

POINT OF SALE DISCLOSURE FOR SEGREGATED FUNDS GUIDELINE

June 2009

Preamble

The *Autorité des marchés financiers* ("AMF") establishes guidelines setting out its expectations with respect to financial institutions' legal requirement to follow sound and prudent management practices and sound and prudent commercial practices. These guidelines therefore cover the execution, interpretation and application of this requirement.

The present guideline ("Guideline") establishes specific expectations of the AMF with regard to the sound and prudent commercial practices of Insurers who offer segregated funds to the public by means of individual variable insurance contracts .

The AMF usually favors a principle based approach rather than a specific rules-based approach. However, this Guideline differs from existing guidelines as it relies partly on rules established by legislation and regulations. It nonetheless provides Insurers with the necessary latitude to determine the requisite strategies, policies and procedures for implementation and application of commercial principles which are deemed sound by Insurers, based on the type, size and complexity of their activities.

In 2008, the Joint Forum of Financial Market Regulators published *Framework 81-406 – Point of sale disclosure for mutual funds and segregated funds* ("Framework") by which Insurance and Securities Regulators established their vision for disclosure to investors at the point of sale. The Guideline is derived from the Framework.

Purpose

The purpose of this Guideline is to ensure that Insurers clearly understand the expectations of the AMF regarding commercial practices in the segregated fund industry that are applicable at the point of sale.

The credibility of these commercial practices, from the AMF's perspective, depends on a disclosure regime for segregated funds which is able to provide investors with disclosure documents that clearly and concisely state information that investors should consider in connection with an investment decision about such a segregated fund, while recognizing that investors have differing needs in receiving disclosure.

The disclosure regime for segregated funds rests on three main principles:

- providing investors with key information about a segregated fund;
- providing the information in a simple, accessible and comparable format; and
- providing the information before investors make their decision to buy.

The AMF believes that the following approaches are key to achieving these principles:

1. Ensuring that investors receive disclosure documents that will be helpful to them, and to permit some flexibility in designing those documents in order to assist investors.
2. Distributing a summary document called the "Fund Facts" , which contains key information about a segregated fund. The Fund Facts is intended to provide investors with sufficient information about the potential benefits, risks and costs of investing in a segregated fund when they need it most – typically before they make their initial decision to invest.
3. Distributing, as part of the information folder, an additional disclosure document called the "Key Facts", which is intended to provide investors with key information relating to the Individual Variable Insurance Contract or "IVIC contract", which allows a person to invest in segregated funds.
4. Preparing the Fund Facts and Key Facts using plain language and in a format that assists in readability and comprehension. The Guideline and Appendices A and C provide detailed requirements on the content and format of these documents.
5. Recognizing and providing for flexibility in delivery of the Fund Facts based on the type of subscription and who is initiating the transaction.

Insurers which carry on activities in the segregated fund industry should prepare disclosure documents and carry out delivery in a manner that is consistent with the spirit and intent of the Guideline.

The AMF regards the expectations contained in the Guideline as conditions governing both direct and indirect actions of Insurers in relation to the subject matter of these expectations. An Insurer who does not comply with the Guideline and the laws and regulation to which it refers could be deemed not to follow sound commercial practices and may be subject to measures or sanctions under the *Act respecting insurance*¹.

¹ R.S.Q., ch. A-32.

SCOPE

The Guideline is intended for insurers which are duly authorized to carry out activities in the branch of life insurance under the *Insurance Act* (R.S.Q., c. A-32) and the *Act respecting the Distribution of Financial Products and Services* (R.S.Q., c. D-9.2) (“Insurers”).

In this Guideline :

“educational material” means material containing general information about one or more of investing in general, segregated funds, portfolio management, capital markets, retirement savings and financial planning, if the material does not promote a particular segregated fund or segregated fund family or the products or services offered by a particular segregated fund or segregated fund family;

“Fund Facts document” means the document prepared in accordance with the present Guideline and Appendix A;

“guideline” means a guideline given under the *Insurance Act* (R.S.Q., c. A-32);

“Key Facts documents” means the document prepared in accordance with the present Guideline and Appendix C;

“individual variable insurance contract” “IVIC contract” means an individual contract of life insurance, including an annuity, or an undertaking to provide an annuity, as defined by insurance statutes and by the Civil Code of Québec, under which the liabilities vary in amount depending upon the market value of a specified group of assets in a segregated fund, and includes a provision in an individual contract of life insurance under which policy dividends are deposited in a segregated fund.

“initial subscription” means the subscription of a unit of a segregated fund, or switch into that fund, that is not currently held under the contractholder’s IVIC contract.

“information folder” means a disclosure document in respect of an individual variable insurance contract, the particulars of which are described in the Insurance legislation and guidelines.

“Insurance legislation” means the *Insurance Act* (R.S.Q., c. A-32) and the *Act respecting the Distribution of Financial Products and Services* (R.S.Q., c. D-9.2), including regulations made under such acts.

“material change” means a change in a fact required to be disclosed in the contract or disclosure documents, other than a change in the investments of

the segregated fund, that would reasonably be expected to influence or change a decision by a prospective contractholder.

