

REGULATION RESPECTING INFORMATION TO BE PROVIDED TO HOLDERS OF INDIVIDUAL VARIABLE INSURANCE CONTRACTS RELATING TO SEGREGATED FUNDS

Insurers Act

(chapter A-32.1, s. 485 par.1 and s. 496).

1. This Regulation applies to any insurer authorized under the Insurers Act (chapter A-32.1) to the extent that the insurer has underwritten an individual variable insurance contract, defined as an individual contract of life insurance, including an annuity, or an undertaking to provide an annuity, under which the insurer's liabilities vary in amount depending upon the market value of the segregated funds that it holds and in which it allocates the amounts invested by the holder of the contract, which are, with the corresponding rights held thereunder by the contract holder, represented by means of segregated fund units allocated to the contract.

This Regulation also applies to any provision of an individual contract of life insurance stipulating that dividends under the contract are allocated to such segregated funds.

2. The insurer must provide to the contract holder, within four months of each fiscal year end of the segregated funds whose units are allocated to the contract, an annual statement for the fiscal year presenting, at a minimum, the information listed in Schedule 1 in a form that is clear, readable, specific and not misleading, while highlighting it and so as not to cause confusion or misunderstanding.

3. A monetary administrative penalty of \$250 in the case of a natural person or \$1,000 in all other cases may be imposed on an authorized insurer that, in contravention of section 2, fails to provide the contract holder with an annual statement relating to the contract within the prescribed time period, fails to present in the statement all the information referred to in that section or presents inaccurate information.

4. Notwithstanding section 2, an insurer is not required to present in the annual statement, for all segregated fund units allocated to the contract, the following information where it is difficult or impossible for the insurer to use the data necessary for the determination thereof:

(1) the total amounts invested and withdrawn by the contract holder from the issue date of the contract until the statement date;

(2) the change in value of investments from the issue date of the contract until the statement date for reasons other than investments or withdrawals by the contract holder;

(3) the personal rate of return, as a percentage, calculated on the dollar-weighted method, since the issue date of the contract;

(4) the personal rate of return, as a percentage, calculated on the dollar-weighted method, for the 10 years, 5 years or 3 years ending on the statement date;

For the purposes of the first paragraph, it is difficult or impossible for the insurer to use the data referred to therein only

(1) where before (*insert the date of coming into force of this Regulation*), the insurer

(a) optimized the information infrastructure or system in which the contracts were administered and the data was transferred in part or on the basis of a net amount; or

(b) acquired contracts, in whole or in part, from another insurer following a merger or an acquisition of assets and the data from the other insurer was only transferred in part or on the basis of a net amount; or

(2) where the insurer acquires contracts, in whole or in part, from another insurer following a merger or an acquisition of assets and the data from the other insurer can only be transferred in part or on the basis of a net amount because, before (*insert the date of coming into force of this Regulation*), the other insurer was in either of the situations described in subparagraph 1 of the second paragraph.

An insurer in any of the situations described in the second paragraph must, for the purposes of presenting the information referred to in subparagraphs 1 to 3 of the first paragraph, present the information from the date the data was transferred and, for the purposes of presenting the information referred to in subparagraph 4 of that paragraph, present such information, if any, for 3 years, 5 years or 10 years following the data transfer date.

An insurer referred to in the first paragraph must include the following notification or a notification that is substantially similar in the annual statement:

“The information (*indicate here the information referred to in subparagraphs 1 to 4 of the first paragraph*) is not presented in this statement because the data necessary for the determination of that information is not available for the following reasons (*indicate one of the cases referred to in the second paragraph*).”.

