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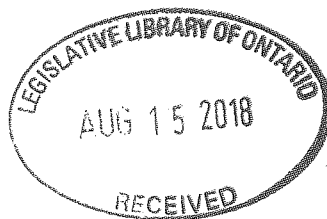


**Financial Services
Commission
Of Ontario**

Sessional Paper No. 22
42nd Parliament, 1st Session
Tabled: AUG 14 2018

KD

**Report of the Superintendent as required by the
Registered Insurance Brokers Act, R.S.O., 1990**



Date: March 29, 2018



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 of Financial Services (the Superintendent) to make an annual examination of the affairs of the Registered Insurance Brokers of Ontario (RIBO) and to report the results to the Minister. Accordingly, 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 who rely on the services of general insurance brokers. This report is submitted in conjunction with RIBO's Annual Report covering its fiscal year ended July 31, 2017.

MANDATE

RIBO's mandate, through self-governance, is to protect the public when conducting insurance transactions with general insurance brokers in Ontario. Subject to the Act and regulations, RIBO regulates the licensing, professional competence, ethical conduct, and insurance related financial obligations of all independent general insurance brokers in the province.

ABOUT RIBO

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, under the Act, by the Ontario government in 1981.

RIBO is a non-profit organization that is financed by its members through the basis of registration and licensing fees. In addition, fees are collected from course providers who ask to have their courses reviewed and accredited by RIBO for the purpose of continuing education accreditation. Collectively, these revenue sources adequately cover its annual operating expenses. RIBO strives to maintain its Operating Fund at a surplus level that is approximately equal to one year of annual expenses. As at July 31, 2017, RIBO's Operating Fund was \$3.8 million or 0.89 times its annual expenses. This was considered adequate. Accordingly, RIBO appears to be operating prudently and its viability is not a concern at this time.

The Act provides for the establishment of a governing Council of RIBO, a Qualification and Registration Committee, one or more Complaints Committees, a Discipline Committee and any other committees as necessary to fulfil its obligations under the Act. At least one member of the public, appointed by the Lieutenant Governor in Council, sits on every RIBO committee. The public members serve to represent the interest of insurance consumers and the public in general.

The Council is the governing body and the board of directors with responsibility to manage and administer the affairs of RIBO. Its main activity is to provide oversight and guidance over the day-to-



day activities of management in order to ensure efficiency, sustainability and advancement of RIBO's mandate.

The Qualification and Registration Committee is responsible for determining the eligibility of individuals and firms as applicants for a licence or renewal of a licence. Accordingly, the committee sets and reviews RIBO's qualification standards for brokers and brokerages in Ontario. It is also responsible for ensuring that individuals and businesses comply with these standards.

The Complaints Committee evaluates the merit of allegations of professional misconduct against a member to determine whether there is sufficient evidence to warrant referring the complaint to the Discipline Committee.

The Discipline Committee conducts hearings on matters referred to it to determine whether allegations of misconduct or incompetence against a member have been proven. Where a member is found guilty, based on the evidence presented, the Discipline Committee has the authority to impose an appropriate penalty, ranging from a reprimand to licence revocation.

REGULATORY CO-ORDINATION

RIBO is actively involved in monitoring developments within the insurance industry by participating in industry events and meetings of various organizations. In addition, RIBO meets regularly with other regulatory bodies and stakeholders to remain abreast of proposed and impending regulatory changes that could affect RIBO's mandate. RIBO remains committed to evolving with industry needs in order to be a centre of progressive regulatory excellence for insurance brokers and the public they serve.

EXAMINATION

Pursuant to subsection 9(1) of the Act, the Superintendent is deemed to have an interest in the Corporation (RIBO) as the representative of all persons who may be served by registered insurance brokers. As such, I must ensure that RIBO is fulfilling its regulatory responsibilities and operates with policies and procedures that protect the interest of members of the public who rely on the services of general insurance brokers.

The examination focussed on assessing RIBO's compliance with the major requirements of the Act as well as its regulatory approach to strengthen market conduct expectations of brokers to promote consumer protection. As such, the examination included, but was not limited to a follow-up on the status of recommendations from FSCO's 2017 examination, a review of the minutes of the Annual General Meeting, a review of the minutes of the Council and its committee meetings, and a review of RIBO's audit programs for brokers. In addition, there was a review of the 2016-2017 Annual Report



and the latest interim financial statements, RIBO's quarterly bulletins, and components of the Principal Broker Handbook. Discussions were also held with senior management on industry issues and RIBO's current and future initiatives.