“representative” means a person which is duly authorized to solicit and offer insurance products or individual annuities and segregated funds in Québec, for an Insurer.

“segregated fund” means a separate and distinct segregated fund, maintained by an Insurer in respect of which the non-guaranteed benefits of an IVIC contract are provided.

“subsequent subscription” means the subscription of a unit of a segregated fund, or switch into that fund, that is currently held under the contractholder’s IVIC contract.

Coming into effect and updating

This Guideline will come into effect as of January 1st 2010.

With respect to the legal requirement of institutions to follow sound commercial practices, the AMF expects that Insurers will assimilate the principles provided by this Guideline and develop the necessary strategies, policies and procedures - given the nature, size and complexity of their activities - that are required to ensure their implementation by January 1st 2011.

Updates to the Guideline will be effected from time to time, insofar as such revisions are required to ensure that the principles contained herein reflect current regulatory standards with respect to commercial practices. The Guideline may also be updated in light of the AMF's observations in the course of its supervision of Insurers.

1. The IVIC contract, Fund Facts and Key Facts Documents

The AMF expects Insurers to take the necessary steps or actions to ensure that any person being offered the possibility to invest in a segregated fund will be properly informed of the benefits and risks of such an investment. The development of a Fund Facts document, as proposed by the Framework, is necessary from the AMF's perspective, in order to promote comparability and simplicity in the segregated fund industry and sound commercial practices.

The Guideline sets out detailed explanations concerning the requirements for each of the disclosure documents, while allowing some flexibility to accommodate different kinds of segregated funds and for Insurers to describe their funds accurately. The requirements are designed to ensure that the information in a Fund Facts of a segregated fund or a Key Facts is clear, concise, understandable and easily comparable with other information within the IVIC contract and Information folder or comparable with Fund Facts and Key Facts prepared by other Insurers.

1.1 IVIC contract

An Insurer is free to draft an IVIC contract in any way it sees fit, as long as it respects applicable Insurance legislation and guidelines. In order to achieve sound commercial practices and to implement the principles of the Framework and the Guideline, it is of the essence that all Insurers incorporate the following elements within their IVIC contracts:

- A statement of the rights given to a contractholder, as described in section 4 of this Guideline;
- a statement providing for the incorporation by reference of the most recently filed Fund Facts for the segregated fund in the IVIC contract.

1.2 The Fund Facts document

The central document in the disclosure system is the Fund Facts, which highlights key information that is important to investors, including performance, risk and cost. It summarizes the segregated fund to which it refers. The AMF requires, by regulation, that any person who intends to invest in a segregated fund receive a Fund Facts for the initial subscription of units of the segregated fund.

As mentioned, the most recently filed Fund Facts for a segregated fund must be incorporated by reference into the IVIC contract, with the result that any Fund Facts filed after the date on which the contract came into effect supersedes the Fund Facts previously published.

Moreover, the AMF considers that one Fund Facts should be produced for each class or series of a segregated fund. However, all guarantee options for a series or class of a segregated fund may be combined on one Fund Facts.

1.3 The Key Facts document

The investor who enters into an IVIC contract must also receive a Key Facts document with the contract. The Key Facts, which is a part of the information folder, is an executive summary describing the key features of the IVIC contract. It is intended to be read with the Fund Facts for each investment option available under the contract.

Key Facts should be located at the beginning of the information folder on the first page immediately following the cover or face page.

1.4 Plain language, content and presentation

A) Plain Language

AMF expects that Insurers will prepare Fund Facts and Key Facts documents using plain language.

Using plain language to communicate with investors is necessary to ensure that they can immediately understand what an Insurer, or its representatives tells them. The plain language approach focuses on the needs and abilities of the audience to ensure that the content of a communication is relevant, the organization of the information is logical, the language is appropriate and the presentation is visually appealing.

Insurers should consider the following plain language techniques in preparing their documents:

- Organize the document into clear, concise sections, paragraphs and sentences.
- Use:
 - common everyday words ;
 - technical, legal and business terms only when unavoidable and provide clear and concise explanations for them;
 - the active voice ;
 - short sentences and paragraphs ;
 - a conversational and personal tone;
 - examples and illustrations to explain abstract concepts .

-
- Avoid:
 - superfluous words;
 - unnecessary technical, legal and business jargon;
 - vague boilerplate wording ;
 - glossaries and defined terms unless they aid in understanding the disclosure;
 - abstractions by using more concrete terms or examples ;
 - excessive detail;
 - multiple negatives.

B) Content and presentation

In order for Fund Facts and Key Facts of Insurers to be easily comprehensible and comparable, Appendices A and C set out certain aspects of those documents that must be presented in a required format. Among others, the Fund Facts should generally fit on both sides of one page. The AMF expects Insurers to follow those requirements, within which they have flexibility to present the information and describe their segregated funds accurately.

An Insurer should therefore take into account each of the following elements when it intends to offer segregated funds to potential investors or contractholders:

- (a) prepare a Fund Facts for each class or series of a segregated fund;
- (b) present in a Fund Facts and Key Facts the items listed in Appendices A and C respectively, in the order stipulated in those appendices, and use the headings and sub-headings stipulated in these appendices;
- (c) ensure that the Fund Facts and Key Facts contain only the information that is specifically mandated or permitted by Appendices A and C respectively;
- (d) not incorporate by reference into the Fund Facts, from any other document, information that is required to be included in a Fund Facts; and
- (e) present the information contained in the Fund Facts at a level less than grade 6.0 on the Flesch-Kincaid or equivalent scale.

