proposal, when taken in total, satisfies all the key principles without being unduly restrictive or potentially misleading clients as to their available investment options or rights. They have key information prior to the point of sale in a mandated document. They have access at all times to more detailed information on specific fund options in a mandated and comparable Fund Facts format, and they receive the more detailed information on the funds they finally select. Finally, they have a cooling off period if, after all this they change their mind about entering into an IVIC.

This is our preferred solution, as we believe that it adds significant value to the clients as a simple guide to the product that they actually acquired – an IVIC with multiple investment options.

We also suggest that the proposed 2 page limit be eliminated to accommodate insurers who have large fund families and who would like to use larger typefaces for ease of legibility for consumers. We believe that the regulatory power to

approve documentation will be sufficient to minimize unwanted growth of these succinct materials, while allowing them to be appropriately complete and legible.

Consolidated Fund Fact Sheets and Key Facts:

In the alternative, we propose that insurers be allowed to combine the Key Fact sheet with the Fund Fact sheets for all the investment options available under the IVIC. This will ensure that the client receives the same level of information for all investment options, while allowing insurers to comply with the requirement that they not produce potentially incomplete or misleading material.

Prior Delivery on Subsequent Transactions Harms Clients:

Currently, IVIC's allow the policyholder to switch amongst investment options and pay subsequent premiums into the policy at any time. Clients are generally entitled by contract to obtain the unit value of the segregated fund selected when we receive their request at our head office. Where clients have authorized their advisor to take instructions over the telephone, these transactions can occur on the same day as the request. Our experience has been that the majority of subsequent transactions occur over the telephone. This is a particularly valuable option for clients living outside of urban areas, for whom a visit to or by their insurance representative is not convenient, or possible on short notice.

The Proposal will require, even for clients who have already purchased an IVIC and who have received prior disclosure documents, that the client must obtain and confirm receipt of a copy of the applicable Fund Fact document before the insurer may process the requested transaction. Because failure to deliver the Fund Facts document is considered to be an "unfair and deceptive practice", and subject to regulatory sanction, a readily auditable receipt process will be required. We anticipate that insurers, who do not generally handle subsequent transactions this way, will likely require a formal signature by the client confirming

that they have received the required material before any subsequent transaction can be processed.

In practice, this means that clients who request a fund switch by telephone will have to be told that we cannot process the trade until after we have mailed them the appropriate Fund Fact document and they have returned a confirmation of receipt to us. This will have serious implications in times of market uncertainty and in the close of annual RRSP sales seasons. Some clients will miss market values that they wish to, and are contractually entitled to, obtain, and some will miss their RRSP contribution deadlines.

The Proposal allows for email and fax delivery to clients. However, due to the requirement of proof of delivery, it is anticipated that the receipt forms that would accompany such Fund Facts documents will necessarily contain personal information, such as the client name, address, policy and account information. We do not use email as a communication method for confidential client information, because we are not satisfied that such a process provides appropriate confirmation that we are, in fact, dealing with the correct person. We do not currently obtain and track client email addresses and do not have such information for our current clients. We are very concerned that not all clients have access to email, those that do change email addresses more frequently than mailing addresses, and many email servers are insecure and we may not be able to confirm the identity of the recipient of the information, or of the person providing instructions. In addition, adding this capability, apart from the security concerns, would require significant systems expenditures which would find their way into increased expenses for the consumer. Our primary concern, however, is email security: releasing confidential information into an insecure environment may create the potential for identity theft, fraud and breach of client privacy. Similarly, fax delivery is not likely to be an appropriate and auditable process, as it is not clear that most Canadians have access to a secure, private fax machine, nor is it clear how we could prove that the right person obtained the fax once sent

to the machine. There have been significant public instances of private faxes being sent to incorrect addresses, and these warrant concern on the part of any organization about using this transmission method for sensitive information.

Although future developments may make the concept of “push” electronic delivery of investment information viable, at the present time, we are not satisfied that current security controls are sufficient for either approach to avoid these significant potential pitfalls. We do not believe that a disclosure structure designed to serve clients should be limited to communication channels that remain subject to such significant concerns.

