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

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

About PFSL Investments Canada

PFSL Investments Canada Ltd. ("PFSL") is a mutual fund dealer and a member of the Primerica Financial Services Canada group of Companies ("Primerica"). Primerica is a leading distributor of basic savings and protection products to middle-income households throughout Canada. In addition to PFSL, our Canadian corporate group includes a mutual fund manager (PFSL Fund Management Ltd.) and a life insurance company (Primerica Life Insurance Company of Canada). Primerica has been serving the Canadian public since 1986. Our mutual fund dealer contracts with the largest independent mutual fund sales force in the country with 7,200 Approved Persons ("APs") and administers over $14 billion of client investments, the vast majority of which serve the saving needs of middle-income Canadians. Our life insurance company contracts over 11,500 licensed life insurance agents across the country, protecting Canadian families with over $131 billion of term life insurance.

Primerica dedicates its efforts to providing middle-income families access to simple yet essential products and services through one of the nation's largest and exclusive (captive) sales forces. We consider our focus on middle-income Canadians one of the distinguishing features of our company since they are often overlooked by other financial service providers, particularly those providing personal advice.

We submit our comments to the CSA-CCIR joint consultation based on this experience, and with a focus on preserving access to affordable financial products and advice.

Specific Questions Regarding the Proposed Insurance Guidance

2. **The Proposed Insurance Guidance does not yet include a method that insurers must follow when calculating the fund expenses for each Segregated Fund Contract. Please comment on the advantages and disadvantages of calculating the fund expenses for each segregated fund the client holds each day as follows.**

We believe that Option 1 is the most appropriate method to calculate the fund expenses for each Segregated Fund Contract. This formula best aligns with the securities sector, which would allow for harmonized third-party systems to store and calculate data efficiently. It is critical that both the securities and insurance sectors are aligned in this regard as having two different methods to calculated embedded costs would not only be cumbersome, it would create an unworkable environment to provide meaningful cost disclosure to clients.

4. For the purpose of the calculation described in question 2, what are the costs, benefits and risks of using the following to calculate fund expense ratio (i.e. MER + TER):

(a) MER from the most recent Fund Facts document published before the year in question begins and a TER calculated at the same time on a similar basis;

While the MER is considered a stable value that does change each year, the TER for newer funds may observe problems. For example, the TER can be high for new funds in a given year with a lot of portfolio turnover, but if you use the TER from the previous year to estimate the current year's expenses, the values returned will not be the true value represented.

If insurers are required to use the MER and TER calculated for the year in question after the year ends, this would significantly push back the timelines for producing statements. This is because these values are generally not available until April of the following year after the tax year ends on March 31.

5. For the calculation described in question 2, what are the costs, benefits, and risks of using

(a) 365 days;

(b) The actual number of days in the calendar year in question; or

(c) Another number that reflects the number of days on which the NAV is calculated for the fund rather than the number of days in the year?

Note that the proposed calculation for securities assumes 365 days.

We believe that the 365 days proposed in the prescribed formula for calculating the FER is the most appropriate and accurate method to develop a common approach to calculating the dollar amount of fund expenses.

6. Would you consider it acceptable if, instead of information about each segregated fund's fund expense ratio (MER + TER), the MER alone was:

(a) disclosed in annual statements for each fund; and

(b) used in the calculation of the total fund expenses for the Segregated Fund Contract for the year?

What are the costs, benefits, and risks of using (MER + TER) versus only using MER?

For customers to receive "full cost reporting" the TER would have to be included in annual statements for each fund. However, this could result in permanently estimating the TER as it varies year to year. As mentioned previously, this may skew reporting data and leave the customer confused and take away from the purpose of a clear and concise reporting method. The benefit of including the TER would be that both the insurance and securities sectors will be harmonized in their reports, but it would have to be understood that the TER is an estimate rather than an exact value.

Alternative Recommendation:

We recommend that the TER is included as a percent in the Fund Facts disclosure, similar to mutual funds rather than a calculated dollar figure illustrative in the total cost reporting. The expanded fund facts are a more appropriate location to display this cost, which may cause less confusion for the consumer, while maintaining requirements for total cost reporting.

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7. **Might Segregated Fund Contract customers incur significant costs, other than for deferred sales charges, if they withdraw all funds from their Segregated Fund Contracts? If so, what are those costs?**

Yes, customers may incur short-term trading fees as a result of withdrawing funds from the segregated fund contract.

8. **The guidance describes annual statements. Do you anticipate any issues in connection with the guidance as drafted in cases where an insurer provides semi-annual statements to customers?**

Full cost performance and reporting should be maintained on an annual basis. The securities sector is only required to provide full cost reporting on an annual basis, and we recommend harmonizing this requirement with the insurance sector.

10. **Do you anticipate any issues specifically related to the proposed transition period?**

It is important to recognize that the goal of this proposed policy implementation is to achieve harmonization of total cost reporting for the insurance and securities sectors. Harmonization of these systems, however, requires significant collaboration between regulators and external stakeholders to efficiently carry out this goal. The proposed transition period does not allow for adequate time to ensure a third-party service provider is able to meet necessary requirements set forth. There are numerous factors that must be considered for relevant data to be generated and utilized in an effective manner. Finalized CCIR requirements must be shared public for third-party service providers to estimate a timeline in which this can be achieved. It also should be noted that service providers, as well as firms will need to make system changes to adapt and comply with new reporting requirements, which also may take time.

We recommend extending the transition period by an additional year (December 2026) to reflect these extensive system changes. This would allow firms to ensure all regulatory requirements are met without significantly increasing costs and administrative burdens.

Conclusion

We appreciate the opportunity to provide comments on CSA and CCIR joint Consultation on Total Cost Reporting for Investment Funds and Segregated Funds. It is essential that regulators and industry place an emphasis on harmonization to avoid critical service disruptions and ensure total cost reporting is achieved in an appropriate manner. We remain open to working with the CSA and CCIR to help establish regulatory requirements as well as discussing suitable recommendations.

Sincerely,

[*Original Signed by*]

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