



180 Queen Street West, 16th Floor, Toronto, Ontario M5V 3K1

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Delivered via portal

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Corporate Secretariat and Legal Affairs
Autorité des marchés financiers
Place de la cité, tour PwC
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1

Re: Insurers Act - Regulation respecting information to be provided to holders of individual variable insurance contracts related to segregated funds (the “Proposed Rule”)

We are pleased to provide comments on behalf of IGM Financial Inc. (“IGM”) in response to the request for comments and feedback by the Autorité des marchés financiers (“AMF”) on the Proposed Rule to enhance fee disclosure on statements for customers with individual segregated fund contracts.

Our Company

IGM, a member of the Power Financial group of companies, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. Through its operating companies, IGM provides a broad range of financial planning and investment management services to help Canadians meet their financial goals. Our services are carried out principally through our subsidiaries; IG Wealth Management (“IGWM”) and Mackenzie Investments (“Mackenzie”).

IGWM is one of Canada’s largest managers and distributors of investment funds. IGWM carries out its asset management activities through its subsidiary IG Investment Management Ltd. and its distribution activities through its subsidiaries Investors Group Financial Services Inc. and Investors Group Securities Inc., which are members of the Canadian Investment Regulatory Organization (“CIRO”).

Mackenzie is a leading investment management firm providing investment advisory and related services to retail and institutional clients. Mackenzie primarily distributes its retail investment products through approximately 175 dealers and more than 30,000 independent financial advisors across Canada.

General Comments

We are very supportive of providing clients with a single view of their total costs of investing in both investment funds and insurance products and therefore welcome both the CSA's and CCIR's efforts to expand cost reporting to include ongoing costs of investment fund ownership and segregated fund contract ownership. Further, we welcome that similar, competing investment products to investment funds, such as segregated funds, will now be treated consistently when it comes to cost reporting, to assist client decision making.

We have been working diligently to ensure that each of IGM's operating companies is prepared for their respective responsibilities for the January 1, 2026 effective date for the Total Cost Reporting regime, and have many members of our team that are participating in working groups both internally and externally, across the investment management, wealth management and insurance industry to ensure operational readiness and the highest quality accurate reporting. While IGWM is involved in the investment fund management business, distribution business and segregated fund contract business, Mackenzie, subject to the issue discussed below, is principally an investment fund manager.

We believe it is extremely important to include certain carve-outs in the Proposed Rule in recognition of the regulatory burden in instances of *de minimis* legacy insurance businesses. In such cases, we submit a carve-out in the Proposed Rule is warranted as the cost of building the infrastructure to fully comply with the Proposed Rule will far exceed the benefit provided to a limited number of clients.

Mackenzie's closed segregated fund business with Canada Life

In 1999, Mackenzie entered into a Strategic Relationship Agreement with Great-West Life Assurance Company, now called Canada Life Assurance Company (in this letter, referred to as "Canada Life" or the "Insurer" interchangeably) to jointly design individual variable insurance contracts ("Mackenzie IVICs"). Canada Life is a federally chartered, stock life insurance company that is a leading provider of financial security products in Canada and is the Insurer for the Mackenzie IVICs. The segregated funds used for the Mackenzie IVICs invest in Mackenzie managed mutual funds and Mackenzie acts as administrator with respect to the IVICs and as the investment manager of the segregated funds. By 2010, the Mackenzie IVICs were completely closed to new sales and have been closed ever since¹.

As part of the Strategic Relationship Agreement with Canada Life, Mackenzie has been producing annual client statements on the Mackenzie IVICs and delivering them to clients since the product's inception. Mackenzie has been producing these statements to Mackenzie IVIC clients because the information needed to prepare client statements is housed on Mackenzie's transfer agency system, which is called Shareholder Accounting System (SAS). As a result, any system builds required to meet the enhanced reporting set out by the Proposed Rule as it applies to the Mackenzie IVICs would be Mackenzie's responsibility.

In order to meet the requirements of the Proposed Rule, Mackenzie would be required to make a large new investment in a business that has been closed since 2010. We do not

¹ Additional deposits on existing accounts are accepted.

believe the benefits to legacy clients of this block of business warrant the costs that Mackenzie would be required to incur to meet the requirements of the Proposed Rule.

As at December, 2021, there were a total of 2,000 Mackenzie IVIC accounts with a total AUM of about \$87M. By December 31, 2023, there were only 1216 Mackenzie IVIC accounts with total assets under management (AUM) of about \$70M. As at May 30, 2024, there were 1157 accounts and \$66.9M AUM. We anticipate both the number of accounts as well as the AUM will continue to decline.

Because Mackenzie is not an Insurer and has no other involvement in the insurance business, absent the Mackenzie IVICs, Mackenzie would not otherwise engage in a system build to comply with the Proposed Rule. As a result, the large new business investment to comply with the Proposed Rule would result solely from the involvement in the Mackenzie IVICs and the fact that the data is housed on Mackenzie's transfer agency system rather than on that of the Insurer. With approximately 1,200 accounts remaining, we strongly believe the costs involved to comply with the Proposed Rule in respect of the Mackenzie IVICs will far outweigh the benefits to clients in this instance.

Although Mackenzie is unable to provide an exact cost to build the system required to produce the additional required information and create enhanced statements for the 1200 (or fewer) clients that remain in these Mackenzie IVIC products, we did reach out to our transfer agency service provider who estimated a cost of up to \$1.4 million.

We believe that to make a large investment in a business that has been closed since 2010 where AUM has been declining at a rate of approximately 10% annually, with very few remaining clients is overly burdensome. We further submit that the existing disclosure provided to current, legacy clients is appropriate in the circumstances. Finally, our current statements do provide contact information for Mackenzie and a phone number for clients to call should they have questions about their statement. If a client were to request specific information from Schedule A of the Proposed Rule that does not currently appear on the statement, we would be able to meet requests manually for most of the requirements (other than the Performance information in section 2). For these reasons, we are of the view that it would be appropriate in the circumstances to include a carve-out for the Mackenzie IVICs.

Summary

We reiterate our support for the Proposed Rule. However, we strongly encourage AMF to include a carve-out in the final rule for instances where:

- 1) the product is a legacy product and closed;
- 2) the number of accounts that remain open as well as the remaining assets under management is *de minimus*; and
- 3) the cost involved to fully comply would far outweigh any benefits to the few existing clients.

We appreciate the opportunity to provide you with our comments. We would welcome the opportunity to engage with you further on this topic. Please feel free to contact me at Jbarsky@mackenzieinvestments.com.

Yours truly,

on behalf of **IGM FINANCIAL INC.**

Joanna Barsky
Assistant Vice-President, Legal, Asset Management
IGM Financial Inc.