

The End of the Insurance Broker in Canada

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The Canadian insurance brokerage sector is experiencing a dramatic transformation driven by years of consolidation and private equity investment, fundamentally changing the traditional broker's role and therefore future viability.

The “end” of the independent insurance broker in Canada is not sudden, but a gradual shift resulting from market dynamics, ownership changes, and emerging earning models primarily focused on in-house products and special compensation deals. This white paper explores these changes, their causes, and future implications for brokers, insurers, clients, and regulators.

1. Background: Brokerage Consolidation in Canada

The Canadian insurance broker industry has experienced significant consolidation over the last 15 years, driven by a consistent upward trend in mergers and acquisitions (M&A). The activity heightened especially in the past decade, with M&A deal volumes increasing steadily from under 50 deals early in the 2010s to over 120 deals by 2023, reflecting a strong consolidation wave fuelled largely by private equity-backed consolidators and large industry players. This consolidation aims to achieve scale, expand geographic reach, and enhance service capabilities amid evolving market dynamics.

In recent years, deal activity showed some deceleration but remains robust, with around 100 announced transactions in 2024 and strong private capital interest continuing into 2025. Large consolidators such as Brokerlink (Intact), La Turquoise, and Westland Insurance Group dominate the market, accounting for a majority of acquisitions.

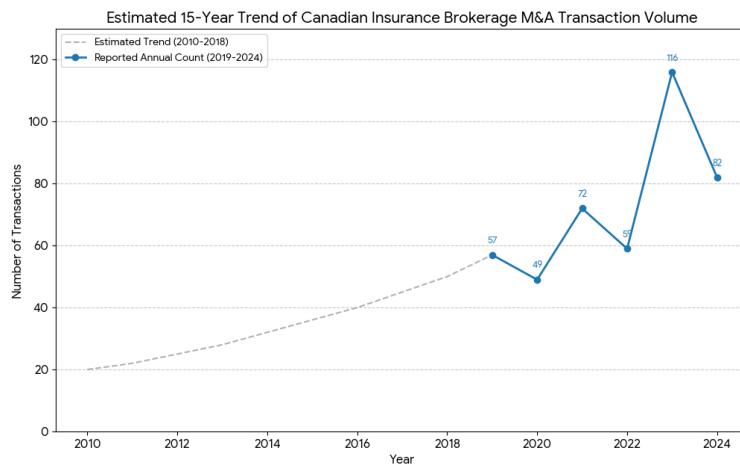


2. Drivers of the Acquisition Cycle

Several critical factors made Canadian brokers attractive for acquisition:

- Fragmentation: The Canadian insurance market was dominated by thousands of small independent brokers, many of them regional or local, creating easy targets for scale-driven strategies.

- Stable, Recurring Revenue: Brokerages' dependable commission streams made them a preferred asset class for PE investors seeking steady earnings.
- Regulatory Environment: Canada's regulatory structure allowed for relatively smooth acquisition processes and portfolio integration, particularly in provinces with harmonized standards.
- Succession Issues: Aging ownership in small firms created urgency for exit strategies, often leaving PE-backed consolidators as the primary buyers.



3. The Endgame: Post-Acquisition Evolution

With acquisition activity slowing in 2024-2025 and deal multiples levelling off, the industry is moving past the “frenzy” stage. Large brokerages, which now control the vast majority of the market, are under pressure from their PE backers to deliver sustained earnings growth, but the playbook must now change.

New Priorities for Large Brokerages

- Organic Growth: Increased focus on program business, specialized offerings, and vertical integration to generate revenue beyond acquisition-driven expansion.
- In-House Products: Development of proprietary insurance products—such as digital-first, industry-specific, or bundled coverages—designed to retain clients and increase margins.
- Exclusive Deals: Negotiating special compensation structures and revenue-sharing agreements with insurers and premium finance companies.
- Technology Investment: Integrating advanced policy management, client portals, and API-driven service enhancements for efficiency and client retention.

4. The New Earnings Model: In-House and Compensation Deals

As external growth through acquisition plateaus, Canada's largest brokerages must increasingly rely on revenue models that harness their scale and relationships with insurers and financiers.