In light of these concerns, we believe that the only practical way to manage this requirement will be to require face to face transactions or use regular mail, which we anticipate will entail at least a 7 day trading delay. As the vast majority of subsequent transactions are initiated by telephone, this Proposal will subject most consumers to trading delays, with no option to choose otherwise. It is not clear to us that the implications of this prior delivery requirement were brought to the attention of the focus groups referred to in the Proposal. We believe that if consumers understand that mandatory prior delivery of this information will entail a potentially significant trading delay, many would prefer to select some form of immediate trade. This could have the unintended result of pushing consumers away from IVIC's and mutual funds and into investment choices that do not require prior disclosure, such as GIC's, principle protected notes, exchange traded funds or even directly held securities. We are concerned that the majority of consumers will be poorly served by such a move, as they will lose the benefits of diversification, pooled expense management and the guarantees and other benefits of an IVIC. Other consumers may simply avoid investing entirely if it is too difficult – this would not be a desirable outcome.

Solution:

In keeping with the principles that all consumers are not alike, that consumers should not have their contractual rights interfered with and that consumers should have the ability to make decisions as to how they wish to deal with their investments, we propose that clients should retain the ability to make an informed choice as to how they will receive Fund Fact information on subsequent transactions.

We propose that clients be given the option, at point of sale of the IVIC, as to whether they receive Fund Facts documents prior to subsequent switches, clearly accepting the delays that may result, or receive them with the confirm following the processing of the requested transaction. In addition, the client will be advised that they can at any time request Fund Fact sheets for any investment option available under the IVIC, either from their insurance representative, direct from the insurer or online. Clients would be reminded from time to time that they have the right to change this delivery option by contacting the insurer or their insurance representative and requesting a change.

We are open to the concept of a “default” selection of prior delivery if the consumer does not make a specific choice otherwise. Such a position would require consideration of system and contractual implications, to ensure that unintended consequences do not arise.

Finally, where the subsequent transaction involves the payment of an additional premium to a fund for which no Fund Fact sheet has previously been provided, we would be willing to consider the implications of allowing the cooling off period to run from the date the client is deemed to have received the confirmation and Fund Fact sheet. Unlike mutual funds, subsequent transactions in an IVIC do not involve the sale and purchase of a new asset – the only “asset” purchased by the consumer is the IVIC itself. Subsequent premiums are covered by the terms of

the contract. Any addition of a cooling off period will have contractual and system implications that could be significant, and would require additional research, but we would be willing to consider these implications.

This approach has the clear benefit of allowing the client to decide, relative to their own situation, how to manage their IVIC. In addition, it makes it clear to the client that choosing prior delivery will have certain ramifications, and could be structured to release the insurer from any contractual obligation it may have to process a transaction within a set time period from receipt of a request from the client.

“Insurance Cost” Disclosure:

The Proposal requires that the Fund Fact and Key Fact documents for segregated fund investment options split out the “cost of insurance” element for the IVIC. It is not clear in the Proposal what the purpose of this requirement is, but discussions with the Joint Forum suggest that it was based on a belief that segregated funds generally involve the “wrapping” of a life insurance policy around an existing mutual fund. The “insurance cost” would then be the difference between the cost of the segregated fund and the retail MER of the “wrapped” mutual fund. If this is what the Joint Forum intends by the requirement to disclose “insurance costs”, it is based on a misunderstanding of segregated funds and insurance companies.

The “insurance cost” for a segregated fund is the full MER for that fund, because it cannot be obtained other than through the IVIC. Where the segregated fund invests in units of a mutual fund, consumers can already compare the retail costs of the mutual fund on its own and the mutual fund within an IVIC, with accompanying capital guarantees and other benefits. The insurer does not purchase mutual fund units at retail prices. As an institutional investor, the insurer acquires these units in large volumes at institutional investor rates.

Because of this, the difference between that cost and the segregated fund MER is not the “cost of insurance”. In addition, we have concerns about regulations that could interfere in the competitive process by requiring one industry to disclose the retail prices of the products of its competitor without reciprocity.

Many segregated funds are independently managed by the insurer or through contracted sub-advisors and do not invest in mutual or pooled funds. Determining a comparable “insurance cost” for such funds would not be appropriate as no “underlying” mutual or pooled fund exists, and the fund cannot be obtained other than through the IVIC.

The MER for the fund will also vary depending upon the nature of the guarantees selected by the client. The segregated fund with a basic guarantee may have a specified MER, while the same fund with advanced guarantees may have a higher MER to reflect the additional risk being accepted by the insurer. These fees are already disclosed where applicable, within the higher MER for the fund.

