Join an advocacy group so that your voice is heard

The founder of the Canadian Group Insurance Brokers Inc. (CGIB) has called out to its members to become part of advocacy groups to enable them to keep on top of issues of the insurance industry and have their say.

BY SUSAN YELLIN

"Never has there been a time when brokers needed to have a voice as much as now," said **Dave Patriarche**, who is also the owner of **Mainstay Insurance**. "With issues like G19, it's more important now than ever. If you are not a member of an association that works for you, don't complain to me."

Patriarche said it's groups like the **Independent Financial Brokers of Canada** (IFB) and **Advocis** where brokers can give input into issues of the day, like G19, consolidation in the industry and what Patriarche said is an apparent move by some insurers to avoid more risk.

But he said of the roughly 100,000 licensed advisors in Canada, only about 12 per cent belong to a group that represents their interests. He added that CGIB is an educational group, not an advocacy-based organization.

Patriarche made the comments as he released the results of a survey conducted among 2,600 group insurance advisors across the country.

The poll, conducted along with marketing firm **DJG**, outlined just some of the concerns of advisors.

One of them is G19, a guideline published about a year ago by the **Canadian Life and Health Association** (CLHIA). G19 set out a framework for advisors to disclose how much they get paid to sponsors of group retirement and group benefits plans. Originally, the guideline stated that insurance companies and not advisors themselves would be responsible for disclosing the fee. It later agreed that advisors would deliver the compensation disclosure documents to the client.

The CGIB survey indicated that 88 per cent of advisors questioned said they already disclose their compensation, whether it was as a dollar amount, a percentage range or a percentage of premiums.

Patriarche suggested to advisors who only give a percentage that they should set out the entire amount clearly and that those who are not disclosing their rate should do it immediately.

"While brokers are supportive of compensation disclosure, a standard commission guideline is a best practice used in other areas of the insurance industry, such as life, home and auto insurance," Patriarche said in a news release. "The broker industry is open to discussing what this could look like."

Since the CGIB meeting, the CLHIA has added some clarifications on how advisors should set out their compensation in group retirement and group benefits.

An updated G19 says advisors should disclose both the per cent and dollar value of direct compensation, including the dollar value for lump-sum payments like transfer bonuses. Indirect compensation through incentive programs should be disclosed but a dollar or percentage value will not be provided. Also to be disclosed is in-kind compensation, such as a financing arrangement between the advisor and the insurer when commission advances or loans exceed $5,000.

About 46.5 per cent of the advisors questioned in the survey said they believe there would be a negative impact on their business if they have to disclose compensation.

A flawed guideline

Some 27 per cent of brokerages do not plan on complying, according to the survey, and will proceed with litigation if their commissions are not paid as per their agreements. Patriarche suggested brokers may wish to consider a campaign to insurers asking what they will do if advisors fail to comply, then act accordingly. He called G19 "a flawed guideline that needs serious stakeholder input."

The CLHIA spent a number of months going around the country and talking to advisors about G19. But Patriarche told advisors that the CLHIA does not have the regulatory authority to impose these disclosures, noting that what the insurance industry association has put together is merely a guideline.

The CGIB survey indicates that some 34 per cent of the advisors believe either the CLHIA has the regulatory authority to impose the guideline or they weren't sure.

"The response was shocking," said Patriarche. "The CLHIA is a trade association – not a regulator. I worry this confusion creates an adversarial environment between brokers and other industry partners, which could negatively impact employers and their employees."

The **Financial Services Commission of Ontario** (FSCO), which does have authority over the advisors, has generally told group advisors that they must disclose commission, who they work with and whether advisors are eligible for travel rewards and bonuses, said Patriarche.

Wendy Hope, vice president, external relations for the CLHIA, said guidelines on the CLHIA website are developed for and apply to member companies – insurers. She noted that the guidelines "are designed to promote consistent practices and standards for the life and health insurance industry and to reinforce the best interests of consumers and the industry."

In an e-mail, Hope said the "guidelines put the onus on insurers to ensure that the relevant practices are followed e.g., disclosures, which they do through administrative practices."

Patriarche said some brokers are reducing their commissions for fear of disclosing previous rates, but he said brokers who provide a value add shouldn't be afraid to disclose. "Be proud of it," he said.

According to the survey, 74.8 per cent of those questioned are open to a standard commission schedule or guideline.

But he noted that CLHIA has said it has no interest in doing this. Currently, there are advisors charging as much as 10 per cent to 12 per cent commissions.

Advisors are also concerned about governments introducing taxes for group benefit plans with life, accident and health insurance policies. Some 67 per cent of the advisors said they believe that benefit taxation would shrink their books of business.

The federal government has said it would not tax people's employee benefits. But Patriarche said the Parliamentary Budget Office has brought out a report saying that doing so would boost the federal government's personal income tax receipts by $2.8 billion, as well as increase CPP contributions and decrease transfer payments to the provinces, all amounting to an increase of $3.8 billion of the federal government's net balance.

"So, is it really off the table? I don't know," said Patriarche. "I can't get an answer."