FINANCIAL STATEMENTS

We relied upon the work of the external auditor who did not raise any issues or concerns in its year-end report to the Council and issued an unqualified opinion that the 2016-2017 financial statements present fairly.

PUBLIC APPOINTMENTS

Ontario Regulation 308/98 requires that four members of the Council be public appointments made by the Lieutenant Governor in Council. The composition of the Council satisfies the legislative requirements.

Section 17(1) of the Act requires that at least four members of the Discipline Committee must not be members of the Corporation, but be appointed by the Lieutenant Governor in Council. Presently, there are only 3 public members on the committee. As such, an additional public member needs to be appointed; however, this has not prevented RIBO from performing its duties. The Chief Executive Officer advised that he has informed the Public Appointments Secretariat of this issue.

The composition of all other committees meet the requirements of the Act.

REGULATORY OVERSIGHT

The Qualification and Registration Committee meets on a monthly basis to address such items as industry standards, applications for secondary business exemptions, applicants who have attempted the equivalency examination, continuing education issues and management's proposals to refuse or revoke registrations.

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

Complaints against brokers may arise from members of the public or from the on-site spot checks or broker reviews that are conducted by RIBO investigators. Where matters are referred by RIBO staff to a Complaints Committee, the Committee decides whether to dismiss an allegation or forward it to the Discipline Committee for further action.



In considering an allegation of misconduct or incompetence against a member, the Discipline Committee may offer a resolution on a consent basis or conduct a hearing. In the event a member is found guilty, the Committee may impose an appropriate penalty or combination thereof, as set out in the Act. Penalties vary, including the revocation or suspension of the member's licence, restrictions and/or conditions placed on the member's licence and/or the imposition of a fine. Disciplinary decisions are published in RIBO's quarterly bulletin; however, the Discipline Committee retains discretion on whether to grant a request for non-publication.

CONCLUSION

Based on the results of FSCO's examination, RIBO is fulfilling its obligations to regulate the registered insurance broker industry and is operating within the requirements of the Act and the regulations. In addition, RIBO has established policies and procedures that provide for consumer protection when dealing with general insurance brokers.

The examination did not reveal any material areas of concern with RIBO's operations that would require regulatory action. Although there are no new recommendations for RIBO, some remain outstanding from last year. Accordingly, I recommend that RIBO undertake the following measures:

1. Develop a succession plan for the senior management team.
2. Incorporate the following enhancements into its spot check/broker review programs:
 - a. Include a section to document the results of the continuing education file review.
 - b. Utilize a cover sheet for each file to evidence the steps that were completed and to summarize the file contents.
 - c. Restructure the procedures document to list sequentially the audit steps in a manner that would be easier to follow.
 - d. For ease of reference, include a section in the broker questionnaire that would highlight the Facility Association Servicing Carrier with which the broker has a market, if any.
 - e. Include an inquiry about errors and omissions claims by the broker.
 - f. Include more specific criteria to assess for market conduct issues and provide detailed comments that support the assessment.

Attached is RIBO's Annual Report for its fiscal year ended July 31, 2017.

FINANCIAL SERVICES COMMISSION OF ONTARIO

LICENSING AND MARKET CONDUCT DIVISION

Market Regulation Branch

REGISTERED INSURANCE BROKERS OF ONTARIO

Examination Report

Reporting Year End: July 31, 2017

Interim Year-to-date: January 31, 2018

Confidential: Prepared for the purpose of advice and recommendations to the Superintendent

Prepared by: Dawn Goodine
Senior Compliance Officer
Market Regulation Branch

Date: February 27, 2018

Attached is a copy of the RIBO Annual Report 2016-2017. The following documents are also attached:

1. report of the Superintendent 2016-2017,
2. a memorandum from Brian Mills, CEO and Superintendent of Financial Services, to Scott Thompson, Deputy Minister of Finance,
3. a memorandum from Brian Mills, CEO and Superintendent of Financial Services, to the Honourable Charles Sousa, Minister of Finance,
4. a letter of transmittal from Scott Thompson, Deputy Minister of Finance, to the Honourable Charles Sousa, Minister of Finance,
5. a letter of transmittal from the Honourable Charles Sousa, Minister of Finance, to Todd Decker, Clerk of the Legislative Assembly,
6. a memorandum from the Honourable Charles Sousa, Minister of Finance, to Steve Orsini, Secretary of the Cabinet and Clerk of the Executive Council, and
7. a memorandum from Marco Ciavatta, Senior Manager and Special Advisor (Acting) to the CEO and Superintendent of Financial Services, to Cheryl Donais, Executive Assistant and Special Policy Advisor, Financial Services Policy Division, Ministry of Finance.

