

### 1.1.5 A Comparative Study of Individual Variable Insurance Contracts (Segregated Funds) and Mutual Funds

#### A COMPARATIVE STUDY OF INDIVIDUAL VARIABLE INSURANCE CONTRACTS (Segregated Funds) and Mutual Funds

Prepared for the Canadian Securities Administrators  
and the  
Canadian Council of Insurance Regulators

May 7, 1999

#### A. Executive Summary

The Canadian Securities Administrators (CSA) and the Canadian Council of Insurance Regulators (CCIR) are of the view that it is important for both regulators to understand the investment products they each regulate and their respective regimes of regulation. The CSA regulate mutual funds and the CCIR regulate individual variable insurance contracts (IVICs) and the segregated funds which determine the value of an IVIC. Mutual funds and IVICs/segregated funds are forms of collective investment or asset accumulation and, as such, offer investors similar investment opportunities.

Due to the increased popularity of both forms of investment vehicle, the CSA and the CCIR wish to ensure that their respective regimes of regulation are harmonized and give similar protections to investors in these different, yet functionally similar products.

As a first step towards ensuring this goal is met, both groups of regulators embarked on a joint project to compare the products and their regulation. A joint regulatory/industry working group compared the legal structure and nature of the products and their regulation. A Comparative Table was developed that compares specified features for both products and their regulation.

This Report constitutes the report of the working group to the CSA and the CCIR and incorporates the Comparative Table. The Report is designed to briefly and concisely describe the products and their regulation and the Comparative Table is intended to provide complete details about the findings of the working group.

#### B. The Mandate

The CSA and the CCIR agreed to undertake a joint project to compare the regulatory frameworks governing mutual funds and segregated funds offered under an IVIC. Given the importance of IVICs/segregated funds and mutual funds to the asset accumulation objectives of consumers, the CSA and the CCIR saw the need to better understand both the similarities and differences between these products and their regulation.

The CSA and the CCIR share a common goal in the regulation of asset accumulation products under their respective jurisdictions. Such regulation must be effective and responsive to consumer needs and trends in the applicable industry. There is also an objective to coordinate and harmonize the treatment of asset accumulation products under the respective regulatory regimes, where they have similar features.

Before further discussions can occur between the CSA and the CCIR with respect to the need, if any, for further coordination and harmonization of regulation of mutual funds and IVICs, a crucial first step is to understand:

- the entities that offer and manage the products;
- the nature and structure of the products and how they differ;
- the regulation applicable to the products, their operation and their sale to consumers; and
- the regulatory rationale or philosophy behind the applicable regulation.

The regulation of IVICs and mutual funds cited in this Report and in the Comparative Table is that in force as of the date of their preparation. Proposed changes to that regulation, where potentially significant, are indicated either in the Comparative Table or below.

The changes to the regulatory landscape currently being implemented for Quebec by Bill 188, which addresses financial services intermediaries, are not described in this Report or the Comparative Table. It is noteworthy, however, that the Quebec reform of financial services distribution is very comprehensive. Under Bill 188, IVICs are treated as insurance products and mutual funds as securities. Where appropriate, consumer protection measures and market conduct rules will apply equally to both products.

As this Report and the Comparative Table were being finalized, Industry Canada released the report of Glorianne Stromberg prepared for the Office of Consumer Affairs.<sup>1</sup> The working group notes that Ms Stromberg raises consumer protection issues that are relevant to the work of both the CSA and the CCIR and are worthy of further study, although the working group did not purport to deal with issues raised in Ms Stromberg's report in this Report and the Comparative Table. The Comparative Table focuses on regulation currently in place and does not consider alternative regulatory structures and rules.

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<sup>1</sup> Investment Funds in Canada and Consumer Protection - Strategies for the Millennium. A review by Glorianne Stromberg prepared for Office of Consumer Affairs, Industry Canada, October 1998.

### C. The Comparative Table

The CSA and the CCIR organized a working group consisting of staff of their respective organizations and industry members to provide them with the necessary information to enable them to make the first step referred to above. The working group developed the attached Comparative Table.

The Comparative Table covers, for mutual funds and segregated funds offered under IVICs, a comparison of:

- their legal form and structure, their operators and service providers;
- their governing regulation and their central regulators, as well as the governing regulation and the central regulators of their operators and service providers;
- the rights of purchasers;
- their method of marketing and disclosure to purchasers; and
- the manner in which they are distributed to purchasers.

The working group believes that the Comparative Table outlines the material items of comparison of the above topics and is a comprehensive analysis of both the structure and organizational forms of the products and their regulation.

Terminology used in the Comparative Table has been made generic. For example, the term “operator” has been used to refer to the management company in the mutual fund context and to the life insurance company in the IVIC context. “Product structure” and “product” is used to refer to the mutual fund and also to the IVIC. “Purchaser” is used to refer to investors in a mutual fund and to contractholders in the IVIC context. Abbreviations used in the Comparative Table are defined in the Glossary preceding the Comparative Table.

### D. Individual Variable Insurance Contracts

The Comparative Table covers IVICs commonly made available to the public by life insurance companies that include an investment element that is valued with reference to one or more segregated funds. The CCIR and the CSA believe that this product and mutual funds have important similarities and differences. The primary regulatory goal should be to ensure that consumer protection remains the focal point of both regulatory models.

Two distinct terms are used in the Comparative Table to refer to two legally distinct matters:

- An “IVIC” is the individual variable insurance contract entered into between a contractholder and the life insurance company. Maturity and death benefits guarantees are provided to contractholders and beneficiaries pursuant to an IVIC. Purchasers of an IVIC hold an insurance contract that gives them certain specified benefits based on the value of one or more specified segregated funds (or groups of assets).
- A “segregated fund” is a pool of assets owned by the life insurance company and held by the life company separate and apart from other similar pools and its general assets. An IVIC gives a purchaser the right to choose among various segregated funds that will give the purchaser specified benefits based on the value of

the chosen segregated funds.

The Comparative Table highlights that IVICs and segregated funds are regulated by two levels of government for differing regulatory purposes:

- The authority to issue IVICs is given to life insurance companies under their incorporating legislation. At present virtually all insurance companies issuing IVICs are incorporated under the Insurance Companies Act (Canada) (ICA).<sup>2</sup> This legislation and the regulations and guidelines issued under it regulate the governance and solvency of federally incorporated life insurance companies and fraternal organizations and the Canadian branch operations of foreign life companies. Since segregated funds are assets of the life insurance company, the federal legislation requires these assets to be maintained and accounted for separate and apart from the other assets of the life insurance company. The federal regulators, being concerned about the solvency of life insurance companies, require that adequate reserves be maintained by the life insurance company in respect of the guarantees provided under an IVIC. The amount of reserves and the standards for maintaining such reserves have been reviewed by a joint OSFI, industry and actuarial committee (the Committee on Life Insurance Financial Reporting (CLIFR)). A Memorandum dated November 6, 1998 from the Canadian Institute of Actuaries on the 1998 Valuation of Life Policy Liabilities, and a Research Paper, also dated November 1998, from a CLIFR sub-committee, provide additional guidance to life companies in assessing adequate reserves for guarantees.
- The regulation of an IVIC as an insurance contract is governed by provincial insurance legislation, which mandate the generally applicable elements of all life insurance contracts. Provincial insurance legislation also dictates the marketing and disclosure to purchasers of IVICs and the segregated funds offered as investment options under them. Provincial insurance regulation incorporate certain standards for the management of segregated fund assets. These standards were drafted taking into consideration the equivalent regulation applicable to mutual funds.
- Individual variable insurance contracts cannot be sold to the public until an insurance contract, application and information folder (including summary fact statements and financial statements) are filed, in approved form, with the provincial insurance regulators. The IVIC Guidelines (described in the following full paragraph) require that insurance customers receive an information folder. The IVIC Guidelines mandate a form for information folders and are designed to ensure contractholders receive full and complete disclosure about their IVIC/segregated fund.
- Distributors of IVICs are also regulated at the provincial level. Life insurance agents and brokers are required to be licenced, satisfy certain proficiency requirements

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<sup>2</sup> There are currently four Quebec incorporated life companies that issue or are in the process of issuing, IVICs, under a similar regulatory system to that which exists for federal life companies issuing IVICs. For the purposes of the Comparative Table, the regulation of segregated funds contained in the ICA is explained.

and be monitored by the life insurance companies whose IVICs they sell. In several provinces, certain regulatory functions have been delegated or assigned to self-regulatory insurance councils.

The Comparative Table also highlights the co-operative effort of industry trade associations and provincial insurance regulators in the development of regulations for IVICs and their related segregated funds. The CLHIA Guidelines on Individual Variable Insurance Contracts related to Segregated Funds (the IVIC Guidelines) were approved by the CCIR on March 4, 1997 and became effective in July 1997. The IVIC Guidelines are applied consistently across Canada by provincial insurance regulators. In Ontario, they have the force of law, in part, through their incorporation by reference in Ontario Regulation 132/97.<sup>3</sup> The IVIC Guidelines provide a comprehensive code for, among other things, the conduct of the sponsoring life company, the management of the segregated funds, product and financial disclosure, including advertising and distribution. Industry trade associations also play a large role ensuring compliance with these standards and guidelines and in the education, proficiency and licencing of the distributors of these products. The CCIR and the CLHIA are dedicated to updating and reforming, where appropriate, the regulation of IVICs on an ongoing basis.

The introduction of the 'wrap' product (a segregated fund which invests exclusively in specified mutual funds) with its particular features has created a need to supplement the current rules. In this regard, the CCIR and the CLHIA are reviewing the IVIC Guidelines to determine where they should be updated. In addition, insurance regulators are examining the proficiency requirements for agents with a view to determining what, if any, changes should be made.

## E. Mutual Funds

The Comparative Table compares IVICs (and segregated funds) with mutual funds that are distributed to the public under a prospectus filed with the provincial securities commissions and are governed by National Policy Statement No. 39 Mutual Funds (NP39). NP39 is the main instrument of the provincial securities regulators governing so-called "conventional" mutual funds.

The Comparative Table highlights that each mutual fund is regulated by the provincial securities regulators as an issuer of securities. As such, mutual fund securities cannot be sold to the public without a prospectus being filed with, and accepted by, the securities regulators and delivered to purchasers, and without the seller of such securities being registered with the securities regulators as a dealer or a sales representative of a dealer. In this context, mutual funds are no different from any other issuer of securities to the retail public. Securities regulations also require that the entity making the investment decisions regarding the assets of the mutual fund be registered (or be exempt from registration) with the provincial securities regulators as an adviser.

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<sup>3</sup> The current IVIC Guidelines replaced the "Superintendents' Guidelines applicable to Variable Insurance Contracts" and the CLHIA's Variable Insurance Contract (VIC) Guidelines which were developed in the late 1960's to regulate product disclosure and distribution. Under the former Guidelines, life insurance companies were required to file long form folders with some of the provincial insurance regulators. The former Guidelines also mandated delivery of summary folders to contractholders. These were adopted in part by regulation in Ontario (Reg. 677, R.O. 1990).

Disclosure and registration are the two central concepts of provincial securities laws which are administered by provincial securities regulators. Underpinning much of securities regulation is the principle that investors must have access to all material information concerning their investment both at the time of purchase and on a continuous basis. Securities regulation therefore requires delivery of disclosure documents (prospectuses and financial statements) and public disclosure of information through filing of mandatory documents with the securities regulators. All documents filed with the securities regulators are publicly available. Since March 1997 these documents have been accessible via the Internet on the website of SEDAR<sup>4</sup>. These disclosure and registration requirements are not unique to mutual funds and their managers.

However, securities regulators have adopted regulation that is specific to mutual funds. Securities regulators consider mutual funds to be sufficiently different from other issuers of securities, such as business corporations, to warrant this specific regulation. The primary features that securities regulators have taken into account are:

- The essential feature of a mutual fund is that its securityholders are entitled to redeem their securities on demand and receive for such securities their pro rata share of the overall portfolio's current market value (the "net asset value"). Accordingly, securities regulators have set regulations governing the types of investments and practices that can be made or followed by mutual funds to ensure that the investments made by the funds are diversified and reasonably liquid;
- Mutual funds are marketed to the investing public and are sold at a retail level to non-institutional investors, who often base their decisions on advertising and the past performance of such investment vehicles. Accordingly, securities regulators administer a body of regulations stipulating the disclosure to be given to investors both at the point of sale and on a continuous basis, the content of advertising and other sales communications, how performance information for mutual funds is to be calculated, and the accountabilities for such disclosure;
- While all mutual funds have a trustee or a board of directors, virtually all the operations and functions of mutual funds are carried out by a sponsor or promoter (a "manager") without any involvement of, or oversight by, independent third parties. The manager may well be the trustee of the fund. Accordingly, securities regulators are of the view that it is important to impose limits on the transactions that can be carried out between related parties. The rules also impose an objective standard of care upon managers of mutual funds and custodians of the assets held by mutual funds. Assets of the mutual fund are required to be held by a separate qualified custodian who is not the manager;
- Mutual fund securities have common characteristics that distinguish them from securities issued by, for example, an operating business corporation. Accordingly, securities regulators have a special category of registration for dealers selling mutual fund

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<sup>4</sup> The System for Electronic Document Analysis and Retrieval - [www.sedar.com](http://www.sedar.com).

securities. The "mutual fund dealer" category of registration has its own proficiency and capital requirements tailored to take account of the differences in the business of such dealers and the nature of the investment vehicle;

- Investors in mutual funds acquire them based on their understanding of the reputation of managers of the mutual funds, the funds' investment objectives and other similar fundamental features of their investment. Most mutual funds are trusts and therefore not subject to corporate legislation that gives shareholders certain rights. Accordingly, securities regulators consider it important that investors be given rights to decide whether or not fundamental changes will be made to their mutual fund. Subject to certain limited exceptions, a securityholder meeting must be held and securityholder approval given, before certain specified fundamental changes can be made to a mutual fund. Securities regulators also must approve certain fundamental changes before they are made.

Although Canadian securities regulation of mutual funds is carried out by each of the twelve separate provincial and territorial securities regulators, the CSA ensure that mutual fund regulation is consistent, and consistently applied, across Canada. The main rules governing mutual funds (NP39, the simplified prospectus regime embodied in National Policy Statement No. 36 and National Instrument 81-105 Mutual Fund Sales Practices) are rules or policies of each of the securities regulators. The regulation of mutual funds contained in provincial securities legislation is also largely consistent.<sup>5</sup> For the purposes of the Comparative Table the regulation of mutual funds contained in the Securities Act of Ontario and the regulation made thereunder has been taken as representative. For information about the specific regulation of mutual funds in a particular province or territory, reference should be made to that province's or territory's securities act and regulations.

The CSA are dedicated to updating and reforming, where appropriate, the regulation of mutual funds. NP39 is in the process of being rewritten as proposed National Instrument 81-102 Mutual Funds<sup>6</sup>; it is expected to be adopted as a rule or policy of each of the securities regulators, subject to receipt of the necessary governmental approvals in 1999. When adopted, NI 81-102 will replace NP39. Similarly, NP36 is in the process of being rewritten as proposed National Instrument 81-101 Mutual Fund Prospectus Disclosure<sup>7</sup>; it is also expected to be

adopted as a rule or policy of each of the securities regulators, subject to receipt of the necessary governmental approvals in 1999. When adopted, NI 81-101 will replace NP36.

NI 81-102 is designed to rewrite and, where necessary, update NP 39. It also will introduce some new rules, for example, those regulating mergers and reorganizations of mutual funds, designed to reflect changes in the mutual fund industry since the last compilation of NP39 in 1988.

NI 81-101 proposes a new disclosure regime for mutual funds, although still based on the concepts of NP36. The aim is to ensure that all investors receive a short, concise, readable disclosure document that gives all essential information necessary for informed decision making and have access to a more extensive information disclosure document if they wish more information.