The formatting of documents can contribute substantially to the ease with which the document can be read and understood. Insurers should consider using the following formatting ideas when preparing their documents:

- reasonably-sized, easy-to-read typefaces;

-
- headings that are clearly differentiated from the body text;
 - bulleted or numbered lists;
 - margins, boxes or shading to highlight information or for supplementary information;
 - tables, graphs and diagrams for complex information;
 - “question and answer” format to organize information;
 - sufficient white space on each page;
 - images, colour, lines and other graphical elements;
 - avoiding the use of upper-case, bold, italic or underling in blocks of text;
 - avoiding full-justified margins.

It is possible that these documents may be easier to read and understand with the use of design features. The use of logos and pictures that accurately depict aspects of the segregated fund industry, the segregated fund or segregated fund family or products and services offered by the Insurer may also aid in comprehension and readability. However, Insurers should exercise caution when using design features in their documents, as excessive use or crowding of design features might make the documents more difficult to read or understand.

There is no minimum requirement for the font size, but the fonts have to be easy to read and highly legible.

Sample of the Fund Facts document is attached as Appendix B of the Guideline. This sample is provided for illustrative purposes only. Insurers do not need to follow the precise format of the sample except for the requirements described in the Guideline and to the extent required to implement the principles contemplated in it.

2. Filing of Fund Facts and Key Facts to the AMF

Funds Facts have to be filed with the AMF in the manner and the prescribed time requested for IVIC contracts by Insurance legislation and guidelines.

Key Facts have to be filed with the AMF in the manner and the prescribed time requested for information folders by Insurance legislation and guidelines.

For more certainty, Insurers have to update and file a new or revised Fund Facts and Key Facts if there is a material change to the information contained in those documents.

3. Delivery of the Fund Facts and Key Facts documents

The AMF expects that an Insurer will deliver before or at the time of subscription the required Fund Facts and ensure, through its authorized representatives, that its purpose and content will be explained to the investor.

Insurers should develop proper policies and procedures to ensure compliance with this principle and the delivery requirements.

The AMF recognizes that investors will have differing needs in receiving disclosure documents. The timing of delivery of the Fund Facts, therefore, depends on the type of subscription and who is initiating it. The diagram below shows delivery under the Framework :

Type of trade	Type of fund	Time of delivery		
		Initial subscription	Subsequent subscription	Annually
Adviser-recommended (Annuity contract)	All funds other than money market	• Before or at time of subscription	No delivery	Investor will be given option to receive annually Fund Facts for all funds held.
	Money market	• Before or at time of subscription OR • With trade confirmation if investor chooses		
Investor-initiated (Subsequent subscription in existing contract)	All funds	• With trade confirmation if investor chooses		

3.1 Delivery of Fund Facts

As required by Insurance legislation, a representative must deliver or send the most recently filed Fund Facts to the subscriber of a unit of a segregated fund for an initial subscription of such a unit, before or at the time of subscription.

Delivery of a Fund Facts must meet two conditions to satisfy the delivery requirement in the Guideline:

- the Fund Facts must be delivered to the investor before or at the time of subscription; and

-
- once delivered, the Fund Facts must be brought to the attention of the investor.

This delivery requirement is best satisfied, in the view of the AMF, if the Insurer, through its authorized representatives, is able to convey sufficient information about the Fund Facts to enable investors to have the opportunity to consider reviewing the Fund Facts or other relevant documents and asking questions before they make a subscription. This may include describing the purpose of the Fund Facts, the type of information it contains and advising prospective contractholders that they are entitled to receive and review the Fund Facts before they make their decision to invest.

The AMF encourages Insurers to make disclosure documents, particularly the Fund Facts, available to potential investors as soon as possible in the sales process, in advance of any requirements contained in the Guideline or Insurance legislation, either directly or through representatives and others involved in issuing units of segregated funds to investors.

It should be noted that there is no delivery requirement for subsequent subscriptions of units of segregated funds. However, Insurers will be required to make the Fund Facts continuously available to investors on their website, if such a document is not already accessible on another website, such as the segregated fund's family website. Only a final version of the Fund Facts that satisfies content under the Guideline should be delivered or posted to a website. A preliminary or pro forma Fund Facts, for example, should not be posted. The Funds Facts should also be continuously available by request in print without charge.

3.2 Exceptions to the rule “before or at the time of subscription”

There is two situations where the Fund Facts may be delivered later than before or at the time of subscription:

- (a) when the representative recommends the initial subscription of a money market fund; or
- (b) when the investor initiates the initial subscription of any fund (i.e. the subscription is not recommended by the representative).

For the exception to apply :

- (c) the existence of the Funds Facts must first have been brought to the investor's attention and it must have been explained to him that he can choose to receive it before the initial subscription or afterwards with the trade confirmation; and

-
- (d) the investor must have expressly communicated that he does not want to receive the Fund Facts before agreeing to the initial subscription.