These nine copies of the annual report, the report of the Superintendent and letters of transmittal will be sent to Cheryl Donais at the Ministry of Finance on or about March 29, 2018.

Attachments

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A. GENERAL INFORMATION

Address: 401 Bay Street, Suite 1200
P.O. Box 45
Toronto, ON M5H 2Y4

Telephone: (416) 365-1900

Formed: 1981

President: Jack Lee

**Manager / Chief
Executive Officer (CEO):** Patrick Ballantyne

Auditor / Partner: Claire Cornwall, CPA
PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, ON M5J 0B2
Tel: (416) 863-1133

Fiscal Year End: July 31, 2017

Total Assets \$7.2 million

Dates of Examination: February 5, 6, 8, 9 and 12, 2018

Period Reviewed: August 1, 2016 to January 31, 2018

Date of Previous Report: March 15, 2017

B. EXECUTIVE SUMMARY

The Registered Insurance Brokers of Ontario (RIBO) is a self-funding and self-governing corporation, without share capital. It was established by the Ontario government in 1981, under the *Registered Insurance Brokers Act, R.S.O., 1990* (the Act), to protect the public when conducting insurance transactions with property and casualty (general) insurance brokers.

Pursuant to subsection 9(1) of the Act, the Superintendent of Financial Services (the Superintendent) is deemed to have an interest in the Corporation (RIBO) as the representative of all persons who may be served by registered insurance brokers. Subsection 10(2) of the Act requires the Superintendent to make an annual examination of the affairs of RIBO and to report the results to the Minister.

In February 2018, the Financial Services Commission of Ontario (FSCO) completed an examination of RIBO, with a focus on assessing RIBO's compliance with the major requirements of the Act.

RIBO is an active organization, as evidenced by a review of the minutes of the Council sessions (including its committees), the minutes of the 2017 Annual General Meeting, and RIBO's quarterly bulletins.

FSCO reviewed RIBO's 2016-17 Annual Report for any material issues. RIBO's external auditor issued an unqualified opinion on the financial statements for the year ended July 31, 2017. In addition, no concerns were noted in the auditor's 2017 year-end report to RIBO's Council. RIBO completed its 2017 fiscal year with an Operating Fund balance of \$3.8 million, representing 89% of RIBO's annual expenses. The Operating Fund serves as a buffer, since annual registration fees generally cover the operating expenses in any given year. As such, viability is not a concern at this time.

The examination included a follow-up on the status of recommendations from the 2017 review. RIBO has taken steps to address some of the recommendations that FSCO made during last year's examination, while others remain outstanding, as noted in section F-1 and section G of this report. There were also a number of updates related to RIBO's business operations, which are detailed in the respective sections of this report.

Conclusion

Based on the results of FSCO's examination, RIBO is fulfilling its obligation to regulate the registered insurance broker industry and is operating within the requirements of the Act and the regulations. In addition, RIBO has established policies and procedures that provide for consumer protection when dealing with general insurance brokers.

The examination did not reveal any material areas of concern with RIBO's operations that would require regulatory action. Although there are no new recommendations for

RIBO, some remain outstanding from last year, which are summarized in section G of this report.

C. BACKGROUND

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 *Registered Insurance Brokers Act, R.S.O., 1990* (the Act), to protect the public when conducting insurance transactions with brokers. Subject to the Act and regulations, RIBO is responsible for the licensing, standards of practice, prevention of misconduct and the discipline of all independent property and casualty insurance brokers in Ontario.

RIBO is a non-profit organization that is financed by its members through registration and licensing fees. In addition, fees are collected from course providers for reviewing courses for possible continuing education (CE) accreditation.

RIBO is actively involved in monitoring developments within the insurance industry by participating in various industry events/conferences. RIBO also meets with FSCO and other regulatory bodies and stakeholders. In addition, RIBO's CEO visits brokers around the province.

D. PURPOSE OF REPORT

Pursuant to subsection 9(1) of the Act, the Superintendent is deemed to have an interest in the Corporation (RIBO) as the representative of all persons who may be served by registered insurance brokers. As such, the Superintendent must ensure that RIBO is fulfilling its regulatory responsibilities and operates with policies and procedures that protect the interest of members of the public that rely on the services of property and casualty (general) insurance brokers.

This report is made in accordance with subsection 10(2) of the Act, which requires the Superintendent to make an annual examination of the affairs of RIBO and to report the results to the Minister.