5. This Regulation comes into force on January 1, 2026.

Schedule 1

(section 2)

Information to be presented in the annual statement provided by an insurer to holders of individual variable insurance contracts

General information:

- the statement date, defined as the date of the last day of the period covered by the statement;
- the insurer's name, contact information and website;
- the contract name, contract tax status, issue date and contract number;
- the name of the contract holder, the annuitant, the person for whose lifetime the annuity is established, and the designated beneficiary, where such persons or, as applicable, entities are different;
- the name, telephone number and e-mail address of the representative responsible for servicing the contract or, where the contract was purchased without the intermediary of a natural person, of the firm or independent partnership; and
- the following notification or a notification that is substantially similar:
 - “The information provided in this annual statement is intended to help you track your financial goals.”;
 - “You can obtain copies of the most recent Fund Facts, annual audited financial statements and semi-annual unaudited financial statements for the segregated funds within your contract by (*indicate here how to obtain them*).”;
 - “You can also contact us or your representative or, where your contract was purchased via a digital space, the firm or independent partnership, to obtain additional details about the information presented in your statement or contract.”.

Performance information

- for all segregated fund units allocated to the contract:
 - the market value at the start of the period covered by the statement and at the statement date;
 - the total amounts invested and withdrawn by the contract holder from the issue date of the contract and the date corresponding to the first day of the period covered by the statement until the statement date, and the change in value of investments, between these same dates, for reasons other than investments or withdrawals by the contract holder; and
 - the personal rate of return, as a percentage, calculated on the dollar-weighted method, since the issue date of the contract and, where applicable, for the 10 years, 5 years, 3 years and year ending on the statement date.

Where the registered retirement savings plan contract, locked-in retirement account contract, individual pension plan contract or locked-in registered retirement savings plan contract has been registered in a new tax vehicle, be it a registered retirement income fund, life income fund, locked-in retirement income fund or restricted life income fund, the issue date of the contract can be the date on which the contract was registered in the new tax vehicle.

- the following notification or a notification that is substantially similar:
 - “Your personal rate of return may be different than the rate realized by the segregated funds within your contract because the calculation of your personal rate of return depends on factors such as the timing of your investments and withdrawals.”.

Information about fees and charges

- for all segregated fund units allocated to the contract, the amounts of all the fees and charges borne by the contract holder during the period covered by the statement, presented individually and in the aggregate, including without limitation:

- the fund expenses and, where the segregated fund has classes or series of units, the fund expenses of each class or series of units of the segregated fund for each day that the units of such class or series were allocated to the holder's contract during the period covered by the statement, calculated using the following formula, making any adjustments reasonably necessary to accurately determine the fund expenses:

$$A \times B \times C$$

- A = the fund expense ratio for the day of the applicable class or series of units of the segregated fund;
- B = the market value of a unit for the day of the applicable class or series of units of the segregated fund; and
- C = the number of segregated fund units allocated to the contract for the day;

For the purposes of this calculation:

- (a) the “fund expense ratio for the day” means the ratio, expressed as a percentage, of the amount of fund expenses of a class or series of units of the segregated fund for the day to the net asset value for the day of the class or series of units of the fund;
- (b) Insurers may use a reasonable approximation of inputs “A” and “B”.

For the purposes of subparagraph *a*, “fund expenses” means all the segregated fund’s expenses that are paid by the insurer out of assets of the fund, including management expenses and trading expenses.

Insurers are not required to report the fund expenses of a segregated fund that was established less than 12 months before the statement date;

- front-end load charges;
- if applicable, the fees referred to in section 2 of the Regulation respecting the prohibition on charging certain fees from holders of individual variable insurance contracts relating to segregated funds (chapter A-32.1, r. 1.1), for contracts entered into before June 1, 2023;
- fees related to advisory services paid for by the contract holder in respect of the contract to an individual or entity registered as a firm, independent partnership or independent representative that are paid out by the insurer, on the instructions of the contract holder, from the amounts invested by the contract holder;
- withdrawal fees;
- transfer fees;
- reset fees;
- early withdrawal and/or short term-trading fee;
- fees with respect to cheques returned due to insufficient funds;
- small policy fee; and
- insurance fees not included in fund expenses.

These fees may have been paid by the insurer from segregated fund units allocated to the holder’s contract or from the assets of the segregated fund, affecting the market value of the units allocated to the holder’s contract.

