CCIR/CISRO Segregated Funds Guidance

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Part 1 Introduction

Chapter 1.1 Definitions

In this Guidance:

"Advisor Chargeback Sales Charge Option" or **"ACB Sales Charge Option"** means any option under an IVIC,

a) in connection with which,
   i) an Insurer pays monetary compensation to an Intermediary at the time the Owner deposits money in a Segregated Fund in the IVIC, and
   ii) the Intermediary that receives this payment may be required to repay all or part of the payment to the Insurer as a result of an IVIC Transaction, or
b) that would be considered by a reasonable insurer to operate in a similar manner to an advisor chargeback sales charge option described in subsection 1) (a).

"Annuitant" means a person whose life triggers any guarantee on death or contract maturity or any payment for life under an IVIC.

"Customer" means an Owner or prospective Owner of an IVIC with whom an Insurer or an Intermedia**ry** interacts.

"Customer 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 and any other fees, charges or expenses whether or not contingent or deferred which are or may be payable by an Owner in connection with the depositing of money into, holding, transferring, switching or withdrawing money from a Segregated Fund in an IVIC.

"Distribute" or **"Distributed"** or **"Distribution"** includes directly or indirectly recruiting, screening, training, compensating or monitoring the Intermediaries who directly sell IVICs.

"Fair Value" means:

a) the market value based on reported prices and quotations in an active market, or
b) if the market value is not available, or the Insurer reasonably believes that it is unreliable, a value that is fair and reasonable in all the relevant circumstances.

"Fundamental Investment Objectives" means with respect to a Segregated Fund, the investment objectives of the Segregated Fund that define both the fundamental nature of the Segregated Fund and the fundamental investment features of the Segregated Fund and distinguish it from other Segregated Funds.

"Fund Expense Ratio" or **"FER"** means the sum of a Segregated Fund's Management Expense Ratio and Trading Expense Ratio, expressed as a percentage.

"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 a Segregated Fund for the day to the Net Asset Value of the class or series of the Segregated Fund for the day.

"Fund Expenses" means all of the Segregated Fund's expenses that are paid out of assets of the fund, including Management Expenses and Trading Expenses.

“Fund Facts” means a disclosure document with respect to a Segregated Fund in an IVIC as described in Chapter 2.7 of this Guidance.

“Fund Fees and Charges” means all fees and charges paid or payable out of the assets of the Segregated Fund and all expenses incurred in the ordinary course of business relating to the organization, management and operation of the Segregated Fund including interest charges, if any, and all taxes other than income taxes but excluding commissions and brokerage fees on the purchase and sale of portfolio securities.

“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.

"Information Folder” means a disclosure document with respect to an IVIC that includes the information described in Chapter 2.6 of this Guidance.

“Insurance Fee” means an amount charged by an Insurer with respect to the provision of insurance guarantees under the Insurer’s IVIC.

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

“Intermediary” means:

a) individual agents, brokers and representatives, and
b) business entities including managing general agencies, third party administrators and national accounts, as the case may be,

that are authorized to sell, Service or Distribute IVICs in any jurisdiction in Canada.

“Investment Option” in connection with an IVIC means each Segregated Fund offered for investment under the IVIC and any other investment offered under the IVIC, including a guaranteed interest investment.

“IVIC Structure” with respect to a Customer’s IVIC means how the IVIC is structured including the following:

a) ownership structure, including whether there is one Owner or more than one and, if more than one, the respective rights of the Owners while they are alive and the ownership rights in the event of the death of an Owner, and the designation of successor or contingent Owners if applicable,
b) beneficiaries,
c) successor holders, if applicable,
d) Annuitant or Annuitants and successor Annuitants upon whose death the IVIC will end, and
e) the life or lives where benefits under the IVIC are available as long as one of the individuals is alive, if applicable.

“IVIC Transaction” means an exercise of contractual or statutory rights with respect to an IVIC, including:

a) changes to the IVIC,
b) exercise of rights with respect to guarantees such as guarantee resets,
c) changes to the IVIC Structure such as a change in beneficiary,

d) changes to the Investment Options chosen by the Customer or the number of units of Segregated Funds held in an IVIC, such as:
    i) allocating money to units of a Segregated Fund,
    ii) setting up a pre-authorized deposit plan for deposits into an Investment Option,
    iii) making changes to a pre-authorized deposit plan, such as a default,
    iv) Investment Option, or the amount or frequency of scheduled deposits,
    v) determining how deposits are allocated among Segregated Funds within the IVIC,
    vi) moving money among Segregated Funds within the IVIC, and
    vii) withdrawing money from the IVIC.

"Leveraging Strategy" means a strategy for borrowing to invest in an IVIC that is created for a Customer.

"Life Insurance" means Life Insurance as defined under the laws of the relevant Canadian jurisdiction and includes an annuity or an undertaking to provide an annuity.

"Management Expense Ratio" or **"MER"** means the ratio, expressed as a percentage, of the Management Expenses of a Segregated Fund to the fund's average daily Net Asset Value for a financial year calculated as described in section 2.8.1 of this Guidance.

"Management Expenses" means a Segregated Fund's management fees, operating and other administration expenses, including those of any Secondary Fund, and all taxes other than income taxes but excluding Trading Expenses. Management fees are net of any fees or expenses waived.

"Market Value" of the units of a Segregated Fund in an IVIC means 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 of the date for which the market value is calculated.

"Material Change to an IVIC" means a change in a fact expected to be disclosed in the Information Folder, other than a change in the investments of a Segregated Fund, that would reasonably be expected to influence or change a decision by a Customer, including a change to the Investment Option and a decision:

a) to invest in an IVIC,
b) with respect to an IVIC Structure,
c) with respect to an existing IVIC, or
d) to make or not to make an IVIC Transaction.

"Material Change to Customer Information" means a change in the Customer information described in Part 6 of this Guidance that could reasonably result in a change in the needs identified in accordance with Chapter 6.3 of this Guidance or the recommendations and advice provided in accordance with Part 7 of this Guidance, or should reasonably cause an Intermediary to question whether the Customer's IVIC, including the IVIC Structure and Investment Options chosen by the Customer, continues to meet the needs of the Customer.

"Net Asset Value" means the value of the total assets of the Segregated Fund less the value of the total liabilities, other than net assets attributable to Owners who have invested in the Segregated Fund, as at a specific date and is calculated by:

a) Using the Fair Value of the Segregated Fund's assets and liabilities, and
b) Including the income and expenses of the investment fund accrued up to the date of calculation of the Net Asset Value.

"Non-monetary Compensation" includes non-cash benefits, rewards and privileges such as travel, goods, hospitality, entertainment, titles, memberships, contest entry, Insurer client referrals and access to services that are related to performance targets.

"Owner" means a person who owns an IVIC.

"Secondary Fund" means a Segregated Fund, a mutual fund or other investment fund, limited partnership or income trust, including an index participation unit, in which a Segregated Fund may invest.

"Segregated Fund" means a specified and distinct group of assets the Insurer holds with respect to an IVIC, in which an Owner can invest by allocating money to units of the specified and distinct group of assets under the IVIC.

"Servicing" or **"Service"** by an Intermediary means ongoing activity carried on by the Intermediary for an Owner and includes activities such as:

a) assisting the Owner with exercising contractual or statutory rights under an IVIC,
b) gathering know your customer information,
c) assessing the Owner's ongoing need for an IVIC,
d) providing recommendations and advice to the Owner,
e) updating recommendations and advice based on the Owner's Material Changes to Customer Information,
f) reminding the Owner of their rights under the IVIC, such as their ability to reset guarantees, and assisting them with exercising such rights,
g) assisting the Owner with IVIC Transactions, and
h) actions set out as servicing responsibilities in an Intermediary's contract with an Insurer or other Intermediary.

"Similar Segregated Fund" to a Segregated Fund currently invested in by Owners means another Segregated Fund that, at the relevant time:

a) has comparable Fundamental Investment Objectives to,
b) is in the same investment fund category in accordance with fund categories published in a financial publication with broad distribution as, and
c) uses a reasonable approximation based on the most recent Fund Facts or financial statement, unless doing so would result in misleading information, has the same or lower Fund Expense Ratio and Insurance Fees (if not already included in Fund Expenses) as,

the Segregated Fund currently invested in by Owners.

"Statement Date" means the date of the last day of the period covered by the statement referred to in subsection 8.1.1.1 of this Guidance.

"Trading Expense Ratio" or **"TER"** means the ratio, expressed as a percentage, of the Trading Expenses of a Segregated Fund to the fund's average daily Net Asset Value for the financial year, as calculated under Chapter 8.3 of this Guidance.

"Trading Expenses" means the total commissions and other portfolio transaction costs paid or payable by the Insurer from the assets of the Segregated Fund on the purchase and sale of the fund's assets, including those of any Secondary Fund.

"Using money from one IVIC to invest in another IVIC" means funding an investment in at least one new or existing IVIC by:

a) replacing at least one existing IVIC,
b) withdrawing most of the money from at least one existing IVIC, or
c) borrowing money using at least one existing IVIC as collateral for the loan.

Chapter 1.2 Scope

This Guidance sets out the expectations of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) for the design, distribution, issuance, sale and administration of IVICs, including expectations for ongoing disclosure.

This Guidance applies only to:

a) IVICs, including, for greater certainty, IVICs issued and outstanding prior to the date of this Guidance, even where the IVIC is closed to new deposits, unless otherwise indicated in this Guidance, and

b) Insurers and Intermediaries who design, distribute, issue, sell or administer IVICs in Canada.

This Guidance does not apply to group variable insurance products or any other non-IVIC insurance products.

Chapter 1.3 Interaction with other guidance and applicable laws

Insurers and Intermediaries are reminded that the principles in the CCIR and CISRO Guidance on *Conduct of Insurance Business and Fair Treatment of Customers* (CCIR/CISRO FTC Guidance) and *Incentive Management Guidance,* and CISRO's *Principles of Conduct for Intermediaries* apply to the conduct of all insurance business. Nothing in this Guidance is intended to reduce any expectations expressed in those documents. This Guidance relies on those documents and is intended to complement, and should be read and applied in conjunction with, the principles in those documents.

For example, elements in the CCIR/CISRO FTC Guidance for ensuring the fair treatment of Customers include developing, marketing and selling products in a way that puts Customers' interests ahead of those of Insurers and Intermediaries. This standard is also articulated in CISRO's *Principles of Conduct for Intermediaries*. Insurers and Intermediaries should apply this standard to all matters addressed under this Guidance.

In Canada, the conduct of business in insurance is regulated by individual provinces and territories, where each jurisdiction has its own regulatory approach based on its legal framework and culture. However, despite these differences, regulators within each jurisdiction share a common set of expectations pertaining to the conduct of business to ensure the fair treatment of Customers. In that context, regulators are encouraged to have harmonized frameworks across the country in accordance with this Guidance. The expectations under this Guidance do not supersede the legislative and regulatory imperatives of jurisdictions; they are intended to support Insurers and Intermediaries in achieving the fair treatment of Customers with respect to the design, Distribution, issuance, sale and administration of IVICs while respecting existing laws.

Chapter 1.4 Use of plain language

1.4.1.1 Where this Guidance expects disclosure, material, advertisement or other forms of communication to a Customer that is written or in other recorded format to be in plain language, the communication is expected to be:

(a) in clear simple language, using minimal technical terminology,
(b) easy to read or listen to, as applicable, for Customers of the target Customer group,
(c) fair, accurate and not misleading, and
(d) reasonably designed to ensure Customers have sufficient information to make informed decisions about IVICs.

Chapter 1.5 Policies, procedures and controls

1.5.1.1 Where this Guidance expects Insurers and Intermediaries to "have and maintain policies, procedures and controls", those policies, procedures and controls are expected to be:

(a) in written form,
(b) in plain language,
(c) communicated clearly to, and easily accessible to, everyone who carries on the activities referred to in the policies, procedures, and controls,
(d) implemented and followed by everyone who carries on the activities referred to in the policies, procedures, and controls,
(e) monitored periodically for continued effectiveness and compliance with applicable laws and guidance, and
(f) promptly updated to address any deficiencies detected as a result of (e) above.

Chapter 1.6 Delivery of notices

1.6.1.1 Where this Guidance expects written notice to be sent to a specified recipient, the notice should be sent to the last known address of the recipient or electronically if the recipient has consented to receive notices electronically.

Chapter 1.7 Issued and Outstanding IVICs

1.7.1.1 Where permitted by the terms of the IVIC, any expectations relating to "issuing" IVICs also apply to IVICs which were issued and outstanding prior to the date of this Guidance, including where an insurer has assumed liabilities for issued IVICs, such as through the purchase of a block of insurance business.

Part 2 Designing IVICs

Chapter 2.1 General Principle

CCIR and CISRO expect that with respect to IVICs:

a) the design of a new insurance product or significant changes to an existing insurance product will take into account the expected characteristics, interests and needs of each target Customer group for the IVIC, and
b) any potential or actual conflicts of interest arising out of product design will be identified and avoided or properly managed and not affect the fair treatment of Customers.

Chapter 2.2 IVIC Design Process

2.2.1 Target Customer Group

2.2.1.1 When designing each IVIC it will issue, an Insurer is expected to, at a minimum, identify each target Customer group for the IVIC and have and maintain policies, procedures and controls that are reasonably designed to ensure that:

(a) the IVIC is likely to meet the expected characteristics, interests and needs of each target Customer group,
(b) the IVIC delivers the reasonably expected benefits for each target Customer group,
(c) Customers are treated fairly with respect to the sales charge options available under the IVIC,
(d) the sales charge options available under the IVIC allow Intermediaries to comply with expectations under this Guidance to recommend suitable sales charge options to each target Customer group,
(e) potential or actual conflicts of interest related to the sales charge options available under the IVIC are identified and avoided or properly managed, and
(f) the Insurer minimizes the risk of sales of IVICs that are contrary to this Guidance.

2.2.1.2 For purposes of subsection 2.2.1.1 of this Guidance, “reasonably expected benefits” means benefits a member of a target Customer group could reasonably expect to receive from an IVIC based on the IVIC’s contract, Information Folder, and most current Fund Facts, and on the advertising for the IVIC done by an Insurer or Intermediary.

Chapter 2.3 Advisor Chargeback Sales Charge Option

2.3.1 General Principle

CCIR and CISRO expect an Insurer that offers an Advisor Chargeback Sales Charge Option under an IVIC, to have and maintain policies, procedures and controls that are reasonably designed to ensure that:

a) the Insurer and Intermediaries treat Customers who are offered that option fairly, and
b) potential or actual conflicts of interest with respect to the Advisor Chargeback Sales Charge Option are identified and avoided or properly managed and do not affect the fair treatment of Customers.

2.3.2 Offering Alternative Sales Charge Options

2.3.2.1 An Insurer should not offer an ACB Sales Charge Option under an IVIC or under a class or series of a Segregated Fund under an IVIC it issues unless the Insurer also offers:

(a) other alternative sales charge options under the IVIC, or
(b) another class or series of the IVIC for the same target Customer group with other alternative sales charge options,

that will allow Intermediaries to comply with the expectations under this Guidance to recommend suitable sales charge options to each target Customer group.

2.3.2.2 Where an Insurer offers an alternative sales charge option under an IVIC or offers another class or series of a Segregated Fund under the IVIC in the situation described in subsection 2.3.2.1, the Insurer is expected to take into account the expected characteristics, interests and needs of each target Customer group for the IVIC and offer alternative sales charge options under the IVIC that allow Intermediaries to comply with the expectations under this Guidance to recommend suitable sales charge options to each target Customer group.

2.3.2.3 For IVICs that it issues, an Insurer is expected to design their sales charge options and associated compensation structures that involve the Insurer paying commission to an Intermediary, so that:

(a) the value of the compensation the Intermediary can expect to receive, including in the form of upfront commission and trailing commission, under the ACB Sales Charge Option,

is substantially similar to

(b) the value of the compensation the Intermediary can expect to receive under the other sales charge options in the same class or series of Segregated Fund units,

over the projected average time the Insurer expects each target Customer group will hold a Segregated Fund unit.

2.3.2.4 For IVICs it issues, an Insurer is expected to never offer time-limited increases in monetary compensation paid to Intermediaries under an ACB Sales Charge Option at the time an Owner deposits money into an IVIC.

2.3.3 Effect of Advisor Chargeback Sales Charge Option on Customer Fees and Charges

2.3.3.1 For IVICs that it issues, where an Insurer offers an ACB Sales Charge Option, the Insurer should only increase fees, charges and expenses relating to this sales charge option for each relevant class or series of units in the Segregated Fund in a manner that ensures the fair treatment of Owners under all the available sales charge options for the same class or series of units.

2.3.4 Annual Chargeback-Exempt Withdrawal Amount

2.3.4.1 For IVICs that it issues, an Insurer that offers an ACB Sales Charge Option under an IVIC is expected to ensure an Owner who chooses that sales charge option will have the right each calendar year under an IVIC to withdraw the greater of:

(a) the current Market Value associated with 10% of the number of units in the Segregated Fund held by the Owner as at December 31 of the prior year, and
(b) in the case of a registered account, the amount permitted under applicable laws to be withdrawn from the registered account,

without triggering an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the Owner made the deposit in the IVIC.

2.3.4.2 The right described in subsection 2.3.4.1 of this Guidance should be disclosed to the Customer in the Information Folder and the Fund Facts for the IVIC.

2.3.5 Short Chargeback Schedules

2.3.5.1 For an IVIC that it issues, an Insurer that offers an ACB Sales Charge Option under the IVIC is expected to, when setting the time period during which an Intermediary may be required to repay all or part of the monetary compensation they received as a result of an IVIC Transaction, make such time period not greater than 36 months.

Chapter 2.4 IVIC-related Documents

2.4.1 Documents

2.4.1.1 For each IVIC an Insurer issues, the Insurer is expected to prepare the following:

(a) the policy evidencing the IVIC in accordance with Chapter 2.5 of this Guidance,
(b) an Information Folder for the IVIC in accordance with Chapter 2.6 of this Guidance,
(c) Fund Facts for each Segregated Fund offered under the IVIC in accordance with Chapter 2.7 of this Guidance, and

(d) any other documents that amend or form part of the policy, Information Folder or Fund Facts including any endorsements for registered IVICs, applications, Information Folder supplements or separate key facts documents.

