



Kevin P. Dougherty
President
Sun Life Financial, Canada

Sun Life Assurance
Company of Canada
225 King Street, West
Toronto, ON
M5V 3C5
Tel: (416) 408-8358
Fax: (416) 974-9104
kevin.dougherty@sunlife.com

October 15, 2007

Neil Mohindra
Acting Policy Manager
Joint Forum Project Office
5160 Yonge Street
Box 85, 175h floor
North York ON M2N 6L9

Dear Mr. Mohindra,

Sun Life Assurance Company of Canada ("Sun Life") welcomes the opportunity to provide input to the consultation paper released by the Joint Forum of Financial Market Regulators, *"Proposed framework 81-406: Point of sale disclosure for mutual funds and segregated funds"* (the "Proposal").

Sun Life is a member of the Sun Life Financial groups of companies. Sun Life Financial is a leading international financial services organization providing a diverse range of protection and wealth accumulation products and services to individuals and corporate customers. Chartered in 1865, Sun Life Financial and its partners today have operations in key markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China and Bermuda. As of June 30, 2007, the Sun Life Financial group of companies had total assets under management of CDN\$435 billion. In Canada, Sun Life has issued individual variable insurance contracts (IVICs) several hundred thousand Canadians representing over \$8.3 billion in assets.

Objective of the Proposal

Overall, Sun Life supports the Joint Forum's vision of "providing investors with meaningful information when they need it most". In fact, the insurance industry's sales practices for IVICs already supports this vision in that an Information Folder (which contains fund summary information and an executive summary of the policy) must currently be delivered at point of sale already. That said, we acknowledge the Joint Forum's comment that the current regime may not be working because the documents being provided can be "long and complex". Unfortunately, the Proposal does not seem to

fully address this issue and in certain circumstances it ignores the best interests of IVIC policyholders and prospective policyholders.

Overall, it would also appear that the Proposal ignores the fact that IVICs and mutual funds are fundamentally different products with significantly different features. This weakness in the Proposal leads to the erroneous conclusion that IVICs and mutual funds are essentially the same product and should be treated accordingly in terms of point of sale disclosure. Ultimately, following this approach will be to the detriment of existing and future unitholders.

Disclosure/delivery on establishment of an IVIC

Sun Life supports continuing the current practice of requiring delivery of information at or before the point of sale for an IVIC. As noted above, this is already a requirement under existing insurance laws. Today, prior to the sale of an IVIC, a prospective policyholder must be provided with an Information Folder which contains an executive summary of the IVIC policy and a two page description of each of the investment options under the IVIC. For some insurers, like Sun Life, the Information Folder also contains the IVIC policy itself.

Under the Proposal: 1) the executive summary would be replaced with the Key Facts document; 2) the two page fund summary documents would be replaced with multiple two page Fund Fact documents; and 3) the contract would remain the same. The Proposal also mandates delivery at point of sale of the Key Facts and the Fund Facts for only those funds selected by the policyholder. Overall, this framework raises a number of concerns:

1. The IVIC is a contract with a policyholder under which the policyholder has a number of rights, including the right to switch between various investment options. At point of sale it is critical that the potential policyholder understand all the investment options within the IVIC. Providing the consumer with only information about some of the investment options could be misleading and potentially a violation of current consumer disclosure requirements under insurance and contract laws. Therefore, at point of sale a consumer must be provided with the Fund Facts for all options under the IVIC.
2. Given the Joint Forum's vision that consumers receive information before their decision to buy, it follows that, in the case of an IVIC, they need information about the range of investment options available to them before they buy, rather than simply receiving the Fund Facts about the fund(s) they have already selected.
3. Given the need for providing all the Fund Facts within an IVIC to a potential policyholder, the Proposal will greatly increase the volume of materials needed to be provided at point of sale. As already discussed, currently a two page fund summary is provided at point of sale for each investment option within an IVIC.

Under the Proposal there would be a two page Fund Fact document for each class and guarantee option of a fund within an IVIC. For a typical IVIC, where there are at least three classes of fund options available and three guarantee levels available, there would be nine two page Fund Fact sheets per investment option within the contract. For those IVICs (such as those issued by Sun Life) with guaranteed minimum withdrawal benefits (“GMWB”) available there would be 18 Fund Fact sheets required per investment option (the nine options with and without GMWB). This means for an IVIC with 50 investment options, the regime today would require delivery of a 100 page fund summary booklet. But, under the Proposal, it would mean delivery of an 1,800 page booklet. Not only would the costs of this increased disclosure be borne directly by policyholders, this added disclosure would completely contradict the Joint Forum’s vision of simpler more meaningful disclosure.

Given these comments, we highly recommend the Joint Forum look at the simplified disclosure regime proposed by the Canadian Life and Health Insurance Association (“CLHIA”). Failing that, the Joint Forum must acknowledge that for IVICs, the Proposal will not alleviate or simplify the complexity or length of disclosure for policyholders and will directly increase policyholder costs. In fact, the Proposal would actually work against effective point of sale disclosure because the proposed regime would increase both complexity and cost for IVIC purchasers. Neither of these consequences are in the best interest of policyholders. We also hope that the Joint Forum will look at this 18 fold increase in disclosure costs for IVIC policyholders and incorporate it into the cost benefit analysis being performed for the Proposal.

Disclosure/delivery at subsequent transactions

Sun Life is deeply concerned with the Proposal’s suggestion that there be mandatory delivery of additional Fund Facts before any subsequent transactions can proceed. Not only does this not meet the best interests of IVIC policyholders, it ignores the contractual rights of the policyholder and information the policyholder has already received.