E. SCOPE OF EXAMINATION

The examination encompassed RIBO's activities during its fiscal year ended July 31, 2017 and the six-month period ended January 31, 2018, with a focus on the following areas:

- Follow-up on prior year recommendations
- Financial position and affairs
- Governance and organizational structure
- Complaint/disciplinary proceedings
- Policy review and changes
- Business operations

The examination included the following:

- Review of the minutes of Council (board) and its committee meetings
- Review of the draft minutes of the 2017 Annual General Meeting
- Review of the 2016-2017 Annual Report
- Review of the external auditor's reports
- Review of the January 31, 2018 interim financial statements
- Review of the 2017-2018 budget
- Review of updates (concerning systems) to the Business Continuity and Disaster Recovery Plan
- Review of new by-law (No. 31)
- Discussions with senior management
- Review of the quarterly bulletins
- Review of policies and procedures manuals
- Review of the Principal Broker Handbook
- Review of the spot check/broker review programs

F. RESULTS OF EXAMINATION

1. Follow-up on Prior Year Recommendations

Recommendation 1: Add mobile devices issued to RIBO to the registry of electronic equipment in order to track such devices in the event of loss or theft.

Result: It was confirmed during the examination that RIBO added the mobile devices to its registry. This recommendation is closed.

Recommendation 2: Maintain oversight of the services RIBO contracts out to third party providers (e.g., cyber security assessment) and develop a reporting mechanism that regularly updates senior management and the Council on related matters, such as any performance challenges, change in timelines, impact on RIBO's operations, and recommended response.

Result: As evidenced in the minutes, RIBO management regularly reports to the Council on such matters. This recommendation is closed.

Recommendation 3: Develop a succession plan for the senior management team.

Result: Although RIBO does not have a formal plan, the CEO advised that it has identified internal candidates who could fill certain management positions. In other cases, external hires would be required; however, the CEO advised that he has candidates in mind. There was no indication in the Council minutes that this has been a subject of discussion. The CEO confirmed that the Council has not asked about it. Accordingly, this finding remains open and the recommendation is reiterated as a best practice to ensure an orderly transition from staff departures and to mitigate the risk of possible business disruptions.

Recommendation 4: The following enhancements to RIBO's spot check/broker review programs were recommended:

1. Include a section to document the results of the CE file review. Last year, it was only listed as an examination step on the instruction page of each program.
2. Utilize a cover sheet for each file to evidence the steps that were completed and to summarize the file contents.
3. Restructure the procedures document to list sequentially the audit steps in a manner that would be easier to follow.
4. For ease of reference, include a section in the broker questionnaire that would highlight the Facility Association (FA) Servicing Carrier with which the broker has a market, if any.
5. Include an inquiry about errors and omissions claims by the broker.
6. Include more specific criteria to assess for market conduct issues and provide detailed comments that support the assessment.

Result: The above recommendations were not incorporated into the spot check/broker review programs. However, in reviewing a sample file, it was observed that such things as the FA Servicing Carrier and CE compliance were recorded by the investigator, which was also the practice last year. The Director, Complaints and Investigations advised that the programs were not revised due to other priorities (e.g. systems upgrade) and limited resources. Accordingly, this finding remains open and the recommendations are reiterated as a best practice to promote consistency in conducting the reviews.

2. Regulatory and By-laws

(a) Legislation

Bill 177, Stronger, Fairer Ontario Act (Budget Measures), 2017 received Royal Assent on December 14, 2017. Schedule 36 of Bill 177 amended the Registered Insurance Brokers Act as follows:

- It provided for the continuing jurisdiction of RIBO in respect of suspended members and individuals who resign as members, or whose membership is revoked, regarding their conduct as a member.
- The ability of the Council to make by-laws fixing maximum fines that may be imposed upon members found guilty of misconduct was repealed.
- The requirement for hearings of the Discipline Committee to be closed to the public, except in certain circumstances, was repealed.
- The evidence provisions were amended to require the findings of fact of the Qualification and Registration Committee and of the Discipline Committee to be based exclusively on evidence admissible or matters that may be noticed under the Statutory Powers Procedure Act, R.S.O. 1990, c. S.22.

These changes primarily aim to strengthen governance and broker conduct which RIBO believes will promote a more modern, flexible and transparent process that focuses on consumer protection.

RIBO's CEO advised that other proposed legislative amendments were before the Ministry; however, he was not at liberty to discuss them.

(b) By-laws

On June 15, 2017, the Council approved By-law No. 31, pursuant to subsection 11(1)(o) of the Act. This by-law amends section 15.1 of By-law No. 1 by adding a subsection on "supervising broker", a new class of membership. This amendment enables a principal broker to delegate some of its supervisory duties to one or more supervising brokers. Despite any such delegation, By-law No. 31 states that the Act, the Regulations and the By-laws continue to apply to the principal broker regardless of any appointment of a supervising broker.