The CSA are addressing the major recommendations made by Glorianne Stromberg in her 1995 report on regulatory reform for mutual funds.<sup>8</sup> Among other matters, the CSA support the establishment of the Mutual Fund Dealers Association of Canada (the MFDA) as a self regulatory organization overseen by the CSA and to which all mutual fund dealers would belong. In Québec, Bill 188 must be taken into account. The Financial Services Bureau, concurrently with the Commission des valeurs mobilières du Québec, will be responsible for the application of some of the rules that govern mutual fund dealers, not the MFDA.

The CSA also have agreed that mutual fund governance reform is an important issue for securities regulators to address.<sup>9</sup>

## F. Conclusion

The CSA and the CCIR have advanced their respective understandings about mutual funds and IVIC/segregated funds through the preparation of this Report and the Comparative Table. This Report and the Comparative Table highlight that although there are differences in the legal nature of the product, there exist many similarities in the regulation of the products -- in essence the goals of both regulation are similar -- the protection of investors. Differences in the regimes reflect:

- the different legal nature of the products; and
- a historically different approach to regulatory supervision of the products.

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Ontario at (1998) 21 OSCB 4793.

<sup>5</sup> In Québec, the short form prospectus regime for mutual funds is not part of National Policy No. 36 (C-36) but is covered by the Québec Securities Act (S.A.) and its regulations (Regulation). This regime is equivalent to the one provided in C-36. Some sections of National Policy Statement No. 39 are also included in sections 277 to 293 of the Regulation.

<sup>6</sup> A Notice of Proposed National Instrument 81-102 Mutual Funds and its Companion Policy and the proposed National Instrument and Companion Policy were published for a 120-day comment period on June 27, 1997. In Ontario, these documents were published as a special supplement edition of the OSCB at (1997) 20 OSCB (Supp2). A revised version of NI 81-102 and its Companion Policy was published for a further 60-day comment period on March 19, 1999.

<sup>7</sup> A Notice of Proposed National Instrument 81-101 Mutual Fund Prospectus Disclosure and its Companion Policy and the proposed National Instrument and Companion Policy were published for a 90-day comment period on July 31, 1998 -- in

<sup>8</sup> Regulatory Strategies for the Mid-90's--Recommendation for Regulating Investment Funds in Canada" prepared by Glorianne Stromberg for the Canadian Securities Administrators, January 1995. The recommendations contained in the Stromberg Report were considered by a joint industry and regulatory steering group, the Investment Funds Steering Group. Their report was released in 1996. "*The Stromberg Report: An Industry Perspective*" prepared for the Canadian Securities Administrators by the Investment Funds Steering Group, November 1996.

<sup>9</sup> On May 15, 1997, the CSA released the Report of the CSA Investment Funds Implementation Group, a high-level CSA committee established to consider how the CSA could implement the Stromberg Report and the subsequent report of the Investment Funds Steering Group. The Report of the CSA Investment Funds Implementation Group was published in Ontario on May 16, 1997 (1997) 20 OSCB 559.

This Report and the Comparative Table are expected to provide an opportunity for further examination to determine where additional harmonization for regulation is warranted.

#### **G. The Members of the Working Group**

The following individuals from the organizations noted participated on the working group that prepared this Report, including the Comparative Table:

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**Individual Variable  
Insurance Contracts (Segregated Funds) and  
Mutual Funds:**

**Comparative Table**

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May 7, 1999

## GLOSSARY TO THE COMPARATIVE TABLE

AIMR	Association for Investment Management and Research
CAIFA	Canadian Association of Insurance and Financial Advisors
CCIR	Canadian Council of Insurance Regulators
CISRO	Canadian Insurance Self-Regulatory Organization
CLHIA	Canadian Life and Health Insurance Association
CompCorp	Canadian Life and Health Insurance Compensation Corporation
CSA	Canadian Securities Administrators
ICA	Insurance Companies Act (Canada)
IDA	Investment Dealers Association of Canada
IFIC	The Investment Funds Institute of Canada
ITA	Income Tax Act (Canada)
IVIC	Individual Variable Insurance Contract
IVIC Guidelines	The CLHIA Guidelines on Individual Variable Insurance Contracts related to Segregated Funds, established by the Canadian Council of Insurance Regulators dated March 4, 1997 and effective July 1, 1997 and referred to in Ontario Regulation 132/97 and published in the Ontario Gazette May 3, 1997.
MFDA	Mutual Fund Dealers Association of Canada
NP 29	National Policy No. 29 - Mortgage Mutual Funds
NP 36	National Policy Statement No. 36 - Simplified Prospectus System
NP 39	National Policy Statement No. 39 - Mutual Funds
OIA	Insurance Act (Ontario)
OSA	Securities Act (Ontario)
OSC	Ontario Securities Commission
OSFI	Office of the Superintendent of Financial Institutions (federal)

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	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
<i>Legal Form and Structure:</i>		
1. Legal nature of product	<p>IVICs are most commonly ["non-participating"] life insurance contracts offered by life insurance companies. Most life companies offering IVICs, provide segregated funds as an investment option, although some life companies may offer other investment options under an IVIC, such as fixed term guaranteed rate or daily interest accounts (both backed by the general assets of the life company). If a contractholder chooses a segregated fund as an investment option, the liabilities of the life company to the holder of the IVIC vary in amount depending on the market value of a specified group of assets held in a segregated account. (<i>Definition of IVIC in s.2.1(y) IVIC Guidelines</i>). Companies licensed to carry on the business of life insurance under the ICA are authorized to issue IVICs pursuant to s. 450. The assets in segregated funds are owned by the life company but must be segregated from the other assets of the life company (s. 451 ICA). The life company must maintain separate accounts (from its general funds accounts) in respect of IVICs (s. 451 ICA). Contractholder has statutory priority over other claimants against assets of segregated fund (s.454 ICA). A contractholder may seek damages against the general assets of a life company to the extent a segregated fund has insufficient assets to satisfy a claim under the guarantees (s.455 ICA). Claims against the general assets of a life company rank after secured creditors and claims of participating policyholders. A life company offering IVICs must maintain reserves in respect of the guarantees granted under the IVIC.</p>	<p>Each separate mutual fund is a separate legal entity and issuer of securities. A mutual fund is defined in securities regulation of each province (s. 1.1 of the OSA). The essential nature of a mutual fund is that its value is based on the current value of its assets less the current value of its liabilities and investors in a mutual fund have the right to redeem their interest "on demand" at the net asset value of their interest. The assets of a mutual fund are owned by the mutual fund and investors are entitled to a pro rata share of those assets by holding units or shares of the mutual fund. Investors are given limited liability (under the constating documents of the mutual fund). Any liabilities of the mutual fund (generally fees and expenses payable to the manager of the fund, brokerage commissions and taxes) are generally accrued daily.</p>
2. Standard operating structure for product	<p>IVICs are contracts between a contractholder and a life company. Each IVIC has an annuitant who consents to be the "measuring life" for the purposes of the death guarantee. This annuitant must be the contractholder in a registered IVIC; in a non-registered IVIC the annuitant need not be the contractholder. A contractholder is entitled to name beneficiaries. Segregated funds are assets owned and held by the life company separate from its general assets -- their operation is governed by federal insurance laws.</p>	<p>Both open-ended investment trusts (mutual fund trusts) and corporations (mutual fund corporations) are permitted, although open-ended investment trusts are more common, due to the more favourable flow-through tax treatment under the ITA for mutual fund trusts. The structure of a mutual fund trust is largely determined by a declaration of trust or trust deed (subject to restrictions and requirements imposed by securities regulations governing mutual funds). These trust documents dictate the affairs and operations of the mutual fund trust and also appoint a trustee for the mutual fund (who agrees to act as trustee on the terms set out in the trust document). Mutual fund corporations are governed similar to any other business corporation (via articles, by-laws, corporate law) -- again subject to the restrictions and requirements imposed by securities regulations governing mutual funds.</p>
3. Nature of "investment" -- from perspective of purchaser	<p>Through the payment of premiums, a contractholder purchases an IVIC and is allocated notional units in specified segregated funds at the net asset value per segregated fund next determined after the premium is paid. These units have no independent legal existence and serve only to determine the value of the benefits to the contractholder based on the proportional interest of the contractholder in the assets of the segregated fund (s.2.1 (uu) IVIC Guidelines).</p>	<p>Investors in a mutual fund purchase and hold securities issued by the mutual fund. Investors pay for these securities at the net asset value per security next determined by the mutual fund after their order is placed. The money so invested becomes the property of the mutual fund and is invested according to its investment objectives. Mutual fund trusts are divided into units of equal value and rights; corporations into shares of equal value and rights. Each security has equal voting rights and entitlements to distributions and proceeds upon wind-up of the mutual fund. As securities, mutual fund units or shares are personal property and securityholders are entitled to a pro rata share of the assets of the mutual fund.</p>

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
4. Requirement for regulatory approval of product before public can purchase	A life company cannot offer an IVIC for sale in any province until it has received the approval of provincial insurance regulators. To obtain this approval, a life company must file a draft application, a draft IVIC (the contract) and an information folder describing the contract features and the segregated funds with the CLHIA and the applicable provincial insurance regulators. The CLHIA conducts a review of the documents to ensure compliance with the IVIC Guidelines and, if in order, reports on this compliance to the applicable provincial insurance regulators [a private practice lawyer may also report on compliance with the IVIC Guidelines and submit this report to the provincial insurance regulators.] Regulatory approval is reflected by the issuance of a receipt by the insurance regulators in Ontario and Alberta. If the life company does not receive any objections from the other provincial insurance regulators within 30 days of the filing of the draft documents in the applicable jurisdictions, it sends a written confirmation to the CLHIA who then communicate with the provincial regulators as to this fact. The federal insurance regulators do not regulate the sale of IVICs.	As any issuer of securities, a mutual fund may not sell its securities to the public in a Canadian province unless it has filed a prospectus with the applicable provincial securities commission in that province and obtained a receipt for the prospectus (unless it is relying on exemptions from the prospectus requirements -- generally where one purchaser is acquiring more than \$150,000 of securities). (section 53 - OSA ) Prospectus clearance procedure for new mutual funds involves filing with, review by and approval of, the provincial securities commissions of all "material contracts" of the new mutual fund, in addition to a preliminary prospectus and a (final) prospectus. "Material contracts" include the declaration of trust, management agreement, distribution agreement and custodial agreement. Any mutual fund selling its securities to the public must be structured and managed as required by securities regulations (primarily NP39 and Part XXI of the OSA). The review of the "material contracts" of the mutual fund is designed to ensure compliance with that regulation.
5. Who operates the product structure?	All current Ontario-issued IVICs are issued by federally regulated life companies, two federally regulated fraternal associations and one Quebec regulated life company. Federally regulated life companies can provide investment counselling services and portfolio management services in respect of their segregated funds under section 440(2) of the ICA. They may also hold an interest in an external portfolio manager under section 495(1) of the ICA. Most life companies engage portfolio manager subsidiaries for the investment management of their segregated funds due to limitations on powers that existed prior to the adoption of the ICA. Many life companies have also appointed external (and unrelated) portfolio managers to manage their segregated funds. Some life companies will also invest segregated fund assets directly in mutual funds managed by external portfolio managers. Life companies have the power to act as custodians. Most life companies appoint separate custodians to hold the assets of segregated funds. Such arrangements must be reflected in written agreements which are subject to the Protection of Assets (Insurance Companies) Regulations of the ICA. IVICs are distributed by agents of the life company licensed to sell life insurance pursuant to the respective provincial insurance acts. Record keeping vis a vis IVICs and segregated funds are maintained by the life company, unless they have contracted for this service to be provided by a third party service provider -- in which case the Outsourcing Guidelines of OSFI apply.	Mutual fund trusts have trustees (can be individuals, registered trust companies or the same corporate entity that acts as the manager of the mutual fund); mutual fund corporations have a board of directors. Virtually all Canadian mutual funds have a "manager" -- a separate body corporate that directs the business and affairs of the mutual fund (including the responsibility for managing the portfolio assets of the mutual fund) and that is generally the sponsor of the mutual fund (and may also be the trustee of the fund). Most mutual funds also have a "principal distributor" -- an entity (that may be either a separate body corporate from the manager or the manager itself) that acts as agent for the mutual fund in selling its securities to the public. All mutual funds have custodians (separate body corporates from the manager or principal distributor) that must hold the assets of the mutual funds under custodial arrangements that are governed by section 7 of NP 39. Managers of some mutual funds have contracted out to third party service providers for services such as portfolio advice or management, valuation services, recordkeeping, registrar and transfer agency services.
Governing Regulation and Regulatory Body:		

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
6. Rules governing the product	<p>The ICA provides for the creation and operation of segregated funds offered by life companies under IVICs. The OSFI Equity Linked Insurance Contract Guidelines (currently under review by the CLIFR Committee) deal with the nature of IVICs and the applicable reserve requirements in respect of the guarantees provided by IVICs. IVICs are also governed by provincial insurance regulation which mandates the minimum features of an insurance contract including basic provisions and the ability of insured to designate beneficiaries. In Ontario, IVICs are governed by the OIA and Ont. Reg. 131/97 made under the OIA. Ont. Reg. 131/97 refers to the IVIC Guidelines and requires any IVICs sold in Ontario to comply with certain of the IVIC Guidelines. The tax treatment afforded IVICs and contractholders is governed by the ITA. A segregated fund is deemed to be an inter vivos trust under s.138(1)(a) of the ITA. IVICs are qualified investments for registered tax plans on specified conditions, but without requirements for any minimum number of participants in segregated funds or purchasers of IVICs. If a life company wishes an IVIC to be an eligible investment for pension proceeds, provincial pension regulators review the contract's locking-in provisions for compliance with provincial pension benefits legislation, prior to issue and upon any material change. IVICs which provide payment at maturity of an amount not less than three-quarters of the premiums paid by purchaser for a benefit on maturity are exempt from the definition of "security" contained in the OSA (<i>section 1.1 OSA</i>). Securities regulators have no jurisdiction over IVICs and seg funds (other than in BC - see Bill 9 - not in force yet )</p>	<p>Provincial securities regulations regulate mutual funds as issuers of securities (primarily NP39, NP36 and NI 81-105 and provincial securities legislation). If a mutual fund is established as a corporation, applicable provincial or federal corporate legislation applies. To the extent a mutual fund wishes certain tax treatment (both for itself and for investors) its structure is governed by the ITA. Manager-sponsors of mutual funds may offer registered tax plans through which investors may invest in mutual funds. These registered tax plans are governed by the ITA and may have locking-in features by which pension proceeds may be invested in mutual funds in accordance with provincial pension benefits legislation. In Quebec, the short form prospectus regime for mutual funds is provided in sections 64 and 108 of the Securities Act (Quebec) and section 170 of the Regulation.</p>
7. Central regulators of product	<p>Provincial insurance regulators; OSFI, as the federal regulator of life companies; Revenue Canada; provincial pension regulators.</p>	<p>Provincial securities commissions; provincial business corporation regulators; Revenue Canada.</p>
8. National uniformity of regulation	<p>A high degree of uniformity in the regulation of the product occurs at both the provincial and federal levels, although each province has its own insurance legislation. The IVIC Guidelines have regulatory standing only in Ontario, however practically speaking, the other Canadian provinces will not allow IVICs to be sold in their jurisdictions unless the IVIC Guidelines are complied with. Uniformity is accomplished at the federal level as all Ontario issuers of IVICs, except one, are federally regulated life companies and fraternal organizations under the ICA. Certain features of IVICs are regulated by the ITA and pension benefits legislation. Life insurance agents are regulated and supervised either directly by insurance regulators or by insurance councils (self-regulatory organizations acting under delegated authority from the provincial insurance regulators). Although regional differences exist, harmonization is sought through meetings and initiatives of the Superintendents (through the CCIR) and insurance councils (through CISRO).</p>	<p>The CSA strive to make uniform rules that are applicable to all mutual funds offered for sale in Canada; for example NP 39 and 36 are national policy statements and their replacement national instruments will be adopted by each province and territory. Similarly, the CSA regulation of mutual funds' service providers (including distributors) is generally uniform. The main rules governing mutual funds are national rules adopted by each provincial and territorial securities commission. Some differences in the registration requirements for mutual fund dealers and advisers exist between the provinces (this regulation is provided for by statute); for example, capital requirements differ between certain provinces. Mutual funds must file prospectuses in each province where their securities will be sold, but such filings are made, and reviewed, in a concurrent and coordinated fashion.</p>