Chapter 2.5 Policy Evidencing the IVIC

2.5.1 Form and Content

2.5.1.1 An Insurer's policy for each IVIC it issues is expected to:

(a) include a warning statement in bold on the cover or face page of the policy, in substantially the following words:

"Any amount that is allocated to a Segregated Fund is invested at the risk of the Owner and may increase or decrease in value",

(b) describe the Owner's rights and the nature of the guaranteed benefits under the IVIC,

(c) state,

(i) the method of determining the value of the benefits related to the Market Value of the Segregated Fund and the amount of the surrender value of the benefits, and

(ii) where a provision in the policy provides for part of the deposit to be allocated to provide the benefits related to the Market Value of the Segregated Fund, the percentage of the deposit so allocated,

(d) state the times, which should not be less than once monthly, at which the Segregated Fund should be valued and at which the value of the benefits related to the Market Value of the Segregated Fund may be determined,

(e) describe the Customer Fees and Charges, or basis for calculating the Customer Fees and Charges, against the Segregated Fund,

(f) state the fundamental change rights applicable under Part 9 including the nature of the change and notice rights,

(g) state that:

(i) the following information forms part of the individual variable insurance contract:

(A) name of the IVIC and the Segregated Fund (Appendix B – Fund Facts, Part 2 section 2.1 below)

(B) Fund Expense Ratio (Appendix B – Fund Facts, Part 3 section 3.1a))

(C) risk disclosure (Appendix B – Fund Facts, Part 3 section 3.1d))

(D) Customer Fees and Charges (Appendix B – Fund Facts, Part 3 section 3.1h))

(E) right to cancel (Appendix B – Fund Facts, Part 3 section 3.1i))

(ii) the information in the Fund Facts is accurate and complies with Appendix B – Fund Facts of this Guidance as of the date the information was prepared, and

(iii) the remedies for any error in the information in the Fund Facts referred to in paragraphs 2.5.1.1(g)(i)-(ii) of this Guidance will include reasonable measures by the Insurer to correct the error in accordance with applicable laws,

(h) state that:

(i) an Owner may cancel an IVIC and any allocation of deposits to a Segregated Fund under the IVIC by sending written notice requesting the cancellation to the Insurer within two business days of the date the Owner received confirmation of the issuance of the IVIC,

(ii) for any allocation of deposits to a Segregated Fund other than at the time the IVIC is issued, the right to cancel will only apply in respect to the additional allocated deposits and written notice requesting the cancellation should be provided within two business days of the date the Owner received confirmation of the deposit,

(iii) the Owner will be refunded any Customer Fees and Charges associated with the transaction plus the lesser of the amount invested and the value of the fund on the valuation day following the day the Insurer receives the request for cancellation, and

(iv) an Owner will be deemed to have received the confirmation five business days after it has been sent by or on behalf of the Insurer.

Chapter 2.6 Information Folder

2.6.1 Form and Content

2.6.1.1 An Insurer is expected to prepare an Information Folder relating to each IVIC it issues and include in it the information described in Appendix A – Information Folder of this Guidance.

Chapter 2.7 Fund Facts

2.7.1 Form and Content

2.7.1.1 An Insurer is expected to prepare a Fund Facts relating to each Segregated Fund that is available for the allocation of deposits under an IVIC and include in it the information described in Appendix B – Fund Facts of this Guidance.

2.7.1.2 An Insurer is expected to make the most current Fund Facts for any Segregated Fund that remains available for new deposits continuously available on the Insurer's website and in print upon request without charge.

2.7.1.3 Where a Segregated Fund has been closed to new deposits, but Owners continue to be invested in the Segregated Fund, updated Fund Facts should continue to be prepared by the Insurer and made available on the Insurer's website and in print upon request without charge.

Chapter 2.8 Expense Ratio Calculation Methodology

2.8.1 Calculation of Management Expense Ratio

2.8.1.1 An Insurer is expected to calculate the MER of a Segregated Fund applicable to a particular fee option under an IVIC for any financial year by:

(a) Dividing

(i) the aggregate of:

(A) total expenses of the Segregated Fund, excluding commissions and other portfolio transaction costs, before income taxes, for the financial year as shown on the Segregated Fund's statement of comprehensive income, and

(B) any other Fund Fees and Charges that have the effect of reducing the Segregated Fund's Net Asset Value:

by

(ii) the average Net Asset Value of the Segregated Fund for the financial year obtained by:

(A) adding together the Net Asset Value of the Segregated Fund as at the close of business of the Segregated Fund on each day during the financial year on which the Net Asset Value of the Segregated Fund has been calculated, and

(B) dividing the amount obtained under clause (A) by the number of days during the financial year on which the Net Asset Value of the Segregated Fund has been calculated, and

(b) Multiplying the result obtained under paragraph (a) by 100.

2.8.1.2 If any expenses payable by a Segregated Fund or any other Fund Fees and Charges in a financial year were waived or otherwise absorbed by the Insurer, the Insurer is expected to disclose in a note to the disclosure of the MER, details of:

(a) what the MER would have been without any waivers or absorptions,
(b) the length of time that the waiver or absorption is expected to continue,
(c) whether the waiver or absorption can be terminated at any time by the Insurer, and
(d) any other material arrangements concerning the waiver or absorption.

2.8.1.3 Where a Segregated Fund has separate classes or series of units, the Insurer is expected to calculate an MER for each class or series, in the manner expected by Chapter 2.8 of this Guidance, modified as appropriate.

2.8.1.4 The Insurer is expected to annualize the MER of a Segregated Fund for a financial year of less than 12 months.

2.8.2 Change in Basis of the Calculation of Fund Fees and Charges

2.8.2.1 Where the basis of the calculation of Fund Fees and Charges that are charged to a Segregated Fund are changed or proposed to be changed and where such change would have a material effect on the MER for the last completed financial year of the Segregated Fund if such change had been in effect for such year, the Insurer is expected to ensure the applicable Information Folder and Fund Facts disclose the effect of such change.

2.8.3 Insurance Fees

2.8.3.1 The Insurer may include an Insurance Fee as part of the management fee charged against the assets of the Segregated Fund or may separate it from the management fee.

2.8.3.2 If an Insurer separates the Insurance Fee from the management fee charged against the Segregated Fund, then the Insurer should state in its Information Folder both the current Insurance Fee to be charged to each Segregated Fund and an Insurance Fee limit for each Segregated Fund. The Insurance Fee limit is the highest Insurance Fee that can be charged by the Insurer before triggering the notification expected under paragraph 9.3.3.1(d) of this Guidance. The Insurance Fee limit should not exceed the current Insurance Fee plus the greater of 50 basis points and 50% of the current Insurance Fee.

2.8.3.3 Any change to the Insurance Fee up to the maximum specified pursuant to subsection 2.8.3.2 of this Guidance should be disclosed to the Owner in the annual statement to the Owner pursuant to Part 8 of this Guidance.

Part 3 Training Intermediaries

Chapter 3.1 Insurer Training Expectations

3.1.1 General Principle

CCIR and CISRO expect an Insurer that issues IVICs to take steps consistent with the fair treatment of Customers:

a) to make training material available to Intermediaries selling or Servicing, directly or indirectly, its IVICs, that is reasonably designed to enable the Intermediaries to satisfy the expectations under this Guidance, and

b) that are reasonably designed to ensure that Intermediaries know and understand the training material.

3.1.2 Creation of Training Material

3.1.2.1 The Insurer may create the training material described in Chapter 3.1 of this Guidance itself or the training material may be created by a third party approved by the Insurer.

3.1.3 Substance of Insurer's Training Material

3.1.3.1 Each Insurer that issues IVICs is expected to prepare training material that contains the following information:

(a) With respect to each IVIC it issues,

(i) the characteristics of the IVIC as described in paragraph 6.1.3.1(a) of this Guidance,

(ii) the features of each Investment Option available under the IVIC as described in paragraph 6.1.3.1(b) of this Guidance, and

(b) the elements of an IVIC Structure that are available for that IVIC and how those elements can meet a Customer's needs, as described in paragraph 6.1.3.1(b)(iii)of this Guidance,

(c) information Intermediaries will need about the Insurer's forms and processes to enable the Intermediaries to satisfy the expectations under this Guidance about completing Customer instructions as described in Chapter 7.6 of this Guidance,

(d) information Intermediaries will need with respect to the Insurer's IVICs to satisfy the expectations under this Guidance with respect to Customers Using Money From One IVIC To Invest In Another IVIC, including:

(i) what information the Intermediary should collect to compare the IVICs,

(ii) how to compare the IVICs,

(iii) how to identify the relative benefits of the IVICs, such as guarantees,

(iv) how to identify what a Customer could lose by Using Money From One IVIC To Invest In Another IVIC, and

(v) how to effectively communicate the information in paragraphs 3.1.3.1 (d) (ii), (iii) and (iv) of this Guidance to the Customer, and

(e) if the Insurer promotes, encourages, or facilitates Leveraging Strategies to Intermediaries or Customers, information that:

(i) is reasonably designed to enable the Intermediaries to satisfy the expectations under this Guidance with respect to Leveraging Strategies, including understanding the potential costs, risks and benefits of borrowing to invest and how to determine suitability of Leveraging Strategies for Customers that involve the Insurer's IVICs, and

(ii) will enable Intermediaries to assess which of the Insurer's IVICs and which of the Investment Options available under the IVICs may be suitable as part of a Leveraging Strategy and under what circumstances.

3.1.3.2 For further clarity, activities by an Insurer which promote, encourage or facilitate Leveraging Strategies include:

(a) offering a loan, directly or indirectly, to a Customer which could be used for investment purposes,
(b) offering additional monetary or Non-Monetary Compensation to an Intermediary to recommend a Leveraging Strategy, and
(c) recommending lending institutions.

3.1.3.3 Merely accepting a deposit from a Customer that comes from borrowed money does not constitute promoting, encouraging or facilitating Leveraging Strategies.

3.1.4 Format of Training Material

3.1.4.1 The training material described in this Part is expected to be:

(a) provided in written or other recorded format in plain language, and
(b) in a format that is easily accessible and understandable by Intermediaries.

3.1.4.2 If the training material is provided in conjunction with marketing information or marketing training, the difference between the two should be clearly indicated.

3.1.5 Updating Training Material

3.1.5.1 Each Insurer is expected to promptly update its training material when any Material Change to an IVIC is made to one of its IVICs, if the training material is impacted by such change.

3.1.5.2 The Insurer is expected to promptly notify Intermediaries who sell or Service the Insurer's IVICs of any updates to relevant training material when the updates are made.

3.1.6 Insurers Assessing Intermediaries' Understanding

3.1.6.1 Each Insurer that issues IVICs is expected to take reasonable steps to confirm each Intermediary who sells or Services its IVICs has the knowledge and expertise necessary for the Intermediary to satisfy the expectations under this Guidance:

(a) before the Intermediary sells or Services the Insurer's IVICs,
(b) within a reasonable time, but in no case more than three months, after the training material is updated as described in section 3.1.5 of this Guidance, and
(c) within a reasonable time, but in no case more than three months, after the Intermediary becomes responsible for Servicing an IVIC the Intermediary did not sell.

3.1.7 Training Intermediaries – Insurer's Policies and Procedures

3.1.7.1 An Insurer is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure that:

(a) their IVIC training material, the method by which they deliver the training and how they assess an Intermediary's review and understanding of the training are providing Intermediaries with the appropriate level of knowledge and expertise to satisfy the expectations under this Guidance, and
(b) Customers receive Servicing for their IVICs from Intermediaries who have completed the relevant training as described in this Guidance.

Chapter 3.2 Intermediaries' Training Expectations

3.2.1 Expectation to Complete Training

3.2.1.1 An Intermediary should not sell, Service or provide recommendations and advice with respect to an IVIC unless the Intermediary has completed the training on that IVIC provided by the Insurer who issued that IVIC as set out in Chapter 3.1 of this Guidance, and has the knowledge and expertise to satisfy the expectations under this Guidance.

3.2.1.2 If a Customer requires assistance from the Intermediary responsible for Servicing an IVIC before the Intermediary has completed the related training, the Intermediary is expected to:

(a) complete the related IVIC training and assist the Customer, provided the Intermediary can do so before the Customer needs the assistance to be completed, or
(b) inform the Insurer that the Customer requires assistance but that the Intermediary has not yet completed the related IVIC training.

3.2.2 Intermediaries who Promote Leveraging Strategies

3.2.2.1 An Intermediary that promotes, encourages or facilitates Leveraging Strategies to other Intermediaries is expected to provide training material reasonably designed to enable those Intermediaries to satisfy the expectations under this Guidance.

3.2.2.2 For clarity, the training material referred to in subsection 3.2.2.1 of this Guidance:

(a) should include material on

(i) the potential costs, risks, and benefits of borrowing to invest,
(ii) how to create Leveraging Strategies for Customers,
(iii) how to determine the suitability of Leveraging Strategies for Customers, and

(b) may be the same training material an Insurer provides, if appropriate.

3.2.2.3 For clarity, activities which promote, encourage or facilitate Leveraging Strategies include:

(a) Offering additional monetary or Non-Monetary Compensation to an Intermediary to recommend a Leveraging Strategy, and
(b) Recommending lending institutions.

3.2.2.4 Merely accepting a deposit from a Customer that comes from borrowed money does not constitute promoting, encouraging or facilitating Leveraging Strategies.

Part 4 Compensating Intermediaries

Chapter 4.1 Insurer Compensating Intermediaries

4.1.1 General Principle

CCIR and CISRO expect an Insurer to:

a) treat Customers fairly in connection with the monetary and Non-Monetary Compensation it designs and provides or offers to Intermediaries with respect to each of its IVICs, taking into account the expected characteristics, interests and needs of each target Customer group for the IVIC, and

b) identify and avoid or properly manage potential or actual conflicts of interest with respect to the monetary and Non-Monetary Compensation it provides or offers so that the fair treatment of Customers is not affected.

4.1.2 Managing Conflicts of Interest

4.1.2.1 When designing the monetary and Non-Monetary Compensation it proposes to provide or offer for each IVIC it issues, an Insurer is expected to identify and assess conflicts of interest that will be created by the proposed compensation with the expected characteristics, interests and needs of each target Customer group for the IVIC.

4.1.2.2 An Insurer is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure they properly manage the conflicts referred to in subsection 4.1.2.1 of this Guidance and the risk that the Insurer and/or its Intermediaries will not put Customers' interests ahead of their own with respect to the IVICs.

4.1.2.3 An Insurer is expected to avoid conflicts that cannot be properly managed as described in subsection 4.1.2.2 of this Guidance.

Chapter 4.2 Intermediary who compensates other Intermediaries

4.2.1 General Principle

CCIR and CISRO expect an Intermediary that compensates other Intermediaries with respect to the sale and Servicing of IVICs to:

a) treat Customers fairly in connection with the monetary and Non-Monetary Compensation it designs and provides or offers to the other Intermediaries, taking into account the expected characteristics, interests and needs of each target Customer group for each IVIC, and

b) identify and avoid or properly manage potential or actual conflicts of interest with respect to the monetary and Non-Monetary Compensation it provides or offers so that the fair treatment of Customers is not affected.

4.2.2 Managing Conflicts of Interest

4.2.2.1 When designing the monetary and Non-Monetary Compensation they propose to provide or offer for IVICs, an Intermediary is expected to identify and assess conflicts of interest that will be created by the proposed compensation with the expected characteristics, interests and needs of each target Customer group for the IVIC.

4.2.2.2 An Intermediary who compensates other Intermediaries is expected to have and maintain policies, procedures and controls that are reasonably designed to properly manage the conflicts referred to in subsection 4.2.2.1 of this Guidance and the risk that Intermediaries will not put Customers' interests ahead of their own with respect to the IVICs.

4.2.2.3 An Intermediary is expected to avoid conflicts that cannot be properly managed as described in subsection 4.2.2.2 of this Guidance.

4.2.3 Chargeback Arrangements

CCIR and CISRO expect Intermediaries to only pay monetary compensation to other Intermediaries on a basis similar to compensation Insurers pay under the Advisor Chargeback Sales Charge Option where:

a) the Owner of an IVIC chooses to deposit money under the Advisor Chargeback Sales Charge Option, and
b) the conflicts of interest associated with the compensation the Intermediary pays are no greater than would apply if the Insurer paid compensation under the Advisor Chargeback Sales Charge Option directly to those other Intermediaries.

4.2.3.1 The Intermediary is expected to comply with section 4.2.3 of this Guidance if the Intermediary designs a monetary compensation arrangement with respect to an IVIC in which:

(a) the Intermediary pays monetary compensation to another Intermediary at the time the Owner deposits money in a Segregated Fund under an IVIC, and
(b) the Intermediary that receives this payment may be required to repay all or part of the payment to the Intermediary who made the payment, within a specified time, as a result of an IVIC Transaction.

4.2.3.2 In section 4.2.3 of this Guidance, an Intermediary that designs a monetary compensation arrangement as described in subsection 4.2.3.1 of this Guidance is called a Compensating Intermediary.

4.2.3.3 CCIR and CISRO expect that Compensating Intermediaries will only pay monetary compensation as described in subsection 4.2.3.1 of this Guidance if:

(a) the Insurer pays the Compensating Intermediary monetary compensation under an ACB Sales Charge Option with respect to the deposit described in paragraph 4.2.3.1(a) of this Guidance,

(b) the amount the Compensating Intermediary pays the other Intermediary with respect to the deposit as described in paragraph 4.2.3.1(a) of this Guidance does not exceed the amount the Insurer pays the Compensating Intermediary under the ACB Sales Charge Option,

(c) the period during which the Intermediary may be required to repay monetary compensation to the Compensating Intermediary does not exceed the period during which the Compensating Intermediary may be required to repay monetary compensation to the Insurer,

(d) the Compensating Intermediary will not require the Intermediary to repay a larger part of the monetary compensation described in paragraph 4.2.3.1(a) of this Guidance with respect to any withdrawal or change to a sales charge option than the percentage of the Compensating Intermediary's compensation under the ACB Sales Charge Option for the same transaction that the Insurer requires the Compensating Intermediary to repay for the same transaction,

(e) the Compensating Intermediary offers alternative sales charge options on a basis like that set out in section 2.3.2 of this Guidance, and

(f) the Compensating Intermediary includes an annual chargeback-exempt withdrawal amount like that set out in section 2.3.4 of this Guidance.

4.2.3.4 A Compensating Intermediary is expected to have and maintain policies, procedures and controls that are reasonably designed to properly manage the conflicts referred to in section 4.2.3 of this Guidance and the risk that Intermediaries will not put Customers' interests ahead of their own with respect to IVICs.

Part 5 Advertising of IVICs

Chapter 5.1 Fair Treatment of Customers

5.1.1 General Principle

CCIR and CISRO expect Insurers and Intermediaries to treat Customers fairly with respect to advertisements.

Chapter 5.2 Accuracy and Avoiding Misleading Advertising

5.2.1 General Principle

CCIR and CISRO expect advertisements to be accurate and not misleading.

5.2.2 Advantages and Limitations

5.2.2.1 Where an advertisement mentions an advantage, it should mention any limitations or exceptions that affect or reduce the advantage.

5.2.3 Comparisons

5.2.3.1 If an Insurer's advertisement compares a Segregated Fund to an index or any other fund, then such an advertisement should, at a minimum,

(a) include all facts that, if disclosed, would be likely to materially change an individual's reasonably drawn conclusions,
(b) present data in an easily understandable manner, and
(c) explain any information that is reasonably necessary to make the comparison accurate.

5.2.4 Up to Date Information

5.2.4.1 All information provided in advertisements should be up to date.

5.2.5 Information about Performance

5.2.5.1 Where an advertisement includes performance data for a Segregated Fund:

(a) the performance data should be calculated in accordance with generally accepted industry best practices,
(b) the performance data should include data for representative durations since the Segregated Fund was opened for deposits,
(c) the advertisement should describe applicable Fund Expenses and how they affect performance,

(d) if there are different classes or series of units available for a Segregated Fund, the advertisement should clearly specify which class or series the performance data relates to and avoid presenting information in a way that could cause confusion among classes or series, and
(e) if material changes have happened since the beginning of the period for which performance data is presented, explain the changes and their effects.