During the examination, FSCO queried whether a regulation would be required for such delegation of duties. By comparison, subsection 7.2(5) of Regulation 991 was enacted to allow a principal broker to appoint and delegate duties to one or more deputies. RIBO is of the view that a regulation was not required, due to subsection 11(1)(o) of the Act, which allows the Council to pass by-laws providing for classes of membership.

The supervising broker class was created in the interest of consumer protection, e.g. a brokerage with several branches may opt to appoint a supervising broker for each branch to enhance the oversight of brokers. RIBO advised that a supervising broker differs from a deputy principal broker, because it believes that the latter would also have the authority to bind the brokerage to which some owners (e.g. family-run) may not be amenable.

On February 22, 2018, RIBO submitted a copy of By-law No. 31 to FSCO's Licensing and Approvals Unit to serve as a copy to the Superintendent, pursuant to subsection 11(2)(a) of the Act.

3. Financial Position

The external auditor and audit partner for RIBO are PricewaterhouseCoopers LLP and Claire Cornwall, respectively. This remains unchanged from the prior year. The external auditor issued an unqualified opinion on RIBO's financial statements for the year ended July 31, 2017. In addition, no concerns were noted in the auditor's 2017 year-end report to the Council.

In fiscal 2017, RIBO generated an operating surplus of \$90 thousand, compared to incurring an operating deficit of \$61 thousand in 2016. RIBO earned \$4.3 million (2016 - \$4.2 million) in registration and examination fees and \$100 thousand (2016 - \$123 thousand) in investment and other income. Regulation, communication and administration costs totalled \$4.3 million (2016 - \$4.4 million).

As a non-profit organization, RIBO strives to maintain its Operating Fund balance at a level that is approximately equal to one year of annual expenses. As at July 31, 2017, the Operating Fund was \$3.8 million or 89% of RIBO's expenses for the 2017 fiscal year. This is a modest improvement from the prior year when the Operating Fund was about 85% of annual expenses. The increase was due to a combination of lower overall expenses and slightly higher fee income.

The Operating Fund serves as a buffer, since annual registration fees generally cover the operating expenses in any given year. As such, viability is not a concern at this time.

4. Policyholder Protection and Professional Indemnification Fund

Policyholders' funds are protected by (i) the deeming provisions in the Insurance Act, (ii) brokers' mandatory requirement to carry errors and omissions (E&O) insurance and a fidelity bond, (iii) the Professional Indemnification Fund (PIF) and (iv) RIBO's E&O program for orphan brokers (to ensure that no individual broker is left without such coverage).

The PIF was established in 1992 with \$500,000. Its purpose is to cover losses on claims for premiums misappropriated by brokers, but not recoverable under the brokerage's standard fidelity bond. Its coverage is limited to \$10,000 per claimant.

The PIF was \$1 million at the end of fiscal 2017, which was unchanged from 2016. The Council agreed that interest earned on the balance is to be paid to RIBO, since the PIF does not require the additional funds.

A formal actuarial assessment has not been conducted to determine the adequacy of the PIF. RIBO relies on past experience with one failure that led to establishing the PIF and the fact that there has never been a claim against the fund. Most claims would be covered by a broker's fidelity bond, leaving few, if any, to claim against the PIF. Furthermore, RIBO previously advised that there has been a significant shift to direct billing by insurers, rather than premiums being paid through brokers, thus, fewer funds are passing through the trust accounts.

5. Organizational Structure and Governance

(a) Organizational Structure

The Act specifies that the Council be the governing body and board of directors of RIBO. In addition, the Council is required to establish the following committees:

- Qualification and Registration Committee,
- One or more Complaints Committees,
- Discipline Committee, and
- Any other committees deemed necessary to fulfil its obligations under the Act.

Accordingly, RIBO established the following four other committees:

- Professional Development Committee
- Legislation Committee
- Administration and Finance Committee
- Communications Committee

The following five departments handle RIBO's day-to-day operations:

- Administration and Finance
- Qualification and Registration
- Complaints and Investigations
- Communications
- Corporation Legal Services (General Counsel)

(b) Council

The Council is the governing body and the board of directors with responsibility to manage and administer the affairs of RIBO. It provides oversight and guidance to management in order to ensure efficiency, sustainability and advancement of RIBO's mandate.