1. Currently, between 50% and 75% of all subsequent transactions under an IVIC are completed over the telephone. Not allowing the transaction to proceed until the relevant Fund Facts has been re-sent to the policyholder would not only inconvenience the policyholder, who is used to immediate service, but would subject the policyholder to the added market risk associated with the transaction delay.
2. Most IVICs contain contractual provisions which guarantee certain service standards for policyholders based on when instructions are received from the policyholder. The Proposal would circumvent these contractual rights and limit the service options available to policyholders.

3. The proposal is completely impractical given the high volumes of subsequent transactions concentrated within the RSP season (January and February) where the timing of investment is critical. Currently, in excess of 35% of Sun Life's subsequent premium dollars are invested in the RSP season. Any delays on processing these requests will have profound negative tax consequences on policyholders.
4. IVIC policyholders already receive full disclosure at point of sale of all contractual rights and information about all the investment options available under the IVIC. They equally have access to ongoing disclosure about all investment options. The Proposal will create duplicate and redundant disclosure whose costs will once again be borne by policyholders.

Our view is that the current system already meets the regulatory objective of ensuring that consumers receive meaningful disclosure before making decisions relating to their IVICs.

Legal status of the point-of-sale documents

The legal relationship between an insurance company and a policyholder is governed by the insurance contract. Under the Proposal however, it is suggested that not only will the relationship be governed by the IVIC itself, but also that the Key Facts and Fund Facts will be incorporated by reference into the IVIC. This means technical contracts will be replaced, supplemented and/or interpreted by highly simplified, plain language summaries. This not only increases the insurers' liability and risk, but it creates uncertainty for the policyholder. Under existing insurance and consumer protection legislation the consumer is already protected from all forms of misrepresentation. In fact, under the existing IVIC regime the laws explicitly require that the Information Folder disclose that it is not the contract. Based on this, it is unclear as to why the Proposal would want to interfere with and/or alter the legal relationship an insurer currently has with its clients.

Working with the CLHIA and CCIR

Over the past several years Sun Life has been an active participant with the CLHIA and has worked very closely with the Canadian Council of Insurance Regulators' ("CCIR") sub-committee on segregated funds regarding point of sale disclosure. We have also been working very closely with the CLHIA in assisting them develop their response/comments to the Proposal. Consequently, we are in a position to fully support the comments the CLHIA will be submitting on the Proposal.

Once again we would like to thank the Joint Forum for the opportunity to provide you with these comments.

Yours sincerely,

“Kevin P. Dougherty”

Kevin P. Dougherty
President, Sun Life Financial Canada
Sun Life Assurance Company of Canada

cc

- Michael Grist (Chair of CCIR), Deputy Superintendent of Insurance, Financial Institutions Commission, C.Michael.Grist@ficombc.ca
- Gerald Matier, Executive Director of the Insurance Council of British Columbia and Chair of the Canadian Insurance Services Regulatory Organizations (CISRO), gmatier@insurancecouncilofbc.com
- Helen Graham, Director, Financial Policy Branch, Ont. Ministry of Finance, Helen.Graham@ontario.ca
- Richard Boivin, Bureau du sous-ministre adjoint, Government of Québec, richard.boivin@finances.gouv.qc.ca
- Léna Thibault, Syndic, Chambre de la sécurité financière (Quebec), renseignements@chambresf.com
- Grant Swanson, Executive Director, Licensing & Market Conduct Division, FSCO, gswanson@fSCO.gov.on.ca
- Arthur Hagan, Deputy Superintendent, Insurance and Financial Institutions, Alberta Finance, Arthur.Hagan@gov.ab.ca
- Jim Scalena, Superintendent, Financial Institutions Regulation Branch, Jim.Scalena@gov.mb.ca
- Doug Murphy, Superintendent of Insurance, Credit Unions and Trust and Loan Companies, Department of Environment and Labour, fininst@gov.ns.ca
- Roderick MacKenzie, Superintendent of Insurance, Department of Justice - Insurance Branch, Shauna.Hay@gnb.ca
- Winston Morris, Superintendent of Insurance, Department of Government Services, wmorris@mail.gov.nl.ca
- Douglas Doak, Superintendent of Insurance, Dept. of Finance, G.N.W.T., doug_doak@gov.nt.ca

- Bob Christie, Chief Executive Officer & Superintendent of Financial Services, Financial Services Commission of Ontario, contactcentre@fSCO.gov.on.ca
- Robert Bradley, Superintendent of Insurance, Office of the Attorney General, rabradley@gov.pe.ca
- Danielle Boulet, Surintendante de l'encadrement de la solvabilité, Autorité des marchés financiers, reseignements-industrie@lautorite.qc.ca
- Jim Hall, Superintendent of Insurance, Saskatchewan Financial Services Commission, Financial Institutions Division, fid@sfsc.gov.sk.ca
- Fiona Charbonneau, Superintendent of Insurance, Department of Community Services, consumer@gov.yk.ca
- CLHIA:
Frank Swedlove, fswedlove@clhia.ca
Leslie Byrnes, lbyrnes@clhia.ca
Peter Goldthorpe, pgoldthorpe@clhia.ca
- IFIC:
Joanne DeLaurentiis, JDELAURENTIIS@IFIC.CA
Jon Cockerline, JCockerline@ific.ca
- Advocis:
Steve Howard, showard@advocis.ca
Sara Gelgor, sgelgor@advocis.ca
Peter Tzanetakis, ptzanetakis@advocis.ca
- IFB:
John Whaley, jaw@ifbc.ca
- CAILBA:
Terri Di Florio, terri.diflorio@hubfinancial.com