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
9. Rules governing the operators of or service providers to the product structure	In general terms, the ICA deals with issues such as the solvency and corporate governance of life companies. For example, the Regulatory Capital (Insurance Companies) Regulations of the ICA sets minimum standards for reserves. OSFI has also issued and expects compliance with its guidelines on the appropriate level of a life company's minimum continuing capital and surplus requirements ("MCCSR") and its Standards of Sound Business and Financial Practices. The nature and sale of insurance contracts are governed by provincial insurance legislation. As a result, federally regulated life companies must also be licensed to carry on business in each province in which they choose to do so. External or affiliated portfolio managers are registered under provincial securities legislation. Custodial functions may be performed in-house or through a third party provider (s.441(1) ICA). The Protection of Assets (Insurance Companies) Regulations of the ICA sets out rules governing the custody of assets, including the custody of assets carried out by third party service providers.	Provincial securities regulation requires that managers of mutual funds must follow a specified mandated fiduciary standard of care and for other rules to be followed by managers of mutual funds ( <i>Part XXI of the OSA and NP39</i> ). If the manager is providing investment advice (that is, managing the investments of the mutual fund) it must be registered with the provincial securities commissions as an "adviser" and comply with the regulations applicable to advisers. If the manager is not itself managing the assets of the mutual fund, it must contract with a registered adviser to provide such services to the mutual fund. (s.25 OSA) If the manager also acts as a dealer of mutual fund securities (where, for example, it acts as a principal distributor for the mutual fund and/or sells mutual fund securities directly to the public) it must also be registered with the provincial securities commissions as a "dealer" and comply with the regulations applicable to dealers (s. 25 OSA). Most managers of mutual funds are either registered as "advisers" or mutual fund dealers (and a large majority are registered in both capacities). Provincial securities regulations provide for the rules governing the custodianship of the assets of mutual funds and prescribe limits on who may act as custodians ( <i>Section 7 of NP 39</i> ). In Quebec, a number of mutual fund managers are not registered as financial advisors or mutual fund dealers and as a result are not subject to the obligation to show the diligence of a reasonably prudent person as provided in the Securities Act (Quebec).
10. Central regulators of operators of, or service providers to the product structure	OSFI; provincial insurance regulators; provincial securities commissions (in respect of the portfolio managers of the segregated funds).	Provincial securities commissions; OSFI (in respect of the financial institutions acting as custodians or trustees of mutual funds).
11. Fundamental purpose and goals of the regulation of product and operators and service providers to product structure	The fundamental purpose of the ICA is proper corporate governance and ensuring the solvency of life companies. Provincial insurance legislation is designed to ensure the protection of policyholders and beneficiaries of life insurance products. The sale of IVICs is regulated across Canada, through provincial insurance legislation that is designed to ensure that a prospective contractholder receives "brief and plain" disclosure of all material facts about an IVIC and its segregated fund investment options. This information is required to be in an IVIC and the information folder for which the applicable life company is accountable. Disclosure of annual audited financial information of a segregated fund is mandated in Ontario through Ontario Regulation 131/97 -- in requiring compliance with the IVIC Guidelines. In addition, a material change in the information contained in an information folder requires a re-filing of the information folder and, in certain cases depending on the terms of the contract, may require amendment to the contract via contractholder consent. Provincial insurance legislation is also designed to ensure that sellers of IVICs are knowledgeable and reputable and are licensed with the applicable regulatory body to conduct such activity.	Securities legislation is designed to ensure that a proposed issuance of securities is in the "public interest" and that a purchaser of securities receives "full, true and plain" disclosure of all material facts about the issuer of the securities and the securities. This disclosure must be contained in a written prospectus document to which the fund, the promoter, the principal distributor and the manager of the mutual fund are accountable. Securities legislation mandates that disclosure of certain financial information and changes of material facts are given to investors on a continuous basis (through financial statements, press releases and filing of material change reports). Securities legislation also is designed to ensure that entities giving advice about the acquisition of securities (advisers) or that sell (trade) in securities (dealers) are proficient (knowledgeable), reputable, have sufficient capital for the risks involved in their business and are registered with (known to) the securities commissions. Specific rules regulating the structure and operation of mutual funds are designed to ensure that fundamental principles of fairness, are maintained in the operation and governance of a mutual fund. These fundamental principles of fairness include the necessity that managers and distributors of mutual funds act in an evenhanded manner in the best interests of the mutual funds and its investors.

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
12. Role of self-regulatory organizations and trade associations	CLHIA, an industry trade association, acts as the initial reviewer of all IVICs, disclosure documents and policy forms. Once those contracts meet with CLHIA approval, they are then filed with the various provincial insurance regulators for approval. The CLHIA also promulgates its Consumer Code of Ethics and various guidelines to be followed by life companies on a wide variety of subjects including privacy of information, advertising and criteria for assessing the suitability of agents. CLHIA also operates a nationwide policyholder information and complaint hot line. See item #51 for more detail. CAIFA, an industry trade association, provides agents with continuing education programs including one dealing specifically with IVICs. In western Canada and in Quebec, insurance councils (being self-regulatory organizations acting under delegated authority from the provincial insurance regulators) have the authority to licence and discipline agents.	IFIC is the industry trade association -- managers of 97% (by assets) of mutual funds are members of IFIC. Its role is to set voluntary standards of conduct for the industry, better serve investor education and act as a lobby group for regulatory changes favourable to the industry (in securities regulation, corporate legislation and income tax legislation). IFIC members also include distributors (dealers) of, and service providers to, mutual funds. An affiliate of IFIC is a course provider -- offering standard courses for salespersons and officers and directors of mutual fund dealers. The IDA is the recognized SRO for the broker-dealers; these firms sell mutual funds, along with carrying on their other activities. The IDA also performs a trade association function for its members. The proposed MFDA will be the SRO for mutual fund dealers (firms that sell only mutual funds). Both the IDA and the MFDA will regulate the distribution side of the mutual fund industry, under the supervision of the provincial securities commissions. In Quebec, with Bill 188, the Financial Services Bureau, concurrently with the CVMQ, will be responsible for the application of some of the rules concerning mutual fund dealers.
<i>Operators of and Service Providers to Product Structure:</i>		
13. Independence required?	The ICA prescribes a minimum number of directors for life companies and otherwise deals with their corporate governance. At least one-third of directors must not be affiliated with the life company. The ICA also limits the number of employee-directors and prohibits insurance agents and brokers from being directors (s. 167, 168 and 171 ICA). In addition, the ICA requires that conduct review and audit committees of boards of life companies be established, the majority of whom must be unaffiliated. The ICA defines affiliation (s.171). An appointed actuary for each life company must review and report to the board and, in certain circumstances, to OSFI, actuarial and other policy liabilities in accordance with generally accepted actuarial practices, with such changes as may be determined by OSFI (s.365-369 ICA).	No requirement for independence for trustees/board of directors of mutual fund (other than under corporate legislation for mutual fund corporations) -- no requirement that a board of directors of a manager of a mutual fund have independent directors. NP 39 requires each mutual fund to appoint a custodian for its assets -- a custodian of a fund is a separate body corporate from the manager of the fund, although it need not be a non-affiliated entity.
14. Capital requirements	Federally-incorporated life companies must have at least \$10 million of capital upon incorporation. The average capital of life companies issuing IVICs is \$617 million. Life companies are required to maintain adequate capital and adequate and appropriate forms of liquidity (s. 515 ICA). According to OSFI, the average MCCR for the industry was 236% at December 31, 1997. The required regulatory capital is a ratio of 100%. A life company's appointed actuary must certify on an annual basis that the life company meets the capital adequacy requirements and exceeds the MCCR. A life company bears the ultimate responsibility for its liabilities under an IVIC.	Capital required for managers of mutual funds registered as "advisers" or "dealers"; minimum net free capital requirements for advisers - amount deductible under requisite insurance/bonding plus \$5,000 [BC \$25,000]; and for mutual fund dealers - amount deductible under requisite insurance/bonding plus \$25,000 (ss. 107 and 108 of the Regulation under the OSA) [BC \$75,000 if dealer holds client funds or securities]. Entities eligible to act as custodians for mutual funds must be either Canadian chartered banks, registered provincial trust companies with shareholders equity of at least \$10 million or wholly owned subsidiaries of such entities having shareholders equity of \$10 million (s. 7 of NP39). Other than a requirement to have at least \$150,000 of seed capital or \$500,000 of invested money (through a best efforts offering) (section 3 NP39) no requirements for minimum level of assets for mutual funds. In Quebec, a financial adviser must have working capital at least equal to \$25,000 and the deductible required under section 209 of the Regulation.  A mutual fund dealer in Quebec, with a restricted practice must have net free capital of \$50,000 and the deductible under section 208 of the Regulation.

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
15. Proficiency requirements	Directors and officers of life companies must meet the standard of care imposed by s.166 of the ICA. Often, life companies have subsidiary investment advisers, whose officers and directors are regulated under provincial securities legislation and must meet that legislation's proficiency requirements. Life insurance agents are required to pass examinations prior to becoming licensed. In certain provinces, there are two tiers of license each requiring the passing of an examination. In addition, many provinces are introducing continuing education requirements for agents.	Managers of mutual funds must follow the standard of care for managers set by securities regulations (s. 116 of OSA) and the standards set by common law. Managers of mutual funds who are providing investment management services or entities that act as portfolio advisers must be registered as advisers -- provincial securities legislation requires certain proficiency (both required courses and experience) of officers and directors of those entities. Managers of mutual funds that act as principal distributors and, as such, are registered as mutual fund dealers -- provincial securities legislation requires certain proficiency (courses offered by IFIC are acceptable) of officers and salespersons of those entities.
16. Other qualifying requirements	Life companies are required to file annual audited and quarterly unaudited returns and submit to annual audits by OSFI. In addition, life companies are required to be licensed in all provinces in which they wish to carry on business. They are therefore subject to the regulation of the applicable provincial life insurance regulators with respect to the conduct of their activities in a province.	Specific requirements (proficiency, capital, insurance bonding etc.) for managers of mutual funds that are registered as advisers or dealers (see below) -- and those entities must be registered with provincial securities commissions. All mutual funds must have a separate Canadian custodian to hold assets of the mutual fund -- Canadian chartered bank or trust company or a subsidiary of either, with capital of \$10 million. (s. 7.03 of NP 39). Trustees of mutual funds in Ontario must either be a registered trust company or the manager of the mutual fund (approved by the OSC) (s. 213(2)(3) of the Loan and Trust Corporations Act (Ontario) and Approval dated January 4, 1997 of the OSC).
17. Codes of conduct	Life companies must establish a conduct review committee charged with ensuring management establishes procedures to deal with related party transactions. This committee must review those procedures and the practices of the life company to ensure that any related party transactions that may have a material effect on the life company are identified (s.204 (3) ICA). The audit committee of a board has statutorily mandated duties, including ensuring that management implement appropriate internal control procedures (s. 203 ICA). The OSFI Guidelines on Standards of Sound Business and Financial Practices also apply. CLHIA members must adhere to CLHIA guidelines concerning issues such as proper advertising and sales promotion, rights to privacy and agent remuneration. Adherence to the Consumer Code of Ethics is a condition of membership in the CLHIA. In Ontario, life companies must also adhere to a statutory duty of care to: screen new agents for suitability, monitor agents for regulatory compliance, and report unsuitable agents to the appropriate regulator for disciplinary action. Life insurance agents are also subject to association standards, such as the CAIFA Code of Ethics. Most life companies have adopted internal codes dealing with personal investment trading by employees in investment/treasury divisions. Many of such personnel are chartered financial analysts, and accordingly, are subject to the code of ethics and standards developed by AIMR. Codes of conduct adopted in response to statutory requirements and industry standards generally exceed minimum requirements.	Managers of mutual funds must follow legislated mandated standard of care (s. 116 of OSA) and the common law of fiduciaries. Managers of mutual funds registered as advisers or dealers must adopt procedures for dealing with clients and for ensuring fairness in allocation of investment opportunities. Advisers generally adhere to the AIMR code of ethics and standards. Manager members of IFIC must adopt a Code of Conduct promulgated by IFIC on personal trading by employees of manager member firms by December 31, 1998. Securities regulation does not regulate trustees -- trustees are governed by the common law of trustees and by provincial and federal trust legislation. Individual declarations of trust for mutual funds generally also prescribe (via contract) codes of conduct for the management of the business and affairs of the mutual fund.

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
18. Resources	[See item #14 above for capital requirements]. Directors of a life company are obligated to manage or supervise management of the business of the company. The audit committee of the board of a life company must, among other obligations: (a) ensure that the life company has appropriate internal control procedures, (b) meet with the auditor and appointed actuary of the life company to discuss annual statements and returns, and (c) review investments and transactions that could adversely affect the life company (s. 203(3) ICA). The Minister of Finance has the authority to prevent "unsuitable" individuals from operating a life company upon incorporation and transfer of ownership (s. 27(d) and 420(1)(d) ICA). The federal Superintendent has a similar power where the life company's solvency may be impaired (s. 678.1(4) ICA) -- collectively, the "fit and proper" tests. Suitability is defined to include character, competence and experience suitable for involvement in the operation of a life company.	If the manager of a mutual fund is registered as a dealer or an adviser, then securities legislation imposes minimum (fidelity) insurance/bonding requirements and financial reporting requirements -- no specific assessment to determine if registrant has the resources (technical or otherwise) to perform advisory or distribution functions. Discretion in the provincial securities commissions to not permit the sale of securities of the mutual fund where its manager or its trustee clearly has limited resources to carry out its contractual obligations to the mutual fund. (s. 62 OSA)
19. Duties of service providers mandated?	Generally the duties of a service provider are established by contract between the life company and the external service provider. See also the Protection of Assets (Insurance Companies) Regulations of the ICA for custodial requirements.	Duties of a manager of a mutual fund established under NP39 and Part XXI of the OSA (including a standard of care). Specific duties, not contrary to these mandated duties, generally established by contract between the mutual fund, its trustee and the manager. Contractual arrangements generally such that a manager is responsible to perform or arrange to be performed all administrative and investment management services required by the mutual fund. Significant number of managers engage third party service providers. Securities regulation provides for rules for the custodianship of the assets of mutual funds (Part 7 of NP 39).
20. Ability to sub-contract and sub-delegate	Sub-contracting permitted, subject to the Policy on Outsourcing of Business Functions issued by OSFI (which deals with requirements for written contracts etc.). The life company remains responsible for its liabilities under IVICs.	No restrictions on sub-contracting or sub-delegation, however, if the manager sub-contracts or delegates the investment management to a third party investment manager, that entity must be registered as an adviser. Managers not registered as advisers (or exempt from registration) must delegate the management of the assets of a mutual fund to registered investment advisers. Part 7 of NP39 requires mutual fund to consent where custodian wishes to sub-delegate custodial functions to a sub-custodian. However, the custodian remains liable to the mutual fund for all custodianship of its assets.
21. Regulatory oversight of operators of or service providers to product structure	Life companies have a statutory duty to provide federal and provincial insurance regulators with such information as may be required. They must annually prepare and file with OSFI a return of their condition and affairs as at the financial year end, showing assets and liabilities and income and expenditures during that financial year (OSFI 54). An Annual Return for Segregated Funds also must be filed (OSFI 85). In addition, life companies are required to file annually with OSFI returns giving extensive information about directors and auditors, along with copies of by-laws. The federal Superintendent must examine each life company at least annually and has the authority to access the life company's records, cash, assets and securities. The federal Superintendent may also require the directors, officers, auditor and appointed actuary of a life company to provide information and explanations regarding its conditions and affairs or any entity in which it has a substantial investment. Provincial insurance regulators oversee IVICs. Seg fund investments may be reviewed to confirm compliance with investment objectives, limitations and restrictions and risks set by the IVIC Guidelines. Life companies must annually certify compliance with the investment, advertising and sales communication requirements of the IVIC Guidelines, via Form 2 of IVIC Guidelines, which must be signed by a senior officer or director. Service providers registered under the provincial securities legislation are subject to CSA supervision. Life insurance agents are subject to supervision and discipline by provincial insurance regulators.	Provincial securities commissions annually renew registration of advisers and dealers. Such entities must annually file financial statements, fees, certificates as to capital and insurance and bonding and descriptions of changes to directors, officers or registered salespersons. Provincial securities regulation gives securities commissions the right to perform compliance inspections of registrants, including mutual fund dealers and advisers. Dealers that are members of the IDA (and those that will be members of the proposed MFDA) must annually renew their membership -- the IDA (and the proposed MFDA) perform annual compliance reviews of members. Annual compliance certificates must be filed with provincial securities commissions by custodians and by distributors of mutual funds (with respect to their compliance with certain specified rules in NP39, mostly relating to transmission of purchase and redemption orders and money). Approval by provincial securities commissions is required before a manager of a mutual fund may be changed, before control of a manager of a mutual fund may be changed and before a custodian may be changed (where manager is also changing) (s. 9.01 NP39). Annual police and investigation checks on members of boards of managers may be conducted as part of the annual prospectus renewal required for mutual funds.

