

July 28, 2022

Mr. Tony Toy, Policy Manager
Canadian Council of Insurance Regulators
National Regulatory Coordination Branch
25 Sheppard Avenue West, Suite 100
Toronto, Ontario
M2N 6S6

Delivered via email to: CISRO Secretariat, cisro-ocra@fsrao.ca

Re: Total Cost Reporting for Investment Funds and Segregated Funds

Dear Mr. Toy,

CAILBA is a unified voice for the brokerage-based distribution (MGAs) of life insurance, investment and financial products. We thank you for including our membership in this consultation.

CAILBA will leave many of the Annex B questions to CLHIA as CLHIA member insurers have the unenviable task of implementing and producing the new format client segregated fund statements. However, broadly speaking, CAILBA has the following comments:

1. The project has achieved proper scope
2. With respect to transition period allotted, will again leave this to CLHIA to comment, with CAILBA's full support of our carrier partners
3. As to whether the proposed segregated fund prototype statements present the right information to consumers, we feel the segfund prototype statement captures the right information for consumers, but we have some specific, minor comments with respect to the segregated fund prototype statement (p.46 – 50 of TCR Consultation Package):

- Foot notes 1, 2...refer to DSC and LSC charges to client, from CAILBA's perspective, we feel that this footnote should not be included only on statements for accounts that do not have the DSC or LSC load structure, because it creates unnecessary confusion and fear for clients.
- Foot Note 4 states - 'The fund's expenses are made up of the management fee, operating expenses, and trading costs... You don't pay these expenses directly. We periodically deduct them from the value of your investments to manage and operate the funds.' We feel it would better to state exactly when expenses are deducted, rather than this general wording, which can create client confusion and suspicion.
- Foot note 7 states – 'You paid this cost (fees) by withdrawing investments in your contract.' It would be more accurate to state 'by surrendering units/fractions of units from your contract.' However, perhaps the consumer focus groups demonstrated better consumer understanding of the phrase 'withdrawing investments.'
- We feel that a full breakdown of costs associated with segregated funds, into the categories of insurance costs, management fees and distribution costs, would be helpful to consumers.

Regards,

Eric Wachtel

CAILBA Board, Legislative Affairs