5.2.6 Paid Testimonials

5.2.6.1 Insurers should disclose the fact that monetary or Non-Monetary Compensation is provided for testimonials used in advertisements, where applicable.

5.2.7 Guarantees

5.2.7.1 Advertisements that mention an IVIC's guarantees should:

(a) be clear about what is guaranteed, particularly where the guarantee is for less than 100% of deposits,
(b) be clear about when the guarantee applies, particularly where a maturity guarantee only applies at the end of the IVIC, and
(c) avoid creating the inaccurate impression the guarantees are insured by the Canada Deposits Insurance Corporation or similar government deposit Insurers.

Chapter 5.3 Clarity for Target Customers

5.3.1 General Principle

CCIR and CISRO expect advertisements to be clear and presented in a way that helps members of the target Customer groups to understand them and the IVICs they describe.

5.3.2 Prominence of Limits and Exceptions

5.3.2.1 Where advantages are described, limitations and exceptions should be described in the same manner, as clearly and as prominently as the advantages.

5.3.3 Ease of Comprehension

5.3.3.1 Insurers and Intermediaries are expected to consider the expected characteristics, interests and needs of each target Customer group for the IVIC when designing advertisements, including information presented, wording, order of information, font size, speed of audio, volume and other factors that affect comprehension.

Chapter 5.4 Supporting Informed Investment Decisions

5.4.1 General Principle

CCIR and CISRO expect advertisements to help Customers make informed decisions about investing in IVICs.

5.4.2 Risk of Loss

5.4.2.1 Advertisements should explain that investments are at the risk of the Customer, subject to guarantees offered by the IVICs, and may increase or decrease in value.

5.4.3 Effects of Fund Expenses

5.4.3.1 Advertisements should explain the Fund Expenses that may apply and how they would affect performance.

5.4.4 Past Performance does not Predict Future Returns

5.4.4.1 Advertisements that show rates of return or calculations or tables that involve rates of return or calculations should clearly indicate this information does not reflect or predict future returns or values and may not be repeated.

Chapter 5.5 Conflicts of Interest

5.5.1 General Principle

CCIR and CISRO expect Insurers and, where applicable, Intermediaries to avoid or properly manage potential or actual conflicts of interest and ensure that they do not affect fair treatment of Customers with respect to advertising.

Chapter 5.6 Identity of Advertiser

5.6.1 General Principle

CCIR and CISRO expect advertisements to clearly indicate who is advertising.

5.6.2 Advertiser's Legal Name

5.6.2.1 Each advertisement should indicate the full legal name of the Insurer or Intermediary who is advertising the IVIC and, if different, the full legal name of the Insurer who issues the IVIC.

5.6.3 Avoiding Confusion

5.6.3.1 Where there is a risk of confusion, an advertisement should clearly indicate the Insurer is responsible for the promises made under the IVIC, and not any other party, including cases where:

(a) the advertisement mentions a Segregated Fund that invests in another Segregated Fund, or

(b) the name of a Segregated Fund includes the name of an entity other than the Insurer.

Chapter 5.7 Responsibility for Accuracy

5.7.1 Responsibility

5.7.1.1 The Insurer or Intermediary who advertises is responsible for ensuring the contents of the IVIC advertisement meet the expectations under this Guidance, including quotes and other material prepared by third parties.

Chapter 5.8 Confirming Information

5.8.1 General Principle

CCIR and CISRO expect Customers to be able to confirm the information in the advertisements.

5.8.2 Source

5.8.2.1 Where an advertisement uses a statistic, for instance, it should provide the source.

Part 6 Understanding Products, Investment Strategies and Customers' Needs

Chapter 6.1 Know Your Product and Know Your Investment Strategies – Intermediary Expectations

6.1.1 General Principle

CCIR and CISRO expect an Intermediary to know, understand and be able to explain to Customers:

a) the characteristics of IVICs they sell or Service and how these IVICs can meet Customers' needs, and

b) the general benefits, risks and costs of:

   (i) borrowing to invest in an IVIC, and

   (ii) Using Money From One IVIC To Invest In Another IVIC.

6.1.2 Know Your Product – General Information

6.1.2.1 Before selling or Servicing IVICs, an Intermediary is expected to, at a minimum, know, understand and be able to explain what an IVIC is, how it functions, and its risks, for example, the potential to either make or lose money.

6.1.3 Know Your Product – Particular IVIC being considered

6.1.3.1 Before selling or Servicing a particular IVIC, an Intermediary is expected to, at a minimum, know, understand and be able to explain the following about the IVIC:

(a) The characteristics of the IVIC including:

   (i) each target Customer group for the IVIC,

   (ii) the guarantees offered under the IVIC and how such guarantees function,

   (iii) the impact of withdrawals on the guarantees offered under the IVIC,

   (iv) initial and ongoing costs of acquiring, owning and surrendering or terminating the IVIC,

   (v) the Customer's right to rescind the IVIC or IVIC Transaction,

   (vi) conflicts of interest associated with the IVIC, if any, including monetary and Non-Monetary Compensation or related party involvements in the IVIC, and

   (vii) the overall complexity of the IVIC and how the complexity relates to the expected characteristics, interests and needs of each target Customer group for the IVIC,

(b) the features of each Investment Option available under the IVIC including,

   (i) each target Customer group for the Investment Option,

   (ii) the potential volatility of returns,

(iii) the key features of the Investment Option's investment objectives,
(iv) the Investment Option's investment time horizon, and
(v) the performance history of the Investment Option, and

(c) The choices available under the IVIC that can be used to meet the Customer's needs, including choices relating to the IVIC Structure.

6.1.3.2 When an Intermediary becomes aware of a fundamental change, as set out in section 9.3.3, or Material Change to an IVIC they sold or Serviced the Intermediary is expected to know and understand the changes before doing any further Servicing or sales of the IVIC.

6.1.4 Borrowing to Invest

6.1.4.1 Before selling or Servicing IVICs, an Intermediary is expected to:

(a) know, understand and be able to explain the general benefits, risks and costs of borrowing to invest in an IVIC, and
(b) know and understand the expectations under this Guidance relating to borrowing to invest in an IVIC.

6.1.5 Leveraging Strategies

6.1.5.1 Before providing Customers with recommendations and advice on Leveraging Strategies, an Intermediary is expected to know and understand the expectations under this Guidance relating to Leveraging Strategies and, at a minimum, know and understand and be able to explain:

(a) how the benefits, risks and costs of borrowing to invest in IVICs generally as discussed under section 6.1.4.1 of this Guidance can interact with a Customer's particular IVIC and Investment Options available under that IVIC,
(b) what a Leveraging Strategy is,
(c) how to create a Leveraging Strategy for a Customer as described in Part 7 of this Guidance,
(d) how to assess the suitability of a Leveraging Strategy for a Customer as described in Part 7 of this Guidance,
(e) how to conduct ongoing monitoring of a Customer's circumstances and detect material deviations from a Leveraging Strategy the Customer is using, and
(f) reasonable steps to take in response to material deviations detected pursuant to paragraph 6.1.5.1(d) of this Guidance.

6.1.5.2 Whether an Intermediary has sufficient knowledge and expertise to provide competent recommendations and advice on Leveraging Strategies to invest in an IVIC may be based on either the Intermediary's own knowledge and expertise, or by the Intermediary working with another person or people who have the knowledge and expertise required to supplement the Intermediary's.

Chapter 6.2 Know Your Customer – Intermediary Expectations

6.2.1 General Principle

CCIR and CISRO expect an Intermediary to take reasonable steps to collect up-to-date information about a Customer that enables the Intermediary to assess the Customer's needs, determine whether an IVIC or IVIC Transaction is suitable for the Customer and provide suitable recommendations and advice to the Customer.

6.2.2 Know Your Customer Information

6.2.2.1 Before an Intermediary sells an IVIC to a Customer, or Services an IVIC for the first time for a Customer, the Intermediary is expected to, at a minimum, take reasonable steps to collect and document the following up-to-date information about the Customer:

(a) financial circumstances including:

(i) details of other relevant Life Insurance contracts and investments the Customer owns, and

(ii) whether the Customer is,

(A) borrowing to invest in an IVIC,

(B) Using Money From One IVIC To Invest In Another IVIC, or

(C) Obtaining money from an existing insurance product to make the deposit,

(b) personal circumstances, including identification of people the Customer may want to benefit from the IVIC upon the Customer's or Annuitant's death,

(c) relevant insurance needs and objectives, such as guarantees the Customer wants or needs,

(d) investment needs and objectives,

(e) investment time horizon,

(f) investment knowledge,

(g) risk tolerance, specifically how much risk the Customer wants to take, and

(h) risk capacity, specifically how much financial loss the Customer can withstand.

6.2.3 Additional Know Your Customer Information when Customer Borrowing to Invest

6.2.3.1 In addition to the information collected under section 6.2.2 of this Guidance, if:

(a) an Intermediary knows or reasonably ought to know a Customer intends to borrow, or has borrowed, to invest in an IVIC, and

(b) the Intermediary is competent to provide recommendations and advice on borrowing to invest as described in Part 7 of this Guidance,

the Intermediary is expected to, at a minimum, take reasonable steps to collect and document up-to-date information necessary to enable the Intermediary to satisfy the expectations with respect to borrowing to invest under this Guidance which includes, at a minimum:

(c) the Customer's:

(i) total net worth,
(ii) liquid net worth,
(iii) income and expenses, and
(iv) marginal income tax rate,

(d) copies of the loan application and lending documents, including interest rate, terms for repayment, and the outstanding loan value, and
(e) where the Customer is following a Leveraging Strategy created by someone other than the Intermediary, copies of documents setting out the Leveraging Strategy.

6.2.3.2 When an Intermediary becomes aware a Customer has borrowed to invest in an IVIC, the Intermediary is expected to inform the applicable Insurer and any other Intermediaries who have oversight responsibility for the Intermediary.

6.2.4 Additional Know Your Customer Information when Customer Using money from one IVIC to invest in another IVIC

6.2.4.1 In addition to the information collected under section 6.2.2 of this Guidance, before providing recommendations and advice to a Customer about Using Money From One IVIC To Invest In Another IVIC, an Intermediary is expected to, at a minimum, take reasonable steps to collect and document up-to-date information necessary to assess and compare the relative suitability of the existing IVIC to the proposed IVIC, including their respective IVIC Structures and Investment Options.

6.2.4.2 For purposes of subsection 6.2.4.1 of this Guidance, the necessary information includes:

(a) a copy of the existing IVIC,
(b) copies of any existing documents relevant to the existing IVIC Structure, and
(c) copies of recent statements from the Insurer to the Customer with respect to the existing IVIC.

6.2.5 Collection of Information

6.2.5.1 The extent of the information an Intermediary is expected to collect from a Customer under Chapter 6.2 of this Guidance depends on, among other things:

(a) the degree of complexity of the Customer's circumstances,
(b) the IVIC or IVIC Transaction being considered, and
(c) any investment strategies being considered, such as a Leveraging Strategy or Using Money From One IVIC To Invest In Another IVIC.

6.2.5.2 When collecting the information from a Customer, an Intermediary is expected to:

(a) explain to the Customer:

(i) why the Intermediary is collecting the information and how the Intermediary will use it to provide suitable recommendations and advice, and

(ii) the technical and uncommon terms used during the information collection process,

(b) follow up with the Customer for clarification of the Customer's responses where necessary, and

(c) explain the need to keep the Customer's information up-to-date and for the Customer to notify the Intermediary about any Material Change to Customer Information.

6.2.6 Updating Know Your Customer Information - Intermediary Expectations

6.2.6.1 An Intermediary is expected to ask each Owner about Material Changes to Customer Information and, if there has been a Material Change to Customer Information, document and fully update the Owner's information collected under Chapter 6.2 of this Guidance:

(a) before providing recommendations and advice on a new IVIC or IVIC Transaction to the Owner, and

(b) when the Intermediary knows or reasonably ought to know there has been a Material Change to Customer Information.

6.2.6.2 An Intermediary is expected to fully update each Owner's information:

(a) annually if the Intermediary knows, or reasonably ought to know, that the Owner has borrowed to invest in an IVIC, and

(b) in any other case, no less frequently than once every three years, while the Owner continues to own the IVIC.

6.2.6.3 Where an Intermediary updates an Owner's information as described in subsections 6.2.6.1 and 6.2.6.2 of this Guidance, the Intermediary is expected to promptly provide the updated information in plain language writing to the Owner and ask the Owner to contact them promptly if the Owner does not understand, or disagrees with, the information the Intermediary provided.

6.2.7 Customer Unwilling or Unable to Provide Information

6.2.7.1 Where a Customer is unwilling or unable to provide an Intermediary with the information described in Chapter 6.2 of this Guidance the Intermediary is expected to assess whether they have the necessary information to be able to satisfy the expectations on them under this Guidance and if not, the Intermediary:

(a) should not provide recommendations and advice to the Customer about an IVIC or an IVIC Transaction, other than to give the Customer any information and assistance the Customer needs to exercise contractual or statutory rights under existing IVICs,
(b) should not take an application for an IVIC,
(c) should tell the Customer why the Intermediary cannot provide recommendations and advice to the Customer, and
(d) document what the Intermediary has told the Customer pursuant to subsection 6.2.7.1 of this Guidance.

Chapter 6.3 Needs Analysis – Intermediary Expectations

6.3.1 General Principle

CCIR and CISRO expect an Intermediary to identify and analyze a Customer's needs based on the Customer's disclosed information and assess whether an IVIC will meet the Customer's needs before providing recommendations and advice about an IVIC to the Customer or accepting an application for an IVIC from the Customer.

6.3.2 Customer Needs when Investing in an IVIC

6.3.2.1 Before providing recommendations and advice about investing in an IVIC, and before accepting an application for an IVIC from a Customer, an Intermediary is expected to:

(a) identify the Customer's needs,
(b) assess, based on the identification of the Customer's needs under paragraph 6.3.2.1(a) of this Guidance, whether the Customer has:

(i) needs an IVIC can meet, for example, the need for any of:

(A) guaranteed payout on maturity or death or both,
(B) guaranteed income to provide, or supplement, retirement income,
(C) estate preservation, to allow assets to pass directly to beneficiaries without probate fees,
(D) privacy, to allow assets to pass directly to beneficiaries without passing through an executor or probate, and
(E) potential creditor protection, to protect assets from potential future creditors, such as where the Customer is a professional or an entrepreneur, and

(ii) investment goals an IVIC can meet, for example, the need for any of:

(A) income that is not guaranteed,
(B) wealth accumulation, and
(C) liquidity, and

(c) assess how investing in the particular IVIC being considered, with the proposed IVIC Structure and proposed Investment Options, would affect the needs of the Customer determined under paragraph 6.3.2.1(b) of this Guidance both positively and negatively.

6.3.3 Updating Customer Needs when there is a Material Change to Customer Information

6.3.3.1 An Intermediary is expected to reassess a Customer's needs in accordance with section 6.3.2 of this Guidance whenever the Intermediary knows or reasonably ought to know the Customer has a Material Change to Customer Information.

6.3.4 Customer Needs for an IVIC Transaction

6.3.4.1 Before providing recommendations and advice to a Customer about an IVIC Transaction, an Intermediary is expected to know the Customer's needs as described in Chapter 6.3 of this Guidance that are relevant to the IVIC Transaction and assess the positive and negative impact the IVIC Transaction would have on those needs.

Part 7 Recommendations and Advice – Intermediary Expectations

Chapter 7.1 Recommendations and Advice – Intermediary Expectations

7.1.1 General Principle

CCIR and CISRO expect an Intermediary to provide suitable recommendations and advice to a Customer with respect to investing in an IVIC, making an IVIC Transaction or about the IVIC Structure.

CCIR and CISRO expect an Intermediary will only provide recommendations and advice to a Customer about investing in an IVIC, making an IVIC Transaction or about the IVIC Structure if the Intermediary is competent to do so.

7.1.2 Suitable Recommendations and Advice

7.1.2.1 An Intermediary is expected to place a Customer's interests ahead of their own when providing recommendations and advice to the Customer about:

(a) investing in an IVIC,
(b) an IVIC Structure,
(c) making an IVIC Transaction, and
(d) Leveraging Strategies, borrowing to invest or Using Money From One IVIC To Invest In Another IVIC.

7.1.2.2 An Intermediary is expected to provide suitable recommendations and advice to a Customer about investing in an IVIC, making an IVIC Transaction or about the IVIC Structure before:

(a) accepting an application for the IVIC from the Customer, and
(b) helping the Customer make an IVIC Transaction.

7.1.2.3 An Intermediary's recommendations and advice to a Customer about investing in an IVIC, the IVIC Structure, or making an IVIC Transaction are expected to be suitable for the Customer based on:

(a) The Intermediary's knowledge and expertise of the IVIC and any relevant investment strategies as described in Chapter 6.1 of this Guidance,
(b) Up-to-date information the Intermediary is expected to collect as described in Chapter 6.2 of this Guidance,
(c) The needs analysis the Intermediary is expected to perform as described in Chapter 6.3 of this Guidance,
(d) the potential and actual impact of the cost of the IVIC or IVIC Transaction on the Customer's return on investment, and
(e) a reasonable range of alternative insurance products or IVIC Transactions that are available to the Intermediary at the time the recommendation or advice is provided.

7.1.2.4 For purposes of this Guidance, providing recommendations and advice about an IVIC to a Customer includes recommendations and advice not to:

(a) invest in an IVIC, or
(b) make an IVIC Transaction.

7.1.3 Recommending Leveraging Strategies – General Principle

> If an Intermediary knows or reasonably ought to know a Customer intends to borrow, or has borrowed, to invest in an IVIC, CCIR and CISRO expect the Intermediary to only sell an IVIC or provide Service with respect to one if the Intermediary has sufficient knowledge and expertise about borrowing to invest to provide competent recommendations and advice.
>
> In addition to the expectations in section 7.1.2 of this Guidance, where an Intermediary sells or Services an IVIC where the Customer is using a Leveraging Strategy or has borrowed to invest in the IVIC, CCIR and CISRO expect the Intermediary to also satisfy the expectations in sections 7.1.3 and 7.1.4 of this Guidance.

7.1.3.1 An Intermediary is expected to only provide recommendations and advice about Leveraging Strategies if the Intermediary has sufficient knowledge and expertise as specified under section 6.1.5 of this Guidance.

7.1.3.2 Before an Intermediary recommends a Customer borrow to invest in an IVIC, the Intermediary is expected to complete the steps described in section 7.1.2 of this Guidance and create a suitable Leveraging Strategy for the Customer, based on the criteria set out in subsection 7.1.3.3 of this Guidance, that sets out, at a minimum:

(a) the proposed duration of the Leveraging Strategy, including duration of the loan,
(b) loan terms, including interest rate and required payments,
(c) collateral security for the loan, if applicable,
(d) when and how a Customer may be required to make payments toward the loan's principal and/or interest,
(e) the IVIC and IVIC Structure,
(f) the Investment Options,
(g) performance of Investment Options required to enable the Customer to make a profit, net of expenses such as Customer Fees and Charges and costs of borrowing to invest under the Leveraging Strategy, and
(h) when and how the Customer may make any withdrawals from the IVIC.