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
22. Regulatory sanctions against operators or service providers to product structure	Federal regulatory sanctions include cease and desist orders requiring a life company to cease any action or to take measures necessary to remedy a situation. OSFI is authorized to take temporary control of the assets (including segregated fund assets) of a life company and to manage its affairs where assets are not accounted for, liabilities are not being paid or a practice or state of affairs exists that is materially prejudicial to the contractholders or creditors of the life company. Life companies and their officers and directors may be subject to fines and jail terms, in the case of officers and directors. Provincial regulatory sanctions include revocation or suspension of a life company's license, cease and desist orders and fines levied against a life company and/or its officers and directors. Provincial insurance regulators can refuse to issue a certificate to permit the issuance of new IVICs. Federal and provincial regulators are also authorized to examine and investigate the affairs of life companies at any time (s.440, OIA.; s.674 ICA).	In Ontario, the OSC can make various orders if it is "in the public interest" to do so. Such orders include suspending or restricting registration, cease trading an issuer (including a mutual fund) permanently or temporarily, prohibiting the availability of any exemption under the OSA, ordering a review of the practices and procedures of a "market participant", ordering the production or amendment of a prospectus or financial statements (among other documents) or ordering a reprimand of a person or company (s. 127 OSA). In addition to the powers given to the OSC, the OSC can apply to the Ontario Court (General Division) for a declaration that a person has not complied with securities laws. The court is given the power to make orders, in addition to those imposed upon the party by the OSC. The court's powers include the power to rescind transactions, power to require the issuance, cancellation, purchase, exchange, disposition or purchase of or repayment of money paid for securities, power to prohibit voting rights or exercise of other rights, power to appoint directors or officers, power to prohibit a person from acting as a director or officer and the power to order general or punitive damages (s.128 OSA).
23. Any requirements for operators/service providers to put seed money into product structure?	There is no minimum amount mandated for the creation of a segregated fund underlying an IVIC. OSFI approval is required for the return of seed money when deposited by the applicable life company (s.453 ICA).	Before a new mutual fund may be offered to the public, the manager of the mutual fund (or its affiliates) must either invest \$150,000 in the mutual fund, which cannot be redeemed until an additional \$500,000 has been invested or it must arrange for the mutual fund to be sold on a best efforts offering where a minimum of \$500,000 must be invested by outside investors. (s. 3.01 NP 39)
<i>Investment and Borrowing Limitations (for mutual funds or segregated funds):</i>		
24. Investment objective / strategies	Life companies are required under the IVIC Guidelines (s. 10.1(1)) to ensure that an information folder contains an investment policy for each segregated fund briefly addressing each of the following matters: (a) the objective of the segregated fund including the investment style or parameters of the investment portfolio; (b) use of the segregated fund's earnings and (c) disclosure of the principal risks. More detailed description of each segregated fund's investment policy (if one exists) must be available upon request and the information folder must disclose how a contractholder can access this more detailed policy (s. 5.2(3) IVIC Guidelines).	A mutual fund must have a "fundamental investment objective" that must be described in its prospectus, along with the investment strategies pursuant to which such investment objective will be achieved. The prospectus of a mutual fund must disclose how income of the fund will be distributed and what risks are applicable to an investment in the fund. (s. 2.01 NP39 and Appendix A to NP36)
25. Changing investment objective/strategies	A change in the investment objective, including the investment style or parameters of the portfolio, would constitute a material change of facts described in the information folder and the information folder would be required to be re-filed (s. 2.1(gg), 4.2 IVIC Guidelines). Contractholders rights in this regard determined by contract. Some contracts require that contractholders be notified in advance of a material change in investment policy.	A mutual fund cannot change its "fundamental investment objective" without obtaining securityholder approval (via a meeting of securityholders). The prospectus for the mutual fund must also be amended to disclose the prospective change (before a meeting) and the change (after the meeting). Investment strategies followed to achieve a fundamental investment objective may be changed as needed, provided appropriate prospectus disclosure made (via amendments to current prospectus). (s.6.01 NP39)
26. Eligible instruments -- publicly traded, transferable, liquid securities	No specific restrictions on investments in publicly traded securities eligible to be made for a segregated fund. Investments must be consistent with investment objectives of the segregated fund as described in its information folder and investment policy statement. No more than 10% of net assets of a segregated fund may be invested in "illiquid assets" as defined in IVIC Guidelines (s. 10.4 IVIC Guidelines).	No specific restrictions on the investments eligible to be made by a mutual fund, although they must be consistent with the fundamental investment objective of the fund, which must be described in the prospectus of the mutual fund. No more than 10% of net assets of the mutual fund can be invested in "illiquid" or "restricted" securities, as defined in NP39.

		<b>SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT</b>	<b>MUTUAL FUNDS</b>
27.	Eligible Investments --money market instruments	If the segregated fund is a money market fund, it is restricted to investing in money market instruments with a term of less than 13 months (25 months for government securities) and is subject to other specified restrictions (s.2.1 <i>IVIC Guidelines</i> ). Other segregated funds have no restrictions in investing in money market instruments (provided consistent with investment policy)	If the mutual fund is a money market fund, it is restricted to investing in money market instruments with term to maturity of less than 13 months (25 months for government securities) and is subject to other specified restrictions, including that the fund's average term to maturity must not exceed 180 days. (s. 16 <i>NP39</i> ). Other mutual funds have no restrictions in investing in money market instruments (provided consistent with investment objectives).
28.	Eligible Investments --other investment vehicles (that is, other segregated funds or mutual funds or closed end funds)	If the segregated fund is to invest in other segregated funds or mutual funds, there must be adequate disclosure of this practice in the information folder. Principal fund must calculate its unit market value. It must also disclose fees of both the principal and secondary funds in the information folder. Fees cannot be duplicated where the secondary fund is controlled by the life insurance company or upstream company that controls the principal fund. Where the principal fund invests more than 20% of its net assets in a secondary fund, it must disclose the assets held by the secondary fund and the secondary fund must follow the investment policy of the principal fund.	A mutual fund may invest only in other mutual funds qualified for sale in Canada or where an investment in a mutual fund is the only way for the Canadian mutual fund to invest in another country. The mutual fund must ensure no conflicts of interest or duplication of management fees arise due to the investment in another mutual fund. An investment of more than 10% of net assets of a mutual fund in another mutual fund requires regulatory approval. (s. 2.04(l) <i>NP39</i> ) Regulatory approval on specified conditions granted to fund of funds structures where the top fund's percentage investments in a specified underlying fund or funds is fixed -- a so-called passive fund on fund investment. Disclosure in the mutual fund's prospectus of any proposed mutual fund investment is required.
29.	Eligible Investments --derivatives	Segregated funds may invest in derivatives as permitted by the <i>IVIC Guidelines</i> . (s. 10.2 <i>IVIC Guidelines</i> ).	Mutual funds may invest only in "permitted derivatives" as permitted under <i>NP39</i> . Rules in <i>NP39</i> designed to limit leverage, counterparty exposure, market risk. See further item 34.
30.	Eligible Investments --bank deposits or other liquid assets	No specific restrictions on bank deposits or other liquid investments, other than the investments must be consistent with the investment policies of the segregated fund.	No specific restrictions on bank deposits or other liquid investments, other than the investments must be consistent with the investment objectives of the mutual fund.
31.	Eligible Investments --other financial instruments	Segregated funds may invest in real estate, subject to investment restrictions and disclosure requirements contained in the <i>IVIC Guidelines</i> (s. 5.3, 10.1(2)(e), 10.5, Form 1, item 13(b) <i>IVIC Guidelines</i> ). Real estate investment requirements of the <i>IVIC Guidelines</i> similar to those contained in former <i>OSC Policy 11.5</i> . Segregated funds may also invest in mortgages, subject to investment restrictions and disclosure requirements (s. 10.1(2)(d), 10.6, Form 1 item 13(a) <i>IVIC Guidelines</i> ). Mortgage investment requirements of the <i>IVIC Guidelines</i> similar to <i>NP29</i> , with the principal exception that investment in commercial mortgages by segregated funds is not as restricted. Life companies are major participants in the commercial mortgage market both for their general funds account and for segregated funds. While the <i>IVIC Guidelines</i> contain no specific restrictions on investing in commodities or precious metals, currently, no segregated funds currently invest in such products.	Mutual funds may not invest in real estate. Conventional mutual funds are restricted from investing more than 10% of net assets in "permitted mortgages" ( <i>NP29</i> provides special rules for mortgage mutual funds). Conventional mutual funds may not invest in commodities -- special rules for commodity pools ( <i>OSC Policy 11.4</i> ). Some precious metal mutual funds have been permitted by securities regulators (mutual funds prohibited from investing in gold, silver or other precious metals, without regulatory approval) (s. 2.04 (1)(c), (d),(e), (j) <i>NP39</i> ).
32.	Investment limitations -- on publicly traded, transferable, liquid securities	The sum of the segregated fund's exposure to any one corporate entity may not exceed 10% of the value of the segregated fund (includes debt and equity exposures) (s. 10.1 (2) (a) <i>IVIC Guidelines</i> ). May not invest in more than 10% of class of securities of one corporate issuer (other than Canadian government securities) (s. 10.1(2)(b) <i>IVIC Guidelines</i> ). May not invest more than 10% of assets in illiquid securities (s. 10.4 <i>IVIC Guidelines</i> ).	Mutual funds may not invest more than 10% of net assets in securities of any one issuer (other than Canadian or US government securities) and may not invest more than 10% of net assets in illiquid/restricted securities. (s.2.04(1)(a) and (f) and s. 2.05(2) <i>NP 39</i> ).
33.	Investment limitations --on voting rights	Segregated funds may not invest in issuers in order to exercise control or management (s. 10.1(2)(c) <i>IVIC Guidelines</i> ). As the assets of each segregated fund are held in the name of the life company, the insider reporting and takeover bid rules of provincial securities regulation applies. See Item # 32 above for investment limitations.	Mutual funds may not invest in issuer where mutual fund would hold more than 10% of any class of securities of issuer (s. 2.04(1)(b) <i>NP 39</i> ). Securities legislation restricts a group of mutual funds under common management from investing/holding (collectively) more than 20% of the voting securities of an issuer. (s. 111(2)(b) <i>OSA</i> ). Mutual funds may not invest for the purposes of control or management. (s. 2.04(1)(g) <i>NP39</i> ).

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34. Investment limitations --on derivatives	S.10.2 of the IVIC Guidelines sets out rules for use of derivatives by segregated funds. Derivatives in an unleveraged portfolio may be used to hedge, generate income (by sale of covered calls) or for replication of an index. In a unleveraged portfolio, the notional amount of derivatives cannot exceed 100% of the value of the net assets of the fund, subject to a short-term 2% variance for foreign exchange. Special rules apply where derivatives are utilized in a leveraged portfolio. (s.10.2, Form 1 Item 13(c) IVIC Guidelines). In a leveraged portfolio, the net assets of the segregated fund per trading strategy cannot exceed 20%. Each trading strategy must be isolated in limited liability secondary funds. A life company must perform risk management studies to ensure that trading strategies are independent and have a low correlation of each other.	Mutual funds may purchase and sell "permitted derivatives" only as specified in NP39. The rules contained in NP39 are designed to ensure that mutual funds are not leveraged. Under section 2.07 of NP39, mutual funds may use permitted derivatives for hedging purposes, may purchase or sell over-the-counter derivatives, futures, options on futures, clearing corporation options and debt-like derivatives in enumerated circumstances and must have cash cover equal to the exposure under the derivative instrument. Credit risk is limited through exposure to satisfactory counterparties and market risk is limited through restrictions on exposure to any one issuer. A mutual fund may only purchase and sell derivatives if its portfolio adviser meets the proficiency requirements to purchase and sell such derivative instruments.
35. Other limitations	Investment in illiquid securities may not exceed 10% (s.10.4 IVIC Guidelines); investments in mortgages and real estate subject to specific requirements (s. 10.5 and 10.6 IVIC Guidelines); may not purchase securities for the purpose of exercising control or management of issuer (s.10.1(2)(c) IVIC Guidelines).	Investment in illiquid/restricted securities may not exceed 10% of net assets (s.2.04(1)(f) and s. 2.05 (2) NP 39); investments in "permitted mortgages" may not exceed 10% of net assets (s. 2.04(1)(e) NP 39); may not purchase securities for the purpose of exercising control or management of the issuer (s.2.04(1)(g) NP 39); may not invest more than 10% of assets in gold or gold certificates (s. 2.04(1)(h) NP 39); may not invest in real estate, commodities, derivatives, other than "permitted derivatives" (ss 2.04(1)(c), (i), (j) NP 39).
36. Borrowing and Lending Limitations	A life company shall not on behalf of a segregated fund pledge, mortgage or hypothecate its assets, except: in the course of an acquisition or a renewal of a pledge, mortgage or hypothec or as a temporary measure to accommodate requests for full or partial withdrawal of benefits under an IVIC . All borrowings not to exceed 5% of net assets (s.10.7(1) IVIC Guidelines). If the segregated fund is a real estate fund it may borrow up to 75% of the market value of the real property, provided its total indebtedness, including real estate mortgages, does not exceed 50% of total assets of the segregated fund (s. 10.7 (2) IVIC Guidelines). A life company may not provide a guarantee on behalf of a real estate segregated fund, except one related to the mortgage indebtedness on real property (s. 10.7(3) IVIC Guidelines).  The sum of the segregated fund's exposure to any one corporate entity may not exceed 10% of the value of the fund (including equity and debt exposures) (s.10.1(2)(a) IVIC Guidelines). Lending of securities held in segregated funds is permitted, however federal life companies must comply with OSFI Securities Lending Guideline B-4 which sets out prudential considerations relating to securities lending. Prior OSFI approval is required each time that a segregated fund creates a security interest. (s.470 ICA)	A mutual fund may borrow money as a temporary measure only for accommodation of redemptions to a maximum of 5% of assets. Certain exceptions are provided for mortgage mutual funds under NP29. To the extent the borrowing is permitted, the mutual fund may pledge assets (s. 2.05(1) of NP 39). A mutual fund may not lend assets (securities or otherwise) (s. 2.05(7) of NP 39). A mutual fund may engage in certain specified repurchase agreements (provided regulatory approval obtained) generally on conditions that it acquires an asset equal to 102% of the price paid, on terms that requires the mutual fund to resell the asset at a specified time at a specified price.
37. Regulatory oversight – compliance with investment limitations/restrictions	Provincial insurance regulators have the power to perform a compliance review as part of annual information folder review of IVICs. A senior officer of a life company must file on any re-filing (annual or material change) a specified Form 2 certifying that each segregated fund has comprehensive written internal procedures outlining how investment and lending policies will be implemented and monitored, and all relevant exposures (such as fluctuations in interest rates, foreign exchange rates and market values; limits on lending; quality standards for investments and loans; limits to industries and geographic regions and limits for derivatives) will be addressed; and to ensure procedures are established for compliance with advertisement and sales communication requirements of the IVIC Guidelines. Life companies must also have procedures in place to monitor compliance with such policies. (Form 2 - IVIC Guidelines) . Federal life companies must file an Annual Return for Segregated Funds – OSFI 85, which is the statement of assets and liabilities and income and expenditures for the segregated funds of a life company.	Provincial securities commissions may perform a compliance review as part of the annual prospectus review of a mutual fund. This review entails a review of financial statements to ensure the fund's portfolio largely conforms with the fundamental investment objective of the mutual fund and that the fund has complied with NP39 investment restrictions and practices. Commission staff have the authority to perform inspections on those managers registered as advisers to ensure management of mutual funds in accordance with fundamental investment objective and rules applicable to mutual funds.