In all cases, the Fund Facts must be delivered or sent to the investor no later than with the confirmation of trade for the subscription.

3.3 Methods of Delivery

The requirement to deliver or send a Fund Facts is satisfied by an investor being provided with the Fund Facts in person, by prepaid or registered mail, by fax, electronically or by other means. However, when a person chooses to enter into an IVIC contract, the Fund Facts must be delivered in person or brought to that person's attention at the time of formation of the contract along with all other relevant documents that are to be incorporated by reference into such a contract.

The AMF does not consider oral delivery to satisfy the delivery requirement.

Electronic delivery may include sending an electronic copy of a Fund Facts directly to the investor as an attachment or link, or directing the investor to the relevant Fund Facts on the Insurer's website.

The AMF believes that simply making the Fund Facts available on a website or referring an investor to a website address containing the Fund Facts does not constitute delivery under the Guideline, even if the investor consents to that method of delivery. The AMF would expect 'directing' an investor to a Fund Facts on a website to involve the representative providing real-time instruction to an investor to locate the Fund Facts and to ensure an investor can view and comprehend the Fund Facts.

3.4 Annual Option to Receive Fund Facts

The AMF expects that Insurers will give investors the option to receive annually the Fund Facts for all of the segregated funds they hold under their IVIC contracts. This option is not a substitute for meeting the delivery requirement under the Guideline.

An Insurer must therefore obtain instructions from a client as to whether the client wants to receive a copy of the most recently filed Fund Facts for each segregated fund held.

An Insurer, or its representative, must not charge a fee for annually delivering or sending the Fund Facts and must ensure that clients can respond without cost to any solicitation of instruction.

3.5 Proving receipt of the Fund Facts

Insurers must include a signature line on the insurance contract application or another specific document for the investor to acknowledge that they have received the Fund Facts for all segregated funds selected on the application, as required by Insurance Legislation and guidelines.

As part of their compliance policies and procedures, Insurers may impose their own requirements to have investors acknowledge receipt of the Fund Facts for initial subscriptions made after investors have entered into the IVIC contract.

3.6 Delivery of the Key Facts

The AMF expects Insurers to apply, with regard to Key Facts, the same delivery requirements that apply to the Information folder. Receipt of the Key Facts should be proven in the same manner as the Information folder.

3.7 Delivery of Non-Educational Material

The Guideline contains no restrictions on the delivery of non-educational material such as promotional brochures with the IVIC contract, Fund Facts or Key Facts. This type of material may therefore be delivered with, but cannot be included within, wrapped around, or attached or bound to, the Fund Facts, the Key Facts or the Information folder.

Insurers and representatives who deliver such materials must still bring the Fund Facts to the attention of the investor in a time and in a way that will ensure that the investor is in a position to make an informed decision with respect to the segregated funds which are offered to him. Compliance with sound commercial practices, in this respect, implies that an Insurer should not undermine or allow its representatives to undermine the importance or reliability of the Fund Facts or Key Facts.

3.8 Referral to other segregated fund disclosure documents

The AMF does not consider the requirements of the Guideline to be exclusive. Insurers are therefore encouraged to inform investors that they may use the Insurers or segregated fund's website and e-mail addresses to request further information and additional documents.

4. Rescission and cancellation rights

Insurance legislation provides investors with the right to rescind or cancel an IVIC contract or any subscription made under such a contract, under certain circumstances. Given that an Insurer is expected by law to properly inform persons to which its products are offered and to act fairly with them, such rights must be brought to the attention of the investor or contractholder in accordance with the present Guideline. The AMF expects that Insurers and their representatives will take appropriate measures to insure that contractholders or potential investors will be made aware of these rights.

The *Regulation respecting information to be provided to consumers* and the Civil Code of Québec provide that a contractholder may invoke the following rights, under the following circumstances :

- (a) **Cooling-off right:** the right by which investors are provided with the opportunity to change their mind after entering into an IVIC contract or making a subscription in order to have a unit of a segregated fund attributed to them.

The right to cancel an IVIC contract and the right to cancel a subscription relating to an IVIC contract are applicable for a period of two business days, starting from the earlier of when the investor receives the trade confirmation and seven business days after the trade confirmation is mailed.

An investor may exercise the cooling-off rights by giving notice to the Insurer. The notice required must be in writing, and may be given in person, by prepaid or registered mail, by fax or electronically.

The amount received by the investor exercising cooling-off rights will be the lesser of:

- i) the amount of the original investment; and
- ii) the value of the segregated fund on the day the investor exercised the cooling-off right.

Consequently, if the value of the fund goes down during the cooling-off period, the investor will get back less than the amount he invested.

The investor will get back any costs associated with the transaction, such as sales charges. The investor will not pay any redemption fees or short-term trading fees. The cancellation of a subscription will be processed the same way as a redemption.

-
- (b) **Rescission rights for misrepresentation:** the right to obtain the rescission of an IVIC contract if such a contract, the Fund Facts, Key Facts or Information folder fail to disclose or misrepresent an element essential to the insurance.