7.1.3.3 An Intermediary is expected to only recommend a Customer borrow to invest in an IVIC if the recommendation is in accordance with a Leveraging Strategy that the Intermediary has determined is suitable after an assessment based on:

(a) the Customer's risk tolerance, noting a Leveraging Strategy is rarely suitable for Customers with a low risk tolerance,
(b) the Customer's investment knowledge and experience, noting a Leveraging Strategy is rarely suitable for Customers with limited:

    (i) investment experience, or
    (ii) understanding of investments,

(c) the Customer's age, noting a Leveraging Strategy is rarely suitable for elderly Customers,
(d) the Customer's net worth and the Customer's ability to sustain any loss which may occur,
(e) the Customer having sufficient income, assets and liquidity to pay ongoing loan payments and the loan balance when it comes due,
(f) the likelihood the Customer will be able to make a profit, net of expenses, under the Leveraging Strategy considering:

    (i) the terms of the loan,
    (ii) the cost of borrowing to invest under the Leveraging Strategy, and
    (iii) the likely performance of the chosen investment over the relevant time period, net of Customer Fees and Charges,

(g) the tax benefit or consequences of the Leveraging Strategy,
(h) impact of a collateral assignment to the Customer, if applicable, such as the potential the Customer will be unable to make IVIC Transactions while the IVIC is collaterally assigned,
(i) the Customer's investment time horizon and the intended duration of the loan,
(j) how the IVIC and Investment Options being considered interact with the Leveraging Strategy,
(k) the IVIC Structure being considered,
(l) the details of the Leveraging Strategy if created by someone other than the Intermediary, and
(m) other factors relevant to borrowing to invest or Leveraging Strategies, including guarantees under the IVIC.

7.1.3.4 For further clarity, an Intermediary should not conclude a Leveraging Strategy is suitable for a Customer based solely on:

(a) the approval of the loan by the lending institution, or
(b) a suitability analysis regarding a Leveraging Strategy conducted by another person for the Customer.

7.1.4 Additional Considerations with respect to Borrowing to Invest

7.1.4.1 If an Intermediary does not recommend a Leveraging Strategy but knows or reasonably ought to know a Customer intends to borrow, or has borrowed, to invest in an IVIC, the Intermediary is expected to complete the steps described in this Chapter promptly and in any case before:

(a) accepting an application for an IVIC from the Customer, or
(b) helping the Customer to complete the related IVIC Transaction.

7.1.4.2 In the situation described in subsection 7.1.4.1 of this Guidance, if the Intermediary does not have sufficient knowledge and expertise to provide competent recommendations and advice with respect to a Leveraging Strategy, the Intermediary is expected to provide the Customer a risk information document containing information substantially similar to Appendix C of this Guidance and clearly and accurately explain it to the Customer and either:

(a) work with another person or people (such as an employee or employees of the Insurer) who have the knowledge and expertise to supplement the Intermediary's, in accordance with section 6.1.5 of this Guidance, so the Intermediary can provide competent recommendations and advice,
(b) inform the Customer of the fact the Intermediary does not have sufficient knowledge and expertise with respect to Leveraging Strategies to provide competent recommendations and advice and recommend the Customer consult with another Intermediary who has sufficient knowledge and expertise, or
(c) inform the Customer that the Intermediary does not have sufficient knowledge and expertise with respect to Leveraging Strategies and ask the Insurer to assign an Intermediary with sufficient knowledge and expertise with respect to Leveraging Strategies to assist the Customer.

7.1.4.3 In the situation described in subsection 7.1.4.1 of this Guidance, if the Intermediary has sufficient knowledge and expertise with respect to Leveraging Strategies, the Intermediary is expected to:

(a) if the Customer has provided a Leveraging Strategy to the Intermediary, assess whether the Leveraging Strategy is suitable for the Customer as described in section 7.1.3 of this Guidance,
(b) if the Customer has not provided a Leveraging Strategy to the Intermediary or the Intermediary determines the Leveraging Strategy that the Customer has provided is not suitable for the Customer and the Customer has not yet implemented it, assess whether it is possible to create a suitable Leveraging Strategy, and
    (i) if the Intermediary identifies a suitable Leveraging Strategy, follow the steps described in section 7.1.3 of this Guidance, or
    (ii) if the Intermediary cannot identify a suitable Leveraging Strategy, and the Customer has not yet invested borrowed money, inform the Customer that the Intermediary has not identified a suitable strategy and recommend the Customer not borrow to invest in an IVIC, or
(c) If the Customer has provided a Leveraging Strategy to the Intermediary and the Intermediary determines the Leveraging Strategy is not suitable for a Customer, but the Customer has already implemented it, the Intermediary is expected to recommend a course of action that is suitable for the Customer.

7.1.4.4 Depending on a Customer's circumstances, the course of action in paragraph 7.1.4.3(c) of this Guidance may include:

(a) recommending the Customer exit the Leveraging Strategy and, if the Customer agrees, working with the Customer to develop and implement a plan to exit the Leveraging Strategy in a way that is suitable for the Customer's situation and needs, if possible,
(b) amending the Leveraging Strategy to make the Leveraging Strategy suitable for the Customer and recommend the Customer take steps to implement the amended Leveraging Strategy, or
(c) recommending the Customer not make any changes while the Intermediary continues to closely monitor the investment and the Leveraging Strategy, if exiting the Leveraging Strategy at that time would not be suitable for the Customer and it would not be possible to amend the Leveraging Strategy to make it suitable for the Customer.

7.1.5 Using Money from one IVIC to Invest in Another IVIC – General Principle

In addition to the expectations in section 7.1.2 of this Guidance, where the Intermediary knows or reasonably ought to know a Customer intends to Use money from one IVIC to invest in another IVIC, CCIR and CISRO expect the Intermediary to also satisfy the expectations in section 7.1.5 of this Guidance.

7.1.5.1 An Intermediary is expected to complete the steps described in section 7.1.2 of this Guidance and subsection 7.1.5.3 of this Guidance before recommending a Customer Use Money From One IVIC To Invest In Another IVIC.

7.1.5.2 If an Intermediary does not recommend a Use Money From One IVIC To Invest In Another IVIC, but knows or reasonably ought to know the Customer intends to do so, the Intermediary is expected to complete the steps described in subsection 7.1.5.3 of this Guidance promptly and in any case before:

(a) accepting an application for an IVIC from the Customer, or
(b) helping the Customer complete the related IVIC Transaction.

7.1.5.3 In the circumstances described in subsections 7.1.5.1 and 7.1.5.2 of this Guidance, an Intermediary is expected to:

(a) assess the suitability of any proposed IVIC, IVIC Structure, Investment Options or other IVIC Transaction for a Customer,
(b) assess the suitability of the existing IVIC from which money is to be taken and the associated IVIC Structure and Investment Options for the Customer, and
(c) compare the existing and proposed IVICs to determine which IVIC better suits the current identified needs of the Customer, considering:

(i) the respective maturity, death benefit and, if applicable, income guarantees of the IVICs, including all relevant factors such as:

(A) the percentage amount,

(B) the guarantee effective dates,
(C) whether maturity guarantees are deposit level or contract level, and
(D) whether guarantees in the existing IVIC from which money is to be taken exceed Market Value and the probability that they may in the future exceed Market Values,

(d) other contract features, such as reset options and bonuses, which could benefit the Customer in the future, but would be given up as result of the proposed transaction,

(i) the respective provisions, Investment Options and Customer Fees and Charges associated with the IVICs,
(ii) any reduction in liquidity or Customer Fees and Charges the Customer would incur when obtaining access to funds invested in the proposed IVIC,
(iii) any Customer Fees and Charges incurred by the withdrawal of funds or transfer of funds from the existing IVIC to invest in the proposed IVIC, and
(iv) the tax impact of Using Money From One IVIC To Invest In Another IVIC, for example the realization of capital gains.

7.1.5.4 An Intermediary is expected to only recommend Using Money From One IVIC To Invest In Another IVIC where the Intermediary determines the proposed investment in the proposed IVIC better suits the current identified needs of the Customer than keeping the money in the existing IVIC from which money is to be taken.

7.1.6 Unmet Needs

7.1.6.1 Where an Intermediary determines it is not possible to meet each of the identified needs of a Customer as described in Chapter 6.3, but the Intermediary provides recommendations and advice about investing in an IVIC, an IVIC Structure, or making an IVIC Transaction that will meet some of those needs, the Intermediary is expected to explain to the Customer:

(a) why the recommendation and advice does not meet all the Customer's identified needs,
(b) which of the identified needs the recommendation and advice will meet, and
(c) which of the identified needs the recommendation and advice will not meet.

7.1.7 Suitability of Instructions not based on Intermediary Recommendations and Advice

7.1.7.1 Where a Customer wishes to proceed with investing in an IVIC, making an IVIC Transaction or an IVIC Structure an Intermediary did not recommend, the Intermediary is expected to determine the suitability of the Customer's request before committing to carrying out the Customer's instructions.

7.1.7.2 Where an Intermediary determines under subsection 7.1.7.1 of this Guidance that the Customer's instructions to invest in an IVIC or make an IVIC Transaction do not meet each of the Customer's identified needs or do not meet the Customer's needs at all, the Intermediary is expected to:

(a) provide the Intermediary's determination with respect to suitability and their reasons in plain language writing to the Customer,
(b) if possible and the Intermediary has not already done so, suggest an alternative insurance product or IVIC Transaction which more fully meets the Customer's needs, and
(c) if the Customer still wishes to proceed with their original instruction and the Intermediary wishes to assist the Customer, obtain written, or in another recorded format, confirmation from the Customer to proceed with completing the instruction despite the Intermediary's recommendation.

7.1.8 Reassessing Suitability with Customer's Needs

7.1.8.1 An Intermediary is expected to assess whether an existing IVIC, IVIC Structure or Investment Option choice made by a Customer continues to meet the Customer's needs and take reasonable steps in response to the assessment, within a reasonable time after any of the following:

(a) the Intermediary becomes responsible for Servicing the IVIC,
(b) the Intermediary becomes aware of a Material Change to an IVIC for which it is responsible for Servicing,
(c) the Intermediary becomes aware of a significant change to any of the Customer's chosen Investment Options under the IVIC,
(d) the Intermediary becomes aware of a Material Change to Customer Information, and
(e) the collection of updated Customer information as described in section 6.2.6 of this Guidance.

7.1.8.2 An Intermediary who has sufficient knowledge and expertise with respect to Leveraging Strategies to provide competent recommendations and advice with respect to them and who knows or reasonably ought to know a Customer is borrowing to invest is expected to assess whether the Leveraging Strategy continues to be suitable for the Customer and the Customer is continuing to follow it and take reasonable steps in response to the assessment:

(a) at least once each year, and
(b) within a reasonable time after the Intermediary becomes aware of a material change to any of the elements of the Customer's Leveraging Strategy.

7.1.8.3 Where an Intermediary concludes a Leveraging Strategy is no longer suitable for a Customer or the Customer is no longer following the Leveraging Strategy, the reasonable steps the Intermediary is expected to take are the same as those set out in section 7.1.4 of this Guidance.

Chapter 7.2 Pre-Transaction Disclosure – Intermediary Expectations

7.2.1 General Principle

> Before an Intermediary provides recommendations and advice to a Customer about investing in an IVIC, an IVIC Structure, or making an IVIC Transaction, CCIR and CISRO expect the Intermediary to give the Customer the information the Customer needs to make an informed decision about whether to proceed with investing in the IVIC, the IVIC Structure or the IVIC Transaction.

7.2.1.1 Where an Intermediary deals with a Customer with respect to an application for an IVIC or an IVIC Transaction, the Intermediary is expected to, before the Customer applies for the IVIC or makes the IVIC Transaction, describe the proposed investment or transaction to the Customer in relation to the needs identified while satisfying the expectations set out in Chapter 6.3 of this Guidance and explain to the Customer any exclusions or limitations of benefits provided by the IVIC which could apply with respect to such investment or IVIC Transaction.

7.2.2 Information Folder and Fund Facts

7.2.2.1 Before a Customer applies for an IVIC, an Intermediary is expected to deliver to the Customer the most current Information Folder for the IVIC including:

(a) the most current Fund Facts for each Segregated Fund in which the Customer intends to invest at the time of the application where such Fund Facts are not included in the Information Folder, and
(b) any applicable addenda to the Information Folder.

7.2.2.2 Before a Customer applies for an IVIC, an Intermediary is expected to discuss and explain:

(a) the Key Facts part of the Information Folder,
(b) the Fund Facts for each Segregated Fund in which the Customer intends to invest including specific mention of,

(i) the Customer's options with respect to sales charge options, and the Customer's right to choose among them,
(ii) the Customer Fees and Charges associated with the Segregated Fund that the Customer may incur as set out under "How much does it cost" in the applicable Fund Facts, and
(iii) the repayment of compensation that the Intermediary may incur under an ACB Sales Charge Option as a result of an IVIC Transaction during a specified period, and

(c) the repayment of monetary compensation that the Intermediary may incur under a chargeback arrangement described under section 4.2.3 of this Guidance as a result of an IVIC Transaction during a specified period.

Chapter 7.3 Pre-Transaction Disclosure – Leveraging Strategies and Borrowing to Invest

7.3.1 Information to be Provided

7.3.1.1 If an Intermediary recommends a Customer borrow to invest in an IVIC, the Intermediary is expected to complete the steps described in this Chapter before:

(a) accepting an application for an IVIC from the Customer, or
(b) helping the Customer to complete the related IVIC Transaction.

7.3.1.2 Where an Intermediary recommends a Customer borrow to invest in an IVIC, the Intermediary is expected to provide the Customer with the following items in plain language writing and clearly and accurately explain to the Customer:

(a) a risk information document containing information substantially similar to Appendix C – Risk of Borrowing to Invest of this Guidance,
(b) details of any conflicts of interest that arise between the Intermediary and the Customer in connection with the recommendation, including any monetary and Non-Monetary Compensation the Intermediary receives with respect to the loan, such as a referral fee or loan placement fee, other than monetary and Non-Monetary Compensation received in respect of a deposit to a Segregated Fund, and
(c) a suitable Leveraging Strategy setting out, at a minimum,

(i) the proposed duration of the Leveraging Strategy, including duration of the loan,
(ii) loan terms, including interest rate and required payments,
(iii) collateral security for the loan, if applicable,
(iv) when and how a Customer may be required to make payments toward the loan's principal and/or interest,
(v) the IVIC and IVIC Structure,
(vi) the Investment Options,
(vii) performance of Investment Options required to enable the customer to make a profit, net of expenses such as Customer Fees and Charges and costs of borrowing to invest, under the Leveraging Strategy, and
(viii) when and how the Customer may make any withdrawals from the IVIC.

7.3.1.3 Where an Intermediary recommends updates to a Customer's existing Leveraging Strategy, the Intermediary is expected to provide in plain language writing and clearly and accurately explain a suitable updated written Leveraging Strategy to the Customer.

Chapter 7.4 Pre-Transaction Disclosure –Customer Using money from one IVIC to invest in another IVIC

7.4.1 Information to be Provided

7.4.1.1 Where an Intermediary recommends a Customer Use Money From One IVIC To Invest In Another IVIC, or the Intermediary knows or reasonably ought to know the Customer plans to Use Money From One IVIC To Invest In Another IVIC, the Intermediary is expected to complete the steps set out in subsection 7.4.1.2 of this Guidance before:

(a) accepting an application for an IVIC from the Customer, or
(b) helping the Customer complete an IVIC Transaction where the Customer is proposing to use money from one IVIC to invest in another IVIC.

7.4.1.2 The Intermediary is expected to clearly and accurately explain to the Customer, and provide in plain language writing, the following information:

(a) why Using Money From One IVIC To Invest In Another IVIC better suits the current identified needs of the Customer than not Using Money From One IVIC To Invest In Another IVIC, and
(b) what reduction in liquidity and Customer Fees and Charges the Customer may incur and the benefits the Customer could lose by using money from the IVIC to invest in the other IVIC, taking into account the factors listed in paragraph 7.1.5.3(c) of this Guidance.

Chapter 7.5 Fund Facts on Subsequent Transactions

7.5.1 Delivery of Fund Facts

7.5.1.1 Before a Customer deposits money in a Segregated Fund under an IVIC the Customer currently owns:

(a) if an Intermediary is involved in the IVIC Transaction, the Intermediary is expected to deliver a copy of the most current Fund Facts for the relevant Segregated Fund to the Customer, or
(b) if there is no Intermediary involved in the IVIC Transaction, the Insurer is expected to deliver a copy of the most current Fund Facts for the relevant Segregated Fund to the Customer.

7.5.1.2 The person who is expected to deliver the Fund Facts to the Customer as set out under subsection 7.5.1.1 of this Guidance is also expected to explain to the Customer:

(a) the Customer's options with respect to sales charge options, and the Customer's right to choose among them,
(b) the Customer Fees and Charges associated with the Segregated Fund that the Customer may incur as set out under "How much does it cost" in the Fund Facts,

(c) the repayment of compensation that the Intermediary may incur under an ACB Sales Charge Option as a result of an IVIC Transaction during a specified period, and
(d) the repayment of compensation that the Intermediary may incur under a chargeback arrangement described under section 4.2.3 of this Guidance as a result of an IVIC Transaction during a specified period.

7.5.1.3 Despite subsection 7.5.1.1 of this Guidance, delivery of the Fund Facts is not expected in any of the following situations:

(a) the Customer has already received a copy of the most current Fund Facts with respect to the Segregated Fund,
(b) the Customer invests in the units of the Segregated Fund as part of an automatic rebalancing service provided by the Insurer in accordance with a standing instruction from the Customer or under the terms of the IVIC,
(c) the Customer is switching units of a Segregated Fund for units of the same Segregated Fund under a different sales charge option or series, as permitted by the IVIC, or
(d) the investment is made as a result of a pre-authorized deposit plan or a default Investment Option involving withdrawals or transfers from the Customer's bank account without the involvement of an Intermediary or Insurer and:

(i) the Customer has already invested in units of the Segregated Fund, and
(ii) before the Insurer receives the money, the Insurer gives the Customer a notice that:

(A) the Customer will not receive a Fund Facts with respect to investment in units under pre-authorized deposit plans or default Investment Options unless the Customer specifically requests them, and
(B) the Customer can obtain the most current Fund Facts document at no cost, along with the method to obtain it.