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<i>Conflicts of Interest:</i>		
38. General standards concerning conflicts of interest	Related party transactions of federal life companies subject to the self-dealing provisions of the ICA. In particular, transactions with related parties are prohibited, except as specifically permitted under the ICA. Permitted transactions must be on terms and conditions that are at least as favourable to the life company, as market terms and conditions would be (Part XI, ICA).	Because of the imbalance of power and information that exists between unitholders of a mutual fund and the fund's management, neither the disclosure-based rules generally applicable to other public issuers nor the licensing system that applies to intermediaries and advisers has been deemed sufficient on its own to protect unitholders. Securities legislation subjects mutual funds to both regimes (ie. disclosure and specific restrictions) and attaches additional safeguards modelled on the self-dealing restrictions applicable to federally regulated financial institutions. These additional provisions are aimed at preserving unitholders' interests from self-dealing transactions affecting the funds' portfolio. The regime relies on a number of restrictions and prohibitions against trades with, through or in the securities of certain defined related parties. (Part XXI OSA and Part 4 of NP39)
39. Soft dollar transactions [that is, directed commissions on portfolio transactions towards the acquisition of products or services]	No specific requirements concerning soft dollar transactions.	Restricted to goods and services which are for the benefit of securityholders of mutual fund (ie. investment decision making services) -- full disclosure required in prospectus. (OSC Policy No. 1.9)
40. Purchase by product structure of underwritten securities (related underwriter to operators of product structure)	See item # 38 for the applicable self-dealing rules. No specific rules regarding related party underwritings.	Mutual fund may not buy underwritten securities from an underwriting syndicate in which the manager participates or an associate or affiliate of the manager participates (ie. related dealer to the manager), for a period of 60-days, unless participation is less than 5% of the total underwriting or if the securities underwritten are government securities. (s.4.02 NP39)
41. Purchase of securities of operator or related parties of operators of product structure	Federal life companies prohibited from purchasing own shares or upstream company shares, except in very limited circumstances (s.74, 76.1 ICA). IVIC Guidelines require disclosure of any relationship between the portfolio manager of the segregated fund (if other than the life company) and the methods established to deal with conflicts of interest, if any (Form I, Item 9, IVIC Guidelines). A segregated fund must purchase an investment based on its prevailing market price, or where an investment is purchased other than through normal market facilities, based on what would have been its reasonably negotiated price with an arm's length party (s. 10.8 IVIC Guidelines).	Securities legislation prohibits purchase of securities issued by "substantial securityholder" (20% shareholder) of manager, mutual fund or principal distributor or issued by issuer in which officer or director of manager, mutual fund or principal distributor or issued by issuer in which officer or director of manager, mutual fund or distribution company or substantial securityholder thereof has a "significant interest" (10% holding) (s. 111 of OSA)
42. Principal transactions with affiliates	See item # 38 for the applicable self-dealing rules. No specific rules regarding principal trades with related parties. IVIC Guidelines require disclosure in the information folder of any material interest of certain persons including affiliates during past three years in certain material transactions (Form 1, Item 10, IVIC Guidelines). A segregated fund must purchase an investment based on its prevailing market price, or where an investment is purchased other than through normal market facilities, based on what would have been its reasonably negotiated price with an arm's length party.	No principal trading permitted between mutual fund and its manager, portfolio adviser, trustee or any officer or director of the mutual fund, its manager, portfolio adviser or trustee or any of their associates or affiliates (that is, mutual fund cannot purchase securities owned as principal by related parties). A portfolio manager may not cause a mutual fund to purchase or sell securities of any issuer from or to the account of a responsible person (portfolio managers, directors and officers and affiliates thereof) any associate of a responsible person or the portfolio manager. (s. 2.05 NP39 and s. 118 OSA). Section 118 of the OSA prohibits so-called "inter-fund trading" -- that is, trades of portfolio securities directly between funds.

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43. Borrowing and lending to affiliates	See item # 38 for the applicable self-dealing rules. Section 526 of the ICA deals with borrowings by life companies from related parties and section 529 of the ICA deals with loans by insurance companies to related parties. Any loans made would be out of a life company's general assets and not out of a segregated fund's assets.	Securities legislation prohibits loan by mutual fund to any officer or director of mutual fund, its management company, or distribution company or an associate of any of them, prohibits loans by mutual fund to any individual if the individual or an associate of the individual is a substantial securityholder of the mutual fund, its management company or distribution company, a portfolio manager may not cause the mutual fund to make a loan to a responsible person, an associate of a responsible person or the portfolio manager. (s. 111 OSA)
<i>Asset Valuation and Pricing:</i>		
44. Principles for valuation and pricing interests in the product	<p>Assets of segregated funds are valued at market value generally on each valuation date, which is, in the majority of cases, each day that the TSE is open for business, and which may not be less frequently than monthly (s.5.1(d) <i>IVIC Guidelines</i>).</p> <p>Portfolio transaction and purchases and redemptions must be reflected in the current or next calculation of net asset value. Basis for valuing assets of the segregated fund must be disclosed.</p> <p>No prohibition against backward pricing, but universal practice is that valuations occur at the end of the day or the next valuation day. Specific rules exist for valuing fund assets which are: mortgages (s.10.1(2)(d); 10.6(c)); real estate (s.10.1(2)(e); 10.5(f); Form 1, Item 13(b)); and derivatives (s.10.2(4)) – all references are to <i>IVIC Guidelines</i>.</p>	<p>Net asset value must be determined at least once a week and if mutual fund uses derivatives, must be daily net asset value calculation (most have daily valuations) (s.11.05 NP 39)</p> <p>Portfolio transactions and purchases and redemptions of the mutual fund's securities must be reflected in the next calculation of net asset value (ss 14.01 and 14.02 NP 39)</p> <p>Basis for valuing assets of the fund must be disclosed -- rules for valuing restricted securities and permitted derivatives are set out (ss 14.04 and 14.05 NP 39). Generally valuation procedures are established in constating documents of mutual fund (ie. the declaration of trust or articles of incorporation). Securities of mutual fund to be sold and redeemed at net asset value "next determined" (forward pricing) (s. 11.04 NP 39)</p> <p>Securityholder approval required to decrease timing of calculation of net asset value. (Section 11.05 of NP 39)</p> <p>NP 29 sets out specific rules for valuation of mortgages for mortgage mutual funds.</p>
45. Regulation of redemption rights/ purchase of interests by purchasers	<p>IVICs set withdrawal rights by contract. All IVICs provide for withdrawal rights as a principal benefit. All IVICs permit redemptions and purchases at current net asset value or at net asset value "next determined" after receipt of order - redemptions permitted with same frequency as valuations, usually daily, some weekly.</p> <p>Life company may reserve right to temporarily suspend withdrawals if markets not trading; and mortgage and real estate seg funds may temporarily suspend full withdrawals if liquidity insufficient to redeem all requests, in which case withdrawals must be "pro rata" (s.10.5(8) and 10.6(5) of <i>IVIC Guidelines</i>).</p>	<p>Central feature of mutual funds is that they are redeemable on demand -- that is, investors have the right to sell their units back to the fund at the then current net asset value of the fund. This redemption feature built into the constating documents of all mutual funds (that is, the declaration of trust or articles of incorporation, as applicable). All mutual funds must permit redemptions and purchases at net asset value "next determined" after receipt of order (in proper form) -- depending on method chosen by mutual fund for calculation of net asset value, redemptions may be daily or weekly - redemption price to be paid to investors within 5 days of calculation of net asset value for the purposes of the redemption. Mutual funds may suspend the right to redeem in certain limited circumstances (generally when primary stock exchange not trading) or with the consent of the securities regulators.</p> <p>(Section 13.04 of NP 39)</p>
<i>Structural requirements for product:</i>		

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46. Where and how must assets of the product structure be held?	A life company must maintain separate accounts and hold segregated funds' assets separately from the general assets of the life company (s. 451 ICA). Segregated fund assets must be held by life company or by custodian or sub-custodian in Canada. Protection of Assets Regulations of the ICA specifies requirements for safeguarding of assets and securities, registration of securities and company bonding and insurance. If the life company contracts with a third party provider for custodianship of assets, the information folder for the segregated funds must identify the service provider and disclose arrangements. (Form 1, Item 5, IVIC Guidelines.) OSFI Draft Guideline on Outsourcing of Business Functions by federally regulated financial institutions mandates development of risk-management outsourcing program to, among other things, (a) identify material arrangements, (b) evaluate service provider and (c) monitor such arrangements.	All assets of a mutual fund must be held by a Canadian custodian. NP39 sets out rules for the custodianship of the assets of the mutual fund (Part 7 of NP39). NP39 also deals with the appointment of sub-custodians.
47. Regulation of fees charged to product structure	Provincial insurance legislation and IVIC Guidelines do not regulate fees and expenses charged to segregated fund. Expenses charged to seg fund monitored through the annual financial audit of the seg fund. Wrap product (segregated fund investing in underlying mutual fund) requires that management expense ratio of segregated fund include management fees or other administrative charges of both funds. If both funds in wrap product controlled by same or affiliated entities, no duplication of management fees or sales charges is allowed (s.10.3(c) IVIC Guidelines).	Provincial securities legislation does not regulate the fees and expenses charged to a mutual fund, other than incentive fees (fees based on performance of the mutual fund) -- see section 8.02 of NP39. NI 81-105 Mutual Fund Sales Practices prohibits mutual funds from paying any money or providing any non-monetary benefits or reimbursing any expenses to dealers or sales representatives in connection with the distribution of its securities. Any payments permitted by the NI (for example sales and trailing commissions) must be paid by the manager (or other related entity). Where fund-of-fund structures permitted (via specific discretionary relief) -- must be no duplication of management fees (s. 2.04(1)(k) NP39). Expenses charged to mutual fund monitored through the annual financial audit of the mutual fund. Specifics of expenses to be charged to a mutual fund established via the declaration of trust or other constating documents. Disclosure of fees and expenses charged to the mutual fund mandated by NP36.
48. Record - keeping	A life company must maintain extensive company records, including corporate accounting records and customer records indicating, among other things, the nature of its liabilities to contractholders of IVICs (s.261(2) ICA). Life companies follow the Generic Record Series Retention Schedule developed by the CLHIA to assist its membership in developing and maintaining records retention schedules. Applicable federal and provincial statutes and regulations specifying limitations and retention periods are identified. In addition, OSFI Guideline E-5 (Retention/Destruction of Records) provides guidelines for retention of records for life companies.	Mutual fund trusts are required to maintain a register of unitholders in specified format (NP34). Managers registered as advisers and dealers are required to maintain books and records as are "necessary to record properly its business transactions and financial affairs" -- in this regard, specific detailed records are mandated for dealers and advisers (s.113 of the Regulation under the OSA). Record retention is governed by laws of general application (such as tax and general corporate and trust principles). As a practical matter, mutual fund managers keep such records as are necessary for a full and proper financial audit of the mutual fund.

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49. Privacy and Confidentiality	<p>Federal life companies are required to have and maintain certain records (s.261, 267 &amp; 269 ICA). A life company must take reasonable precautions to prevent loss and destruction and falsification of entries, to facilitate detection and correction of inaccuracies and ensure that unauthorized persons do not have access to, or use of, information. Section 489 of ICA authorizes regulations requiring life companies to establish procedures for the collection, retention, use or disclosure of customer information. The CLHIA "Right to Privacy" guidelines were adopted in 1980 and are updated periodically. In 1991, the industry reinforced its commitment to privacy through its Consumer Code of Ethics. Many life companies have their own privacy code. In addition, life companies and their agents are subject to privacy legislation in Quebec. Privacy regulations under the Insurance Acts of Ontario, Alberta and Saskatchewan have been proposed by the authorities. Customer consent is required in British Columbia to communicate personal information about contractholders. Proposed federal privacy legislation (Bill C-54) was recently introduced. Its provisions contain basic minimum standards to protect personal information about contractholders of IVICs and other policyholders.</p>	<p>The Principles of Regulation Re: Activities of Registrants related to Financial Institutions of the CSA prohibit a registrant from disclosing confidential client information to a related financial institution without first obtaining the client's informed written consent to do so. National Policy No. 41 of the CSA gives non-registered securityholders the option to object to disclosure of the non-registered holders name and securityholdings to the issuer of the securities. Fiduciary duties impose confidentiality requirements on the manager. In addition there are statutory privacy duties imposed in Quebec and Alberta and proposed in Saskatchewan and BC and by the federal government.</p>
50. Governance of product and/or operators of product	<p>As part of their increased corporate governance responsibilities under the ICA, the board and management of a life company are required to implement and monitor policies to ensure that the financial underpinnings of the life company are sound, its reserves and capital adequate and that the life company is in compliance with all laws, regulations, industry guidelines and internal codes and procedures.</p> <p>A life company is required to monitor the quality of internal controls in place for a segregated fund, ensure that the segregated fund has an investment policy in accordance with the IVIC Guidelines and monitor the management of the fund to ensure compliance with the policy. (s. 7.1 IVIC Guidelines)</p>	<p>Securities regulation mandates a standard of care for managers of mutual funds. No specific forms of proper governance for mutual funds or managers of mutual funds are mandated by legislation, although various mechanisms are implemented by various managers in practice and trust law requires some controls. A mutual fund manager must set up internal controls necessary to ensure that it is meeting its standard of care. NP39 requires certain regulatory and securityholder approvals for fundamental changes to a mutual fund (see items 21 and 51).</p>
<i>Purchaser Rights:</i>		
51. Principal rights of purchasers	<p>Every contractholder has right to: receive disclosure documents prior to signing application (s.6.1 IVIC Guidelines); receive guaranteed benefits at maturity and upon death; receive cash surrender value on demand at all times, other than maturity and death; with respect to fund mergers, receive notification and detailed information, including right to cash-out without fee (s.12.1,2 IVIC Guidelines); with respect to fund discontinuance, receive notification and detailed information, including right to cash-out without fee; designate a beneficiary, including a specified beneficiary in order that contract value be eligible for protection from creditors afforded under provincial insurance legislation (s.196 OIA); Contractholders have statutory priority in the event the life company becomes insolvent (s. 454 ICA) which is supported by the physical, accounting and title segregation of assets of each segregated fund. Contractholder may sue life company under an IVIC for benefits contracted for in the event segregated funds have insufficient assets to support these benefits (s. 455 ICA). Claims may be satisfied out of the general assets of the life company.</p>	<p>Right to redeem at then net asset value on demand; to receive prospectus containing full, true and plain disclosure; to receive annual and semi-annual financial statements concerning the mutual fund (Section 79 of OSA); to vote on certain proposed fundamental changes to the mutual fund - increase management fees (unless a "no-load" fund, when 60-day advance notice of increase required, but no vote required), change of manager, auditors of the mutual fund, change of fundamental investment objective (Section 6.01 of NP 39); to vote at any special meetings called by mutual fund; if a corporation right to vote at annual meetings to elect directors and appoint auditors; rights to rescind or withdraw from an order to acquire securities of a mutual fund (if rescission or withdrawal within 2 days of receipt of confirmation or prospectus) (Section 137 of OSA); statutory rights if misrepresentation in prospectus (Section 130 of OSA).</p>