In-House Products & Proprietary Programs

- Brokers leverage captive or preferred relationships to design unique insurance products, sometimes white-labeled, which are distributed across their network.
- MGA units and program business lines allow brokers to capture underwriting profits and offer tailored coverages directly.
- Digital-first policies and fintech solutions increase efficiency and strengthen client loyalty.

Insurer Compensation and Premium Finance Partnerships

- Brokers negotiate preferential compensation, often through override commissions, exclusive distribution deals, and structured fee arrangements.
- Premium finance partners, such as Stable Premium Financing, FIRST Insurance Funding, CAFO, and IPFS Canada, offer brokers additional income through financing deals or shared service agreements.
- These models free up cash flow for clients, making the broker indispensable not just as an advisor but also as a financial intermediary.

5. The Displacement of the Traditional Broker

The independent, client-advocate broker is increasingly rare in today's landscape. Key impacts of this transformation include:

- Loss of Independence: Most brokers now operate under national brands or regional powerhouses with little local ownership control.
- Homogenization of Choice: As large brokerages push in-house products, insurer diversity can erode and product offerings may become standardized.
- Shift in Advisory Role: Brokers function more as integrated sales agents or portfolio managers within a large ecosystem rather than as external client advisers.
- Regulatory Pressure: Growing consolidation requires closer regulatory scrutiny to ensure competition, transparency, and fair compensation structures.

6. Implications for Stakeholders

For Clients

- Reduced access to truly independent advice and potentially less product choice.
- Improved technology and streamlined service, but possible loss of the personal touch of the “local” broker.

For Insurers

- Greater dependency on a handful of large brokerages for market access.
- Increased pressure to offer exclusive terms, participate in compensation deals, and innovate collaboratively.

For Regulators

- Need to monitor market concentration and guard against anti-competitive behaviours.
- Renewed focus on compensation transparency and consumer protection.

For Brokers

- Remaining independents face pressure to either scale up or join larger entities.
- Career structures shift toward salaried positions, sales-management roles, and program development rather than principal ownership

7. Case Studies and Market Data

Several notable acquisitions and programs illustrate the magnitude of change:

- Axis Insurance’s 2025 acquisition of Fuse Insurance expanded digital program expertise and Alberta market presence.
- Regional M&A such as Cal LeGrow Insurance’s merger with MacLeod Lorway exemplifies efforts to achieve scale in Atlantic Canada, fighting for survival against national competitors.
- Exclusive in-house financing partnerships (e.g., Stable Premium Financing at Staebler Insurance) offer brokers new recurring earnings in commercial lines.
- White-labeled fintech offerings, like IPFS Canada’s payment plans and instant approval systems, help brokers retain client relationships at scale.

Rank	Consolidator	Approximate Offices
1	Brokerlink	>250
2	Westland Insurance Group	250
3	Western Financial Group	220
4	Hub International	175
5	Navacord	125
6	Billyard Insurance	85
7	McDougall Insurance	60
8	Arthur J. Gallagher	47
9	BFL Canada	27
10	Aon	22
	TOTAL Offices (Top 10)	1,261

8. The Future: End of the Independent Broker?

The era of the small, independent insurance broker in Canada is effectively over. The brokerage landscape is now dominated by PE-backed consolidators and insurer-exclusive agencies, where growth comes from product innovation and earnings deals rather than new acquisitions. While some small brokers may persist, the power and market share have shifted decisively:

- Large brokers continue to diversify via niche insurance, group health, and claims management, extending vertical integration within the P&C sector.
- Technological adoption will accelerate: APIs, digital-first quoting, and CRM tools are now the norm.
- The traditional broker's value proposition—impartial advice from a local expert—has been ceded to the priorities of scale, efficiency, and recurring revenue.

9. Conclusion

Canada's insurance broker sector has been transformed by 15 years of acquisition and consolidation, largely funded by US private equity. The acquisition cycle's slowdown signals a new era where large brokerages control the market and look to grow through proprietary products, exclusive deals with insurers, and innovative financing solutions.

The independent broker is no longer the industry's backbone; instead, the future centres on scale, efficiency, and complex compensation structures.

For stakeholders across the sector, adaptation—not resistance—is now the key to survival and success.

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