- any changes to the insurance fee, if applicable, where permitted by the contract;
- the following notifications or notifications that are substantially similar: “Fees and charges affect your returns.”;

“If applicable, compensation or other fees charged to you and paid directly by you to the firm, independent partnership or independent representative are not included in the aggregate amount of fees and charges appearing on your statement.”;

“We suggest you contact us or your advisor (or, where the contract was purchased via a digital space, the firm or independent partnership) to discuss the fees and charges you pay and their impact on the long-term performance of your investments and contract.”;

“More information about fund expenses can be found in the Funds Facts documents for the segregated funds in your contract.”.

- the fact approximations have been used when calculating fund expenses, if applicable; and
- the fact significant fees and charges would be payable if the contract holder were to end the contract, if applicable, as well as the effect of such fees and charges.

If such significant fees and charges are those referred to in section 2 of the Regulation respecting the prohibition on charging certain fees from holders of individual variable insurance contracts relating to segregated funds (chapter A-32, r. 1.1), the notification may be replaced by an indication of their net value.

Information about each segregated fund

- for each segregated fund whose units are allocated to the contract, for the period covered by the statement:
 - the segregated fund name;
 - the market value of the segregated fund units allocated to the contract at the start date of the period covered by the statement;
 - since the start of the period covered by the statement until the statement date, the total amounts invested and withdrawn by the contract holder and the change in value of investments for reasons other than investments or withdrawals by the contract holder;
 - as at the statement date, the number of segregated fund units allocated to the contract, the market value per segregated fund unit and the total market value of segregated fund units allocated to the contract;
 - except where the segregated fund was established less than one year before the statement date, the segregated fund expense ratio, expressed as a percentage, obtained by the sum of the segregated fund’s management expense ratio and trading expense ratio.

For the purposes of the above calculation, the trading expense ratio of a segregated fund for any financial year, expressed as a percentage, is obtained by dividing the total commissions and other portfolio transaction costs, including those of any secondary fund, before income taxes, for the financial year as shown on the fund’s statement of comprehensive income, by the same denominator as is used to calculate the management expense ratio and multiplying the result obtained by 100.

- if applicable, the following notification or a notification that is substantially similar:

“The total market value of all the segregated funds within your contract is not necessarily the amount you would receive if you were to end your contract, because, if you did, fees and charges could be payable. You can obtain information about the actual amount you would receive by (indicate here how to obtain the information).”;

“Under your contract, the fund has a deferred sales charge (or any other designation used by the insurer for the fees referred to in section 2 of the Regulation respecting the prohibition on charging certain fees from holders of individual variable insurance contracts relating to segregated funds (chapter A-32.1, r. 1.1), for contracts entered into before June 1, 2023). You can withdraw all the money in the fund, but you may be charged a fee to do so if you are withdrawing those funds before the end of the (indicate here the length of the period) deferred sales charge period.”;

“The fund’s expenses are made up of the management fee (specify, if applicable, that the management fee includes the insurance costs for the maturity and death benefit guarantees) 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. The expenses affect you because they reduce the segregated fund’s returns. These expenses add up over time. The fund expense ratio is expressed as an annual percentage of the total fund’s value and differs depending on the segregated fund. It corresponds to the sum of the fund’s management expense ratio and trading expense ratio. These costs are already reflected in the market values reported for your segregated fund investments.”;

“The dollar amount of the fund’s expenses (indicate here where the amount is found in the statement) is calculated from the fund expense ratio provided for each of the contract’s segregated funds for the period covered by the statement. Consequently, there is no duplication of expenses.”; and

- if applicable, a notification indicating that no fund expense ratio for the segregated fund is provided in the statement because the segregated fund was established less than 12 months before the statement date.

Information about maturity and death benefit guarantees

- for all segregated fund units allocated to the contract as at the statement date:
 - the market value of segregated fund units allocated to the contract subject to the guarantee under the contract;
 - the maturity date of the guarantee of the contract;
 - the value of the maturity guarantee and death benefit guarantee.