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52. Consumer Inquiries/ Complaints	Contractholders may contact the CLHIA Consumer Assistance Centre ("CAC") for conflict resolution – if CAC cannot resolve, it forwards the complaint to the president of the applicable life company. If the matter remains unresolved, the contractholder can complain to CLHIA Ombud Service Officers who will negotiate resolution with the complaints officer of the applicable life company (ss. 486 and 489 ICA mandates complaints officers). In Ontario, a third level of review is offered by the Financial Services Commission's Insurance Ombudsman Office. In respect of major breaches or policy issues, a final level of review is available with the Ontario Superintendent of Financial Services.	Securities regulators consider and facilitate investor complaints with mutual fund companies and dealers and advisers. The IDA (and the proposed MFDA) deal with complaints about dealers and salespersons. Securities regulators function to enforce compliance with securities laws and do not ensure economic redress to investors.
53. Change in operators of investment vehicle	Regulatory scheme does not provide rights to contractholders to change operators of a segregated fund. In the event of the sale of IVIC's allocated to segregated funds or the sale of all or substantially all of the assets or policies of a life company, the approval of the federal Minister of State for Finance is required (ss.254,257 ICA). Such approval is usually conditioned on notification to affected contractholders and no substantive objection. ICA does not permit transfer of IVIC's from federal to provincial company (s.254(2)(a) ICA). If a life company appoints an independent sub-adviser to manage the segregated fund, the life company will reserve the right to change the sub-adviser.	Regulatory scheme does not give any rights to a securityholder to demand a change in manager of a mutual fund - constating documents governing the mutual fund may, via contract, give investors the right to demand that a vote be held to remove the manager; if mutual fund is a corporation - investors under corporate law can requisition a shareholder meeting to consider removing a manager or changing directors -- also shareholders of a corporate mutual fund have the right to nominate directors other than the management slate. Regulatory scheme requires approval of securityholders (via a securityholders' meeting) where the manager proposes to sell its management rights over the fund to another entity (that is, in the event of a change of manager) (Section 6.01 NP 39). In addition to securityholder approval, changes in managers or changes in control of managers must also be approved by the securities regulators (Section 9 NP 39).
54. Ability to change auditor of investment vehicle	Comprehensive mandatory procedures exist for the replacement of auditors of a federal life company (the auditor of the life company is generally the auditor of the seg funds of that life company). An auditor can be removed by resolution of the participating policyholders and shareholders of the life company. The federal Superintendent has the power to replace auditors of life companies (s.340 ICA). A resigning auditor is obligated to report to the life company and the proposed succeeding auditor on the reasons for the resignation (s.344, 345 ICA).	Auditors of a mutual fund may be changed only with the approval of a majority of unitholders given at a unitholders meeting (s. 6.01 of NP39). In addition, NP31 deals with the disclosure obligations required where an auditor of a public issuer (including a mutual fund) is proposed to be changed. The mutual fund must prepare a notice of change in auditor which consists of letters from the "former" auditors and the "successor auditors" as to whether any "reportable events" exist. This notice must be sent to securityholders and to the securities regulators.
55. Mergers and terminations of investment vehicle	Segregated fund mergers require notice to provincial insurance regulators, as well as to contractholders of terminating funds advising of rights to allow transfer to continuing fund or to withdraw cash surrender value without fee (s. 12.1.2 IVIC Guidelines). The life company typically reserves the right to discontinue a fund and transfer interest to alternative fund. In most such cases, the contractholder is allowed to exit without incurring withdrawal charges.	Mutual funds may wind-up (terminate) without unitholder consent. Most mutual funds reserve the right to terminate (wind-up) upon 60-days notice to unitholders (in constating documents). Generally mutual funds would not be permitted to charge any redemption fees in such circumstances (not a redemption). Most mutual fund restructurings in recent years conducted by way of mergers of one or more mutual funds -- particularly with the amendments to the ITA within last few years permitting tax-free roll-overs of assets between mutual funds. To date, most mergers of mutual funds have involved a meeting of unitholders of the terminating fund -- and adequate disclosure to such unitholders about the continuing fund. Discretionary regulatory relief is required (from self-dealing provisions contained in Part XXI of the OSA and from certain sections of NP39) before mergers can be affected. CSA staff have developed standard conditions for such mergers -- and propose to amend NP39 (via NI81-102) to permit certain standard mergers without regulatory approval, provided certain conditions are met (including the requirement that terminating fund unitholders vote in favour of the merger).

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56. Meetings of purchasers	IVICs are not participating policies of the life company. For federal life companies, IVIC contractholders are not entitled to attend meetings and vote. For Quebec life companies, IVIC contractholders are entitled to attend meetings and vote.	Certain fundamental changes to a mutual fund (ie. change of manager, change of auditors, increase in management fees, change in fundamental investment objective, decrease in frequency of calculating net asset value) must be approved by securityholders voting at a duly called meeting. Where a fund is a "no-load" fund, increases in fees can be made, without securityholder approval, but on 60-days advance notice (S.6.01 NP 39). If the mutual fund is a corporation, corporate law requires annual meetings at which directors elected and auditors appointed. The constating documents of the mutual fund may provide for other voting rights or rights to attend specified meetings. If meetings are held, securities legislation sets out rules applicable to the solicitation of proxies (Part XIX of OSA). Unitholders are generally given one vote per security held.
Marketing and Disclosure:		
57. Principal obligation	Until such time as the application, contract and information folder are filed with the CLHIA and the provincial insurance regulators and appropriate regulatory approval received, a life company may not offer an IVIC for sale in any province.	Mutual fund may not trade in securities unless the securities are qualified via a prospectus for which a "receipt" from provincial securities commissions has been obtained (s. 53 OSA). "Trade" is a very broadly defined term in the OSA.
58. Summary of reporting/disclosure requirements to new purchasers	A life company must provide a contractholder, prior to sale, with an information folder prescribed by IVIC Guidelines which principally includes a summary description of the contractual obligations under the IVIC and segregated fund information. Contractholders must receive audited annual financial reports of the segregated fund (s.5.4 of the IVIC Guidelines); may request delivery of complete investment policy of the seg fund (s.5.2(e); Form 1, Item 6); and have right to review material contracts of the segregated fund (Form 1, Item 14) – all references to IVIC Guidelines.	Investors must be given a prospectus, along with the annual and semi-annual financial statements of the applicable mutual fund (s. 71 OSA and NP36). Investors may request delivery of a more detailed annual information form which is filed along with the prospectus and is incorporated by reference into the prospectus, a copy of the standard investment restrictions and practices followed by the mutual fund and have the right to review the material contracts of the mutual fund (NP36 and NP39).
59. Standards applicable to disclosure in offering documents	Brief and plain disclosure of all material facts relating to the contract and segregated fund must be made (s.110(4) of the OIA). OIA prohibits unfair or deceptive acts or practices, including misrepresentation or omission as to terms, benefits or advantages of insurance contract (ss.438,439 OIA).	Full true and plain disclosure of all material facts relating to the securities issued (s. 56 of OSA)
60. Disclosure of fees paid by investment vehicle and by investors in offering documents	Mandated disclosure of all fees and expenses charged to a segregated fund (Form 1, Items 11 and 12 IVIC Guidelines). Management fees, the basis for calculation and services rendered in consideration for such payment must be disclosed in financial statements of the seg fund; other fees and expenses if individually material, or, all other fees and expenses together if individually not material (including identification in notes) must also be disclosed in financial statements (s. 13.2(1)(a)(vi), (vii), (viii), (ix), (x); s. 13.2(1)(b); s.13.2(5)(a)(i), (ii), (iii), (iv) IVIC Guidelines). The notes to audited financial statements of segregated fund must include management expense ratio for each fund and fee options for last 5 years (s. 13.2(5)(c) and 9.4 IVIC Guidelines).	Mandated disclosure of all fees and expenses paid by mutual fund in simplified prospectus (table format) -- along with the past year's "management expense ratio". Financial statements of the mutual fund must disclose five year history of past fees and expenses and management expense ratio of the mutual fund. Mandated disclosure of all fees payable directly by investors -- in simplified prospectus (table format). (Item 9, Schedule B of NP 36)

		<b>SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT</b>	<b>MUTUAL FUNDS</b>
61.	Disclosure of investment objective and strategies and risks in offering documents	<p>For each segregated fund, a life company must state in the information folder (under IVIC Guidelines):</p> <ul style="list-style-type: none"> <li>-- the objectives of the segregated fund including the investment style or investment parameters for the segregated fund;</li> <li>-- use of the segregated fund's earnings;</li> <li>-- disclosure, at a minimum, of the following principal risks, if applicable: interest rate risk; foreign currency risk; credit risk; sovereign risk; market risk; special equities risk; real estate risk; derivative risk; and use of leverage and manner to control this risk (s. 7.1(d), 10.1(1), Form 2).</li> </ul> <p>The information folder contains a summary of the investment policy. The complete investment policy must be maintained by the life company and be given to contractholders upon request (s.5.2(e), 7.1(d), Form 1, Item 6).</p>	Mandated disclosure in simplified prospectus of a mutual fund of the fundamental investment objective and strategies of a mutual fund and the general and specific risks of investing in the mutual fund. (Item 11, Schedule B of NP 36)
62.	Disclosure of past performance in offering documents	Past performance must be reported, at a minimum, on a 1, 3, 5 and 10 year basis, with data current within 3 months of date of information folder (s. 8.13(c) IVIC Guidelines) as part of summary fact statement information contained in information folder (s.5.4(e) and s.2.1(ss) IVIC Guidelines). Life companies use standard performance measurements suggested by AIMR standards.	Not current industry practice to disclose performance information in prospectuses. Proposed NI 81-101 Mutual Fund Prospectus Disclosure would mandate disclosure of standardized past performance in a fund summary of each mutual fund -- the past performance must be calculated as required by section 16 of NP39.
63.	Disclosure of fees paid to distributors in respect of a purchase of a product	If agent compensation paid by life company out of general assets, not required to disclose these payments in the information folder. If agent compensation charged against assets of segregated fund or if the contractholder pays such fees directly, must disclose amount of agent compensation (Form 1, Item 12 IVIC Guidelines).	Prospectus of a mutual fund must contain disclosure of all compensation paid by the manager or related entities to dealers in respect of sales of the mutual fund. Includes disclosure of commissions paid and non-monetary benefits given to dealers, as permitted by NI 81-105 Mutual Fund Sales Practices. (NP 36 and Part 8 of NI 81-105 Mutual Fund Sales Practices)
64.	Disclosure of business affiliations	<p>In Quebec, market conduct rules require disclosure of business relationships, aimed at disclosing potential conflict of interest situations (s.26 - An Act respecting the distributing of financial products and services, Quebec). In Ontario, Alberta and Saskatchewan similar requirements are proposed as part of insurance legislation reform. If manager or adviser is not life company, the life company must identify and disclose any relationship and conflict of interest procedures. (Form 1, Item 9, IVIC Guidelines).</p> <p>Mandatory disclosure of material interest of principal broker, director, senior officer (or associate or affiliate of foregoing) of life company in transaction which has materially affected the life company or any subsidiary, with respect to segregated fund, within 3 years prior to filing of information folder (Form 1, Item 10, IVIC Guidelines.)</p>	Mutual funds required to disclose all related parties to the manager and the inter-relationships between parties and the material transactions relating to the fund carried out between these parties. Prospectus of the mutual fund also must disclose the names of all service providers to the mutual fund or the manager (NP 36).
65.	Disclosure of "product features"	<p>Disclosure required about the major features of the IVIC - the insurance contract, including:</p> <ul style="list-style-type: none"> <li>-- a warning re fluctuating cash surrender value;</li> <li>-- identification of guaranteed and non-guaranteed benefits;</li> <li>-- valuation of benefits and determination of cash surrender value;</li> <li>-- percentage of premium allocated to benefits;</li> <li>-- valuation frequency; and</li> <li>--description of fees and charges (s.5.1 IVIC Guidelines).</li> </ul>	NP 36 requires disclosure of all essential features of the mutual fund -- see item below.
66.	Other specified content of offering documents	Mandated form requirements for contents of information folder --must include summary description of contract, including guaranteed and non-guaranteed benefits, determination of units on purchase, transfer and withdrawal, determination of benefits, disclosure of front-load commission and charges on withdrawal, and redemption, surrender and maturity options. Must also include fund information, including unit/fund valuation; custodial and portfolio management (if other than life company) arrangements; investment policies, objectives and risk factors; tax status of fund and contractholders; and management fees and other expenses (Form 1, IVIC Guidelines).	Mandated form requirements for contents of prospectus and annual information form -- must include (among other matters) description of securities offered, including purchase and redemption procedures, how net asset value is determined, description of entities responsible for principal functions, the tax status of the mutual fund and the securityholder, distribution policy and a description of the investors statutory rights of rescission and withdrawal. (Schedules A and B of NP 36)

