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Re: Response to Proposed Framework 81-406 Point of Sale Disclosure for Mutual Funds and Segregated Funds

Primerica Life Insurance Company of Canada (“Primerica Life”) sincerely appreciates the opportunity to submit comments in response to the Joint Forum of Market Regulators’ (“Joint Forum”) proposed Framework 81-406 Point of Sale Disclosure for Mutual Funds and Segregated Funds (“proposed Framework”). By way of background, Primerica Life is a subsidiary of Citigroup Inc., one of the world’s preeminent financial services company with over \$1 trillion in assets and some 200 million customer accounts in over 100 countries. Primerica Life has been actively providing life insurance products to primarily moderate-income families in Canada for over 20 years and we are currently represented by more than 8,000 life licensed agents across the country, over 5,000 of whom are also mutual fund licensed.

Primerica Life is part of a strong life insurance industry that provides financial services to thousands of Canadians through well established governance structures. As a life insurance company, we strive to uphold an extensive series of industry standards and are also subject to a robust system of prudential and corporate governance regulations that help protect and empower life insurance and IVIC policyholders. According to industry statistics, Canada is home to approximately four million IVIC policyholders. These

PLICC Response to Proposed Framework 81-406 Point of Sale Disclosure for Mutual Funds and Segregated Funds (October 15, 2007)

subject to a Key Facts disclosure, which is supposed to provide clients with a very simple explanation of the investment vehicle that they are choosing, when there is no such prescribed “simple description” sheet proposed for any other investment products. Moreover, presumably the riskiest of all investment products, stocks, will not be subject to the *any* of the proposed requirements, creating an entirely uneven playing field.

The proposed Framework’s appropriateness for IVICs is also questionable since it marks a departure from current insurance regulations and regulatory trends, both in Canada and abroad. The insurance industry and its regulators have deliberately been taking a principles-based approach to life insurance regulation, as this approach is most effective when dealing with the diversity of clients, products and business models that exist within our industry as opposed to trying to force a “one-size-fits-all” approach that has failed on numerous occasions in other financial services sectors. The effectiveness of the current life insurance regulatory approach is evident given the limited consumer complaints and the strength of the standards within the industry. The proposed Framework, on the other hand, is prescriptive in form and content and runs contrary to the progress that has been made in insurance regulation. It had been our sincere hope as we worked through industry-regulator working groups that the emerging disclosure requirements would have been more suitable for segregated funds and more consistent with existing regulations that apply to other life insurance products. We are still of the belief that efforts can be made to reach the Joint Forum’s goals in terms of harmonized, simple point-of-sale disclosure while also recognizing that the current proposal does not meet the needs or best interests of IVIC policyholders.

We are also concerned with the legal status the Joint Forum intends to extend to the Key Facts by incorporating it by reference into the IVIC contract. We believe that such a move would be inappropriate and unnecessary. Key Facts is intentionally written as a generic document that lacks the precision of the legal language used to delineate contractual obligations. Recognizing Key Facts as an aspect of the contract could have significantly negative results – for both the industry and the client – since a plain

language and vaguely worded document could then be used to incorrectly and improperly interpret the obligations and rights clearly spelled out in the actual contract. In addition, the reasoning behind according such an elevated status to a product summary is not apparent since consumers are already protected from potential misrepresentations through established common law and statutory rights. A more appropriate alternative would be to include sections in the Key Facts that refer consumers to their legal and contractual rights that are contained in the IVIC contract.

The proposed Framework also raises a number of questions regarding its associated costs, logistics and overall effectiveness. As it currently stands, the proposed Framework would require the delivery of Key Facts together with the Fund Facts for each fund selected by an investor. This package of documents would have to be delivered at or before the initial point of sale as well as at or before each and every subsequent transaction. Although we fully support disclosures that make investors more informed and assist in their decision making when they are contemplating purchasing an IVIC, we are concerned that the requirements outlined in the proposed Framework may be unduly onerous with unintended negative results for a number of reasons.