This right, which is already provided by the Civil Code of Québec, does not prohibit the investor from taking action for damages based on applicable contractual law or seeking another remedy available to him under the Civil Code of Québec or Insurance legislation.

- (c) **Rescission right for non delivery of the Fund Facts:** the right given under Insurance legislation to rescind a subscription relating to the IVIC contract should the Fund Facts not be sent or delivered to the investor in compliance with Insurance legislation.

This right does not prohibit the investor from taking action for damages or any other remedy based on the Civil Code of Québec or Insurance legislation.

5. Assessment of commercial practices with respect to segregated funds

<p>The AMF expects that Insurers shall implement all necessary policies and procedures to implement the present Guideline and to comply with applicable Insurance legislation.</p>
--

5.1 Insurers

Given the rapid evolution of commercial practices, the AMF expects that Insurers will, on a constant basis, refer to sound and prudent commercial practices regarding segregated funds in order to develop, implement and update its policies and procedures.

The AMF believes that an Insurer should also develop the necessary policies and procedure to ensure that its representatives will apply proper commercial practices with a contractholder or client before or at the time of subscription, in accordance with Insurance legislation and the Guideline.

5.2 AMF

The AMF intends to assess the efficiency of policies and procedures developed by Insurers under the present Guideline, in order to determine the soundness of their commercial practices. This assessment shall take into account the risk profile of each Insurer and reflect the nature, size and complexity of its activities.

APPENDIX A

Contents of Fund Facts

Develop a Fund Facts document describing the key features of each segregated fund offered under the individual variable insurance contract.

The Fund Facts should be brief and written in plain language for the average retail consumer (at a level less than grade 6.0 on the Flesch-Kincaid or equivalent scale). It should fit on both sides of one page, unless multiple sales charge options mean that the items on page 2 cannot reasonably fit on one page. In that case, the Fund Facts may go to a third page.

The sections included in the Fund Facts should be set out in the following prescribed order and use the following headings:

- “Quick Facts”
- “What does the fund invest in?”
- “How has the fund performed?”
- “How risky is it?”
- “Are there any guarantees?”
- “Who is the fund for?”
- “How much does it cost?”
- “What if I change my mind?”
- “For More Information”.

Set out below is a description of each required Item. Attached as Appendix “B” is a Template with a sample layout for the required elements.

Item 1 – Identifying Information

At the top of each Fund Facts page include:

- i) Full legal licensed name of the insurance company offering the segregated fund;
- ii) Name of the segregated fund;
- iii) Name of the segregated fund product; and
- iv) Date of information being included.

Item 2 – Quick Facts

Under the heading “Quick facts” and using the sub-headings listed below provide information regarding the following:

- i) Date fund created
- ii) Total value on (specify date)
- iii) Net Asset Value per Unit
- iv) Number of Units Outstanding
- v) Management expense ratio (MER)
- vi) Portfolio Turnover Rate
- vii) Portfolio manager
- viii) Minimum investment

A range for the MER should be shown including the lowest possible MER and highest possible MER depending on the guarantee option a consumer chooses.

Item 3 – What does the fund invest in?

Under the heading “What does the fund invest in?” include the following:

- (i) a brief statement describing what the segregated fund invests in.
- (ii) List the top 10 holdings of the segregated fund as at the end of the most recent fiscal year. Where a segregated fund invests in a secondary fund representing 50% or more of the assets of the segregated fund, disclose the top 10 holding of the secondary fund. If a segregated fund invests in a secondary fund representing less than 50% of the assets of the segregated fund, name the secondary fund.
- (iii) State the total number of investments.
- (iv) State the percentage of the segregated fund which the top 10 investments make up.
- (v) Include up to two pie charts showing the investment segmentation considered most appropriate by the fund manager. Each investment mix chart or table must show a breakdown of the fund’s investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the fund constituted by each subgroup. The names of the subgroups can include investment type, industry segment, or geographic location and use the most appropriate categories given the nature of the fund.

Item 4 – How has the fund performed?

Under the heading “How has the fund performed” describe how the segregated fund has performed over the past 10 years. Information should be shown based on the most basic guarantee option available under the fund and performance should be reported after the MER has been deducted. Where a segregated fund has been in existence for less than 10 years, but greater than 1 year, include information for the years in which the fund has been in existence.

A warning statement including language substantially similar to the following should be included as an introduction to the section:

“This section tells you how the fund has performed over the past 10 years for an investor who chooses the basic guarantee. Returns are after the MER has been deducted. It’s important to note that this doesn’t tell you how the fund will perform in the future. Also, your actual return will depend on the guarantee option you choose and on your personal tax situation.”

(i) Average return

Under the sub heading “Average return” state:

- (a) the amount of money which a person who invested \$1,000 in the fund 10 years ago and chose the most basic guarantee available would now have.
- (b) the average per-cent return per year which investment in the fund for a 10 year period would work out to.

(ii) Year-by-year returns

Under the heading “Year-by-year returns” include a bar chart showing how the fund has performed in each of the past 10 years. State the number of years, if any, during the past 10 year period when people who owned the fund at the start of the year would have lost money.

