



**Independent Financial Brokers of Canada**

740-30 Eglinton Avenue West, Mississauga, ON L5R 3E7

www.ifbc.ca

August 2, 2023

Insurance Council of British Columbia  
1400 - 745 Thurlow Street  
Vancouver, BC V6E 0C5

Submitted by email: [rules.consult@insurancecouncilofbc.com](mailto:rules.consult@insurancecouncilofbc.com)

Dear Sirs/Mesdames:

**Subject: Consultation on Amendment of Rule 5 Council Fees (1)(a), (b) and (o)**

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the Insurance Council's proposed changes to Rule 5, which sets fee limits. Our comments will focus on the potential implications of the fee amendment for life/health insurance industry licensees.

*About IFB*

IFB is a national, professional association representing 3000+ members. The majority of IFB members are life/health insurance licensees and/or mutual fund registrants who own or operate a financial practice in their local community. Many have acquired accreditations aimed at upgrading their knowledge and skills to better address the often-complex scenarios faced by today's financial client – whether that client is an individual, family or business. These can include financial planning, general insurance, investments, mortgages, trust and estate planning, deposit brokering, elder planning, etc.

IFB supports its members, and the industry more broadly, by offering accredited online and in-person continuing education opportunities, a comprehensive individual and corporate professional liability program, and compliance updates and tools. IFB contributes to the development of sound regulatory and government policy through its advocacy and participation in consultations, such as this one.

*Comments*

Council is proposing revisions to Rule 5 that would increase the maximum fee thresholds that Council would be permitted to collect for each of the licensing categories and services under its regulatory authority.

We appreciate that Council's activities are wholly funded by the fees it collects from industry, and these threshold increases are intended to provide Council with the ability to raise fees, on an incremental basis, to meet its licensing and oversight obligations.

IFB supports this funding model and the important work the Insurance Council does to protect consumers and the public interest, and in continuing to invest in modernizing its licensing and oversight activities.



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Having said this, we have identified some concerns with the Rule 5 amendments as proposed.

### **1. Evidentiary support for the changes.**

The consultation paper does not set out any substantive details to support the need for the increased fees, or the rationale it used to determine the appropriateness of the threshold ranges. For example, Council has not provided evidence that it is currently underfunded, and if it is, if this shortfall is across all licensing categories or specific to a particular segment of its regulated entities (e.g., life insurance, general insurance, etc.). Council's fee structure is unique in comparison to other jurisdictions, in that it charges agencies and individuals different fees for applicants based on whether it is a new or renewal application. Based on the proposed thresholds, it appears that the cost of approving an initial licence for an agency/firm requires much more of Council's time than to approve an individual licence. It would be helpful to know if such agency licences, for example, are contributing to a shortfall in resources at the Council.

We note that Council has sought comment on fee increases several times in recent years. IFB responded to previous consultations on proposed Council fee increases in 2017 and again in 2020, which were approved in August 2021, and which introduced a separate licensing category for insurance agencies. We believe insurance licensees need to have confidence that there will be stability in the annual fees they will be charged to conduct business in B.C., so they can build a sustainable financial practice.

A recent review of insurance licensing fees in jurisdictions across Canada shows that B.C. already has the highest fees (other than Quebec), and the proposed increases would substantially increase this disparity. Insurance businesses in B.C. will incur higher operating costs as a result, which may deter some from setting up in B.C. or continuing to conduct business in B.C. It may also pose a barrier to entry for new licensees, or those licensed in other jurisdictions who may decide not to pursue licensing in B.C. due to the cost.

### **2. IFB members are self-employed, small businesspeople.**

IFB represents regulated individuals who operate as independents. Independent financial professionals offer an important alternative to the proprietary advice consumers receive from many mainstream financial institutions, as they have the ability to "shop the market" from a variety of carriers to find the product or service most suitable to their client's needs.

IFB members licensed in BC typically operate small insurance agencies or sole proprietorships. Such businesses are often more cost-sensitive and may not have the means to absorb significant increases, as compared to larger financial institutions.

Independent life insurance agents/brokers are not immune to the high cost of inflation, rising interest rates, and the ongoing (rising) costs associated with keeping their practice compliant (such as E&O insurance, licensing fees, privacy insurance, etc.). At the same time, unlike some other small businesses, they do not have the option to pass these costs along to their clients. They have no control over the commission rate structure or incentive practices set by the insurers and MGAs they contract with.



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### **3. New sources of revenue.**

In recent years, Council has acquired the ability to charge fees for new services and programs which have led to new sources of revenue. Examples include the mandatory Council Rules Course, agency licence fees (initial and ongoing), and accreditation fees paid by CE providers (like IFB). If approved, Council will also have the ability to charge a new licence change fee.

In addition, Council has initiated a mandatory Nominee course and will be developing a regulatory framework, including a licensing fee structure, for the new restricted insurance licence category.

We expect the restricted license framework will result in additional operating costs, but also significant fee revenue. It is our hope that Council will ensure that the costs related to this framework, and those it incurs in its other sectors, will not be borne or subsidized by life insurance licensees. We see this as particularly important as life insurance is a mature industry, already subject to extensive regulatory rules and practices, which are largely consistent for insurers and intermediaries, across jurisdictions. The fees paid by life/health insurance licensees should reflect the cost of Council's oversight and regulation of the life insurance sector, and its fees should not be used to subsidize the costs incurred to regulate other sectors which may be newer or represent higher risk activities.

#### *Concluding remarks*

IFB fully supports the important role of Council in ensuring consumers and the public interest are well-protected by those who conduct business in the life insurance sector. We appreciate the budgetary challenges of delivering on these outcomes both in human and technological costs, while meeting its obligation to be a self-funded regulator. However, as an association representing independent life insurance licensees, we would like to better understand the underlying rationale for the proposed fee thresholds, how future increases will be managed to promote industry confidence and how these decisions align with Council's operating budget/expenses.

In the more immediate term, we are concerned that higher fees for life insurance licensees could result in negative unintended consequences to the industry and the consumers it serves by:

- i) discouraging individual agents from becoming, or remaining, licensed in B.C.; thereby increasing the cost to those remaining.
- ii) discouraging those operating in independent sales distribution from conducting business in B.C., especially those operating small financial practices.
- iii) limiting consumers' access to advice to large financial firms and proprietary products if independent financial practices cannot remain competitive.
- iv) limiting access for consumers in smaller communities if their local insurance/financial firm closes shop.

We encourage the Council to pursue a more stable approach to setting fees going forward, especially given the current disparity with the cost of life/health insurance license fees in most other provincial jurisdictions, and the recent fee increases Council has already imposed.



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Thank you for the opportunity to comment. IFB welcomes the opportunity to work with Council and looks forward to addressing any of your questions or concerns. Please contact either myself, or Susan Allemang, Director Policy & Regulatory Affairs (E: [sallemang@ifbc.ca](mailto:sallemang@ifbc.ca)) if we can assist further.

Yours truly,

***Nancy Allan***

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