7.5.1.4 Despite subsection 7.5.1.1 of this Guidance, delivery of the Fund Facts is not expected before a Customer invests in units of a Segregated Fund under an IVIC the Customer currently owns if all of the following apply:

(a) the Customer instructs an Insurer or Intermediary that the investment must be completed immediately or by a specified time,
(b) it is not reasonably practical to deliver the Fund Facts to the Customer before the investment and complete the investment by the specified time,
(c) the Customer expressly consents to delivery of the Fund Facts as described in paragraph 7.5.1.4(b) of this Guidance,
(d) an Insurer or Intermediary sends the Customer the Fund Facts for the Segregated Fund within two business days after the Customer deposits money in the Segregated Fund, and
(e) before each such investment, an Insurer or Intermediary explains the following to the Customer:

(i) the existence and purpose of the Fund Facts,
(ii) their obligation to deliver the most current Fund Facts to the Customer before the Customer invests in units of a Segregated Fund,
(iii) the fundamental features of the Segregated Fund and what the Segregated Fund primarily invests in, as set out under "What does the Segregated Fund invest in?" in the Fund Facts,
(iv) the risk level of the Segregated Fund, as set out under "How risky is it?" in the Fund Facts,
(v) the Customer Fees and Charges associated with the Segregated Fund that the Customer may incur as set out under "How much does it cost?" in the Fund Facts,
(vi) the Customer's options with respect to sales charge options, and the Customer's right to choose among them, and
(vii) the details under "What if I change my mind?" in the Fund Facts.

Chapter 7.6 Completing Customer Instructions

7.6.1 Intermediary General Principle

CCIR and CISRO expect an Intermediary to seek Customer instructions with respect to recommendations and advice the Intermediary provides to the Customer and promptly assist the Customer with implementing the Customer's instructions.

7.6.2 Obtaining Customer Instructions

7.6.2.1 An Intermediary working with a Customer to invest in an IVIC or who Services a Customer's IVIC is expected to satisfy the expectations under Chapter 7.6 of this Guidance.

7.6.2.2 An Intermediary is expected to seek instructions from a Customer relating to:

(a) A proposed IVIC investment,
(b) Any IVIC Transaction the Intermediary recommends to the Customer, and
(c) Any IVIC Transaction the Customer asks the Intermediary to assist the Customer with, whether or not the Intermediary recommended the transaction.

7.6.2.3 Where an Intermediary requests instructions from a Customer and the Customer does not respond within a reasonable time, the Intermediary is expected to follow up with the Customer and, if the Customer still does not provide instructions, the Intermediary is expected to document the reasonable efforts they made in attempting to contact the Customer.

7.6.2.4 For clarity, reasonable efforts under subsection 7.6.2.3 of this Guidance may mean attempting to contact a Customer multiple times using different methods of communication and separated by a number of days.

7.6.2.5 An Intermediary is expected to take reasonable measures to ensure Customers can provide instructions and have their instructions carried out within a reasonable time if the Intermediary is temporarily unavailable.

7.6.3 Completing Forms and Processes which Require Customer Signatures

7.6.3.1 Where a Customer has provided instructions, but the Customer must take steps to enable an Intermediary to carry out their instructions, such as by completing a form, the Intermediary is expected to:

(a) Promptly, clearly and accurately explain to the Customer the forms or processes necessary to carry out the Customer's instruction,
(b) Promptly assist the Customer with completing necessary forms, written instructions or other processes required to carry out the Customer's instructions, and
(c) Either promptly submit completed documents to the Insurer or, if the Customer prefers, promptly inform the Customer how the Customer can submit the completed documents to the Insurer.

7.6.3.2 An Intermediary should not ask or allow a Customer to sign a blank or incomplete form or page or accept one from a Customer.

7.6.4 Completing Forms and Processes which do not Require further Customer Action

7.6.4.1 An Intermediary may, where and as permitted by an Insurer, obtain a Customer's consent under a limited transaction authorization form for the Intermediary to implement certain Customer instructions upon receipt of those instructions without further action by the Customer if:

(a) The Customer signs a limited transaction authorization form approved by the Insurer, and
(b) Before the Customer signs the form, the Intermediary explains:

(i) the scope of the proposed authorization,
(ii) any limitations of the proposed authorization, including the fact that the Intermediary will need the Customer's instructions for each IVIC Transaction in advance, and
(iii) how the Customer can revoke the authorization.

7.6.4.2 Where a Customer has provided instructions to an Intermediary and the Intermediary intends to rely on a limited transaction authorization to fulfil the Customer's instructions, the Intermediary is expected to:

(a) Document Customer instructions promptly, including:

(i) date and time of the Customer's instruction,
(ii) the manner in which the Intermediary received the instruction,
(iii) the relevant IVIC number(s),

(iv) details of the instructions,
(v) any recommendations and advice the Intermediary made to the Customer in connection with the instructions, and
(vi) any other relevant information in the communication with the Customer, and

(b) Promptly and accurately complete any steps needed to implement the Customer's instructions including, where applicable, completing forms and submitting them to the Insurer.

7.6.4.3 For clarity, an Intermediary should not:

(a) Exercise discretion under a limited transaction authorization form, and
(b) Provide instructions to an Insurer in reliance on a limited transaction authorization form except as described in instructions received as set out in subsection 7.6.4.1 of this Guidance.

7.6.5 Delivering Forms to Insurers

7.6.5.1 Where an Intermediary is expected to deliver a form or other document to an Insurer under Chapter 7.6, the Intermediary may either deliver the form directly to the Insurer or when permitted by the Insurer and relevant privacy laws, indirectly through another Intermediary.

7.6.6 Insurer - General Principle

CCIR and CISRO expect an Insurer to make information available to Intermediaries on how to follow the Insurer's policies, procedures, and controls in order to carry out Customer instructions and, where Customers have the right to deal directly with the Insurer, an Insurer is expected to have efficient processes to receive and implement Customer instructions.

7.6.7 Customer Instructions to Insurers

7.6.7.1 An Insurer is expected to have and maintain policies, procedures and controls that comply with applicable laws to allow a Customer to exercise their contractual or statutory rights directly with the Insurer.

7.6.7.2 For clarity, an Insurer's policies, procedures, and controls may recommend a Customer submit instructions through an Intermediary where the Insurer ensures the Customer has an Intermediary assigned to Service the Customer's IVIC.

7.6.7.3 When an Insurer receives instructions from a Customer or an Intermediary responsible for Servicing a Customer's IVIC, the Insurer is expected to:

(a) Promptly and accurately carry out the instructions, and
(b) If the Insurer requires further action from the Customer to allow the Insurer to implement the instructions, take reasonable steps to:

(i) ensure the Customer is informed of the required steps promptly, and
(ii) give the Customer any appropriate assistance in completing these steps.

Chapter 7.7 Post-Transaction/Reasons Why Disclosure – Intermediary Expectations

7.7.1 General Principle

CCIR and CISRO expect an Intermediary to provide a Customer with a written explanation in plain language of the Intermediary's recommendation and advice and the basis for it, promptly after the date the Customer receives confirmation the IVIC has been issued, or such earlier date in a jurisdiction as may be set out under applicable law.

7.7.2 Information to be Provided

7.7.2.1 An Intermediary is expected to provide, at a minimum, the following information to a Customer, written in plain language:

(a) The information collected about the Customer as set out in Chapter 6.2 of this Guidance,
(b) The needs identified with respect to an IVIC as set out in Chapter 6.3 of this Guidance,
(c) The recommendations and advice provided to the Customer as set out in Chapter 7.1 of this Guidance including:

(i) how the Intermediary's recommendation and advice with respect to investing in an IVIC, making an IVIC Transaction, or an IVIC Structure addresses the Customer's needs, and
(ii) the needs, if any, of the Customer that cannot be met by the recommendation and advice and why, and

(d) The Customer's instructions to the Intermediary as set out in Chapter 7.6 of this Guidance, and
(e) If the IVIC recommended by the Intermediary has more than one sales charge option, a statement confirming the sales charge option chosen by the Customer, and an explanation of the other sales charge options available and how they impact the IVIC.

7.7.2.2 The information set out in subsection 7.7.2.1 of this Guidance is expected to be provided by an Intermediary to a Customer promptly after the date the Customer receives confirmation the IVIC has been issued is delivered, or such earlier date in a jurisdiction as may be set out under applicable law.

7.7.2.3 An Intermediary is expected to ask each Customer to contact them promptly if the Customer does not understand, or disagrees with, information the Intermediary provides to the Customer pursuant to section 7.2.2 of this Guidance.

7.7.3 Additional Information to be provided if Customer is using a Leveraging Strategy

7.7.3.1 At the same time as the information described in section 7.2.2 of this Guidance is provided by an Intermediary to a Customer, the Intermediary is expected to provide, at a minimum, the following information to the Customer, written in plain language where the Intermediary recommends a Leveraging Strategy to the Customer in connection with the related investment in the IVIC:

(a) A statement that the Intermediary provided the documents specified in subsection 7.3.1.2 of this Guidance before the Customer applied for the IVIC, and
(b) A statement confirming whether the Customer has decided to implement the Leveraging Strategy described in this document.

7.7.4 Additional Information to be Provided if Customer Using Money from one IVIC to Invest in another IVIC

7.7.4.1 At the same time as the information described in section 7.2.2 of this Guidance is provided by an Intermediary to a Customer, the Intermediary is expected to provide, at a minimum, the following information to the Customer, written in plain language, where the Intermediary recommends the Customer Use Money From One IVIC To Invest In Another IVIC in connection with the investment in the second IVIC:

(a) A statement that the Intermediary has provided the information specified in subsection 7.4.1.1 of this Guidance before the Customer applied for the IVIC, and
(b) A statement confirming whether the Customer has decided to implement to use money from one IVIC to invest in another IVIC.

Part 8 Annual Statements

Chapter 8.1 Annual Statement to Owner

8.1.1 Delivery and exemptions

8.1.1.1 An Insurer is expected to provide to the Owner of each IVIC, within four months of each fiscal year end of the Segregated Funds within the IVIC, a statement showing the information described in Appendix D of this Guidance.[1]

Chapter 8.2 Calculating Fund Expenses

8.2.1 Method of Calculation

8.2.1.1 An Insurer is expected to calculate and report the amount of a Segregated Fund's Fund Expenses allocated to an IVIC based on:

(a) How many Segregated Fund units the Owner held in the IVIC, and
(b) When the Owner held the Segregated Fund units during the reporting period.

8.2.1.2 An Insurer is expected to use the following formula to calculate the Fund Expenses of an applicable class or series of Segregated Fund for each day an Owner held units of the applicable class or series of the Segregated Fund during the reporting period, making any adjustments reasonably necessary to accurately determine an Owner's Fund Expenses.

$$A \times B \times C$$

A = the Fund Expense Ratio For The Day of the applicable class or series of the Segregated Fund;

B = the market value of a unit for the day of the applicable class or series of the Segregated Fund; and

C = the number of Segregated Fund units within the Owner's IVIC for the day.

8.2.1.3 An Insurer may use a reasonable approximation of the fund calculation inputs "A" and "B" for subsection 8.2.1.2 of this Guidance provided the Insurer reasonably believes that doing so would not result in reporting misleading information to an Owner. For example, a reasonable approximation may include estimating the Fund Expense Ratio For The Day by dividing the Segregated Fund's FER in the most recent Fund Facts or financial statement by the number of days in the year. It would be misleading to use this estimation if the Insurer knows there has been an event which resulted in a significant change to the FER since the document was published.

[1] Each jurisdiction is implementing the Total Cost Reporting Guidance locally. Please refer to respective jurisdictions for applicable requirements.

8.2.1.4 For reporting an Owner's Fund Expenses under Appendix D of this Guidance, an Insurer is expected to repeat the calculation under subsection 8.2.1.2 of this Guidance for each class or series of Segregated Fund which the Owner held units of during the reporting period and aggregate the results.

8.2.1.5 An Insurer is not expected to calculate and report the Fund Expenses of a Segregated Fund which was established less than 12 months before the Statement Date.

Chapter 8.3 Calculation of Trading Expense Ratio

8.3.1 Method of Calculation

8.3.1.1 The Trading Expense Ratio of a Segregated Fund for any financial year is expected to be calculated by:

(a) Dividing

(i) the total commissions and other portfolio transaction costs before income taxes, for the financial year as shown on its statement of comprehensive income;

by

(ii) the same denominator as is used to calculate the Management Expense Ratio

and

(b) Multiplying the result obtained under paragraph (a) by 100.

8.3.1.2 If a Segregated Fund invests in a Secondary Fund, the insurer is expected to calculate the Trading Expense Ratio using the methodology required for the calculation of the Management Expense Ratio in section 2.8.1 of this Guidance, making reasonable assumptions or estimates when necessary.

Chapter 8.4 Reminder to Update Customer Information

8.4.1 Take reasonable steps

8.4.1.1 Each Insurer is expected, on an annual basis, to take reasonable steps to:

(a) Invite each Owner to contact and update their Intermediary about any Material Change to Customer Information since the last time the Owner provided information to their Intermediary,

(b) Explain why it is important for the Owner's Intermediary to have up-to-date information, and

(c) Invite each Owner to review the IVIC, IVIC Structure and Investment Options they selected for each IVIC owned and discuss proposed changes with their Intermediary.

8.4.1.2 For clarity, it is a reasonable step for an Insurer to include the elements of subsection 8.4.1.1 of this Guidance in its annual statement to an Owner.

Part 9 Corporate Governance and Ongoing Administration of Segregated Funds – Insurer Obligations

Chapter 9.1 Corporate Governance

9.1.1 Corporate Governance of Segregated Funds

9.1.1.1 An Insurer that establishes and maintains a Segregated Fund available for the allocation of deposits under an IVIC is expected to:

(a) Prepare, on an annual basis, financial statements for the Segregated Fund as described in section 9.4.3 of this Guidance,
(b) Appoint an auditor to report on the financial statements for the Segregated Fund,
(c) Ensure that the Segregated Fund has an investment policy, and monitor the Segregated Fund for compliance with that investment policy, and
(d) Ensure that all fundamental changes to, and partitions, mergers and closings of, a Segregated Fund comply with Part 9 of this Guidance.

Chapter 9.2 Partitioning of Assets held in Segregated Funds

9.2.1 Application

9.2.1.1 Chapter 9.2 of this Guidance applies to the partitioning of assets within a Segregated Fund, other than as a routine internal accounting practice performed in the ordinary course of business, to effect a merger or other reorganization of a Segregated Fund.

9.2.2 Equitable Allocation

9.2.2.1 Where an Insurer intends to partition assets within a Segregated Fund, the Insurer is expected to determine that the allocation of assets is equitable to all Owners invested in the Segregated Fund.

9.2.3 Notice to Insurance Regulators, Intermediaries and Owners

9.2.3.1 Where an Insurer intends to partition assets within a Segregated Fund, the Insurer should send a notice written in plain language of the partition to:

(a) Each applicable insurance regulator, at least 60 days prior to the occurrence of the partitioning of assets within the Segregated Fund,
(b) Each Intermediary responsible for Servicing IVICs for Owners invested in the Segregated Fund at least 60 days prior to the occurrence of the partitioning of assets within the Segregated Fund, and
(c) Each Owner invested in the Segregated Fund, at least 60 days prior to the occurrence of the partitioning of assets within the Segregated Fund.

9.2.3.2 If the partitioning of assets within a Segregated Fund is not done in conjunction with a merger of Segregated Funds, then the notice referred to in subsection 9.2.3.1 of this Guidance should explain why the Insurer is partitioning the assets of the Segregated Fund.

9.2.3.3 If the partitioning of assets within a Segregated Funds occurs in conjunction with a merger of Segregated Funds, then the notice referred to in subsection 9.2.3.1 of this Guidance should describe both events and comply with Chapter 9.2 and Chapter 9.3 of this Guidance.

9.2.4 Terms of the IVIC

9.2.4.1 The Insurer is expected to ensure that any partitioning of assets within a Segregated Fund complies with the terms of each applicable IVIC.

Chapter 9.3 Fundamental Changes, Mergers and Closings of Segregated Funds

9.3.1 Merger or Closing of a Segregated Fund – Notice

9.3.1.1 Where an Insurer intends to (i) merge one of its Segregated Funds with one or more of its other Segregated Funds, or (ii) close one of its Segregated Funds, the Insurer should send a written notice in plain language of the merger or closing, as applicable to:

(a) Each applicable insurance regulator, at least 60 days prior to the occurrence of the merger or closing, as applicable,
(b) Each Intermediary responsible for Servicing IVICs for Owners invested in the applicable Segregated Funds, at least 60 days prior to the occurrence of the merger or closing, as applicable, and
(c) Each Owner invested in the applicable Segregated Funds, at least 60 days prior to the occurrence of the merger or closing, as applicable.

9.3.1.2 The notice referred to in subsection 9.3.1.1 of this Guidance is expected to include, at a minimum:

(a) An invitation to Owners invested in the applicable Segregated Funds to contact the Intermediary responsible for Servicing their IVICs to discuss the impact of the merger or closing on them,
(b) A general assessment, including a quantitative assessment, in plain language written and illustrative form, about the significant impact, if any, of the merger or closing of the Segregated Fund for Owners invested in the Segregated Fund, on the following:
    (i) death or contract maturity guarantees available to Owners under the corresponding IVICs,
    (ii) Customer Fees and Charges incurred by Owners,
    (iii) sales charge options available under the corresponding IVICs, and
    (iv) income taxes payable by Owners,

(c) Disclosure of significant income tax implications for Owners invested in the applicable Segregated Funds resulting from the merger or closing,

(d) The right of Owners invested in the applicable Segregated Funds to transfer within their IVIC to a Similar Segregated Fund offered by the Insurer, if available, that is not subject to the merger or closing for which the notice is being delivered:

(i) without affecting any other rights or obligations of the Owner under the terms of their IVIC,

(ii) without incurring any charges, fees or costs as a result of making the transfer, and

(iii) provided the Owner gives written notice of their election to make the transfer to the Insurer at least 5 business days prior to the occurrence of the merger or closing, as applicable,

(e) An option permitting Owners invested in the applicable Segregated Funds to withdraw money from their Segregated Funds without being charged any fees or costs for making the withdrawal, provided that they give written notice of this election to the Insurer at least 5 business days prior to the occurrence of the merger or closing, as applicable,

(f) Disclosure clearly stating that if the Owner chooses the option in paragraph 9.3.1.2(e) of this Guidance, the Owner will receive the fair market value of the Segregated Funds they are withdrawing from, but will not receive the guarantee benefit under their IVIC, unless the IVIC has reached maturity, or it coincides with the death benefit,

(g) If multiple options are offered to Owners invested in the applicable Segregated Funds, a comparison of the options,

(h) A reasonable period for Owners invested in the applicable Segregated Funds to finalize any decisions they may be required to make as a result of the merger or closing, and obtain support from the Intermediary responsible for Servicing their IVICs, and

(i) Information on how Owners can access the most current Fund Facts for the Segregated Funds being merged or closed.

9.3.1.3 In the notice referred to in subsection 9.3.1.1 of this Guidance, an Insurer may provide that, during the 60-day notice period, an Owner should not be permitted to transfer or allocate a deposit to the merging or closing Segregated Funds, unless the Owner agrees to waive the ability to withdraw set out in subsection 9.3.1.2(e) of this Guidance.

9.3.2 Merger with Another Segregated Fund of a Different Insurer

9.3.2.1 Where two or more Insurers intend to merge their Segregated Funds (the "terminating funds") into one fund (the "continuing fund") as a result of the merger of the Insurers themselves, or as part of the sale of a block of insurance business, the Insurers are expected to ensure that:

(a) The continuing fund shall assume all guarantees and maturity dates in the terminating funds, and

(b) Written notice in plain language of the merger that complies, as applicable, with subsection 9.3.1.2 of this Guidance is sent to:

(i) Each applicable insurance regulator, at least 60 days prior to the occurrence of the merger,
(ii) Each Intermediary responsible for Servicing IVICs for Owners invested in the terminating funds, at least 60 days prior to the occurrence of the merger, and
(iii) Each Owner invested in the terminating funds, at least 60 days prior to the occurrence of the merger.