The following or similar language should be included as an introduction to the bar chart:

“This chart shows how the fund has performed in each of the past 10 years for a contractholder who chooses the basic guarantee. In the last 10 years the fund was up in value x years and down in value x years of the 10.”

Where a segregated fund invests in an underlying fund and historical performance information for the segregated fund does not exist, return information for the underlying fund may be presented provided that a note is included indicating information relates to the underlying fund.

Item 5 – How risky is it?

Under the heading “how risky is it?” state whether the insurance company has rated the fund’s risk as being: Very low, Low, Low to moderate, Moderate, Moderate to high or High and draw a colour coded bar chart to show which class the fund is in.

Include a warning statement in substantially the following words:

“The value of your investments under your contract can go down. Please see Section XX for further details.”

Item 6 – Are there any guarantees?

State that guarantees are provided under the contract including language substantially similar to the following:

“This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect a contractholder’s investment if the markets go down. The Management Expense Ratio (MER) includes the insurance cost for the guarantee. For details please refer to the information folder and contract.”

Item 7 – Who is this fund for?

Provide details regarding the type of investor the segregated fund would be suitable for stating the advantages and any necessary cautions or warnings. Suitability should be tied to the fundamental investment objective of the fund and risk category assigned in Item 5 above.

[The following information should be included on Page 2 of the Fund Facts]

Item 8 – How much does it cost?

Include information which describes the fees and expenses a contractholder is required to pay to buy, own, and sell units of the fund.

Include wording substantially similar to the following as an introduction.

“The following tables show the fees and expenses you could pay to buy, own and sell units of the fund.”

- (i) Sales charges

Under the sub-heading “Sales charges” include a table showing the percentage amount of any initial sales charge and the percentage amount of any deferred sales charge and a description for each of how they work.

(ii) Ongoing fund expenses

- (a) Under the sub-heading “Ongoing fund expenses” describe the MER for the fund including any different charges for different guarantee options.

Wording substantially similar to the following should be included:

“The management expense ratio (MER) includes the management fee and operating expenses of the fund. The MER includes the insurance cost for the guarantee. You don’t pay these expenses directly. They affect you because they reduce the return you get on your investment. For details about how the guarantees work, see your insurance contract.”

- (b) Include a table showing the different guarantee options available and the MER for each option.
- (c) Describe any trailing commissions.

(iii) Other fees

Under the sub-heading “Other fees” describe any other fees a contractholder may have to pay in order to sell or transfer units of the fund including any short-term trading fee, switch fee or change fee.

Describe any fees associated with guaranteed income benefits.

Item 9 – What if I change my mind?

Describe a contractholder’s right to cancel the decision to invest in the fund and provide details regarding the amount of money which will be returned to the investor if the investor exercises the option to cancel.

Wording substantially similar to the following should be included:

“You can change your mind within two business days from the date you received confirmation of the purchase for initial transactions under the contract. You have to tell your insurer in writing (by email, fax or letter) that you want to cancel. The amount returned will be the lesser of the amount you invested or the value of the fund, if it has gone down. The amount returned will include a refund of any sales charges you paid.”

“You can also change your mind about subsequent transactions you make under the contract within two business days from the date you received confirmation of the purchase. In this case, the right to cancel your purchase only applies to the new transaction.”

Item 10 – For more information

Include a warning statement that the Fund Facts summary may not contain all the information which a contractholder needs.


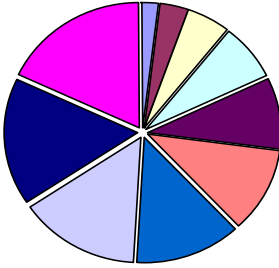
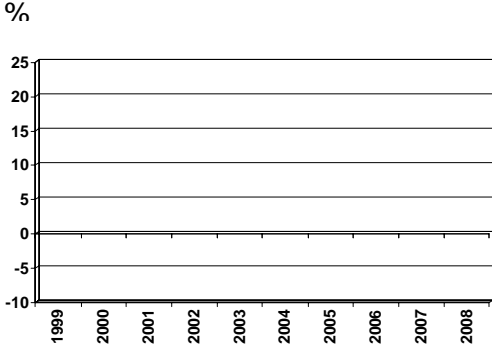
Wording substantially similar to the following should be included:

“This summary may not contain all the information you need. Please read the contract and the information folder.”

Include contact information for the insurance company including address information, telephone numbers and e-mail address.