Ontario Regulation 308/98 requires that the Council be comprised of nine elected members of RIBO and four persons that are not members of RIBO and appointed by the Lieutenant Governor in Council. At the time of FSCO's examination, the Council membership complied with the legislative requirement.

The Council executives for the 2017-2018 fiscal year are as follows:

Name	Position
Jack Lee	President
Scott Bell	Vice President
Peter Blodgett	Treasurer
Marianna Michael	Secretary

(c) Management

RIBO's management team, noted below, is unchanged from the prior year:

Name	Position
Patrick Ballantyne	Manager and Chief Executive Officer
Winston Koo	Director, Administration and Finance
Tim Goff	Director, Complaints and Investigations
Vivian Lee	Director, Qualification and Registration
John Goldsmith	General Counsel, Corporate Legal Services

6. Administration and Finance

(a) Administration and Finance Committee

The Administration and Finance Committee is not required by legislation. Its main function is to review RIBO's annual budget and to make recommendations to the Council. The Director, Administration and Finance prepares the budget and provides guidance on these matters to the committee. He also provides the Council with monthly financial reports on RIBO's operations.

(b) Business Operations

Updates

- The Council approved an increase in all renewal fees by \$10, effective for the 2017-18 fiscal year. The increase was considered necessary to keep up with the the impact of inflation on operating costs. The fees had been unchanged since 2011.
- Last year, it was noted that RIBO's Disaster Recovery Plan (the Plan) had not been updated to reflect the change in vendor and location for its remote back-up and replication service. It was confirmed during this year's examination that RIBO updated the Plan accordingly. In addition, RIBO advised that the appropriate testing was completed with no concerns.
- The Director, Administration and Finance advised that RIBO's cyber risk insurance policy remains unchanged from the prior year, i.e. \$5 million coverage with a \$50,000 deductible, provided by Chubb Insurance Company of Canada.
- RIBO is renovating its office space and will amortize the related expenses over the next 6 years, which is the remaining term on its lease.
- The Director, Administration and Finance advised that RIBO plans to hire Mid-Range Computer Group Inc. (Mid-Range) to assist it in implementing recommendations that were made by the consultant who completed a cyber security assessment of RIBO's systems. Mid-Range provided a proposed work agreement, dated February 5, 2018.
- RIBO is in the process of redesigning its website and expects to launch it in March 2018.

7. Qualification and Registration

(a) Qualification and Registration Committee

The full Council serves as the Qualification and Registration Committee. The Committee meets on a monthly basis to address various items, including but not limited to industry initiatives, review on-going competency qualifications and equivalency standards for licence applications and/or renewals, applications for secondary business exemptions, continuing education issues and management's proposals to refuse or revoke registrations.

(b) Business Operations

Below is a summary of RIBO's membership statistics for the last three years:

Membership	2017	2016	2015
Individual Registrants	19,185	18,928	18,389
Partnerships and Corporations	1,062	1,080	1,108
Sole Proprietorships	6	6	8
Consultants and Wholesalers	66	61	56
Total Active Businesses	1,134	1,147	1,172

RIBO has a reciprocal agreement with FSCO regarding the registration of brokers who hold a general agent's licence. In addition, all of the provincial regulators have adopted a harmonized approach for the reciprocal licensing of insurance agents and brokers in Canada to streamline applications and CE requirements. The model states that a host jurisdiction relies on most of the requirements of the agent's or broker's home jurisdiction, but could request that the agent or broker meet further requirements that are specific to the host jurisdiction. Accordingly, RIBO requires applicants to write the following two exams: (i) RIB Act & By-laws and (ii) Ontario Automobile Insurance Equivalency exam.

Updates

- During last year's examination, RIBO advised that it planned to hire a Licensing Manager; however, RIBO instead hired an Administrative Coordinator to assist with registrant applications, continuing education and course accreditation. This is a new position reporting to the Director, Qualification and Registration. RIBO advised that it is satisfied with the current staffing in this department.
- RIBO is enhancing its CRM system to enable on-line registration for new applications (renewals were already done on-line), which it expects to launch in the spring of 2018. There will also be some enhancements for renewals, e.g. for filing Form 1 position reports through the portal.
- On June 15, 2017, the Council approved the creation of an Accreditation Committee that will include broker members. The committee will review course offerings and assign the appropriate number of CE hours to them. The Director, Qualification and Registration advised that RIBO is targeting October 1, 2018 to formalize the committee.
- The Council approved an update to the CE requirements for brokers, effective for 2018. Although there is no change to the total CE hours required for each term,

a new category will be introduced, where all brokers will have to complete 1 hour of ethical skills training. The requirements will also set out a minimum number of technical skills hours and a maximum number of personal skills hours.