9.3.3 Fundamental Changes – Notice

9.3.3.1 An Insurer should send written notice to (i) each applicable insurance regulator, (ii) each Intermediary responsible for Servicing IVICS for Owners invested in the Segregated fund, and (iii) each Owner invested in a Segregated Fund before making any of the following changes to a Segregated Fund:

(a) An increase in the Fund Expenses which may be charged against the assets of the Segregated Fund,
(b) A change in the Fundamental Investment Objectives of the Segregated Fund,
(c) A decrease in the frequency with which units of the Segregated Fund are valued, or
(d) An increase in the Insurance Fee limit specified pursuant to subsection 2.8.3.2 of this Guidance.

9.3.3.2 An Insurer should send the notice expected under subsection 9.3.3.1 of this Guidance to:

(a) each applicable insurance regulator, at least 60 days prior to each change,
(b) each Intermediary responsible for Servicing IVICs for Owners invested in the Segregated Fund, at least 60 days prior to each change, and
(c) each Owner invested in the Segregated Fund at least 60 days prior to each change.

9.3.3.3 The notice expected under subsection 9.3.3.1 of this Guidance should provide Owners invested in the Segregated Funds with:

(a) the right to transfer within their corresponding IVIC to a Similar Segregated Fund offered by the Insurer that is not subject to the change for which the notice is being delivered:
    (i) without affecting any other rights or obligations of the Owner under the terms of that IVIC,
    (ii) without incurring any fees for making the transfer, and
    (iii) provided the Owner gives written notice of their election to make the transfer to the Insurer at least 5 business days prior to the expiry of the notice period expected under subsection 9.3.3.2(c) of this Guidance, and
(b) an option permitting Owners invested in the Segregated Funds to withdraw money from those Segregated Funds without being charged any fees for making the withdrawal, provided that they give written notice of this election to the Insurer at least 5 business days prior to the expiry of the notice period expected under subsection 9.3.3.2(c) of this Guidance.

9.3.3.4 In the notice referred to in subsection 9.3.3.1 of this Guidance, an Insurer may provide that during the 60-day notice period, an Owner should not be permitted to transfer or allocate a deposit to the Segregated Funds subject to the change, unless the Owner agrees to waive the ability to withdraw set out in subsection 9.3.3.3(b) of this Guidance.

Chapter 9.4 Audit and Accounting Requirements

9.4.1 Accounting Principles

9.4.1.1 The financial statements of a Segregated Fund are expected to be prepared in accordance with Part I – International Financial Reporting Standards of the CPA Canada Handbook – Accounting.

9.4.2 Auditing Standards

9.4.2.1 The audited financial statements of a Segregated Fund are expected to be accompanied by an independent auditor's report covering all financial periods presented and prepared in accordance with Canadian Auditing Standards.

9.4.3 Financial Statement Expectations

9.4.3.1 An Insurer should have, for each of its Segregated Funds, annual financial statements that include the following, and contain the corresponding information set out in Appendix E of this Guidance:

(a) a statement of financial position as at the end of the financial year and a statement of financial position as at the end of the immediately preceding financial year,
(b) a statement of comprehensive income for the financial year and a statement of comprehensive income for the immediately preceding financial year,
(c) a statement of changes in net assets attributable to Owners for the financial year and a statement of changes in net assets attributable to Owners for the immediately preceding financial year,
(d) a statement of cash flows for the financial year and a statement of cash flows for the immediately preceding financial year,
(e) a schedule of investment portfolio as at the end of the financial year,
(f) a statement of financial position as at the beginning of the immediately preceding financial year if the Segregated Fund applies an accounting policy retrospectively in its annual financial statements, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, and the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the immediately preceding period, and
(g) notes to the annual financial statements.

9.4.3.2 The audited financial statements of the Segregated Fund should set out in appropriate detail the amounts of all Fund Expenses and Fund Fees and Charges which have been charged to the Segregated Fund during the period covered by the financial statements.

Part 10 Recordkeeping – Intermediary Expectations

Chapter 10.1 General Principle

CCIR and CISRO expect an Intermediary to create, keep updated as expected under this Guidance, and maintain in a secure and easily accessible format, records that accurately demonstrate the extent to which the Intermediary satisfies the expectations under this Guidance.

Chapter 10.2 Record keeping

10.2.1 General Records

10.2.1.1 An Intermediary is expected to create and maintain, at a minimum, up-to-date records of the training the Intermediary has completed as described in section 3.2.1 of this Guidance.

10.2.1.2 An Intermediary is expected to create, keep updated as expected under this Guidance, and maintain, at a minimum, records of:

(a) The training the Intermediary has provided to other Intermediaries, if applicable, as described in section 3.2.2 of this Guidance,
(b) The identification, assessment, and management of conflicts of interest as described in section 4.2.2 of this Guidance, if applicable,
(c) The chargeback arrangements the Intermediary has designed to compensate other Intermediaries as described in section 4.2.3 of this Guidance, if applicable, and
(d) The knowledge and expertise the Intermediary is expected to have as described in Chapter 6.1 of this Guidance, and
(e) The notification from an Intermediary to an Insurer, or to any other Intermediaries who have oversight responsibility for the Intermediary, when the Intermediary becomes aware a Customer has borrowed to invest in an IVIC as described in subsection 6.2.3.2 of this Guidance.

10.2.2 Customer Records

10.2.2.1 An Intermediary is expected to create, keep updated as expected under this Guidance and maintain, at a minimum, records for each Customer of:

(a) The Customer's information collected as described in Chapter 6.2 of this Guidance,
(b) The identification and analysis of needs done for the Customer as described in Chapter 6.3 of this Guidance,
(c) The recommendations and advice provided to the Customer as described in Chapter 7.1 of this Guidance,
(d) The information provided or delivered, as applicable, to the Customer as described in:

(i) Chapter 7.2 of this Guidance,
(ii) Chapter 7.3 of this Guidance,
(iii) Chapter 7.4 of this Guidance,
(iv) Chapter 7.5 of this Guidance, and
(v) Chapter 7.7 of this Guidance,

(e) Having provided the information described in paragraph 10.2.2.1(d) of this Guidance to the Customer,
(f) The instructions provided by the Customer as described in Chapter 7.6 of this Guidance, and
(g) Any consents obtained from the Customer under this Guidance.

Chapter 10.3 Form, accessibility and retention

10.3.1 Intermediary Expectations

10.3.1.1 An Intermediary is expected to keep its records:

(a) In a secure location and separate from other non-insurance records the Intermediary maintains relating to a Customer,
(b) In a format that is easily accessible and readable by the Intermediary and all parties authorized under applicable law to access the records,
(c) In the case of records relating to an Intermediary's training on a particular IVIC as referred to in subsection 10.2.1.1 of this Guidance, for a minimum period that is the longer of:

(i) a period starting on the date the training was completed and ending a minimum of 5 years following the date the Intermediary ceases selling and Servicing that particular IVIC, and
(ii) such other period in a jurisdiction as may be set out under applicable law.

(d) In the case of records other than those referred to in subsection 10.2.1.1 of this Guidance, for a minimum period that is the longer of:

(i) 5 years from the date:

(A) a Customer's IVIC ends, or
(B) the Intermediary provided recommendations and advice to a Customer that did not result in the investment in an IVIC, and

(ii) such other period in a jurisdiction as may be set out under applicable law.

Part 11 Oversight

Chapter 11.1 Oversight - General Principle

CCIR and CISRO expect each Insurer to oversee its activities and the activities of each person who the Insurer authorizes to act on its behalf with respect to the design, Distribution, issuance, sale and administration of IVICs and to have and maintain policies, procedures and controls that are reasonably designed to ensure those activities are carried out in accordance with the expectations under this Guidance.

CCIR and CISRO expect each Intermediary with legal or contractual oversight responsibilities over another Intermediary to oversee:

a) its activities relating to such oversight responsibilities, and

b) the activities of each of those other Intermediaries,

and to have and maintain policies, procedures and controls that are reasonably designed to ensure the activities in (i) and (ii) above are carried out in accordance with the expectations under this Guidance.

Chapter 11.2 Insurer Expectations

11.2.1 Insurer oversight

11.2.1.1 An Insurer is expected to ensure the respective roles and responsibilities of the Insurer and each person the Insurer authorizes to act on its behalf in the design, Distribution, issuance, sale, and administration of IVICs, in satisfying the expectations under this Guidance are clearly communicated to the person.

11.2.1.2 An Insurer that is legally required to oversee its Intermediaries' compliance with applicable laws, or expected by guidance issued by a relevant Canadian jurisdiction to do so, is expected to have and maintain policies, procedures, and controls reasonably designed using a risk-based approach, to ensure the Insurer:

(a) Monitors activities or circumstances which could suggest sales practices or IVIC Transactions that contravene applicable laws or are inconsistent with guidance, including this Guidance,

(b) Where the Insurer detects activities or circumstances that suggest such practices or transactions may have occurred, assesses the activities or circumstances to determine if such sales practices or transactions have occurred, and

(c) Where appropriate, implements measures to address such transactions and sales practices.

11.2.2 Identify and Record specific matters

11.2.2.1 An Insurer is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure the Insurer identifies and records whether a Customer is borrowing to invest in an IVIC.

Chapter 11.3 Intermediary Expectations

11.3.1 Intermediary oversight

11.3.1.1 The policies, procedures and controls of an Intermediary with legal or contractual oversight responsibilities over another Intermediary as described in Chapter 11.1 of this Guidance are expected to, at a minimum, be reasonably designed to ensure they:

(a) Monitor the other Intermediary's activities and circumstances which could suggest sales practices or IVIC Transactions that contravene applicable laws and are inconsistent with guidance, including this Guidance,
(b) Detect activities or circumstances suggesting such sales practices or IVIC Transactions and assess the activity or circumstances to determine if such sales practices or IVIC Transactions have occurred, and
(c) Where appropriate, implement measures to address these sales practices and IVIC Transactions.

11.3.2 Identify and Record Specific Matters

11.3.2.1 An Intermediary with legal or contractual oversight responsibilities over another Intermediary is expected to have and maintain policies, procedures and controls that are reasonably designed to ensure the Intermediary identifies and records:

(a) whether a Customer is borrowing to invest in an IVIC, and
(b) IVICs where an IVIC Transaction may reduce an Intermediary's compensation such as commission chargeback under an ACB Sales Charge Option or under a similar chargeback arrangement as referred to in section 4.2.3 of this Guidance.

Chapter 11.4 Increased Monitoring

11.4.1 Patterns which may Suggest a Need for Increased Monitoring

11.4.1.1 For purposes of subsections 11.2.1.2 and 11.3.1.1 of this Guidance, examples of activities, circumstances and sales practices that may need increased monitoring include patterns of:

(a) Customers incurring deferred sales charges due to early surrenders,
(b) Customers surrendering their IVICs within six months of the issuance of the IVIC,
(c) Customers making excessive withdrawals or withdrawals not aligned with time horizon of the IVIC,
(d) Customers moving money into and out of an IVIC,

(e) Customers borrowing to invest, particularly where the sales are predominately made under an ACB Sales Charge Option or similar chargeback arrangement as referred to in section 4.2.3 of this Guidance,
(f) Investment concentrations that appear inconsistent with Customer information,
(g) Sales practices of an Intermediary deviating from the Intermediary's normal sales patterns,
(h) Sales practices of an Intermediary which appear inconsistent with target markets or product design,
(i) Customer complaints regarding an Intermediary or IVIC, or
(j) Defective or erroneous applications or processing of IVIC Transactions.

11.4.2 Specific monitoring expectations

11.4.2.1 Insurers and Intermediaries with legal or contractual oversight responsibilities over other Intermediaries are expected to monitor:

(a) Sales practices during, and for a reasonable period of time after, the period during which an Intermediary's compensation relating to an IVIC may be reduced due to commission chargeback under an ACB Sales Charge Option or similar chargeback arrangement referred to in section 4.2.3 of this Guidance,
(b) The sales practices of an Intermediary who has debt arising from commission chargeback relating to ACB Sales Charge Options, or relating to a similar chargeback arrangement referred to in section 4.2.3 of this Guidance, and
(c) The adequacy of Customer disclosure about sales charge options.

APPENDIX A – INFORMATION FOLDER

Information Expected In The Information Folder Of An Insurer With An Individual Variable Insurance Contract

Part 1 Separate Information Folder and Fund Facts Documents

1.1 Insurers may provide all the information expected under this Appendix in one document or in a separate Information Folder and separate Fund Facts.

1.2 Fund Facts may be provided for a single Segregated Fund or in a bound booklet form for multiple Segregated Funds.

Part 2 Information Folder Cover

2.1 The cover of the Information Folder should set out the following:

a) The title "Information Folder",

b) A statement that the Information Folder is not an insurance contract,

c) The Insurer's full corporate name, and

d) If a Segregated Fund involves investment in another fund or if the name of a Segregated Fund includes the name of the entity associated with the Secondary Fund, a statement clearly indicating that the IVIC is issued by [name of Insurer].

Part 3 Key Facts Executive Summary

3.1 Insurers are expected to:

a) Develop a Key Facts executive summary describing the key features of the IVIC and include the information and headings substantially similar to those, set out in section 3.4 of this Appendix, and

b) Set out the Key Facts executive summary at the beginning of the Information Folder and include a statement that it is intended to be read with the most current Fund Facts for each Investment Option available under the IVIC.

3.2 An optional section describing "Other key features of the product" may be included to describe any additional features of the IVIC which are not covered in other sections of the Key Facts executive summary but would help Customers make informed decisions about the IVIC.

3.3 Each section of the Key Facts executive summary should contain a reference to where more information can be found.

3.4 The Key Facts executive summary should include:

a) A section called "Identifying Information and Introduction" on the first page that includes:

(i) the name of the IVIC, and

(ii) an introductory statement with wording substantially similar to the following:

"This summary provides a brief description of the basic things you should know before you apply for this IVIC. 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 refer to these documents for more detail and discuss any questions you have with your [specify appropriate term e.g. advisor or representative]",

b) A section called "What am I purchasing?" that includes:

i) the name of the IVIC and of the Insurer,

ii) a brief description of the nature of the IVIC and its intended use, including the following elements:

A) a statement that the IVIC is an insurance contract

B) a statement that a contract holder instructs the Insurer on how to invest deposits,

C) the availability of guarantees,

D) tax status (non-registered, RRSP, RRIF, TFSA, etc.),

E) the right of a contract holder to designate a beneficiary; and

F) the types of plans available under the IVIC,

iii) a statement that there may be tax implications to a contract holder, and

iv) a statement in bold print in substantially the following words:

"The value of your IVIC can go up or down and is subject to the guarantees you have and any withdrawals you make. You should discuss any questions you have about the value of your IVIC with your [specify appropriate term e.g. advisor or representative]",

c) A section called "What guarantees are available?" that includes:

i) a general description of the guarantees available under the IVIC including:

A) maturity guarantees, including the following:

1) information on the maturity guarantees as they apply to both the IVIC and deposits and the costs associated with these guarantees,

2) wording substantially similar to the following, as may be applicable:

"The IVIC maturity date establishes when the IVIC guarantee will come into effect.",

B) death benefit guarantees, including the following:

1) information on the types of guarantees provided upon death of the last surviving Annuitant,

2) wording substantially similar to the following, as may be applicable:

"If the last surviving annuitant dies before the IVIC 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 deposits you have made.",

C) any other guarantees such as income guarantees and the guaranteed minimum withdrawal benefits or lifetime withdrawal benefits which are available, and

D) any options which the contract holder has to reset the guarantees, and any additional fees associated with this option, and

(iii) a 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 your contract.",

d) A section called "What Investment Options are available?" that includes:

i) a description of the Investment Options which are available and any general restrictions on those options, and a statement referring to the Fund Facts for more details, and

ii) a warning statement in substantially the following words:

"[specify name of Insurer] does not guarantee the performance of the Segregated Funds. You should carefully consider your tolerance for risk, and your capacity for financial loss, when you select an investment option.",

e) A section called "How much will this cost?" that includes:

i) state that fees will be deducted from the Segregated Fund to cover costs such as expenses, administration of the contract and management of the Investment Options. Describe any fees paid directly by a contract holder such as any fees associated with income guarantees,

ii) the factors which will vary the cost of the IVIC for a contract holder including any optional guarantees and any initial sales charges and deferred sales charges,

iii) other specific transactions which may trigger additional costs including any short-term trading fees, switch fees or change fees,

iv) a statement referring to the Funds Facts for specific information regarding the different fees associated with each Segregated Fund, and

v) a statement referring to the relevant sections of the contract regarding fees and charges,

f) A section called "What can I do after I purchase this IVIC?" that includes:

i) a description of a contract holder's right, depending on the type of contract and plan– e.g. registered, non-registered, client name or nominee name – to make changes under the IVIC including the right to switch investments from one Segregated Fund to another, to withdraw money, to make additional deposits into the IVIC and to receive annuity payments after maturity, and

ii) a statement in substantially the following words:

"Certain restrictions and other conditions may apply. You should review the contract for your rights and obligations and discuss any questions with your [specify appropriate term e.g. advisor or representative]",

g) A section called "What information will I receive about my IVIC?" that includes the following:

i) a statement that the contract holder will receive information from [name of Insurer] at least once a year detailing the value of the investments under the IVIC including a listing of all transactions the contract holder has made, the charges and fees the contract holder incurred, and the value of the contract holder's guarantees, and

ii) a statement that the annual audited financial statements for each Segregated Fund are available upon request,

h) A section called "Can I change my mind?" that includes:

i) a statement substantially similar to the following:

"*You can change your mind about purchasing the IVIC within two business days of the earlier of the date you received the confirmation of your deposit or five business days after we [mailed/sent] it. You have to tell [specify name of Insurer] in writing that you want to cancel. The amount returned will be the lesser of the amount you deposited into the IVIC or the value of the Segregated Fund units attributed to you as at [specify date of valuation] if it has gone down. The amount returned will include a refund of any sales charges or other fees you paid."*

You can also change your mind about any further deposits you make under the IVIC within two business days of the earlier of the date you received the confirmation for the deposit or five business days after we mailed it. In this case, the right to cancel only applies to the new deposit. The amount returned will be the lesser of the amount you invested or the value of the Segregated Fund units attributed to you as at [specify date of valuation] if it has gone down.", and

ii) For Segregated Funds sold by a dealer in nominee name, adjustment to the wording may be made as appropriate to allow for notice being provided by the dealer rather than the Insurer,

i) A section called "Where can I get more information or help?" that includes:

i) contact information for the Insurer including address information, telephone numbers and website information,

ii) a statement substantially similar to the following:

"For information about handling issues you are unable to resolve with [specify name of Insurer], contact [specify appropriate ombudservice – e.g. OmbudService for Life and Health Insurance - or local ombudservice or dispute resolution service] at [specify current phone number] or on the web at [specify current website address]",

iii) a statement substantially similar to the following:

"For information about additional protection that is available for all life insurance contract holders, contact Assuris, a company established by the Canadian life insurance industry. See [specify current website address] for details.", and

iv) a statement substantially similar to the following:

"For information regarding how to contact the insurance regulator in your province or territory visit the Canadian Council of Insurance Regulators' website at [specify current website address] or the Canadian Insurance Services Regulatory Organizations' website at [specify current website address]".