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
67. Other documents to accompany offering documents (financial statements or otherwise)	Audited financial statements and summary fact statements (historical performance, summary investment policies and 3 largest holdings) can be contained within information folder or via a separate document (s. 5.2(b), (g) <i>IVIC Guidelines</i> ). If prospective contractholders receive other written document as inducement to purchase IVIC, such document must be consistent with contract and Part VIII of <i>IVIC Guidelines</i> (advertising guidelines) and contain warning as to fluctuating value of the benefits (s. 6.4 <i>IVIC Guidelines</i> ).	The audited financial statements for the last completed financial year and any interim semi annual financial statements ( <i>section 79 OSA and NP36</i> ). The annual information form of a mutual fund must be delivered if requested by a purchaser and it, together with the financial statements of the mutual fund are incorporated by reference into the simplified prospectus of the mutual fund.
68. When offering documents may be distributed and interests issued	Contracts may be sold upon filing final commercial copies of application, contract, endorsements and information folder, receipts where required (Alberta and Ontario), and confirmation that 30 days have elapsed since the filing of draft documents with the other jurisdictions without comment that documents not acceptable (s.3.8 <i>IVIC Guidelines</i> ).	Mutual fund may "solicit expressions of interest" only once a preliminary prospectus is filed - may trade and issue securities once regulators have issued a receipt for a final prospectus (ss. 53 and 65 of <i>OSA</i> )
69. Who may purchase product? -- individuals/corporations -- investment in a trust	Individuals may purchase registered and non-registered contracts. Corporations may purchase non-registered contracts. Ontario Bill 25 (amendments to the Ontario Trustee Act) does not clarify that trustees can purchase IVICs for their trusts in circumstances where they have no specific power in the trust documents to so purchase.	Securities legislation does not distinguish between individual, trust or corporate purchasers. Registered tax plans may acquire mutual funds, provided such mutual funds qualify as eligible investments (comply with ITA requirements -- most mutual funds do). Ontario Bill 25 clarifies that trustees may invest trust assets in mutual funds in circumstances where the trustee is not given specific powers in the trust documents to so purchase.
70. When must a purchaser receive offering documents	Prior to signing application, prospective contractholder must receive the information folder generally from the agent of the life company (s. 6.1 of the <i>IVIC Guidelines</i> ). Contractholder signs separate acknowledgement of receipt of the information folder in application or tear-off receipt in folder.	Prospectus and financial statements must be delivered to purchaser or his/her agent within 2 days of a trade. ( <i>Section 71 of OSA</i> ). Securities legislation gives purchaser withdrawal and rescission rights that tie into the delivery requirements (see Item 74).
71. Documents issued following purchase of product	Life company agent must give contractholders the contract, along with any registered or locking-in endorsements. Section 180 of the ISA states that an IVIC takes effect on delivery of the contract.	Confirmation of the trade in required form must be delivered "promptly" by dealer acting on the trade to the investor (s. 36 <i>OSA</i> ).
72. Procedural matters	The information folder certificate must be signed by two senior representatives of life company (s.4.1(b) of <i>IVIC Guidelines</i> ). The representatives certify that the document contains "brief and plain" disclosure of all required information.	Prospectus must be dated - and certain specified certificates signed by representatives of mutual fund (usually trustee), of the manager, the principal distributor and the promoter. ( <i>NP 36 and OSA</i> )
73. Notification of material changes from offering documents	Where a material change in information provided in the information folder occurs, a life company must file and receive approval for amended contract and information folder for prospective contractholders (s.3.8 and 4.2 <i>IVIC Guidelines</i> ). To extent a material change requires amendment to the contract, life company generally would seek the consent of existing contractholders, unless it reserved the right to make changes to accommodate legislative or administrative changes.	Material change reports required to be filed by mutual fund, press releases must be made and amendments filed to the prospectus and copies of the amendment distributed with the prospectus to all new investors in the event of material changes to the mutual fund. (s. 57 of <i>OSA</i> ). Certain fundamental changes to the structure of the mutual fund cannot be made without unitholder approval (s. 6.01 <i>NP39</i> )

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
74. Accountability of investment vehicle and/or operators of investment vehicle for information contained in offering documents	Certification of offering document by two senior officers or directors of life company acknowledges responsibility for contents of folder (s.4.1 IVIC Guidelines; s.110(4) OIA). Provincial Superintendent may issue cease and desist order if information folder contains misrepresentation (s.441 OIA). If life company, or official, or director convicted under Act, Court may order compensation or restitution in addition to any other penalty (s.447(5) OIA).	Section 130 of the OSA gives purchasers of securities offered pursuant to a prospectus during the period of distribution a private right of action against a number of parties if the prospectus contains, at the time of purchase, a misrepresentation that includes a positive misstatement of a material fact or an omission to state a material fact that is necessary. This section imposes virtually absolute liability. To prove misrepresentation, an investor has to establish only that there exists a misrepresentation and does not need to prove he or she relied on the misrepresentation (there is deemed reliance on the misrepresentation). The remedies are rescission or damages. The purchaser can sue the mutual fund which is strictly liable, the principal distributor, the directors of the mutual fund or of the manager of the mutual fund, the manager and any other persons who sign the prospectus (all of whom have a "due diligence" defence). The purchaser has 180 days from the date of the purchase to bring the action for rescission and has until the earlier of three years after the date of purchase and 180 days after obtaining knowledge of the misrepresentation to bring an action for damages. In Quebec, action for rescission is prescribed by one year after the date of the transaction under section 234 of the SA.  Action for damages are prescribed by one year from the date of knowledge of the facts, subject to a maximum of 3 years from the filing of the document under sections 234, 235 and 236 of the SA.
75. Rights of purchasers in connection with offering documents or purchase of interest in product	Contractholder has remedies available at common law, including breach of contract, negligent misrepresentation, coercion and undue influence.	Purchaser has the statutory right to withdraw from a purchase of mutual fund securities, if purchaser gives dealer written notice not later than the end of the second day after receipt of the latest prospectus (and any other applicable documents) by the purchaser or, where the dealer is acting as agent of the purchaser, by the dealer. The right of withdrawal allows a purchaser of a mutual fund to withdraw from a purchase and receive the purchase amount and any fees and charges paid in connection with the purchase (s. 71 OSA). If mutual fund securities not exceeding \$50,000 are purchased, this purchase may be automatically rescinded within 48 hours of receipt of the confirmation by written notice by the purchaser. The purchaser is entitled to recover the net asset value of the mutual fund securities at the time the right to rescind is exercised plus any sales charges and fees paid. Notice of rescission must be sent to the registered dealer in writing (s. 137 OSA). For purchases of securities that do not exceed \$50,000, the right of rescission within 48 hours of receiving written confirmation from the seller does not exist in Quebec.
76. Initial filing and review process	Pre-review by CLHIA lawyer, or private practice lawyer under direction of CLHIA lawyer, of draft documents (application, contract, endorsements and information folder). Draft documents and CLHIA opinion filed with provincial insurance regulators (s. 4.1 IVIC Guidelines). Regulators review documents, comment to life company and, if in order, issue receipt or conditional receipt (Ontario and Alberta only). Conditional receipt may be issued to attach conditions to sale of product; eg. to prevent IVIC sale with negotiable front load commission. Final certified commercial copies of documents filed with provincial insurance regulators (s.3.8 IVIC Guidelines).	File preliminary prospectus and all material contracts and other supporting documents with the securities regulator in each province where mutual fund to be sold, one regulator, as principal jurisdiction, comments on the prospectus and accompanying documents. Once comments satisfied, prospectus filed and if all is in order, all regulators issue receipts for the prospectus.

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
77. Annual filing and review process	Information folders must be re-filed with updated financial information upon the earlier of 13 months after the filing of the latest information folder or 16 months after the date of the audited financials contained in the latest folder (s. 4.(2)(b) of IVIC Guidelines). The same review and receipt process described above is applicable.	Mutual funds may only continue to sell securities for 12 months after the date of the final receipt of its previous prospectus -- in order to continue to sell securities, it must file with the securities commissions a <i>pro forma</i> prospectus at least 30 days prior to the "lapse date" (being the date of the final receipt of the last prospectus) (s. 65 OSA) Securities commissions review the <i>pro forma</i> documents, along with the latest financial statements for the mutual fund -- review concentrates on changes to the mutual fund, its disclosure, its portfolio transactions over the last year. The same filing and receipt procedures as described above for initial filings are applicable for renewal prospectuses.
78. Powers to reject offering documents	Provincial Superintendent may: -- refuse to issue receipt (Ontario and Alberta) or issue a conditional receipt; -- object to sale of IVIC in jurisdictions where no receipt is issued; -- prohibit contracts contrary to public interest (s.117(2) OIA); and -- prohibit life company from issuing IVICs (s.110 OIA).	Director of OSC may refuse to issue a receipt for prospectus if not in the public interest. Section 61 of OSA sets out several circumstances where a receipt may not be issued -- including the prospectus documents do not comply in a substantial respect with the Act and rules or contain a misrepresentation, past conduct of mutual fund or its promoter gives rise to concerns that the business of the mutual fund will not be carried out with integrity and in the best interests of the securityholders. Section 61 of the OSA requires the Director to issue a receipt unless the Director believes that it is not in the public interest to do so.
79. Powers of regulator to take action during course of distribution or sale of product	Provincial Superintendent may: -- issue cease and desist order (s.441 OIA); --bring action to seek fines against life company, director, officer and chief agent (s.447 OIA); and -- seek order for compliance (s.448 OIA). Provincial superintendent can, in extreme cases, demand compliance or indicate potential revocation of licence. Superintendent can seize control of assets (s.62(1) OIA). In addition, OSFI has extensive jurisdiction over life companies in connection with the operation of segregated funds under the ICA, including setting reserve requirements, audit of compliance system, etc.	OSC has the power to order that the distribution of securities under a prospectus cease after the final receipt has been issued (s. 70 of OSA). This section can be used only if circumstances set out in section 61(2) are found to exist. The Director has the ability to halt trading during the time between the issuance of a preliminary receipt and final receipt (s. 68 OSA). A cease trade order may not be made without a hearing unless the length of time necessary to hold a hearing is prejudicial to the public interest. A temporary cease trade order lasting 165 days may be issued and extended until the hearing is completed.

	<b>SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT</b>	<b>MUTUAL FUNDS</b>
<p>80. On-going reporting requirements - continuous disclosure (reports, standards, contents, filing and delivery requirements)</p>	<p>Audited financial statements of each segregated fund, prepared in accordance with generally accepted accounting principles, must contain statement of operations, statement of changes in net assets, statement of net assets, statement of investment portfolio and the notes to the financials (<i>Part XIII, IVIC Guidelines</i>). Annual financial statements must be mailed to contractholders and filed with regulators within four months of the fiscal year end (s.4.2 (b) (ii) <i>IVIC Guidelines</i>). In addition, contractholder must receive annual statement including M.E.R. information, value of benefits per fund and contract value, and rates of return for 1,3,5 and 10 year periods, if applicable (s.5.4 <i>IVIC Guidelines</i>).</p>	<p>Annual audited financial statements, semi annual unaudited financial statements, reports of material changes, press releases, and if meetings of securityholders called, proxy and information circulars must be filed with securities regulators and mailed to securityholders (material change reports and press releases are not mailed out to securityholders - they are filed and released). Financial statements must contain income statements, balance sheets, statements of investment portfolio as of period end, changes in net asset value and statements of portfolio transactions throughout the financial period. Financial statements must be prepared according to generally accepted accounting principles. Annual financial statements must be audited. Annual and semi-annual financial statements must be mailed to securityholders and filed with regulators within 140 days and 60 days, respectively. (ss. 77, 78 and 79 of OSA). Section 123 of the Regulation made under the OSA requires that at least annual statements of account be sent to securityholders by dealers describing purchases and redemptions throughout the year, and the market value of all securities held by clients at the date of the statement. In Quebec, under the terms of section 77 of the Securities Act, a mutual fund must file an annual report with the Commission des valeurs mobilières du Québec and send it to its securityholders. A short annual report is allowed by sections 119.3 and 199.4 of the Regulation. However, it contains more information than just the audited annual financial statements required in other jurisdictions.</p>
<p>81. Advertising restrictions</p>	<p>Advertisement" is defined in the IVIC Guidelines to include print and electronic media, as well as information folders and summary fact statements. Accordingly, these restrictions apply equally to all of these categories of advertisement:</p> <ul style="list-style-type: none"> <li>-- no undertaking as to future value except with respect to the guaranteed benefits;</li> <li>-- prohibition on unfair or deceptive acts or practices (s.438 of OIA);</li> <li>-- prohibitions on misleading advertisements (s.110(7) OIA);</li> <li>-- advertisement shall establish "real identity" of life insurance company and must not mention any device which is misleading in relation to a trade name, service mark, slogan or symbol; and</li> <li>-- life insurance company's corporate name to be printed in full and prominently shown on application for IVIC. (Part VIII IVIC Guidelines; Ontario and Quebec have regulations governing IVIC advertising - Ont. Reg. 132/97; s.231-249 Regulation under the Insurance Act, Quebec). Prohibition on advertisements by agents unless prior written authorisation from life insurance company, which is subject to general restrictions in Part VIII (s.9.2 IVIC Guidelines).</li> </ul>	<p>Advertising must not be misleading, must not conflict with prospectus nor distort information contained in the prospectus -- restrictions apply to "sales communications" set out in NP 39 - must comply with certain standards for use of performance information, ie. must disclose 1, 3, 5 and 10 year returns if any performance information to be used -- performance data not to be used in radio and television advertisements. Section 16 of NP39 sets out complete code for mutual fund sales communications, including the method of calculating the applicable performance returns. In addition, the name of the dealer making any particular advertisement must be disclosed in the sales communication.</p>

	SEGREGATED FUNDS OFFERED UNDER AN INDIVIDUAL VARIABLE INSURANCE CONTRACT	MUTUAL FUNDS
82. Contents of advertising	<p>As noted in item # 80 above, "advertisement" is defined in the IVIC Guidelines to include print and electronic media, as well as information folders and summary fact statements. Accordingly, the following content rules apply equally to all of these documents:</p> <ul style="list-style-type: none"> <li>-- must disclose limitations, exceptions or reductions when listing advantages of nature of coverage;</li> <li>-- disclaimers in folder should be so located and large enough to be clearly visible;</li> <li>-- sales communications must include prescribed warning (as set out in s. 5.2(d)) re variable nature of contract value;</li> <li>-- prescribed statements in information folder of registered IVIC;</li> <li>-- rules re past performance disclosure and standard performance measurement presentation;</li> <li>-- rules re performance comparisons;</li> <li>-- coverage provisions in contract to be explained in advertisements;</li> <li>-- advertisement information must be clearly presented, comprehensible and coherent;</li> <li>-- advertisement must specify issue date with respect to contractholder's age;</li> <li>-- rules re testimonials and adoption of statements by life company; and</li> <li>-- mandatory requirements for projections.</li> </ul> <p>(Part VIII IVIC Guidelines)</p>	<p>If sales communication is used when only a preliminary prospectus is filed -- severe restrictions on content (<i>OSA and NP39</i>). Otherwise, section 16 of NP39 prescribes: mandatory statement as to who has prepared the sales communication, restrictions on which mutual funds may be described as "no load" or as money market mutual funds, if any references are made to fees or charges or the absence thereof, all such fees and expenses whether payable by the investor or the mutual fund must be disclosed, standard warnings must be included where performance data used, disclosure as to fundamental changes in mutual fund must be disclosed where performance data used, performance data must be calculated as set out in NP 39.</p>
83. Role of regulator in reviewing advertising	<p>Provincial insurance regulators will follow up and investigate any improper advertisements brought to regulator's attention. No requirement to pre-clear advertisements in printed or electronic media; however, CLHIA opinion may be sought on whether the ad content complies with IVIC Guidelines. In addition, CLHIA reviews information folder contents for compliance with advertising requirements.</p>	<p>Securities regulators follow up and investigate any improper advertisements brought to regulators' attention. Informal arrangement reached by CSA with IFIC that at the first instance the IFIC Sales Communications Committee will take carriage over complaint and deal with the advertiser. No requirement to pre-clear advertisements with either securities regulators or IFIC. IFIC monitors sales communications and their compliance with NP 39. Any determination by IFIC regarding any specific sales communication is not binding on the CSA.</p>
84. Requirements relating to coercion or tied selling	<p>All provinces have legislation dealing with coercion or tied selling in the sales of insurance products, including IVICs. For example, coercion is specifically prohibited pursuant to paragraphs (a) and (e) of section 20 of Regulation 663 under the OIA.</p>	<p>NI 81-105 Mutual Fund Sales Practices forbids tied selling practices in respect of the sale of mutual funds (section 7.4).</p>
85. Electronic distribution	<p>At present, no IVICs distributed electronically; generally, electronic distribution subject to same rules as other forms of distribution. In addition, federal Money Laundering Regulations require agent to confirm identity of contractholder (see item #95).</p>	<p>CSA examining the issues surrounding electronic dissemination of mandated disclosure documents -- and the electronic distribution of securities. Distributions of mutual fund securities using electronic communications would be subject to the same rules and regulations as other distributions.</p>
86. Other marketing restrictions	<p>IVICs can only be marketed through licenced life insurance agents (individual or corporate) OIA s. 401 (holding out as an agent) and s. 403(1) (payment of compensation to licenced agent only). Rebating of IVIC premiums is prohibited (OIA, s, 403(2) as are charging unfairly discriminatory premiums or offering an inducement to purchase (OIA ss. 438 and 439). Sales commissions rates may decline with increasing values of a purchase in accordance with a predetermined scale that applies uniformly to all purchasers.</p>	<p>Securities can only be marketed through registered dealers or brokers -- no acts in furtherance of a trade except by registrants -- unless mutual fund manager registered as a dealer, may not sell securities directly to the public or advertise, unless the advertisement placed by registrant. Mutual fund managers are prohibited via NI 81-105 Mutual Fund Sales Practices from offering "commission rebates" to investors (defined as payments to investors to cover redemption fees incurred in redeeming out of one fund to go into managers funds) -- dealers that have affiliated mutual funds may not offer commission rebates to clients where they are moving into affiliated mutual fund.</p>
<i>Selling Interests in the Product:</i>		