The unfavorable effects of the proposed Framework will first be felt by advisors in circumstances where they are obliged to produce the disclosure documents themselves. The production and maintenance of these documents alone could prove to be inordinately costly as advisors will have to cover increased operational costs in order to purchase the colour printers, ink and paper needed just to be capable of producing these documents in the prescribed colours and form. Printing and maintaining a sufficient supply of up-to-date Key Facts and Fund Facts for each of the potential funds a client may choose will increase these costs greatly and lead to an unnecessary amount of paper waste and environmental concerns as many of the documents the advisors will print to present to clients may not get used, become outdated and hence wasted. Some jurisdictions, such as Quebec recognize the environmental impact of paper waste and have actually started taxing firms based on the volume of paper they use. More importantly, advisors may not

have the appropriate or desired Fund Facts sheet with them as they visit a client and this may inhibit the client's access to their fund of choice. This should be noted as a particular concern for clients that live in rural and/or remote communities as well as for time periods where advisors are inundated with client meetings and requests, such as during a market downturn or RRSP season. Industry wide, these costs and logistical challenges could lead to advisors limiting the number of funds they offer in order to limit the number of Fund Facts they have to carry and maintain. It could also lead to companies or advisors introducing minimum account sizes in order to ensure that dealing in IVICs remains feasible, given that servicing small investors will be as costly as servicing high-net-worth investors. Ultimately, the framework may unintentionally work to limit the options available to investors and add to difficulties small investors face in accessing affordable financial products.

Particularly for subsequent transactions under the same IVIC, it is unclear how the proposed delays in trade execution would serve the clients' best interests. Compliance concerns and verification of subsequent delivery of the right documents to the right clients may cause additional delays and most certainly add to the cost of implementing the proposed Framework. The approach that has been advocated by the CLHIA, where a family of funds document is provided to IVIC clients at or before the point of sale describing pertinent information of *all* funds clients have access to under their contract, as opposed to the one or two that they choose at that particular point in time, appeals to common sense. This approach would allow IVIC clients to continue to exercise their contractual rights to make investment decisions without unnecessary delays and impediments to the transaction process as they would have already received information about all the funds offered under their contract. Under the CLHIA proposal, clients would reserve the right to also access up-to-date fund information on a website and/or request the information from their advisor or the life insurance company as they please. Additional disclosure regarding the consumer's right to the prescribed information and how the information may be received and/or accessed during the initial point of purchase should alleviate concerns regarding the client being denied such information.

Another area of concern is the proposed two-day rescission right. While we have no objection to a two-day cooling off period with respect to the IVIC contract and the initial deposits that a client makes, it is unreasonable to extend the two-day rescission right to subsequent deposits to the same IVIC. The policyholder at that point understands what product they have invested in and also has the right to make switches to different funds within the same IVIC. We feel that the nature of the contract protects the rights of our client and already contemplates clients' rights to change their mind with regards to specific fund choices. Any further rescission rights will create potentially negative tax implications for IVIC clients. Further, the fact that non-delivery of the Fund Facts document can be grounds for rescission causes further concerns as it is going to be extremely difficult in many cases to prove whether the advisor delivered the right document at the right time and the insurance company, which is a step removed from the transaction, will bear the consequences of any such disagreement.

Finally, we object to the proposal to break out the insurance costs from the MER in the Fund Facts document. While we have no objections whatsoever to disclosing the cost of the fund of choice to our clients, we feel that this goal will be accomplished by disclosing the overall MER. The client should be made aware that the MER includes an insurance cost and should be encouraged to compare MERs of similar funds. But breaking out the so-called "insurance cost" does not provide the client with an accurate picture as to how the fund's MER compares to a comparable mutual fund's retail MER. Insurance companies as institutional clients will purchase the funds at a lower cost than would be available to retail investors and then would apply the necessary costs related to insurance and other company costs onto that initial cost. So it is neither necessary nor accurate to disclose these numbers to clients as "insurance costs". Further, this information is proprietary commercial information and should not be shared with our competitors.

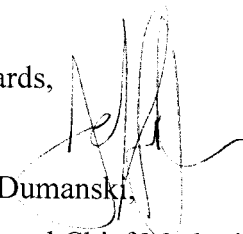
In closing, Primerica Life appreciates the opportunity to submit this response to the Joint Forum's proposed Framework. We commend the Jorum Forum in their efforts to

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establish open and meaningful dialogues with industry participants as we believe this to be a valuable aspect of developing regulatory frameworks that support investor protection as well as a healthy financial services industry. We also support the Joint Forum's attempt to provide consumers with informative and timely disclosures to assist them in their decision making. However, we are of the belief that the proposed Framework's effectiveness would be limited by a series of difficulties associated with its application. We feel that it would be beneficial for the Joint Forum to review the proposal's potential implications and give consideration to the alternatives we have suggested. We urge the Joint Forum to continue its work with the CLHIA, which has a proven track record of working closely and effectively with regulators and often initiating new standards and guidelines themselves, to protect the interests of life insurance clients as well as the reputation of the industry.

We hope that you will accept our response as a part of a constructive continuing dialogue with the Joint Forum.

Regards,



Jeff Dumanski,

EVP and Chief Marketing Officer

Primerica Life Insurance Company of Canada