

Via mail and e-mail to jointforum@fsco.gov.on.ca

October 15, 2007

Neil Mohindra
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Dear Sir:

Re: **Joint Forum of Financial Market Regulators Proposed Framework
Point-of-Sale Disclosure for Segregated Funds and Mutual Funds**

This letter provides Manulife Financial's comments on the Joint Forum's Proposed Framework as it relates to point-of-sale disclosure for segregated funds.

Manulife is a leading Canadian based financial services company offering individual and group financial protection and wealth management products to millions of consumers worldwide. At year end 2006, Manulife was the second largest company in Canada by market capitalization, with over \$C400 billion in assets under administration, directly employing almost 10,000 Canadians and over 21,000 people worldwide.

In Canada, Manulife distributes insurance and wealth management products through multiple channels including Managing General Agents ("MGAs"), independent advisors and investment dealers. Over 40,000 provincially licenced insurance advisors have access to Manulife products to meet the needs of their clients. Manulife's vision is to be the premier life insurance based financial services organization in Canada with a reputation for innovative products, excellent service and professional value-added advice.

Manulife has a significant history responding to consumer demand by introducing new and innovative products to Canadians. In 1997, Manulife introduced the Guaranteed Income Fund, an Individual Variable Insurance Contract (IVIC) that revolutionized segregated funds offered to Canadians. Last year, Manulife introduced IncomePlus, Canada's first guaranteed minimum withdrawal benefit product which combines the growth potential of segregated funds with guaranteed payout features of a term certain annuity. Currently, over 400,000 Canadians own a Manulife IVIC and Canadians have invested over \$20 billion in these wealth management-focused insurance products.

Manulife endorses and supports the detailed comments about the Proposed Framework made by the Canadian Life and Health Insurance Association (“CLHIA”). The insurance industry has long embraced the idea that customers need to receive meaningful disclosure at point-of-sale. Working under the supervision of provincial insurance regulators, the industry has developed standards to ensure that every potential IVIC client receives accurate and complete disclosure at point-of-sale. This disclosure provides details about all of the client’s contractual rights, benefits and obligations including information about all of the investment options (over 40 segregated funds and GIC options in Manulife IVIC’s), the right to switch between investment options, management expense ratios, creditor protection, withdrawal rights, fees, resets and death benefit and maturity guarantees. IVIC clients currently receive the majority of the information at point-of-sale similar to that would be required under the Proposed Framework.

Consistent with our vision of providing excellent service and products that meet client needs, Manulife supports measures which improve consumer disclosure and make it more concise and meaningful. We commend the Joint Forum for introducing these initiatives which, with the necessary modifications outlined in the CLHIA submission, we believe will benefit consumers. We are certain that regulators and industry can continue to work together on modifications to the Proposed Framework that will result in the achievement of our collective goal of ensuring that customers are well served through the receipt of appropriate disclosure documents and introducing an industry-wide rescission right.

The submissions by CLHIA and other industry participants have noted several conceptual and practical issues related to the Proposed Framework which need to be addressed prior to implementation. Enclosed with this letter is an attachment that provides additional details and Manulife’s perspective on several of these issues.

As a company with a strong tradition of innovation, Manulife strongly endorses the “principles-based” approach to regulation. Insurance regulators have shown remarkable foresight in adopting elements of the principles-based into the insurance regulatory model. Many insurance industry activities and practices are not governed by detailed rules. Companies are expected to implement solutions to ensure the outcomes defined by the regulators are met or exceeded. Insurance regulators have established high standards and the development and implementation of solutions to meet principles can be more challenging than implementing clear rules. The benefit is this approach is that it provides the industry with the flexibility to quickly introduce new products and services and adopt new technologies and business models. Consumers benefit from increased efficiency and more choice.

Innovation has played a key role in Manulife’s growth. We would have serious concerns about the adoption of a prescriptive rules-based approach to insurance regulation which, we believe, would inhibit the industry’s ability to develop innovative products, business practices and methods which ultimately benefits consumers via lower costs and increased product choices. We also believe that consumers benefit from a regulatory focus that places focus on outcomes rather than on whether market participants are in technical compliance with a given set of rules.

Manulife looks forward to continuing to work with regulators and other industry participants to develop solutions to improve client disclosure and meet the objectives established by the Joint Forum in the Proposed Framework.

Sincerely,

Paul Rooney

Attachment to October 15, 2007 letter from Paul Rooney, President and CEO, Manulife Canada regarding the Joint Forum of Financial Market Regulators Proposed Framework for Point-of-Sale Disclosure for Segregated Funds and Mutual Funds

Subsequent Transactions

As currently drafted, the Proposed Framework would require that a policyholder receive disclosure information in the form of one or more Fund Facts at point-of-sale and prior to certain other transactions taking place. These other transactions include switches between funds within the IVIC and lump-sum deposits.