APPENDIX B

FUND FACTS

<p>Item 1</p> 	<p>Full Legal Licensed name of the Insurance Company Name of the Segregated Fund Product Name of the Segregated Fund Date of Information</p>						
<p>Item 2</p> <p>Quick facts</p> <p>Date fund created: _____</p> <p>Total value on (specify date): _____</p> <p>Net Asset Value per Unit: _____</p> <p>Number of Units Outstanding: _____</p>	<p>_____</p> <p>Management expense ratio (MER): (include range) _____</p> <p>Portfolio manager: _____</p> <p>Portfolio Turnover Rate: _____</p> <p>Minimum investment: _____</p>						
<p>Item 3</p> <p>What does this fund invest in?</p> <p>Top 10 investments</p> <ol style="list-style-type: none"> 1. _____ 2. _____ 3. _____ 4. _____ 5. _____ 6. _____ 7. _____ 8. _____ 9. _____ 10. _____ <p>Total investments</p> <p>_____</p> <p>The top 10 investments make up x% of the fund.</p>	<p>Pie Chart showing Investment Segmentation (specify date)</p>  <p align="right">Industry Sector %</p>						
<p>Item 4</p> <p>How has the fund performed?</p> <p>This section tells you how the fund has performed over the past 10 years for a contractholder who chooses the basic guarantee. Returns are after the MER has been deducted. It's important to note that this doesn't tell you how the fund will perform in the future. Also, your actual return will depend on the guarantee option you choose and on your personal tax situation.</p> <p>Average return</p> <p>A person who invested \$1,000 in the fund and chose the basic guarantee 10 years ago now has \$xxxx. This works out to an average of x % a year.</p> <p>Year-by-year returns</p> <p>This chart shows how the fund has performed in each of the past 10 years for a contractholder who chose the basic guarantee. In the last 10 years the fund was up in value x years and down in value x years of the 10.</p> 	<p>Item 5</p> <p>How risky is it?</p> <p>The value of your investments can go down.</p> <table border="1" style="width:100%; text-align: center; border-collapse: collapse;"> <tr> <td style="width:16.6%;">Very low</td> <td style="width:16.6%;">Low</td> <td style="width:16.6%;">Low to moderate</td> <td style="width:16.6%;">Moderate</td> <td style="width:16.6%;">Moderate to high</td> <td style="width:16.6%;">High</td> </tr> </table>	Very low	Low	Low to moderate	Moderate	Moderate to high	High
Very low	Low	Low to moderate	Moderate	Moderate to high	High		
<p>Item 6</p> <p>Are there any guarantees?</p> <p>This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect a contractholder's investment if the markets go down. (The MER includes the insurance cost for the guarantee/or: A separate insurance fee is charged for the guarantee.) For details please refer to the information folder and contract.</p>	<p>Item 7</p> <p>Who is this fund for?</p>						

Item 8**How much does it cost?**

The following tables show the fees and expenses you could pay to buy, own and sell units of the fund.

The ongoing fees and expenses are different for each guarantee option.

1. Sales charges

Sales Charge Option	What you Pay		How it works
Initial Sales Charge	Up to X% of the amount you buy		<ul style="list-style-type: none"> You and your advisor decide on the rate. The initial sales charge is deducted from the amount you buy. It goes to your (advisor) as a commission.
Deferred Sales Charge	If you sell within: 1 year of buying 2 years of buying 3 years of buying 4 years of buying 5 years of buying 6 years of buying After 6 years	X% X% X% X% X% nothing	<ul style="list-style-type: none"> The deferred sales charge is a set rate. It is deducted from the amount you sell. When you buy the fund, XX pays your advisor a commission of XX%. Any deferred sales charge you pay goes to XX. You can sell up to XX% of your units each year without paying a deferred sales charge. You can switch to units of other funds under the insurance contract at any time without paying a deferred sales charge as long as you do not change your guarantee option. The deferred sales charge schedule will be based on the date you bought your first fund.

2. Ongoing fund expenses

The management expense ratio (MER) includes the management fee and operating expenses of the fund.

(The MER includes the insurance cost for the guarantee/or: A separate insurance fee is charged for the guarantee. You don't pay these expenses directly. They affect you because they reduce the return you get on your investment. For details about how the guarantees work, see your insurance contract.)

Guarantee Option	MER (Annual rate as a % of the funds value)
Basic	75/75 X%
Full	100/100 X%

Trailing commission

XX pays your (advisor) a trailing commission for as long as you own the fund. It is for the services and advice your (advisor) provides to you. The trailing commission is paid out of the management fee. The rate depends on the sales charge option you choose:

- Initial sales charge – up to X% of the value of your investment each year
- Deferred sales charge – up to X% of the value of your investment each year

3. Other fees

Income Guarantee Fees (if applicable). The (income guarantee fee) of XX% is paid out of the contract.

You may have to pay other fees when you sell or transfer units of the fund.

Fee	What you pay
Short term trading fee	X% of the value of units you sell or transfer within X days of buying them. This fee goes to the fund.
Change fee	XX may charge you up to X% of the value of units you transfer to another guarantee option of the fund.

Item 9**What if I change my mind?**

- You can change your mind within two business days from the date you received confirmation of the purchase for initial transactions under the contract. You can also change your mind about subsequent transactions you make under the contract within two business days from the date you received confirmation of the purchase. In this case the right to cancel your purchase only applies to the new transaction.
- You have to tell your insurer in writing, by email, fax or letter, that you want to cancel.
- The amount returned will be the lesser of the amount you invested or the value of the fund, if it has gone down.
- The amount returned will include a refund of any sales charges you paid.

Item 10**For more information**

This summary may not contain all the information you need. Please read the contract and the information folder.

Name of Insurance Company
Address,
Telephone numbers and e-mail.

APPENDIX C

Contents of Key Facts

The sections included in Key Facts should be set out in the following prescribed order and use the following headings:

- “What am I purchasing?”
- “What guarantees are available?”
- “What investments are available?”
- “How much will this cost?”
- “What can I do after I purchase this contract?”
- “What information will I receive about my contract?”
- “Can I change my mind?”
- “Where can I get more information or help?”