Part 4 Details about the IVIC and Unit Features

Description of the IVIC

4.1 The Information Folder should include:

a) A brief description of the material provisions of the IVIC, including without limiting the generality of the foregoing, the following information about:

i) Guarantees

A) the benefits under the IVIC which are guaranteed,

B) the benefits under the IVIC which are not guaranteed but fluctuate with the market value of the assets of the Segregated Funds supporting them, and

C) include a generic example of the effect of withdrawals on the benefits that are guaranteed,

ii) Units Credited to the IVIC

A) the method of determining the benefits related to the market value of the Segregated Fund and the amount of the surrender value of those benefits,

iii) Percentage of Deposit Allocated to Benefits

A) the percentage of the deposit allocated to provide the benefits related to the market value of the Segregated Fund, when provision is made for part of the deposit to be so allocated,

iv) Redemption, Surrender and Maturity Options

A) surrender, loan, non-forfeiture, conversion, maturity or other option provisions and any charges with respect thereto,

v) Manner of Determining the Value of Units on Allocation of Deposits or Transfer of the value of units from one Segregated Fund to units in another Segregated Fund,

A) the manner of determining the value of units on the allocation of deposits to an IVIC or the transfer of the value of units from one Segregated Fund to units in another Segregated Fund, including any charges expressed in dollars and cents or as a percentage of deposits,

B) a description of how to allocate deposits to an IVIC or transfer the value of units from one Segregated Fund to units in another Segregated Fund, and

C) the minimum dollar amount to make an allocation of deposits to an IVIC, either in lump sum, or periodically,

vi) Charges on Withdrawal

A) the manner in which the value of units on partial and full withdrawal of money from an IVIC r is calculated and the retention charges in the event of full withdrawal of money from the IVIC expressed in dollars and cents or as a percentage of the amount withdrawn as of the end of each of the first, third, and fifth year that the IVIC is in effect and

vii) Fundamental Change Rights

A) the notice expectations and rights and obligations relating to fundamental changes as set out in Part 9 of the Guidance including:

1) disclosure that the rights depend upon the happening of one or more of [specify events set out in subsection 9.3.3.1 of the Guidance],

2) the notice expectations, as well as the transfer and exit rights,

3) the definition of "Similar Segregated Fund",

4) if the Insurer specifies a separate insurance or guarantee charge, disclosure about the maximum Insurance Fee up to the greater of the existing charge, plus 50% or 50 basis points, and

B) if an Insurer no longer offers for sale to the public any IVICs, the Insurer's existing IVICs are still subject to the fundamental change expectations set out in Part 9 of the Guidance.

Value of Segregated Fund Units

4.2 The Information Folder should include:

a) A brief description of the method used to:

i) determine the value of units of the Segregated Fund to be credited to the IVIC,

ii) determine the value of units of the Segregated Fund when withdrawing money from the Segregated Fund, and

iii) measure the benefits under the IVIC,

which includes:

A) the frequency with which units are valued, the time when such value becomes effective and the length of time it remains in effect,

B) the basis for establishing the value of the Segregated Fund,

C) the charges or method of determining the charges, against the Segregated Fund for taxes, management, or any other expenses or charges on the basis actually charged and on an annual basis including any charges imposed for:

1) the crediting of units of the Segregated Fund to the IVIC,

2) the transfer of the value of units from one Segregated Fund to units in another Segregated Fund,

3) service charges against the Segregated Fund including charges relating to such matters as cost of establishment of the IVIC,

4) the cost of the continuing administration and maintenance of the IVIC, and

5) when giving particulars of the changes, indicate when the charges will be deducted,

b) A description of the application of the earnings of the Segregated Fund, and

c) A description of how, and the frequency with which, a contract holder is notified of the number of units credited to or variable benefits available under the IVIC.

Part 5 Information On Segregated Fund Management

Description of the Insurer Issuing IVICs

5.1 The Information Folder should include the full legal name, jurisdiction of incorporation, and registered head office address of the Insurer offering the IVIC for sale.

Policies with respect to Investments for the Segregated Fund

5.2 The Information Folder should include

a) a brief description of the following matters with respect to each Segregated Fund:

i) the Fundamental Investment Objective(s) of the Segregated Fund,

ii) the principal investment strategies that the Insurer intends to use in achieving the Segregated Fund's fundamental investment objective(s) which may include any investment approach, philosophy, practices or techniques used by [specify Insurer] or any particular style of portfolio management that [specify Insurer] intends to follow,

iii) the principal risks applicable to the Segregated Fund,

iv) whether or not the Segregated Fund uses leverage, and if so, how it controls the risk related to this leverage (e.g., use of Secondary Funds, diversification, etc.), and

v) where the Segregated Fund is an index fund, disclosure that as a result of investment decisions for the Segregated Fund being based on one or more permitted indices, the Segregated Fund may have more of the net assets of the Segregated Fund invested in one or more issuers than is usually permitted for Segregated Funds, and disclosure of the risks associated with that fact, including the possible effect of that fact on the liquidity and diversification of the Segregated Fund, the ability to satisfy withdrawal requests and on the volatility of the Segregated Fund.

b) A statement that a detailed description of the Segregated Fund's investment policy is available from [specify name of Insurer] and specific information as to how it can be accessed or obtained.

c) If the Segregated Fund invests in a Secondary Fund, indicate that copies of the disclosure documents and financial statements of the Secondary Fund are available upon request.

Tax Status of the Segregated Fund

5.3 The Information Folder should state any taxes that may be imposed on [specify name of Insurer] that would be payable by [specify name of Insurer] from or on behalf of the Segregated Fund which would constitute a charge upon, or deduction from, the Segregated Fund and explain the income tax position of [specify name of Insurer] with respect to its Segregated Fund.

Tax Status of Contract holders

5.4 The Information Folder should state in general terms the income tax consequences to contract holders and whether or not an investment in the Segregated Fund may be a qualified investment for the purpose of a deferred income plan under the Income Tax Act. Describe, if applicable, in plain language, the tax status of the IVIC which has a particular advantage under the Income Tax Act as a registered IVIC.

Segregated Fund Manager and Portfolio Advisor

5.5 Where the manager or portfolio advisor of the Segregated Fund is a person other than [specify name of Insurer], the Information Folder should include the name of the person who performs such function, if such person is a related party to [specify name of Insurer] and if so, describe the methods that have been established to deal with conflicts of interest.

Auditor

5.6 The Information Folder should include the name and address of the independent accountant who performed the audit of the Segregated Fund.

Part 6 Fees And Sales Incentives

Management Fees and Other Expenses

6.1 The Information Folder should include:

a) The current management fees expressed as a percentage of the net assets of the Segregated Fund and an explanation of how the management fees are calculated and to whom they are paid,

b) If an Insurer separates the Insurance Fee from the management fee charged against the Segregated Fund, then both the current Insurance Fee to be charged to each Segregated Fund and an Insurance Fee limit for each Segregated Fund,

c) all other expenses incurred in the ordinary course of business relating to the organization, management and operation of the Segregated Fund including interest charges (if any) and all taxes other than income taxes, with the exception of commissions and brokerage fees on the purchase and sale of portfolio securities which may be charged against the assets of the Segregated Fund under the IVIC, and an explanation of how these fees are calculated and to whom they are paid,

d) Where the basis of the calculation of the expenses referred to in (ii) that are charged to a Segregated Fund are changed or proposed to be changed and where such change would have a material effect on the MER for the last completed financial year of the Segregated Fund if such change had been in effect for such year, disclosure about the effect of such change, and

e) The current Fund Expense Ratio of the Segregated Fund and an explanation of how the FER is calculated.

Other Fees and Charges and "Trailer" or Service Fees

6.2 The Information Folder should include:

a) A description, by type, of all the other fees and charges which may be charged against the assets of the Segregated Fund under the IVIC, which do not fall under Part 6 of this Appendix, and specifically describe any sales commissions, loads, trailer fees, deferred charges, exchange charges, early redemption charges, trustee fees, administrative fees, and any fees or charges paid by the manager of the Segregated Fund, that are charged against the assets of the Segregated Fund, and

b) Where an Intermediary is entitled to receive “trailer” or service fees from the Insurer or the manager of the Segregated Fund, and these fees are charged to the assets of the Segregated Fund, disclosure about this should be in the Information Folder.

c) Where a contract holder chooses the ACB Sales Charge Option offered by [specify name of Insurer] under the IVIC, disclosure about the contract holder’s right each calendar year under an IVIC to withdraw the greater of:

   i) the current Market Value associated with 10% of the number of units in the Segregated Fund held by the contract holder as at December 31 of the prior year, and

   ii) in the case of a registered account, the amount permitted under applicable laws to be withdrawn from the registered account,

   without triggering an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the contract holder made the deposit in the IVIC.

Part 7 Restrictions, Risk Factors And Significant Holdings In Other Issuers

Investments in Mortgages, Real Estate and Derivatives

7.1 The Information Folder should include, where applicable:

a) Mortgage Disclosure

   i) a brief description of the Segregated Fund's investments in mortgages, including by the type of mortgage, by province, and by rates, at 1/4% intervals.

b) Real Estate Disclosure

   i) a brief description of the Segregated Fund's investments in real estate, and the Segregated Fund's policy on real estate acquisition, appraisals and valuations, and

   ii) if the Information Folder is for an IVIC offering a real estate Segregated Funds as an Investment Option,

      A) a statement emphasizing the long-term nature of an investment in a real estate Segregated Fund,

      B) a statement that withdrawals from such Segregated Funds can only be on specified dates and only with a specified number of days of prior notice as provided in the IVICs and accordingly are not a suitable investment for contract holders who require liquidity,

      C) a statement that withdrawals from such Segregated Funds may be suspended during any period that the Segregated Fund does not have sufficient cash or readily marketable securities to meet requests for withdrawals,

      D) a statement that the net asset value at which units of such Segregated Funds are issued and withdrawn is based upon appraisals of the real property and that:

         1) for any given real property there is a range of market values,

         2) an appraisal is an opinion only, and

3) there can be no assurance that the appraised value will be equal to the price for which the property is ultimately sold, and

E) a statement that the net asset value per unit of such Segregated Funds for the allocation of deposits or withdrawal of money from such Segregated Funds may differ from the amounts that would be paid to contract holders on dissolution of the fund.

c) Derivatives Disclosure

i) a statement about,

A) the purpose for using derivatives in the Segregated Fund,

B) the type of derivatives used,

C) whether the derivatives are exchange traded or over-the-counter,

D) the degree of leverage involved, and

E) the markets that the derivatives provide the Segregated Fund with exposure to or reduce exposure from.

Material Contracts, Transactions and Facts

7.2 The Information Folder should include:

a) A brief description of any material contract, transaction or fact that gives rise to a material conflict of interest regarding [specify name of Insurer] within two years prior to the filing of the latest Information Folder and include a description of the methods that have been established to deal with such material conflicts of interest.

For purposes of this section, the term "material contract, transaction or fact" means any contract, transaction or fact that can be reasonably regarded as presently material to a contract holder with respect to the Segregated Fund and not in the ordinary and normal course of business.

Part 8 Investments In Another Fund

Secondary Fund Disclosure Requirements

8.1 Where the Segregated Fund invests in a Secondary Fund, the Information Folder for the Segregated Fund should include:

a) Disclosure of any management fees or sales charges payable out of the assets of the Segregated Fund and the Secondary Fund. These fees or charges are to be included in the calculation of the MER of the Segregated Fund,

b) A statement that a Customer is purchasing an insurance contract and is not a unitholder of the Secondary Fund,

c) disclosure of the Fundamental Investment Objectives and policies of the Secondary Fund,

d) disclosure that the Fundamental Investment Objectives of the Secondary Fund cannot be changed unless approved by the unitholders of the Secondary Fund, and that upon such approval, contract holders will be given notice of such change,

e) a statement that copies of the simplified prospectus, annual information form, financial highlights and audited financial statements or other disclosure documents required for the Secondary Fund, are available upon request, and

f) a description of all contract charges, distinguishing them from Segregated Fund charges, under one common heading, and disclosure about the individual elements of the MER of the Segregated Fund as either: (i) the MER and management fee of the Segregated Fund (each including the corresponding MER and management fee of the Secondary Fund) or (ii) the MER of the Secondary Fund, plus the management fee and administrative expenses of the Segregated Fund.

APPENDIX B – FUND FACTS

Part 1 General

1.1 The Fund Facts should describe the key features of each Segregated Fund available for the allocation of deposits under the IVIC, be written in plain language and include the information and substantially similar headings to those set out in Part 3 of this Appendix.

Part 2 Identifying Information

2.1 The top of each Fund Facts page should include:

a) The title “Fund Facts”,

b) Full legal corporate name of the Insurer offering the Segregated Fund,

c) Name of the Segregated Fund,

d) Name of the IVIC, and

e) Date of information being included.

Part 3 Other Information

3.1 The Fund Facts should include:

a) A section called “Quick Facts” that includes the following sub-headings and information:

i) date the Segregated Fund was created,

ii) total value of the Segregated Fund on [specify date],

iii) net Asset Value per Segregated Fund Unit,

iv) number of Segregated Fund Units Outstanding,

v) Fund Expense Ratio for the Segregated Fund. If the FER varies according to the fee or guarantee option a Customer chooses, a range of FER should be shown including the lowest possible and highest possible FER,

vi) portfolio turnover rate,

vii) portfolio manager, and

viii) minimum investment.

b) A section called “What does the Segregated Fund invest in?” that includes:

i) a brief description of the investment objectives for the Segregated Fund and what the Segregated Fund invests in,

ii) the total number of investments,

iii) a list of the top 10 holdings of the Segregated Fund as at the end of the most recent fiscal year. If the 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 the Segregated Fund invests in a Secondary Fund representing less than 50% of the assets of the Segregated Fund, name the Secondary Fund,

iv) the percentage of the Segregated Fund which the top 10 investments make up,

v) up to two pie charts showing the investment segmentation considered most appropriate by [name of Insurer]. Each investment mix chart or table should show a breakdown of the Segregated 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.

c) A section called "How has the Segregated Fund performed?" that includes:

i) a description of how the Segregated Fund has performed over the past 10 years. The information should be shown based on the most basic guarantee option available under the Segregated Fund and performance should be reported after the FER 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 it has been in existence, and

ii) at the beginning of the section, wording substantially similar to the following:

"This section tells you how the Segregated Fund has performed over the past 10 years for a contract holder who chooses the basic guarantee. Returns are after the FER has been deducted. It's important to note that this doesn't tell you how the Segregated Fund will perform in the future. Also, your actual return will depend on the guarantee and sales charge option you choose and on your personal tax situation.",

iii) a subsection called "Average return" that includes:

A) the amount of money which a person who deposited $1,000 in the Segregated Fund 10 years ago or the number of years the Segregated Fund has been in existence, if less than 10 years, and chose the most basic guarantee available would now have, and

B) the average per-cent return per year which an investment in the Segregated Fund for a 10 year period or the number of years the Segregated Fund has been in existence, if less than 10 years, would work out to,

iv) a subsection called "Year-by-year returns" that includes:

A) at the beginning of this section, wording substantially similar to the following:

"This chart shows how the Segregated Fund has performed in each of the past 10 years for a contract holder who chooses the basic guarantee. In the last 10 years the Segregated Fund was up in value [x] years and down in value [x] years of the 10.", and

B) a bar chart showing how the Segregated Fund has performed in each of the past 10 years or the number of years the Segregated Fund has been in existence, if less than 10 years. State the number of years, if any, during the past 10-year period when a person who owned the Segregated Fund at the start of the year would have lost money.

Where a Segregated Fund invests in a Secondary Fund and historical performance information for the Segregated Fund does not exist, return information for the Secondary Fund may be presented provided that a note is included indicating information relates to the Secondary Fund.

d) A section called "How risky is it?" that includes:

i) as an introduction to the section, wording substantially similar to the following:

"The value of your investments under your contract can go down as well as up. You could lose money. One way to gauge risk is to look at how much a Segregated Fund's returns change over time. This is called 'volatility'. In general, Segregated Funds with higher volatility will have a greater chance of higher returns, a greater chance of losing money and returns that change more over a period of time. Segregated Funds with lower volatility typically have lower returns, a lower chance of losing money and returns that change less over a period of time. Segregated Fund also come with guarantees that may protect your investment as described under "Are there any guarantees" below.",

ii) a subsection called "Risk Rating" that includes:

A) unless the Segregated Fund is a newly established Segregated Fund, as an introduction to this subsection, wording substantially similar to the following:

"[specify name of Insurer] has rated the volatility as [xx]. This rating is based on how much the Segregated Fund's returns have changed from year to year. It doesn't tell you how volatile the Segregated Fund will be in the future. The rating can change over time. A Segregated Fund with a low risk rating can still lose money.",

B) for a newly established Segregated Fund, include as an introduction to this subsection, wording substantially similar to the following:

"[specify name of Insurer] has rated the volatility of this Segregated Fund as [xx]. Because this is a new Segregated Fund, the risk rating is only an estimate by [specify name of Insurer]. Generally, the rating is based on how much the Segregated Fund's returns have changed from year to year. It doesn't tell you how volatile the Segregated Fund will be in the future. The rating can change over time. A fund with a lower risk rating can still lose money.", and

C) the risk rating assigned to the Segregated Fund by [specify name of Insurer] as determined in accordance with generally accepted industry best practices for determining risk ratings as being Low, Low to medium, Medium, Medium to high or High and a colour-coded bar chart to show which class the Segregated Fund is in, and

iii) following the risk scale, wording substantially similar to the following:

"For more information about the volatility, risk rating and risks that can affect the Segregated Fund's returns see Part 7 Restrictions, Risk Factors and Significant Holdings in Other Issuers of the information folder."

e) A section called "Are there any guarantees?" that includes:

   i) a statement that guarantees are provided under the IVIC and include wording substantially similar to the following:

   "This segregated fund is being offered under an insurance contract. It comes with guarantees that may protect a contract holder's investment if the markets go down. The Management Expense Ratio includes the insurance cost for the guarantee. For details please refer to the information folder and your contract."

f) A section called "Who is this Segregated Fund for?" that includes:

   i) 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 Segregated Fund and risk category set out under "Risk Rating" above.

g) A section called "A word about tax" that includes:

   i) a brief explanation of the income tax consequences for contract holders of the Segregated Fund and include wording substantially similar to the following:

   "In general, you'll have to pay income tax on taxable allocations made to you by the Segregated Fund, and on any gains you make if you switch Segregated Funds within your IVIC or withdraw money from your IVIC. You may also have capital losses allocated to you by the Segregated Fund, or reported to you on withdrawals or fund switches, that can be claimed for tax purposes. How much tax you pay depends on the tax laws that apply to you and whether or not you hold the Segregated Fund as or in a registered plan, such as a Registered Retirement Savings Plan or Tax-Free Savings Account."