8. Complaints and Investigations

(a) Complaints Committee

Council may appoint any individual member (broker) of RIBO to a Complaints Committee; however, at least one member of the Committee must be a person who is not a member of RIBO and who is appointed to the Council or to the panel, pursuant to subsection 15(1) of the Act. Currently, the Committee consists of a three-member panel, comprised of two brokers and a public member.

The Complaints Committee considers all complaints referred to it from RIBO's Complaints and Investigations Department, where staff believe that regulatory action against a broker or brokerage is warranted. Accordingly, the Complaints Committee examines the case for possible action and if it decides that there is sufficient evidence of possible misconduct, the matter is referred to the Discipline Committee for a hearing or a recommendation to settle by consent.

(b) Inquiry / Complaint Activity

There are two main types of complaints that are handled by the Complaints and Investigations Department: finance and conduct. Finance related complaints are typically generated from a spot check or broker review. The most common types pertain to trust deficits or inadequate books and records. Conduct related complaints/inquiries can be from the public or a fellow broker and are initially handled (typically by telephone) by the Complaints Officer. In fiscal 2017, the Complaints Officer resolved approximately 90% of inquiry calls, which was comparable to the prior year. If the complaint warrants further investigation, a written complaint is requested and, upon receipt, an inquiry file is opened and assigned to an Investigator for further review. As previously noted, the matter might be referred to the Complaints Committee.

In reporting to the Council, the Director, Complaints and Investigations advised that consumer complaints/calls continue to be mainly about misquotes and policy cancellations due to non-payment, followed by issues with premiums and claims.

Below are highlights of the complaint and investigation activity for 2017 and 2016:

Category	Fiscal 2017	Fiscal 2016
Inquiry telephone calls (*approximately)	1,000*	1,167
New files for investigation	130	118
Cases referred to Discipline Committee	28	15

Although there was an increase in the number of files requiring investigation and the number of cases referred to the Discipline Committee, the volume remained very low relative to the number of registrants. Of the 130 new complaint files, 70% involved Code of Conduct issues, which was similar to the prior year.

(c) Spot Checks / Broker Reviews

RIBO's Complaints and Investigations Department conducts random on-site spot checks of brokerages on a four-year rolling basis. A more focussed broker review is completed when warranted, e.g. when a trust deficit or equity deficit is identified. Although the spot check and broker review programs primarily deal with a brokerage's financial and business operations, they also include some market conduct aspects and RIBO continues to consider ways to expand upon the latter. During fiscal 2017, RIBO completed 262 spot checks of which only 9 resulted in a formal proceeding. This compares with 2016 when RIBO completed 268 spot checks of which 7 resulted in a formal proceeding.

(d) Business Operations

Currently, RIBO has 6 staff who complete the various types of reviews, i.e. spot checks/broker reviews and broker conduct/complaint investigations.

Updates

- A former Senior Investigator retired on March 30, 2017. RIBO filled the vacancy in June 2017. The Director, Complaints and Investigations advised that the new Senior Investigator brings over 10 years of experience as a broker to the position.
- The Director, Complaints and Investigations advised that RIBO is considering hiring an additional investigator; however, the process is not yet finalized.
- In past practice, RIBO would take action against a brokerage when it had an equity deficit; however, a formal complaint file was not created. In fiscal 2017, RIBO introduced a new process, where it opens a complaint file for cases of equity deficits. The brokerage will be given one year to correct the deficiency and if it fails to do so, the matter will be forwarded to the Complaints Committee.

- RIBO is enhancing its CRM system with a component that will streamline its complaint handling function, which it expects to launch by September 30, 2018. The current process is largely manual and involves disjointed systems.
- Last year, RIBO's General Counsel advised that he planned to update the training manual for members of the Complaints Committee and the Discipline Committee; however, due to other priorities, there were no changes. This year, the General Counsel advised that RIBO aims to have a training seminar once a year with committee members to review the process and possibly present a mock case.

9. Discipline Committee

Council may appoint any individual member of RIBO to the Discipline Committee. However, subsection 17(1) of the Act mandates that at least four members of the committee cannot be members of RIBO and must be appointed to the Council or to the panel of lay persons by the Lieutenant Governor in Council.

The Act also stipulates that no person who is a member of the Discipline Committee shall be a member of a Complaints Committee. Compliance with this requirement was confirmed during the examination.

Subsection 17(3) of the Act requires that the Council appoint one of its members to be the chair of the Discipline Committee. It was confirmed that RIBO complies with this requirement. The chair, in turn, may assign a panel of five members of the committee to hold a hearing with at least one member of the panel being a public appointee. This panel may exercise the jurisdiction and powers of the Discipline Committee.

