The Financial Planning Association of Canada

Official Commentary Submitted to

Canadian Council of Insurance Regulators

Regarding

Total Cost Reporting For Segregated Funds

October 2024

# About this Submission

This commentary is submitted to the Canadian Council of Insurance Regulators in response to their request for commentary on proposed modifications to NI 31-103 and 31-103CP regarding Total Cost Reporting on segregated funds.

At the Financial Planning Association of Canada, we welcome the opportunity to participate in this process and lend our perspective on this important change within the Canadian financial industry regulatory landscape.

# About the Financial Planning Association of Canada

The Financial Planning Association of Canada (FPAC) is a professional association founded in 2019, dedicated to the professionalization of the Financial Planning industry.

Our goal is to make financial planning a profession with the highest standards of fiduciary responsibility, competency, and practice standards possible. We believe that Financial Planners are uniquely positioned to help improve the lives of Canadians through comprehensive financial planning – and that only when Financial Planners are held to the highest standards, which would, in turn, lead to greater consumer confidence and trust, will FPAC be able to fully achieve its mission of professionalization of the financial planning industry.

# Our Position on Total Cost Reporting

The success of a nation's financial industry depends on consumer trust in its financial institutions. At FPAC, we believe that transparency is a core tenet required to build trust with the public, especially regarding the core issue of what consumers are paying on investment products and for investment services. Our members feel so strongly about the need for the full and complete disclosure of all costs associated with the financial products and services they offer that the goal of ensuring all costs are reflected – in both percentages and dollars – on client statements is embedded in our founding Charter.

As such, the Financial Planning Association of Canada lends its full support to the efforts being undertaken by the CSA and CCIR to ensure clients have full and complete disclosure of costs in dollars and percentages on their statements. We thank you for the opportunity to comment.

# Current Concerns

We remain in support of the majority of the proposed amendments. We wish to raise concerns regarding the following amendments:

- Reporting period requirements
- Exemption for legacy contracts
- Transition Period

## Reporting Period Requirements

The April 20th release of amendments included the following notice of change:

*We have moved the requirement to report the fund expense ratio for each investment fund from the quarterly or monthly account statements to the ARCC. We believe that consolidating all information related to costs in a single annual report will facilitate investor understanding of this information.*

We fail to see how the reduced frequency of disclosure will in any way facilitate improved investor understanding vs. the inclusion of said disclosures in all statements. Furthermore no empirical evidence of the veracity of this claim has been made.

On the contrary, reduced disclosure frequency reduces the number of times that investors are made aware of the costs associated with investing in seg funds. This is just simple logic. Such reduced disclosure is also more likely to lead to this information being missed if the sole statement issued during the year is not looked at in detail by the consumer.

Failing empirical evidence to support the assertion that reduced frequency of disclosure improves investor understanding, a key objective of this initiative, we do not believe the CCIR should make this change to the guidance.

## Exemption for Legacy Contracts

The change in question is as follows:

*We added a process for insurers to apply for exemptions from specific expectations in the Insurance Guidance in the unusual cases where costs to policyholders of insurer compliance will exceed the benefits to the policyholders.*

By way of principle, we are in opposition to any exemptions. An organization that can calculate and collect a fee from a pool of client assets should have the ability and obligation to report exactly what that fee was. We recognize that many vendors cite legacy systems as an obstacle to compliance with these and other regulatory requirements, but we would remind the CCIR that the failure to upgrade or migrate from said systems was a business decision made by the vendors and that they should not be rewarded for lack of investment and stewardship by way of exemptions.

## Transition Period

The last issue we wish to bring to the attention of the CCIR is one of the transition period timeline. The April release included the following text:

*The TCR Enhancements will take effect on January 1, 2026. Both securities registrants and insurers will have to deliver the first annual reports that incorporate the TCR Enhancements for the year ending December 31, 2026.*

*We have extended the transition period in light of significant implementation issues and concerns identified in the comment letters and the Additional Consultations.*

We again wish to reiterate that such an action rewards the vendors for their long lack of investment in their own systems. Said lack of investment, the failure to disclose fees in statements in the first place, and the failure to throw sufficient resources behind the original deadline in order to meet it were all business decisions made by these organizations. Any extension provides them with a further period of non-disclosure to consumers.  We do not support any current of future extension of the transition period.

# Closing Summary

In closing, we at the Financial Planning Association of Canada thank you for the opportunity to provide commentary regarding this important issue. We hope that you have found our submission to be in keeping with the intended spirit of consumer protection and with our goal of the professionalization of the financial planning industry. It is our hope that you will see fit to implement our recommendations as outlined. We will also continue to make ourselves available for further input and support for this initiative.