h) A section called "How much does it cost?" that includes:

   i) a description of the charges, fees and expenses a contract holder is required to pay to invest in, hold, and withdraw from the Segregated Fund,

   ii) wording substantially similar to the following,

   "The following tables show the charges, fees and expenses you could pay to invest in, hold and withdraw from the Segregated Fund. The charges, fees and expenses can vary among series of a Segregated Fund and among Segregated Funds. Ask your [specify appropriate term – e.g. advisor or representative] about other Segregated Funds and classes or series that may be suitable for you at a lower cost."

   iii) a subsection called "Sales charges" that includes:

      A) 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,

      B) a description of any other sales charge options such as "low load", "advisor charge back" or "fee for service" (F-Series) type options, and

C) where a contract holder chooses the ACB Sales Charge Option offered by [specify name of Insurer] under the IVIC, disclosure about the contract holder's right each calendar year under an IVIC to withdraw the greater of:

1) the current Market Value associated with 10% of the number of units in the Segregated Fund held by the contract holder as at December 31 of the prior year, and

2) in the case of a registered account, the amount permitted under applicable legislation to be withdrawn from the registered account,

without triggering an obligation for an Intermediary to repay all or part of the monetary compensation the Intermediary received under the ACB Sales Charge Option when the contract holder made the deposit in the IVIC,

iv) a subsection called "Ongoing expenses" that includes:

A) a description of the FER for the fund including any different charges for different guarantee options,

B) wording substantially similar to the following should be included:

"The fund expense ratio (FER) is the sum of the management expense ratio (MER) and the trading expense ratio (TER). The TER includes the commissions and other portfolio transaction costs payable from the assets of the Segregated Fund. The 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 the Information Folder or your contract.",

C) a table showing the different guarantee options available and the MER, TER and FER for each option, and

D) a description of any trailing commissions, and

v) a subsection called "Other fees" that includes:

A) a description of any other fees a contract holder may have to pay in order to withdraw or transfer money from the Segregated Fund including any short- term trading fee, switch fee or change fee, and

B) a description of any fees associated with guaranteed income benefits, and

i) A section called "What if I change my mind?" which includes:

i) a description of a contract holder's right to cancel the decision to invest in the Segregated Fund and details regarding the amount of money which will be returned to the contract holder if the contract holder exercises the option to cancel, and

ii) wording substantially similar to the following:

"You can change your mind within two business days of the earlier of the date you received confirmation of the transaction or five business days after it is sent to you. 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 your investment if it has gone down. The amount returned only applies to the specific transaction and will include a refund of any sales charges or other fees 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 transaction. In this case, the right to cancel only applies to the new transaction," and

j) A section called "For More Information" which includes:

   i) wording substantially similar to the following:

   "This Fund Facts may not contain all the information you need. Please read the information folder and your contract.", and

   ii) contact information for [name of Insurer] including address information, telephone numbers and e-mail address.

APPENDIX C – RISK OF BORROWING TO INVEST

Here are some risks and factors that you should consider before borrowing to invest:

Is it Right for You?

Borrowing money to invest is risky. You should only consider borrowing to invest if:

- You are comfortable with taking risk.
- You are comfortable taking on debt to buy investments that may go up or down in value.
- You are investing for the long-term.
- You have a stable income.

You should not borrow to invest if:

- You have a low tolerance for risk.
- You are investing for a short period of time.
- You intend to rely on income from the investments to pay living expenses.
- You intend to rely on income from the investments to repay the loan. If this income stops or decreases you may not be able to pay back the loan.

You Can End Up Losing Money

If the investments go down in value and you have borrowed money, your losses would be larger than had you invested using your own money.

Whether your investments make money or not you will still have to pay back the loan plus interest. You may have to sell other assets or use money you had set aside for other purposes to pay back the loan.

If you used your home as security for the loan, you may lose your home.

If the investments go up in value, you may still not make enough money to cover the costs of borrowing.

Tax Considerations

You should not borrow to invest just to receive a tax deduction.

Interest costs are not always tax deductible. You may not be entitled to a tax deduction and may be reassessed for past deductions.

You may want to consult a tax professional to determine whether your interest costs will be deductible before borrowing to invest.

Your advisor should discuss with you the risks of borrowing to invest.

APPENDIX D – MINIMUM CONTENT OF ANNUAL STATEMENT

Definitions

In this Appendix, the following terms are used as defined below:

"**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 the Owner wants to begin receiving such guaranteed payments under the IVIC.

"**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.

"**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.

"**Insurer's Name**" means an Insurer's full legal name.

"**Withdrawal Phase**" means the time between when the Owner triggers the 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.

Part 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) When the contract began,

d) Owner(s),

e) Annuitant(s),

f) Designated beneficiary(ies),

g) The following information about the individual Intermediary responsible for Servicing the IVIC:

   i) Individual Intermediary's name,

   ii) Individual Intermediary's phone number, and

   iii) Individual Intermediary'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 current Fund Facts associated with their contract, annual audited financial statements and semi-annual unaudited financial statements for each Segregated Fund and how to obtain them, and

   iii) Invite Owner(s) to contact the individual Intermediary or the Insurer if the Owner needs additional information.

Part 2 Performance – Contract

a) For the IVIC as a whole, the Market Value at the start of the year and at the Statement Date

b) For the IVIC as a whole, as of the Statement Date, the 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) Personal rate of return, as a percentage, calculated on the dollar-weighted method:

   i) Since the IVIC began, and

   ii) Where the IVIC has been in effect for the relevant time:

      A) For the 10 years ending on the Statement Date,

      B) For the 5 years ending on the Statement Date,

      C) For the 3 years ending on the Statement Date, and

      D) For the year ending on the Statement Date, and

f) 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.

Part 3 Customer Fees and Charges – Contract

a) For the IVIC as a whole, the dollar amount the Owner incurred during the year for each of the following,

i) Fund Expenses

ii) Front end load charges,

iii) Deferred sales charges,

iv) Advisory Service Fee,

v) Withdrawals fees

vi) Transfer fees,

vii) Reset fees,

viii) Early withdrawal and/or short term trading fee,

ix) Fees with respect to cheques returned due to insufficient funds,

x) Small policy fee,

xi) Insurance Fees not paid by the Insurer from the assets of a Segregated Fund, and

xii) Any other Customer Fees and Charges deducted from the IVIC.

b) For further clarity, the Insurer is not required to include one of the above Customer Fees and Charges if the dollar amount the Owner incurred for that fee or charge in the year is zero.

c) For the IVIC as a whole, the dollar amount of the total of the items listed in Part 3 a) of this Appendix,

d) Any changes to the Insurance Fee, where legally permitted,

e) A plain language explanation that any Customer Fees and Charges the Owner pays directly to the individual Intermediary and/or the Intermediary that is a business entity, if applicable, are not included in the amount in Part 3 c) of this Appendix, and

f) Plain language explanations of:

i) How Customer Fees and Charges affect returns,

ii) The actions an Owner can take regarding the Customer Fees and Charges information in the statement,

iii) The fact approximations have been used when calculating Fund Expenses, if applicable,

iv) The fact an Owner can look at the Fund Facts for more information about Customer Fees and Charges, including Fund Expenses.

g) 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 total Market Value of the IVIC are significant, explaining these costs in enough detail to allow the Owner to understand the effect of the costs.

For further clarity, the disclosure explicitly required under this Guidance with respect to deferred sales charges is sufficient to address item Part 3 g) iii) of this Appendix regarding deferred sales charges.

Part 4 Segregated Fund details – Value, Fund Expense Ratio, Deferred Sales Charges

a) For each Segregated Fund held within the IVIC during the year described by the statement:
   i) The Segregated Fund name,
   ii) Market Value of the Segregated Fund at start of year,
   iii) Since the start of the year:
      A) Total deposits into the Segregated Fund,
      B) Total withdrawals from the Segregated Fund, and
      C) The change in value of investments in the Segregated Fund for reasons other than deposits or withdrawals,
   iv) As of the Statement Date:
      A) Number of Segregated Fund units held,
      B) Market Value per Segregated Fund unit, and
      C) Total Market Value of Segregated Fund units held,
   v) The Fund Expense Ratio for the fund,
   vi) The fact that a deferred sales charge applies, if applicable, and
   vii) The fact that no Fund Expense Ratio is provided for a Segregated Fund because the fund was established less than 12 months before the Statement Date, if applicable.
b) A plain language explanation of:
   i) What the Fund Expense Ratio is, and
   ii) 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.

Part 5 Guarantees

a) For the IVIC as a whole as of the Statement Date:
   i) The Market Value of the Segregated Funds subject to the guarantee under the contract,
   ii) The maturity date of the guarantee of the contract as a whole,
   iii) The dollar value guaranteed on the contract maturity date, and
   iv) The dollar value guaranteed on death of the Annuitant(s).

b) For further clarity, if the contract has more than one maturity date, the Insurer is only required to provide the information under Part 5 a) i), ii) and iii) of this Appendix for the maturity guarantee of the contract as a whole, 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 the impacts of this reset on the values of the guarantees.

Part 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 annual guaranteed withdrawal amount for every withdrawal option available to the Owner under that contract at:

      A) The earliest age at which the Owner can begin receiving guaranteed withdrawals,

      B) Age 65, if applicable, and

      C) Age 70, if applicable,

   ii) A notice in plain language that the guaranteed amounts have been calculated assuming,

      A) The Owner will make no further deposits to the IVIC,

      B) The Owner will make no withdrawal from the IVIC, aside from the guaranteed withdrawals,

      C) 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,

      D) 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

      E) 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 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,

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 RLIF minimum withdrawals, and

vii) A notice in plain language explaining the guaranteed withdrawal amount will be payable to the Owner even if the Market Value of the relevant assets in the contract is less than the guaranteed withdrawal 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) The guaranteed annual withdrawal amount, and

ii) How long the withdrawal amount is guaranteed to be payable.

APPENDIX E – FINANCIAL STATEMENT INFORMATION

Part 1 Statement of Financial Position

1.1 Every statement of financial position of a Segregated Fund should present fairly the financial position of the Segregated Fund as of the period end and the applicable comparative period, and distinguish separately, if material, at least:

a) cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments,

b) investments at carrying value,

c) dividends and accrued interest receivable,

d) accounts receivable in respect of amounts due from Owners,

e) accounts receivable in respect of portfolio securities sold,

f) every other class of assets that is material to the total assets,

g) other assets,

h) total assets,

i) accrued expenses,

j) accounts payable in respect of portfolio securities purchased,

k) redemptions or withdrawals payable,

l) every other liability that is material to the total liabilities,

m) other liabilities,

n) total liabilities,

o) total net assets attributable to Owners, and

p) net asset value per unit as at the period end based on the number of units outstanding as at the period end, with prior year comparisons.

1.2 In section 1.1g) “other assets” and 1.1m) “other liabilities” means the sum of those classes of assets or liabilities, as the case may be, that as individual classes are not material to the total assets or total liabilities, as the case may be, of the Segregated Fund at the date reported upon.

1.3 Any of the specified classes of assets or liabilities which accounts for less than the amount determined to be material to the total assets or total liabilities, as the case may be, of the Segregated Fund at the date reported upon, may be omitted and the relevant amount included in “other assets” or “other liabilities” with an appropriate explanation made by note.

Part 2 Statement of Comprehensive Income

2.1 Every statement of comprehensive income of a Segregated Fund should present fairly the results of the operations of the Segregated Fund for the period covered by the statement and the applicable comparative period and distinguish separately, if material, at least:

a) dividend income,

b) interest income for distribution purposes,

c) net rental income,

d) income from derivatives,

e) income from securities lending,

f) distributions from Secondary Funds,

g) unrealized gains / losses on investments,

h) realized gains / losses on investments,

i) foreign exchange gains or losses,

j) Fund Expenses, excluding incentive or performance fees,

k) incentive or performance fees,

l) Insurance Fees,

m) commissions and other portfolio transaction costs,

n) administration fees- for example: audit fees, custodian's fees, legal fees, director fees, trailer fees, salaries, withholding tax,

o) other fees or expenses, including the sum of those items that individually are not material to the total expenses,

p) management and administration fees waived or absorbed by the Insurer,

q) if recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold,

r) increase or decrease in net assets from operations attributable to Owners, and

s) Increase or decrease in net assets from operations attributable to Owners, per unit of each series.

Part 3 Statement of Changes in Net Assets Attributable to Owners

3.1 Every statement of changes in net assets attributable to Owners of a Segregated Fund should present fairly the information shown therein for the period covered by the statement and the applicable comparative period, and should show separately, if material, at least:

a) net assets attributable to Owners at the beginning of the period,

b) deposits,

c) increase/decrease in net assets from operations attributable to Owners,

d) if not recognized as an expense, distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold,

e) withdrawals, and

f) net assets attributable to Owners at the end of the period.

Part 4 Statement of Cash Flows

4.1 The statement of cash flows of a Segregated Fund should disclose the following as separate line items:

a) proceeds of disposition of portfolio assets,

b) payments for the purchase of portfolio assets,

c) proceeds from the issuance of units of the segregated fund,

d) aggregate amounts paid on redemption of units of the Segregated Fund, and

e) compensation paid in respect of the sale of units of the Segregated Fund.

Part 5 Schedule of Investment Portfolio

5.1 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on the equities it holds, as of the period end:

a) the name of each issuer of securities held,

b) the class or designation of each security held,

c) the number or aggregate face value of each class or designation of securities held,

d) the market value of each class or designation of securities held,

e) the cost of each class or designation of securities held and, where the basis of computing cost is other than average cost, a statement of the basis of computing the cost, and

f) sub-total(s) of foreign equities

5.2 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on the fixed income securities it holds, as of the period end:

a) the name of each issuer of securities held,

b) the contractual rate of the issue,

c) the maturity date of the issue,

d) the face value, cost and market value, and

e) (v) sub-total(s) of foreign fixed income securities, by investment grade, and percentage of each investment grade, where applicable, as part of total net assets. Where no investment grade exists, grade them as unrated.

5.3 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on the mortgages it holds, as of the period end:

a) the total number of mortgages held, and their total market value,

b) by province,

c) by type of mortgage, including distinguishing between, mortgages insured under the National Housing Act (Canada), insured conventional mortgages and uninsured conventional mortgages as well as between residential, industrial or commercial, and maturity dates, and

d) by interest rate at 1/4% intervals.

5.4 Every schedule of investment portfolio of a Segregated Fund should present fairly the following information on real property it holds as at the date to which it is prepared:

a) the address,

b) a description of the type of property,

c) the date and cost of acquisition,

d) the appraised value and the date of appraisal value and the date of appraisal,

e) the area in square feet,

f) the percentage of leasable area actually leased,

g) the amount of any mortgage granted or assumed, and

h) the amount of pre-tax net income generated during the previous period.

5.5 If a Segregated Fund holds positions in derivatives, the Segregated Fund should disclose in the statement of investment portfolio or the notes to that statement:

a) for long and short positions in options:

i) the quantity of the underlying interest, the number of options, the underlying interest, the strike price, the expiration month and year, the cost and the current value, and

ii) if the underlying interest is a future, information about the future in accordance with paragraph 5.5 a) i) of this Appendix,

A) for positions in futures and forwards, the number of futures and forwards, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value,

B) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates, and the current value,

C) if a rating of a counterparty has fallen below the designated rating level, and

D) if applicable, the statement of investment portfolio included in the financial statements of the Segregated Fund, or the notes to the statement of investment portfolio, should identify the underlying interest that is being hedged by each position taken by the Segregated Fund in a derivative.

5.6 Where a Segregated Fund invests in a Secondary Fund, Part 5 of this Appendix should be complied with by disclosing the top 25 holdings of the Secondary Fund expressed as a percentage of the net asset value of the Secondary Fund, or, if there is more than one Secondary Fund, by disclosing the top 5 holdings of each of the Secondary Funds expressed as a percentage of the net asset value of the Secondary Funds. If any of the Secondary Funds, where applicable, include “cash and cash equivalents” as a top holding, this should be disclosed as one of those top holdings.

Part 6 Notes to the Audited Financial Statements

6.1 In addition to the general requirements for note disclosures under Part I – International Financial Reporting Standards of the CPA Canada Handbook – Accounting, the notes to the audited financial statements of a Segregated Fund should include:

a) the basis for calculating the Fund Expenses,

b) the composition of other expenses and other revenue, unless otherwise disclosed in the material of which the statement of comprehensive income forms a part or which it accompanies,

c) the services rendered in consideration of the Fund Expenses,

d) the services provided to the Segregated Fund by those to whom salaries or other remuneration were paid,

e) a description of the nature and extent of transactions with, and amount due to and from, related parties, such as the Insurer offering the Segregated Fund,

f) a description of the accounting policies used to determine how investment income is accrued, how it is realized, how unrealized gains and losses are calculated and how foreign currency transactions are accounted for,

g) where the basis of computing the cost of investments is other than average cost, a statement of the basis of computing the cost,

h) the composition of other assets and other liabilities,

i) the basis of determining fair value of assets and liabilities,

j) the accounting policies used with respect to the calculation and presentation of derivatives and the income derived therefrom,

k) the basis for classifying the Segregated Fund's units, or series of units, as either equity instruments or financial liabilities,

l) the net asset value per unit as at the date of the financial statements compared to the net assets attributable to Owners per unit as shown on the statement of financial position, and an explanation of each of the differences between these amounts, where applicable,

m) if not disclosed elsewhere in the financial statements, where an Insurer has, on behalf of a Segregated Fund, borrowed money, disclose the minimum and maximum amount borrowed during the period to which the financial statements pertain, and

n) if not disclosed in the statement of investment portfolio disclose:

   i) the aggregate dollar value of portfolio securities that were lent in the securities lending transactions of the Segregated Fund that are outstanding as at the date of the financial statements, and

   ii) the type and aggregate amount of collateral received by the Segregated Fund under securities lending transactions of the Segregated Fund that are outstanding as of the date of the financial statements.

6.2 The statement of financial position of a Segregated Fund that has received cash collateral from a securities lending transaction that is outstanding as of the date of the financial statements should disclose separately:

a) the cash collateral received by the Segregated Fund, and

b) the obligation to repay the cash collateral.

6.3 The statement of comprehensive income of a Segregated Fund should disclose income from a securities lending transaction as revenue.

6.4 The notes to the financial statements of a Segregated Fund should include a reconciliation of the gross amount generated from the securities lending transactions of the Segregated Fund to the revenue from securities lending disclosed in the statement of comprehensive income of the Segregated Fund.

6.5 The disclosure referred to in section 6.4 of this Appendix should include each of the following:

a) the name of each person or company who was entitled to receive payments out of the gross amount generated from the securities lending transactions of the investment fund,

b) the amount each recipient was entitled to receive, and

c) (iii) the aggregate of the amounts disclosed as a percentage of the gross amount generated from the securities lending transactions of the Segregated Fund.

6.6 If not disclosed in the statement of investment portfolio disclose, to the extent material, any other types of lending arrangements that the Insurer has entered into on behalf of the Segregated Fund such as repurchase transactions and reverse repurchase transactions.