The duties and powers of the Discipline Committee are directed by section 18 of the Act. The committee can settle cases by way of consent or by hearings. Penalties vary, including the revocation or suspension of the member's licence, restrictions and/or conditions placed on the member's licence and/or the imposition of a fine. Section 22 of Ontario Regulation 991 states that the maximum fine that may be levied against a member for misconduct is \$25,000 unless the member is an individual, in which case the maximum fine is \$5,000.

Decisions of the Discipline Committee are published in RIBO's quarterly bulletin; however, the committee has discretion on whether to grant a request for non-publication of the broker's name, type of infraction and the penalty.

Observation: There are only three public members appointed to the Discipline Committee. As evidenced in the Council minutes, RIBO's CEO regularly follows up with the Public Appointments Secretariat on any such vacancies.

10. Communications

(a) Communications Committee

The Communications Committee is not required by legislation and, as such, meets only when an issue arises that requires its attention. The committee met twice in fiscal 2017, primarily to discuss ways to enhance communications with brokers in order to remain current with information on RIBO and the industry. This included such things as the content for RIBO's LinkedIn page and how to improve voter participation. There were no meetings thus far in fiscal 2018.

(b) Business Operations

Responsibility for RIBO's communications activity is shared by RIBO's General Counsel and the CEO's Executive Assistant who is also the Communications Coordinator. The various duties include maintaining RIBO's website, its LinkedIn page and all of its publications, e.g. the quarterly bulletins, the Annual Report, miscellaneous leaflets and the CE Summary. The Communications Coordinator reports regularly to the Council on these items.

The bulletin is a useful communication tool that covers such issues as changes in legislation, industry developments and other topics that may affect a broker's operations. The content of the bulletins and other publications are reviewed by the CEO prior to publication. The CEO is responsible for ensuring that they address only those matters within RIBO's mandate and that they communicate RIBO's function as a regulator, distinct from that of a trade association. As previously noted, the decisions of the Discipline Committee are also published in the bulletin.

11. Professional Development Committee

The Professional Development Committee is not required by legislation. It meets, as required, to deal with marketing guidelines, advertising by brokers and marketing schemes proposed by brokers. The committee met twice in fiscal 2017 and once thus far in 2018. Its discussions primarily dealt with the new equity deficit process (noted in section F-8 of this report) and disclosure guidelines for brokers.

12. Legislation Committee

The Legislation Committee is not required by legislation. It meets, as required, to deal with legislative matters. There were no formal committee meetings in fiscal 2017 or thus far in 2018.

G. CONCLUSION AND RECOMMENDATIONS

Based on the results of the examination, RIBO is fulfilling its obligation to regulate the registered insurance broker industry and is operating within the requirements of the Act and the regulations. In addition, RIBO has established policies and procedures that provide for consumer protection when dealing with general insurance brokers.

The examination did not reveal any material areas of concern with RIBO's operations that would require regulatory action. There are no new recommendations for RIBO; however, some remain outstanding from last year, as noted below.

Recommendations for RIBO:

Recommendation 1: Last year's recommendation that RIBO develop a succession plan for the senior management team is reiterated as a best practice to ensure an orderly transition from departures and to mitigate the risk of possible business disruptions.

Recommendation 2: Last year's recommendation that RIBO incorporate the following enhancements into its spot check/broker review programs is reiterated as a best practice to promote consistency in conducting the reviews:

1. Include a section to document the results of the CE file review. Last year, it was only listed as an examination step on the instruction page of each program.
2. Utilize a cover sheet for each file to evidence the steps that were completed and to summarize the file contents.
3. Restructure the procedures document to list sequentially the audit steps in a manner that would be easier to follow.
4. For ease of reference, include a section in the broker questionnaire that would highlight the Facility Association Servicing Carrier with which the broker has a market, if any.
5. Include an inquiry about errors and omissions claims by the broker.
6. Include more specific criteria to assess for market conduct issues and provide detailed comments that support the assessment.

(H) SIGNATORIES

	Name	Signature & Date
Preparer:	Dawn Goodine, Senior Compliance Officer Market Conduct Compliance Unit Market Regulation Branch	<i>D. Goodine</i> <i>Feb. 27, 2018</i>
Approver:	Mohammed Ali Marfatia, Manager Market Conduct Compliance Unit Market Regulation Branch	
Approver:	Izabel Scovino, Director Market Regulation Branch Licensing and Market Conduct Division	