

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
RULE 2020 – 002
Unfair or Deceptive Acts or Practices

Amendment 2 – Deferred Sales Charges – Deposits to Pre-June 1, 2023 Individual Variable Insurance Contracts

1. Rule 2020 – 002 Unfair or Deceptive Acts or Practices (the “**UDAP Rule**”) is amended by this Amendment 2 – Deferred Sales Charges – Deposits to Pre-June 1, 2023 Individual Variable Insurance Contracts (the “**Amendment**”).
2. The UDAP Rule is amended by adding the following sections:

12 Deferred Sales Charges – All Individual Variable Insurance Contracts

- 12(2) An insurer accepting a deposit to an individual variable insurance contract on or after June 1, 2023, that may be subject to a deferred sales charge if the insurer has the right under the terms of the individual variable insurance contract to remove deferred sales charge as a sales charge option and instead accept deposits under a different sales charge option.
- 12(3) An insurer accepting a deposit to an individual variable insurance contract on or after June 1, 2023 and applying a sales charge option to the deposit other than a deferred sales charge option, if the insurer and insured had agreed that a deferred sales charge would apply to the deposit, but the insurer has withdrawn the deferred sales charge option for future deposits, unless and before the insurer applies the new sales charge option,
 - (i) the insured receives written disclosure from the insurer reasonably designed to help the insured choose a suitable sales charge option, and which at a minimum includes,
 - (a) a list of sales charge options the insured may choose among,
 - (b) a description of how each applicable sales charge option works,
 - (c) the percentage amount of any initial sales charge under each applicable sales charge option,
 - (d) a description of the relevant management expense ratios, including,
 - (i) any different charges for different guarantee options,
 - (ii) what the management expense ratios include, and

(iii) how management expense ratios affect the insured's returns on their investments, and

(ii) either,

(a) the insured agrees to the new sales charge option applying to the deposit, or

(b) a reasonable time elapses, during which the insured does not notify the insurer of the insured's choice of sales charge option, after the insurer

(i) provides the required disclosure,

(ii) notifies the insured of the default sales charge option, and

(iii) notifies the insured of the time until that default sales charge option will apply.

12(4) An insurer accepting a deposit to an individual variable insurance contract on or after June 1, 2023, that may be subject to a deferred sales charge, unless the insured receives written disclosure from the insurer, before the insurer accepts the deposit, that is reasonably designed to help the insured understand the sales charge options available to them and whether making a deposit on a deferred sales charge basis is suitable for that insured.

3. This Amendment will come into force on the later of,

(i) 15 days after being approved by the Minister, or

(ii) the date that Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts comes into force.