

ANNEX J

PROPOSED INSURANCE GUIDANCE

Definitions

[1.1] In this Guidance

“accumulation phase” means the time between the date the owner begins making deposits to an IVIC that provides a guaranteed withdrawal benefit and the date the owner notifies the insurer they want to begin receiving such guaranteed payments under the IVIC.

“Annuitant” means the person or people whose life or lives trigger any guarantee on death or any payment for life.

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

“fees and charges” means any sales charges, distribution fees, management fees, administrative fees, account set-up or closing charges, surrender charges, transfer fees, insurance fees or any other fees, charges or expenses whether or not contingent or deferred which are or may be payable in connection with the acquisition, holding, transferring or withdrawal of units of a segregated fund credited to the contract.

“Fund Facts” means a disclosure document in respect of a segregated fund under an IVIC; this document forms part of the information folder and includes information required by law or regulatory guidance in the relevant jurisdiction including information under the following headings:

- a. Quick Facts
- b. What does the fund invest in?
- c. How has the fund performed?
- d. How risky is it?
- e. Are there any guarantees?
- f. Who is the fund for?
- g. How much does it cost?
- h. What if I change my mind? and
- i. For More Information.

“individual variable insurance contract” or “IVIC” means an individual contract of life insurance under which the Insurer’s liabilities vary in amount depending upon the market value of a specified group of assets in a segregated fund. IVIC includes a provision in an individual contract of life insurance under which policy dividends are deposited in a segregated fund.

“Insurer” means an insurer as defined under the laws of the applicable Canadian jurisdiction.

“Insurer’s name” means an insurer’s full legal name;

“Intermediary” means a Licensed Individual authorized to sell and service IVICs under the laws of the relevant Canadian jurisdiction, or a Licensed Business.

“Licensed Business” means any person licensed under the laws of the relevant Canadian jurisdiction to sell IVICs, other than an Insurer or a Licensed Individual.

“Licensed Individual” means any of the following individuals:

- a. an insurance agent,
- b. an insurance broker, or
- c. an insurance representative authorized under the laws of the applicable Canadian jurisdiction.

“life insurance” means life insurance as defined under the laws of the applicable Canadian jurisdiction and includes an annuity or an undertaking to provide an annuity.

“owner” means a person who owns an IVIC.

“Segregated fund” means a specified and distinct group of assets the Insurer holds with respect to an IVIC, in which a Customer who owns an IVIC can invest by purchasing units of a segregated fund under the IVIC.

“withdrawal phase” means the time between when the owner triggers their guaranteed withdrawal benefit under an IVIC that provides such a benefit, and ends when there is no longer enough money held within the IVIC to pay a scheduled withdrawal.

[1.2] With respect to the annual statement described in section [##.1] of this guidance:

“advisory service fee” means any fee payable by an owner to an Intermediary with respect to the IVIC, that is paid by the insurer to the Intermediary on direction of the owner from assets within the IVIC.

“market value” of the units of a segregated fund in an IVIC is the value of the investments in that segregated fund, calculated by taking the number of fund units within the IVIC and multiplying it by the market value per unit at the end the date for which the market value is calculated.

“Statement date” means the date of the last day of the period covered by the statement.

Annual Statement to Contract Owner

[2.1] The Insurer shall provide to the owner of each IVIC, within four months of each fiscal year-end of the fund, a statement showing the information described in Schedule [X].

Schedule [X] – Minimum Content of Annual Statement

1) General

- a) Statement date,
- b) The following information about the Insurer:
 - i) Insurer's name,
 - ii) Insurer's phone number, and
 - iii) Insurer's website,
- c) The following information about the IVIC:
 - i) Contract name,
 - ii) Contract tax status,
 - iii) Contract number, and
 - iv) Contract issue date,
- d) Owner(s),
- e) Annuitant(s),
- f) Designated beneficiary(ies),
- g) The following information about the Licensed individual responsible for servicing the IVIC:
 - i) Licensed individual's name,
 - ii) Licensed individual's phone number, and
 - iii) Licensed individual's email address,
- h) A notice in plain language to
 - i) Remind owner(s) that the information contained in the statement will help them track their financial goals,
 - ii) Remind owner(s) they can obtain copies of the most recent Fund Facts associated with their contract and how to obtain them, and
 - iii) Invite owner(s) to contact the Licensed individual or the Insurer if they need additional information, and
 - iv) Remind owner(s) they can obtain annual audited financial statements [and semi-annual unaudited financial statements] for each fund upon request and how to obtain them.

2) Performance – Contract

- a) For the overall IVIC, market value at the start of the year,
- b) For the overall IVIC, as of the statement date, total deposits
 - i) Since the IVIC began, and
 - ii) Since the start of the year,
- c) For the overall IVIC, as of the statement date, total withdrawals

- i) Since the IVIC began, and
- ii) Since the start of the year,
- d) For the overall IVIC, as of the statement date, the change in value of investments in the IVIC for reasons other than deposits to or withdrawals from the IVIC
 - i) Since the IVIC began, and
 - ii) Since the start of the year,
- e) For the overall IVIC, market value at the statement date,
- f) Personal rate of return, as a percentage, calculated on the dollar-weighted method:
 - i) Since the IVIC began, and
 - ii) Where the contract has been in effect for the relevant time:
 - (1) For the 10 years ending on the statement date,
 - (2) For the 5 years ending on the statement date,
 - (3) For the 3 years ending on the statement date, and
 - (4) For the year ending on the statement date, and
- g) A plain language explanation that the personal rate of return may be different than the rate realized by the segregated funds within the IVIC because calculation of personal rate of return depends on factors such as timing of deposits and withdrawals.

