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Neil Mohindra  
Acting Policy Manager  
Joint Forum Project Office  
5160 Yonge Street  
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Dear Mr. Mohindra,

Sun Life Financial Distributors (Canada) Inc. ("SLFD") 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").

SLFD is a member of the Sun Life Financial groups of companies. As of June 30, 2007, the Sun Life Financial group of companies had total assets under management of CDN\$435 billion. SLFD, in particular, as a corporate insurance agent in all Canadian provinces and territories, has over \$5.3 billion in individual variable insurance contact ("IVIC") assets and contracts with over 2,700 advisors.

### **Objective of the Proposal**

Overall, SLFD 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. Furthermore, the Proposal as it stands, will create both an operational and

compliance quagmire for advisors, the costs of which will ultimately be borne by policyholders.

### **Disclosure/delivery on account opening**

SLFD 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.

Under the Proposal the executive summary would be replaced with the Key Facts document and the two page fund summary documents would be replaced with multiple two page Fund Fact documents. 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. If the individual Fund Facts are not permitted to be bound together (as suggested by the Proposal), for a single IVIC, at point of sale an advisor would need to have on hand all the Fund Facts sheets for each investment option, class and guarantee level under the contract. Assuming the IVIC has 50 investment options this would be in excess of 450 individual two page documents (assuming at least three classes per investment and three guarantee levels). For IVICs which offer guaranteed minimum withdrawal benefits (“GMWB”) this number will double to 900 two page sheets. Needless to say this would be logistically problematic if not impossible for an advisor to coordinate. The issue becomes even more complex for advisors who offer more than one IVIC.
3. Given the operational issues identified above with the mere paper management at point of sale, from a compliance perspective it would be virtually impossible to ensure the right piece of paper was in fact delivered. Since the Proposal will give each client an unlimited put option if there is failure to deliver the correct Fund Facts, there will be enormous if not unlimited liability placed on advisors.

4. Even assuming the Proposal would be modified to allow the Key Facts and Fund Facts under an IVIC to be bound together, the Proposal will greatly increase the volume of materials needed to be provided at point of sale. As already discussed, a current Information Folder with 50 investment options would have 100 pages of investment summaries. But, under the Proposal, it would mean delivery of an 1,800 page booklet (2 pages per investment per class per guarantee option). 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**

SLFD is deeply concerned with the Proposal's suggestion that there be mandatory delivery of additional Fund Facts before any subsequent transactions can proceed.

1. Currently, between 50% and 75% of all subsequent transactions are completed over the telephone. Not allowing the transaction to proceed until the relevant Fund Facts has been sent to the policyholder would not only inconvenience the policyholder, who is used to immediate service, but would subject them 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 SLFD's subsequent transaction 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.

### **Working with the CLHIA**

SLFD, through its parent Sun Life Assurance Company of Canada, has 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,

*“Jack Garramone”*

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Sun Life Financial Distributors (Canada) Inc