Manulife

July 27, 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

Submitted by email to: ccir-ccrra@fsrao.ca

Re: CSA and CCIR Joint Consultation on Total Cost Reporting for Investment Funds and Segregated Funds

Dear Mr. Toy,

Thank you for the work that the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA) have done to develop harmonized cost and performance reporting for Individual Variable Insurance Contracts (seg funds) and mutual funds.

Manulife participated in the industry analysis of the proposed changes, and we are supportive of the positions articulated by the CLHIA and IFIC. Our comments below are related to a particular element applicable to seg funds.

Insurance Cost – Alignment with TCR

Mutual fund disclosure under CRM2 was designed to provide a detailed breakdown of the various costs charged to the customer. As noted in the consultation document, some customers found breaking out the cost was confusing and may not have achieved the goal of providing useful information to customers.

Total cost disclosure is intended to focus the customer on the overall cost of ownership, and we believe that a detailed break-out of the insurance cost may cause consumer confusion, distraction and double counting. Please consider whether a standardized disclosure highlighting that the contract contains guarantees and the cost of providing these guarantees is included in the MER would be a better approach.

Insurance Cost – Alignment across Insurers

In reviewing the proposal, it has become evident that there is a lack of consistency across insurers or products in how the cost of insurance is determined, priced, applied or collected. We believe that if an insurance cost is to be disclosed to consumers, that there would need to be a consistent understanding of what costs should be included in the cost of insurance (as opposed to other costs and charges) and how these charges are applied in contracts.

Without a consistent approach across products and insurers, a requirement to disclose the cost of the guarantees will lead to investor confusion and misleading cost comparisons.

If there is a belief that breaking out these costs is aligned with TCD, then we strongly believe the industry and regulators will need to work to develop a consistent framework for evaluating and calculating the cost of guarantees. Given that companies appear to have different approaches and positions, we expect a discussion to build a common approach could take at least 18-24 months. It would then likely take companies a similar amount of time to change their contracts and systems to align with the new approach. It is highly likely that the cost of insurance would only be available for newly issued products as making changes to the way that the insurance was priced and collected on previously existing products would be extremely difficult from both a legal and technical perspective.

We welcome the opportunity to discuss our comments with you in further detail and we thank you for the opportunity to share our analysis.

Sincerely,

[redacted]

Chris Donnelly
Vice President & Counsel
Regulatory and Public Affairs, Manulife Canada