In addition, we are concerned that this requirement violates one of the principles underlying this project – the provision of simple, comparative information to consumers. The simplest and most easily understood comparative number for consumers to work with is the MER. It applies equally to segregated fund investment options as it does to mutual funds. For “wrapped” mutual funds, the advisor and the consumer can easily see the MER for both products and decide if the additional benefits of the segregated fund are worth any pricing difference.

Solution:

We propose that the requirement to show a separate “insurance cost” number be deleted, as it is not applicable in many situations, adds complexity and creates non-comparable situations. Simply show the MER for the segregated fund

investment option, and the client will have all the information required to compare the product to segregated funds under other IVIC's and mutual funds.

Incorporation by Reference of Key Fact and Fund Fact Documents:

The Proposal requires that the Key Fact and Fund Fact documents be incorporated by reference into the insurance contract between the client and the insurer. IVIC's are complex life insurance products. Although the Key Facts document can provide a simplified description of certain key elements, it is inappropriate to make it a part of the contract. For the purpose of legal interpretation of the terms of the agreement between the parties, there can, and should, be only one principal document – the contract itself. Requiring multiple documents creates confusion and uncertainty for both parties to the agreement.

Forcing the insurer to be contractually bound to two different documents that purport to set out the terms of the agreement – one of which is written in simplified terms and limited to only two pages covering only certain parts of the agreement – is to create significant potential liability for the insurer. This is a material change from the current rules, which specifically require that the information folder state prominently that it is *not* a contract of insurance.

We believe that the objective of the Joint Forum is to ensure that insurers do not mislead clients in the short form documents. We concur in this objective, but that has already been covered by existing legislation. The insurer is already prohibited by law from being misleading in any materials it makes public.

Solution:

We propose that the Key and Fund Fact documents should clearly disclose that they are not the contract and are not intended to replace, supplement or interpret the contract, but are only intended to provide a convenient summary of selected

features of the contract. These documents should clearly refer the client to the contract for full details.

Cooling Off Period Should Only Apply to Premiums:

The Proposal states that clients should generally have a 48 hour cooling off period following any switches or purchases, whether initial or subsequent. The IVIC already allows clients to switch amongst investment options within the contract without fee, and at current market value. This is a far superior option to clients than redeeming the funds from the policy at a potential loss, and with potentially negative tax consequences.

In addition, this proposed right has the potential unintended consequence of allowing clients escape the payment of deferred sales charges ("DSC"). DSC's apply at the IVIC level, not at the segregated fund level. They are designed to allow long term investors to invest all of their premiums in the selected investment options from the outset, without the deduction of a sales charge unless they leave the IVIC before the passage of a set period of time. For the right consumer, this is an excellent option. This proposal would allow clients to select Fund X on a DSC basis, stay in it for several years, then switch to Fund Y and exercise the cooling off period right within 48 hours. Doing so would, under this Proposal, allow the client to escape from paying the remaining applicable DSC. We do not believe that the Joint Forum intends this result.

Solution:

We support a cooling off period within 48 hours of the initial issuance of an IVIC – that is the product that the client has chosen. If they decide that they do not want the IVIC, for whatever reason, they should be able to leave within 48 hours at the lesser of their initial premium or current market value, without charge.

There should not be a cooling off period for switches amongst investment options under the IVIC once the initial 48 hours have passed however. The IVIC already provides a more generous free switching right, so the cooling off period is not necessary.

With respect to new premiums paid into an existing IVIC, introducing a cooling off period would have contractual and systems implications that require additional consideration. We would be willing to consider such an approach, subject to a complete review of its implications to new and existing policyholders, to avoid unintended consequences.

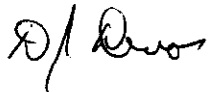
Conclusion:

We strongly support the Joint Forum in its effort to develop point of sale disclosure materials that are useful to investors. However, we believe that any such initiative should not be done at the expense of client rights or client choice, and should reflect the nature of the products.

Segregated fund investment options are not mutual funds. The product being sold is an IVIC, and not segregated funds. The regulatory regime under which IVIC's operate is different from that for mutual funds, and this should be taken into consideration to avoid unintended consequences of applying one solution for dissimilar products. We appreciate that the Joint Forum has engaged in significant public consultation on this initiative, and we are more than happy to continue to be fully engaged in the process.


We would be pleased to work together with our regulators to develop a practical, useful and helpful tool for our clients. If we can be of any immediate assistance, please contact me directly.

Yours truly,



Denis Devos,

President and Chief Operating Officer, Canada

 cc: Rick Rausch, Senior Vice President