Financial Services Commission of Ontario

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The Honourable Dwight Duncan
Minister of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Dear Minister Duncan:

Re: *Registered Insurance Brokers Act, R.S.O., 1990*, Subsection 10(2) Report of the results of the annual examination by the Superintendent of the affairs of the Registered Insurance Brokers of Ontario ("the Corporation") for the Year Ended July 31, 2010

This report is made in compliance with the requirements of Subsection 10(2) of the *Registered Insurance Brokers Act, R.S.O., 1990* (the Act) which requires the Superintendent to make an annual examination of the affairs of RIBO and to report the results to the Minister. As such, it is my responsibility to ensure that RIBO is fulfilling its regulatory responsibilities and operating with policies and procedures that protect the interest of members of the public that rely on the services of general insurance brokers.

RIBO is a self-funding and self-governing corporation, without share capital, whose members are property and casualty (general) insurance brokers in Ontario. It was established by the Ontario government in 1981, under the Act, to protect the public when conducting insurance transactions with brokers. The Act also provided for self-regulation. Subject to the Act and Regulations, RIBO is responsible for the licensing, standards of practice, prevention of misconduct and the disciplining of its members.

RIBO is a non-profit organization financed by its members and, as such, strives to maintain its Operating Fund at a level equal to one year's annual expenses. As at July 31, 2010, RIBO's $3.7 million Operating Fund was 1.00 times its expenses for the fiscal year. RIBO appears to be operating prudently and its viability is not a concern at this time.

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It is essential that a regulatory authority understand the nature of the market and participants. RIBO meets regularly with FSCO's senior management as well as other regulatory bodies, and it is an active participant in the Canadian Insurance Self-Regulatory Organization. It also consults with stakeholder associations, such as the Insurance Brokers Association of Ontario. These efforts are aimed at furthering the coordination of activities and harmonization of regulatory requirements. General issues or changes impacting the industry are also addressed.

The examination included an assessment of RIBO's Annual Report for the year ended July 31, 2010 and its quarterly bulletins. RIBO is an active organization, as was confirmed from a review of the minutes of the Annual General Meeting and Council sessions. We relied upon the work of the external auditor who advised that there were no issues of concern. Accordingly, the auditor issued an unqualified opinion on the financial statements.

Currently, RIBO has three public members appointed to Council, one less than the four that are required by Ontario Regulation 308/98. Such appointments are beyond RIBO's control and are made by Lieutenant Governor in Council. RIBO is in the process of gathering information on a new candidate to be presented for consideration. This vacancy has not affected Council's ability to form a quorum and it has not hindered Council's on-going work.

RIBO's Discipline Committee is also required to have four publicly appointed members, pursuant to subsection 17(1) of the Act, but currently has three. This has not impeded its ability to hold hearings since each panel of the Discipline Committee is required to have only one public appointee.

Complaints may arise from members of the public or from the on-site spot checks or broker reviews that are conducted by RIBO investigators. Penalties vary, but the more severe cases result in the cancellation of the broker's licence and imposition of the maximum fine. Disciplinary decisions are published in RIBO's quarterly bulletin.

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Brokers are required to carry errors and omissions insurance and a fidelity bond. Additional consumer protection is afforded by RIBO's Professional Indemnification Fund which was established in 1992 to cover losses on claims for premiums misappropriated by brokers.

I am satisfied that RIBO is fulfilling its regulatory responsibilities and operates with policies and procedures that provide for consumer protection when dealing with insurance brokers.

Respectfully submitted,

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services