Manulife clients currently receive full and complete disclosure at point-of-sale about all of the investment options that are available in the IVIC. The IVIC and the fund information is filed and approved in accordance with provincial insurance regulations and any material changes to investment options require re-filing and re-approvals. Clients have continual access to updated information through their advisor or the updated information folder available online.

Manulife clients currently have a contractual right to make subsequent deposits into their IVIC and to switch between investment options. Our policyholders expect Manulife to honour these contractual obligations and as such, Manulife must act upon client instructions. Manulife does not have a contractual right to require delivery of disclosure documents before permitting a policyholder to make a further deposit to their contract. In the absence of a legislative solution, Manulife could be liable to the client for losses if such transactions were delayed.

One of the unique benefits of an IVIC is the ability to rebalance the portfolio quickly and with minimal transaction cost as market conditions or client needs change. The majority of fund switches and lump-sum deposits occur after telephone discussions between the policyholder and advisor. Imposing the proposed disclosure requirements may frustrate policyholders and negate an important product benefit.

Under the Proposed Framework, clients will have a right to rescind their initial deposit and a right to reverse a switch. Manulife clients have a product that allows them to switch between funds on terms that are more favourable than the proposed rescission right. The client can switch back to the previous investment at any time and take a gain with them.

To ensure that implementation of the Proposed Framework does not diminish the product benefits and that existing policyholder rights are maintained, Manulife suggests that policyholders be given the right to decide whether and how they receive fund disclosure on subsequent transactions. The client should choose how and when they want to receive the required disclosure whether by accessing the company's website, via mail after the transaction or requesting delivery before the transaction.

Key Facts document

Manulife supports the use of a simple, plain language point of sale documents that describes the key features of the IVIC. However, under the Proposed Framework this document will form part of the contract or be incorporated by reference into the contract. We have some concerns about the ability to accurately describe product features and guarantees in plain and simple language on a single page. We believe that disclosure needs to highlight features but not supersede or override the clear contractual terms in the IVIC. We suggest that the Key

Facts be a stand alone piece that is not directly incorporated into the contract and that the Key Facts clearly states that the contract terms govern. The Key Facts should provide the most important information but should also take the form of a “roadmap” which the consumer can use as a guide to for finding detailed and complete information in the contract.

Fund Facts document

As set out above, the Proposed Framework will require a single Fund Fact document to be delivered to the consumer for each segregated fund they select at the time of the initial purchase. Manulife’s IVICs typically make over forty segregated funds and other investment options available to the consumer. At time of initial purchase the typical client selects three or four investment options. Under the Proposed Framework, the client would not receive information about the other thirty six or more funds. When purchasing an IVIC, the client is buying the right to access every fund in the IVIC. In order to be able to evaluate the product, clients should receive key information related to all of the funds to which they will have access.

In addition to ‘manufacturing’ the product, insurers also distribute products and we have a number of concerns from that perspective. To implement the Proposed Framework, an advisor will have to carry and maintain current versions of the Fund Fact documents. Our insurance advisors are not ‘tied agents’ and often offer products from many insurers. There will be significant challenges for advisors to version control and manage hundreds of frequently changing Fund Facts documents from a variety of suppliers. Consumers may end up receiving outdated information, information about the wrong segregated fund or even the wrong product.

Manulife currently binds the information about investment options in a single document. Having only one document makes it is relatively easy for advisors to ensure the client receives the most up-to-date version. A single document may not be concise. If the Joint Forum perceives real value in short documents, Manulife suggests that regulators consider a standard by which companies would provide fund information on all funds available within an IVIC at point of sale and that the information be summarized within the content of a single Key Facts document. This approach would provide meaningful disclosure on the most important features of the contract plus the key information about all segregated funds available within the IVIC. Upon request, consumers could be provided with complete information on a specific fund or all of the funds prior to making their initial purchase decision.

MERs and Insurance Costs

The Proposed Framework suggests that MERs be broken down to identify the insurance costs associated with the segregated fund. Manulife fully supports the disclosure of fees to consumers and improvements that assist clients in understanding the costs of their investments. We believe that breaking down the specific components of MERs has the potential to confuse consumers and could be used as the basis of inaccurate and misleading comparisons between segregated funds or a between a segregated fund within an IVIC and a stand alone mutual fund. Consumers need to know costs in order to make informed investment decisions. We believe that total MER is the only accurate representation of the costs that allows for comparison between products and across industries.