3) Costs – Contract

- a) Where applicable, a notice in plain language:
 - i) Explaining that the total market value of the contract is not necessarily the amount the owner will receive if they end their contract,
 - ii) Explaining how the owner can get more details about the amount of money they would receive if they ended their contract, and
 - iii) If the costs the owner would incur if they withdrew the full market value of the IVIC are significant, explaining these costs in enough detail to allow the owner to understand the effect.

For further clarity, deferred sales charges are considered to be significant costs, but the disclosure explicitly required under this guidance with respect to deferred sales charges is sufficient to address item 3 a) iii) regarding deferred sales charges.

- b) For the overall IVIC, the dollar amount the owner incurred during the year for each of the following
 - i) Front end load,
 - ii) Deferred sales charges,
 - iii) advisory service fee,
 - iv) Transfer fees,
 - v) Reset fees,
 - vi) Early withdrawal and/or short term trading fee,

- vii) Fees with respect to cheques returned due to insufficient funds,
- viii) Small policy fee,
- ix) Insurance fees,
- x) Fund expenses, and
- xi) Any other fees and charges.

For further clarity, the Insurer is not required to include one of these items if the dollar amount the owner incurred for that item in the year is zero.

- c) For the overall IVIC, the dollar amount of the total of the items listed in 3 b),
- d) Any changes to the insurance fee, where legally permitted,
- e) A plain language explanation that any fees the owner pays directly to the Licensed individual and/or Licensed business, if applicable, are not included in the amount in 3 c), and
- f) A plain language explanation of how costs affect returns

4) Fund details – Value, Fund Expense Ratio, Deferred Sales Charges

- a) For each fund held within the IVIC during the year described by the statement:
 - i) The fund name,
 - ii) As of the statement date:
 - (1) Number of units held,
 - (2) Market value per unit, and
 - (3) Total market value of units held,
 - iii) The fund expense ratio for the fund,
 - iv) A plain language explanation of
 - (1) What the fund expense ratio is, and
 - (2) The fact that the dollar amount of the fund expenses allocated to the IVIC are included in the details of the charges for the IVIC for the year, and
 - v) The fact that a deferred sales charge applies, if applicable.

5) Guarantees

- a) For the overall IVIC:
 - i) The market value of the funds subject to the guarantee under the contract
 - ii) The maturity date of the guarantee at the contract level
 - iii) The dollar value guaranteed on the contract maturity date
 - iv) The dollar value guaranteed on death of the Annuitant
- b) For further clarity:
 - i) If the amount under 5 a) i) is the same as the total value of the contract, the insurer is not required to repeat this information, and

- ii) If the contract has more than one maturity date, the insurer is only required to provide the information in items 5 a) i), ii) and iii) for the contract-level maturity guarantee, not for each separate deposit.
- c) If the contract has an automatic reset provision, the date of the next automatic reset and an explanation of what will happen.

6) Guarantees – Contracts with guaranteed withdrawals

Accumulation Phase

- a) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the accumulation phase, the following information with respect to the assets in the accumulation phase
 - i) The guaranteed withdrawal amount for every withdrawal option available to the owner under that contract at:
 - (1) The earliest age at which the owner can begin receiving guaranteed withdrawals,
 - (2) Age 65, if applicable, and
 - (3) Age 70, if applicable,
 - ii) A notice in plain language that the guaranteed amounts have been calculated assuming
 - (1) the owner will make no further deposits to the IVIC,
 - (2) the owner will make no withdrawal from the IVIC, aside from the guaranteed withdrawals,
 - (3) the value of the units in the IVIC will not change between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
 - (4) that no bonuses will be credited to the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown, and
 - (5) that the owner will not reset any guarantees under the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
 - iii) A notice in plain language explaining how guarantees are affected by withdrawals, and
 - iv) If applicable, a notice in plain language to remind the owner of their ability to make discretionary resets of the guarantees under the contract.

Withdrawal Phase

- b) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the withdrawal phase, the following information with respect to the assets in the withdrawal phase
 - i) The guaranteed annual withdrawal amount,

- ii) How long the guaranteed annual withdrawal amount will be payable, assuming the owner does not make any withdrawals other than the scheduled withdrawals,
- iii) The amount the owner has chosen to receive annually, if different from the guaranteed annual withdrawal amount,
- iv) If the IVIC is a RRIF, LIF, LRIF or RLIF, the minimum RRIF, LIF, LRIF or RLIF withdrawal for the year following the statement date,
- v) If the IVIC is a LIF, LRIF or RLIF, the maximum LIF, LRIF or RLIF withdrawal for the year following the statement date,
- vi) A notice that any withdrawals that exceed the guaranteed annual withdrawal amount will decrease future guaranteed withdrawal amounts, except if required with respect to RRIF, LIF, LRIF or RLI minimum withdrawals, and
- vii) A notice in plain language explaining the guaranteed withdrawal amount will be payable to the client even if the net asset value of the relevant assets in the contract are less than this amount.

Benefits Phase

- c) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the benefits phase, the following information with respect to the assets in the benefits phase
 - i) Guaranteed annual withdrawal amount, and
 - ii) How long the withdrawal amount is guaranteed to be payable.