An optional section describing “Other key features of the product” may be included.

Each section should contain a reference stating where more information in the information folder can be found.

Item 1 – Identifying Information and Introduction

At the top of the first page of Key Facts include the name of the segregated fund product.

Include an introductory statement with language substantially similar to the following:

“This summary provides a brief description of the basic things you should know before you apply for this individual variable insurance contract. This summary is not your contract. A full description of all the features and how they work is contained in this information folder and your contract. You should review these documents and discuss any questions you have with your advisor.”

Item 2 – What am I purchasing?

Identify the name of the product and name of the insurer.

Briefly describe the nature of the product and its intended use including a discussion of the following elements:

- a statement that the product is an insurance contract;
- the contractholder instructs the insurer how to invest premiums;
- availability of guarantees;
- tax status (non-registered, RRSP, RRIF, TFSA, etc.); and
- right of the contractholder to designate a beneficiary.

Consumers should be advised that there may be tax implications to the policy.

In this or the next section include a warning statement in bold print in substantially the following words:

“The value of your contract can go up or down subject to the guarantees.”

Item 3 – What guarantees are available?

Provide a general description of the guarantees available under the product including:

- a description of the maturity guarantees;
- death benefit guarantees;
- any other guarantees such as income guarantees; and
- any reset options available

Include a warning statement in substantially the following words:

“Any withdrawals you make will reduce the guarantees. For full details please see sections XX in this information folder and the contract.”

Maturity Guarantees

Describe maturity guarantees as they apply to both the contract and premiums and the costs associated with these guarantees.

Wording substantially similar to the following should be included as may be applicable:

“The contract maturity date establishes when the contract guarantee will come into effect.”

Death Benefit Guarantees

Describe what types of guarantees are provided upon death of the life insured.

Wording substantially similar to the following should be included as may be applicable:

“If you die before the contract maturity date your designated beneficiary will receive a death benefit equal to (the greater of the market value of your investments or X% of the premiums you have paid).”

Other Guarantees

Describe any income guarantees such as GMWB benefits or lifetime withdrawal benefits which are available.

Reset Option

Describe any options which the contractholder has to reset the guarantees and any additional fees associated with this option.

Item 4 – What investments are available?

Describe the investment options which are available and any general restrictions. Refer readers to the Fund Facts for more details.

Include a warning statement in substantially the following words:

“XX does not guarantee the performance of the segregated funds. You should carefully consider your tolerance for risk when you select an investment option.”

Item 5 – How much will this cost?

State that fees will be deducted from the fund to cover costs such as expenses, administration of the contract and management of the investment options. Describe any fees paid directly by the client such as any fees associated with income guarantees.

Identify the factors which will vary the cost of the individual variable insurance contract for the consumer including any optional guarantees and any initial sales charges and deferred sales charges.

Identify other specific transactions which may trigger additional costs including any short-term trading fees, switch fee or change fee.

Readers should be referred to the Funds Facts for specific information regarding the different fees associated with each investment option.

Readers should be referred to the relevant section of contract regarding fees and charges.

Item 6 – What can I do after I purchase this contract?

Describe a contractholder's right to make changes under the contract including the right to switch investments from one fund to another, to withdraw money, to pay additional premiums into the contract and to receive annuity payments after maturity.

Include a general warning statement in substantially the following words:

“Certain restrictions and other conditions may apply. You should review the relevant section of your contract for full details.”

Item 7 – What information will I receive about my contract?

State that the contractholder will receive information from the insurance company at least once a year detailing the value of the investments under the contract including a listing of all transactions the contractholder has made.

Advise the reader that the annual audited financial statements for each segregated fund and semi-annual unaudited financial statements are available upon request.

Item 8 – Can I change my mind?

Wording substantially similar to the following should be included:

“You can change your mind about purchasing the contract within two business days from the date you received confirmation of the purchase. You have to tell your insurer in writing that you want to cancel. The amount returned will be the lesser of the amount you invested, or less if the value of the fund has gone down. The amount returned will include a refund of any sales charges you paid.”

“You can also change your mind about subsequent transactions you make under the contract within two business days from the date that you received confirmation of the purchase. In this case, the right to cancel your purchase only applies to the new transaction.”

Item 9 – Where can I get more information or help?

Provide contact information for the insurer including address information, telephone numbers and e-mail address.

Include wording substantially similar to the following:

“For information about handling issues you are unable to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at 1-888-295-8112 or on the web at www.clho.ca”

Include wording substantially similar to the following:

“For information about additional protection that is available for all life insurance contractholders, contact Assuris, a company established by the Canadian life insurance industry. See www.assuris.ca for details.”

Include wording substantially similar to the following:

“For information regarding how to contact the insurance regulator in your province visit the Canadian Council of Insurance Regulators website.”

Item 10 – Other key features of the product

In this optional section, which may be included as part of the Key Facts using a title and in an order which assists comprehension by the reader, describe any additional key features of the product which are not covered in other sections of the Key Facts executive summary.