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87. The sales process and industry relationships	<p>Life companies are the manufacturer (issuers) of the IVIC product and have responsibility and duty of care obligations in respect of the proper disclosure of the product through the information folder and the supervision of the product distribution (s.166 ICA; s. 15.2 of Regulation 663 under OIA). Statutory protection is provided to the consumer via s.403(1) of the OIA which prohibits the payment of commissions to, or sharing them with, unlicensed agents. Managing general agents (known as MGAs) operate under contractual arrangements with a life company to act as an intermediary with independent agents.</p> <p>Life agents are subject to a step-licensing regime (excluding N.B., P.E.I. and the two territories). In Ontario, Level I agents are sponsored by a specific life company that certifies that it has appointed the applicant for a license to act as its representative and attests to the applicant's suitability. (OIA, Reg. 663, s.3(1)). Level II agents need not be sponsored (OIA, Reg. 663, s.5(3)). Both Level I and II agents may sell the products of more than one life company, if their agency contract permits. Other provinces and territories (except Quebec) require insurer sponsorship for all licensees.</p> <p>The provinces and territories differ in requiring life agents to work full-time in life insurance. Some jurisdictions require full-time occupation in financial services. Some impose a full-time requirement on Level I licensees only. In Ontario, Level I agents must work full-time in life insurance, other financial services or real estate sales (unless based in a community deemed too small to sustain full-time occupation in financial services). Level II agents are exempt from a full-time requirement. (OIA, Reg. 663, ss.5(3) to (7)). However, the licensing regulation disqualifies individuals from acting as life agents if their additional occupation permits them to offer inducements or use coercion or undue influence to secure a sale and preclude specific listed occupations. (OIA, Reg. 663, ss.4(1)(h) and (2.2)). A life agent may not share office space with a person engaged in a listed occupation. (OIA, Reg. 663, s.4(2.2)(i)).</p>	<p>Mutual funds are sold through intermediaries who are registered with the securities commissions as dealers. Intermediaries can either be in-house (that is, dealers hired by the mutual fund management company) or external (participating dealers). Typically, dealers hire salespersons to distribute mutual fund securities. These salespersons must also be registered with the securities commissions and must be employed full-time as a salesperson by the dealer, with some exceptions, although the Director can and does provide exemptions from this requirement (s. 127 of the Regulation under the OSA). The relationship between a dealer and its salespersons contemplated by the OSA is that of employer and employee. However, new business structures have been developed to achieve tax and operational efficiencies for dealers and salespersons. For example, a registered dealer may contract some of its functions to another organization (a carrying broker) for a fee or a dealer and its salespersons may have a relationship that is characterized as that of principal and independent contractor. Notwithstanding the particular business relationship, securities legislation obligates a dealer firm to properly supervise its salesforce. The CSA are currently examining these alternative structures to determine whether and under what circumstances they should be permitted.</p>
88. Dual registration/multiple licencing	<p>In all provinces, dual registration (to sell insurance products and securities) permitted, provided eligibility criteria satisfied for each licence.</p>	<p>Securities regulators permit dual licencing of registered dealers and dual employment of registered salespersons to allow them to sell other financial products and services such as insurance products. The other employment activities of the salespersons should not interfere with their duties and responsibilities in relation to mutual fund sales.</p>
89. Direct sales by unregistered personnel (head office or otherwise)	<p>Exemption exists to permit unlicensed head office (of life company) employees to sell IVICs. Quebec has removed the exemption and Ontario and Alberta also proposed to remove exemption.</p>	<p>All trades to the public in mutual fund securities must be through registered dealers and their registered salespersons.</p>
90. Responsibility for sales activity	<p>Life company (as principal) is responsible for sales practices of its agents (s.222 OIA). The courts are increasingly making life companies responsible for the actions of agents and brokers (see "Agent/Broker Liability..." by David Norwood, November 1996).</p>	<p>Principal distributor of mutual fund responsible for actions of its own registered representatives (salespersons) in selling mutual fund securities. If the principal distributor or the manager of the mutual fund does not sell through its own personnel -- then matter of factual circumstances whether at common law the mutual fund, its manager or principal distributor are responsible for the actions of the registered representatives of independent dealers and brokers selling the securities of the mutual fund. Securities legislation does not deal with this issue. Each registered dealer is required to supervise the trades made for each client by its salespersons (s. 114 of the Regulation under the OSA).</p>

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91. Requirements for those entities who can sell - firms	No special rules attached to corporate agencies. Such agencies must hold a licence and any individuals who own more than 50% of the shares must hold a licence in their own right (OIA s. 400, Ont. Reg. 663, s.1.1). The life company has the same responsibility (described above) for the actions of its corporate and individual agents.	Persons or companies that wish to trade in mutual fund securities must apply for registration as a dealer (s. 98 of the Regulation under the OSA) in the following categories, broker, financial intermediary dealer, investment dealer, mutual fund dealer or securities dealer. Securities legislation prescribes several conditions for registration applicable to both individuals and firms wishing to carry on the business of selling mutual funds, including requirements on minimum capital, insurance and bonding, supervision, "know-your client", disclosure of conflicts of interest, record keeping, segregation of funds and securities, statements of account and proficiency of its officers, partners and salespersons.
92. Requirements for those entities who can sell - individual salespersons	Individuals and partnerships that hold a licence to sell life insurance may sell IVICs. (Part XIV OIA: Agents, Brokers and Adjusters, particularly, s. 393 (licensing generally); s. 399 (partnerships); s. 410 (offence of acting as agent without authority); s. 403(1) (offence of paying compensation to person who is not an agent). In Ontario, e.g., among other requirements set out in OIA Regulation 663 (Agents), the individual must satisfy suitability tests as to character and background, pass a qualifying examination and may not be in a position to offer inducement or use coercion or undue influence to secure insurance business (s. 4(1)). Supplementing the latter restriction, an agent may not engage in certain occupations that are deemed to provide opportunities to offer inducement or use coercion, etc. or share office space with individuals engaged in those occupations (s. 4(2.2)). Ontario (and the majority of provinces) maintain a stepped licensing system. In Ontario, a Level I agent must pass a Level II licensing exam within two to four years or leave the business (s. 10). Other requirements – Level I: full-time occupation in financial services (s. 14); sponsorship by a life company (s. 11). Levels I and II: maintain errors and omissions insurance to stated amounts, including fraud coverage (s. 17(a)); complete at least 30 hours of approved continuing education every two years (s. 17(b)). Requirements vary between jurisdictions.	Individual salespersons must act on behalf of and be under the supervision of a registered dealer (s. 114 of the Regulation under the OSA) and must be registered with the provincial securities regulators where they carry on business and must be employed full-time as a salesperson by the dealer with some exceptions (s. 127 of the Regulation under the OSA). Each salesperson must be reputable (ie. police and investigation checks conducted) and must meet the following proficiency requirements: (i) if a registered broker, investment dealer or securities dealer or partner or officer of the registered dealer must have successfully completed the Partners' Directors' and Senior Officers Qualifying Examinations; (ii) if a salesperson of a registered dealer (other than mutual fund dealer) -- successful completion of the Canadian Securities Course; (iii) if a salesperson of a registered mutual fund dealer, successful completion of the Canadian Investment Funds Course. (iv) if a salesperson of a registered broker or registered investment dealer, successful completion of the Examination on Compliance Conduct Practices Handbook .
93. Sales practices of those who sell investment vehicle or operate the investment vehicle	The OIA and its Regulations contain comprehensive provisions governing the sales activities of agents, such as: -- "unfair and deceptive acts and practices " in the distribution of insurance -- defined in section 438 and prohibited in s. 439 as including: - unfair discrimination in the premiums charged for life insurance; - offers of inducement; - false or misleading statements; - incomplete comparisons; - misleading holding out; -- offence for agent who procures payment for policy by fraudulent representations (s.395); -- agent personally liable to insured for effecting insurance with unlicensed life insurance company (s.396); and -- offence for individual to represent himself as agent if not licenced (s.401). All provinces prohibit coercive practices in the sale of life insurance: OIA, Reg 663, ss.4(1)(h) and 20(a) and (e). See also IVIC Guidelines Parts V (general disclosure requirements), VI (delivery of documents to prospective policyholder) and VIII (advertising). Industry codes of conduct apply to all 19,000 members of CAIFA and holders of certain designations (e.g., Certified Financial Planners). Sharing commissions with unlicensed persons prohibited (s.403(1)).	Sales practices regulated by NI 81-105 - Mutual Fund Sales Practices. Rule prohibits payments of money, provision of non-monetary benefits and reimbursement of costs made by managers (and related parties) of mutual funds to dealers in connection with the distribution of securities of the mutual fund -- other than as specifically permitted by the NI. NI permits specified commissions to be paid, certain co-operative marketing payments to be made, certain sharing of educational costs and general business promotion to be conducted -- all within the limits established by the NI. NI also deals with such practices as reciprocal commissions, tied selling, commission rebates, financial assistance, charitable donations, disclosure of equity interests between dealers and managers and disclosure of sales practices followed and compensation paid to dealers. The NI primarily regulates the relationship between fund managers and "participating dealers" -- defined as dealers who participate in the distribution of mutual fund securities. The NI does not regulate the relationship between a fund manager and its principal distributor, except where a principal distributor of one fund group also sells funds managed by third party managers. In the latter case, a principal distributor cannot provide any "incentive" to its sales force to recommend the sponsored funds over a third party fund. Other provisions in the NI, such as disclosure and commission rebates, tied selling, apply to the distribution of mutual funds through principal distributors only (that is, dealers selling only sponsored mutual funds).

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94. "Know your client" rules	Nothing at present. A "know your client" rule has been incorporated in the new Quebec financial products distribution legislation (Bill 188, s.27). In Ontario, a proposed approach was recently introduced which would require a client to be given sufficient information to make an informed decision. Alberta has an investment suitability requirement (s. 8 Alberta Financial Consumers Act).	Securities legislation requires all salespersons to follow "know your client" rules, to ensure that the proposed purchase or sale is suitable to the client based on his or her investment needs and objectives (s. 114 of the <i>Regulation to the OSA</i> ). IDA sets out more specific requirements for its members in relation to the "know your client" information to be collected.
95. Who regulates those who sell product?	All life insurance agents are regulated by provincial insurance regulators directly, or by self-regulatory insurance councils. At present, there is a council in Quebec and in each of the four western provinces.	Provincial securities commissions -- IDA and applicable exchanges (VSE and ASE) for brokers and dealers and proposed for securities dealers, and proposed MFDA for mutual fund dealers.
96. Proceeds of Crime (Money Laundering Regulations)	A life company is obliged to retain a client application form containing the client's name, address and principal business or occupation in respect of a purchase of an IVIC where the premium payments over the duration of the contract will amount to \$10,000 or more irrespective of the means of payment; at the same time, the life company must ascertain, verify and record the identity of the particular client by reference to his or her birth certificate, driver's licence, passport or any other similar identification (s. 8, 11 of the Regulations under the Proceeds of Crime (Money Laundering) Act).	The Proceeds of Crime (Money Laundering) Act applies to participants in the mutual fund industry. Any person engaged in business of dealing in securities (whether a mutual fund dealer or fund company) is required to retain a signature card, account operating agreement or account application form that indicates the number of a bank, trust company, credit union or caisse populaire account in the name of applicable individual or for which that individual is authorized to give instructions. Where a dealer receives cash for the purchase of mutual funds, the dealer must keep and retain a "large cash transaction record" if appropriate. The dealer must also retain new account application forms, confirmation of purchase or sales, guarantees, trade authorizations, powers of attorney, joint account agreements and all correspondence relating to the operating of accounts, received or created in the normal course of business and a copy of every monthly statement to the client.
Guarantees:		
97. Any government guarantees?	No provincial or federal insurance regulator or any government agency guarantees the value of, or guaranteed amounts promised under, an IVIC.	No provincial securities commission or any other government agency or deposit insurer guarantees the performance of a mutual fund.
98. Any industry compensation fund?	CompCorp provides policyholder protection, within limits (\$60,000 per customer per institution), against the amount of the guarantee in the event of the insolvency of the life company issuing an IVIC. CompCorp does not provide protection against fraud on the part of the life company. Every life company in Canada is a member of CompCorp.	Mutual funds are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act. CIPF provides protection to investors in the event of an insolvency of dealer or brokers who are SRO members. Under CIPF each investor is protected up to \$500,000 of assets, \$60,000 of which can be cash. Various contingency funds are maintained by the provinces in respect of non SRO dealer registrants. For example, in Ontario, non SRO dealers who trade in mutual funds participate in contingency trust funds which provides protection to each investor of up to \$5,000 of assets. Since mutual funds own their own assets, which are held by a third party custodian and are separate entities from the manager -- insolvency of manager should not affect the mutual fund unitholders (except in a practical matter re delays etc.)
99. Does operator of investment vehicle guarantee performance?	Life companies guarantee the return of the value of premiums. These guarantees generally range from a minimum of 75% to 100% of gross premiums upon maturity (at least 10 years after the initial purchase of the IVIC or a subsequent date) and upon the death of the policyholder. Increasingly common for life companies to allow contractholders to "reset" the guarantee, enabling the contractholder to lock-in the current value in exchange for agreeing to a new 10 year deposit maturity period.  Life companies have ability to diversify their exposures/risks through reinsurance.	Generally, the capital invested in a mutual fund by an investor is not guaranteed. However, in late 1998, three families of mutual funds were created that provide investors with capital protection if the net asset value of the mutual funds decreases within a specified period of time (in some cases on death). The protection is provided for two of the families through a group life insurance policy written by an insurer (in one case a related insurer, in the other independent) in favour of the fund or directly with investors. The third family of funds provides "capital protection" (not on death) through an inter-corporate guarantee (backed by the parent bank). If the protection is provided through insurance, investors can claim a "top-up" at the end of the specified maturity date or on death.

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<p>100. Who monitors the ability of the operator of the investment vehicle to complete any contractual guarantees?</p>	<p>OSFI and its provincial counterparts monitor the solvency of life companies and the sufficiency of their reserves and investment practices, including the reserve requirements needed to complete the contractual guarantees in IVICs. In addition, the appointed actuary of each life company is obligated to review and monitor liability created by IVIC guarantees (<i>s.365 ICA</i>).</p> <p>Major independent rating agencies rate the financial strength of life companies.</p> <p>OSFI's Product Design and Pricing Management (Standards of Sound Business and Financial Practices) provide guidelines for prudently managing and controlling pricing risks.</p> <p>CompCorp also monitors the solvency of life companies.</p>	<p>Question inapplicable to mutual funds.</p>