If the contract has more than one maturity date, the above information must only be provided for the maturity guarantee of the contract as a whole, not for each separate invested amount.

- if the contract has an automatic reset provision, the date of the next automatic reset;
- if the contract holder is allowed to make discretionary resets under the contract, a reminder to that effect; and
- if applicable, the following notification or a notification that is substantially similar:

“An automatic reset will lock-in a new maturity or death benefit guarantee based on the current market value of your contract. A reset to the maturity guarantee will also restart the maturity guarantee period, delaying the maturity date of your contract. ».

Information for contracts providing guaranteed withdrawal benefits:

Accumulation Phase

- For contracts providing guaranteed withdrawal benefits where all or part of the contract is in the accumulation phase:
 - the guaranteed annual withdrawal amount, at the earliest age at which the contract holder can begin receiving guaranteed withdrawals and, depending on the withdrawal options available to the contract holder under the contract, at age 65 and at age 70; and
 - if applicable, the following notification or a notification that is substantially similar:

“The guaranteed annual withdrawal amount has been calculated assuming:

 - you will make no further investments in the contract;
 - you will make no withdrawal from the contract, aside from the guaranteed withdrawals;
 - the market value of the segregated fund units allocated to your contract will not change between the date of calculation and the dates for which the guaranteed withdrawal amounts are shown and, if applicable, that

no bonuses will be credited to your contract and that you will not reset any guarantees under the contract.”

"On withdrawal, the value of your guarantees is adjusted proportionally to the market value of your contract at the time of withdrawal. For example, if someone withdraws \$1,200 when the market value of your contract is \$6,000, the withdrawal will reduce the market value of your contract by 20 per cent (\$1,200/\$6,000). The maturity and death benefit guarantee amounts will be reduced proportionally by the same 20 per cent.”.

The “accumulation phase” means the time between the date when the contract holder begins investing amounts in a contract that provides a guaranteed withdrawal benefit and the date when the contract holder notifies the insurer that the contract holder wants to begin receiving such guaranteed benefits.

Information for contracts providing a guaranteed withdrawal benefit:

Withdrawal phase

— for contracts providing guaranteed withdrawal benefits where all or part of the contract is in the withdrawal phase:

- the guaranteed annual withdrawal amount;
- how long the guaranteed annual withdrawal amount will be payable, assuming the contract holder does not make any withdrawals other than the scheduled withdrawals;
- the amount the contract holder has chosen to receive annually, if different from the guaranteed annual withdrawal amount;
- if the contract is a registered retirement income fund (“RRIF”), life income fund (“LIF”), locked-in retirement income fund (“LRIF”) or restricted life income fund (“RLIF”), the minimum RRIF, LIF, LRIF or RLIF withdrawal for the year following the statement date;
- if the contract is a LIF, LRIF or RLIF, the maximum LIF, LRIF or RLIF withdrawal for the year following the statement date; and
- the following notification or a notification that is substantially similar:

“Any withdrawals that exceed the guaranteed annual withdrawal amount will decrease future guaranteed withdrawal amounts, except if required in respect of a RRIF/LIF/LRIF/RLIF minimum withdrawal amount. The guaranteed annual withdrawal amount will be paid to you even if the amount of money in your contract is less than the guaranteed withdrawal amount.”.

The “withdrawal phase” means the time between the date when the contract holder triggers the guaranteed benefit under a contract that provides such a benefit and the date when there is no longer enough money held within the contract to pay a scheduled withdrawal.

Information for contracts providing a guaranteed withdrawal benefit:

Benefits phase

— for contracts providing a guaranteed withdrawal benefit where all or part of the contract is in the benefits phase:

- the guaranteed annual withdrawal amount; and
- how long the guaranteed withdrawal amount will be payable.

The “benefits phase” means the time between the date when the withdrawal phase ends for all or part of a contract that provides a guaranteed withdrawal and the last date a guaranteed withdrawal is payable.