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Financial Services Regulatory Authority (FSRA)
25 Sheppard Ave W, Suite 100
Toronto ON M2N 6S6

Submitted via the FSRA website

Subject: FSRA proposed Total Cost Reporting Rule

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to review and comment on FSRA's proposed Rule.

IFB is a national, not for profit association whose members are self-employed, licensed financial professionals. IFB members own or operate a small to medium sized financial practice within their local community.

Many IFB members are life insurance licensees and mutual fund registrants. It is, therefore, important that rules, practices and regulations are aligned whenever possible by securities and life/health insurance regulators. By doing this, clients across Canada can expect to receive a similar level of service whether they invest in investment products or segregated funds or, as is often the case, both.

FSRA notes that some insurers have voluntarily moved to issuing the enhanced total cost reporting to policyholders in advance of the 2026 deadline. This speaks to the industry's commitment to its policyholders.

Comments
IFB generally supports the intent and substance of FSRA's proposed Rule for segregated fund disclosure. As noted above, it is important that clients receive consistent disclosure whether investing in an investment fund or a segregated fund. As with any multi-disciplinary, multi-jurisdictional approach, it is important that each regulator adopting the final total cost reporting rules or regulations conform to the final CSA/CCIR requirements. IFB is pleased that FSRA has proposed a Rule which is consistent with this final version.

The information required in the annual statements is intended to help investors better understand the fees and other costs associated with their segregated fund and provide a basis for comparison with an investment fund when appropriate. In our view, the changes made by the CSA and CCIR/CISRO in the final version were positive in helping to achieve this goal. However, it will be important, over time, to assess whether the goals of the TCR Rule are being met.

The assumption underlying improved disclosure is that if investors are provided with appropriate tools to help them understand the costs and performance of their investments, they will be better able to:

I) make more informed decisions about their investment choices,
II) be better able to understand their financial documents, and
III) take action or ask questions about lowering fees, switching investments, or be more confident in remaining invested.

Investor research has shown that to successfully engage investors, fee disclosures must be kept simple and written in plain language - the objective being that investors understand why they are being charged fees, as well as the overall cost of these fees.

Despite this, there can remain barriers to an investor's assimilation of such information, or taking action based on the information. These can include factors, for example, such as age, education, literacy, investment experience, etc. For segregated fund clients who have an advisor, fee disclosure provides the opportunity for further discussion between these clients and their advisors so that they can be comfortable that the services and advice received are consistent with the costs and benefits of their segregated fund purchase. Of course, fees/costs are only one component in assessing the value of the investing, saving and estate planning advice clients receive from their advisor.

To ensure that the goals of the Total Cost Reporting Rule are being met, IFB recommends FSRA, and its insurance/securities counterparts, conduct an evaluation to measure the success of the Total Cost Reporting regime within the next 3-5 years. As part of this evaluation, we encourage FSRA to engage with industry, clients and life insurance advisors. Advisors are at the forefront of delivering and explaining the reports, and well positioned to know whether clients are indeed benefiting from the changes in line with regulatory expectations. Evaluating the success of TCR as it relates to segregated funds may require different factors to be considered than for investment funds. Segregated funds are unique from investment funds in that they provide specific tax, creditor, and estate planning strategies for clients, and, unlike investment funds which can be purchased without advice, require the assistance of a life insurance licensed advisor at the time of sale and for ongoing service to help clients understand the investment and its benefits. These unique factors would need to be considered in any evaluation.

Thank you for the opportunity to comment. Please contact the undersigned, or Susan Allemang, Director, Policy & Regulatory Affairs (email: sallemang@ifbc.ca), should you have questions or wish to discuss our comments.

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