



**Financial Services  
Commission  
Of Ontario**

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

**Date: March 29, 2019**



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, 2018.

## **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, 2018, RIBO's Operating Fund was nearly \$4.0 million or 86% of RIBO's expenses for the 2018 fiscal year. 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 2018 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 2017-2018 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 2017-2018 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 two public members on the committee. As such, two additional public members need to be appointed; however, this has not prevented RIBO from performing its duties. RIBO's CEO advised that he follows up with the Ministry of Finance at least once a month on the status of the vacancies. If needed, RIBO could draw a public member from the Council to sit on a panel for a disciplinary hearing.

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

## **REGULATORY OVERSIGHT**

The Qualification and Registration Committee generally 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. There is one new recommendation for RIBO, as noted below.

### **Recommendation:**

1. It is recommended that RIBO update its policy and procedures manuals, as needed.

Attached is RIBO's Annual Report for its fiscal year ended July 31, 2018.



# **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, 2018**

**Interim Year-to-date: January 31, 2019**

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

**Prepared by:** Dawn Goodine  
Senior Compliance Officer  
Market Regulation Branch

**Date:** March 15, 2019

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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:** Scott Bell

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

**Auditor / Partner:** Tamara Jones, CPA  
PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600  
Toronto, ON M5J 0B2  
Tel: (416) 863-1133  
Email: t.jones@pwc.com

**Fiscal Year End:** July 31, 2018

**Total Assets** \$6.2 million

**Dates of Examination:** February 25 - March 1, 2019

**Period Reviewed:** August 1, 2017 to January 31, 2019

**Date of Previous Report:** February 27, 2018

## **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, c. R.19* (the Act), to protect the public when conducting insurance transactions with property and casualty (general) insurance brokers in Ontario.

In July 2018, there were amendments to the legislation which primarily aim to strengthen governance and broker conduct in order to promote consumer protection.

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/March 2019, the Financial Services Commission of Ontario (FSCO) completed an on-site examination of RIBO, with a focus on assessing RIBO's compliance with the major requirements of the Act.

RIBO is an active organization, as observed in reviewing the minutes of the Council sessions (including its committees), the minutes of the 2018 Annual General Meeting, and RIBO's quarterly bulletins.

FSCO reviewed RIBO's 2017-18 Annual Report for any material issues. RIBO's external auditor issued an unqualified opinion on the financial statements for the year ended July 31, 2018. In addition, no concerns were noted in the auditor's 2018 year-end report to RIBO's Council.

RIBO completed its 2018 fiscal year with an Operating Fund balance of \$3.96 million, representing 86% of RIBO's annual expenses. The Operating Fund serves as a buffer, since annual registration fees largely 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 2018 on-site review. Generally, RIBO has taken steps to address the recommendations that FSCO made during last year's examination, as noted in sections F-1 and 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. There is one new recommendation for RIBO, which is to update its policy and procedures manuals, as needed, acknowledging that its resources were strained in 2017-18, due to additional pressures from enhancing its information systems and undergoing an extension office renovation.

It is recommended that during next year's examination, FSCO review a sample of RIBO's spot check/broker review files for completeness, as noted in sections F-1 and 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, c. R.19* (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, 2018 and the six-month period ended January 31, 2019, with a focus on the following areas:

- Follow-up on prior year recommendations
- Financial position and affairs
- Governance and management structure
- Policy review and changes
- Business operations

The examination included the following:

- Review of the minutes of Council meetings and its committee meetings
- Review of the draft minutes of the 2018 Annual General Meeting
- Review of the 2017-2018 Annual Report
- Review of the external auditor's reports
- Review of the January 31, 2019 interim financial statements
- Review of the 2018-2019 budget
- Obtained updates on operational changes, including information systems
- Discussions with senior management
- Review of the quarterly bulletins
- Review of the training material for the enquiry, complaints and discipline process, as presented to the Complaints Committee and the Discipline Committee
- Review of certain sections 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:** Develop a succession plan for the senior management team as a best practice to ensure an orderly transition from departures and to mitigate the risk of possible business disruptions.

**Result:** It was noted in the minutes of the February 14, 2018 Council meeting that it is satisfied with the current approach to succession planning for senior management. The CEO advised that he identified the vulnerabilities and skill sets required for key positions and that he and the Council are satisfied that such

positions could be filled internally, except for the Director, Finance and Administration. However, that position could readily be filled by external auditor support. This recommendation is closed.

**Recommendation 2:** 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:** Based on discussions with senior management and review of the spot check/broker review program, generally, the above recommendations were incorporated. This recommendation is partly closed, subject to the below follow-up.

**Follow-up for 2020:** This year's examination did not include a sample review of completed spot check/broker review file results. Hence, it is recommended that FSCO include such a file review in the scope of next year's examination to observe the extent to which the program components are being completed, i.e. the documented responses.

## **2. Regulatory and By-laws**

### **(a) Legislation**

On July 1, 2018, there were several amendments to R.R.O. 1990, Regulation 991: General (Regulation 991). These changes relate to broker conduct, as outlined below.

Section 14 of Regulation 991 was amended by adding the following paragraphs, which pertain to the code of conduct for insurance brokers (where Corporation means RIBO):

- A member shall cooperate in an investigation conducted by the Corporation.

- A member shall notify the Corporation if the governing authority of the profession in a jurisdiction other than Ontario has made a finding of incompetence or misconduct or a similar finding against the member.

Paragraph 9 of subsection 15 (1) of Regulation 991 refers to misconduct. It was amended by striking out "and this Regulation" at the end and substituting "this Regulation and the by-laws of the Corporation", therefore, misconduct would include failure to comply with the provisions of the Act, this Regulation and the by-laws of the Corporation.

Paragraph 16 of subsection 15 (1) of Regulation 991 was revoked and the following substituted as being an act of misconduct:

- If a principal broker believes on reasonable and probable grounds that a member under the principal broker's direction, regardless of the member's registration class, has committed an act of misconduct, failure of the principal broker to report the potential misconduct.

Regulation 991 was amended by adding the following section as 15.1:

- A finding of incompetence, misconduct or a similar finding against a member by the governing authority of insurance brokers or insurance agents in a jurisdiction other than Ontario that is based on facts that would, in the opinion of the Discipline Committee, constitute incompetence as described in subsection 18 (4) of the Act or misconduct as defined in section 15 of this Regulation, constitutes incompetence or misconduct, as the case may be, for the purposes of the Act and this Regulation.

Subsection 20 (1) of Regulation 991 was amended by increasing the amount of errors and omissions insurance or some other form of financial guarantee that every member must maintain to a minimum of \$3,000,000 in respect of any one occurrence.

Section 22 of Regulation 991 was amended by increasing the maximum fine that may be levied against a member for misconduct to \$100,000, unless the member is an individual, in which case the maximum fine was increased to \$25,000

These changes primarily aim to strengthen governance and broker conduct in order to promote consumer protection.

RIBO advised that it did not have further proposed legislative amendments at this time.



**(b) By-laws**

Subsection 11(1) of the Act allows RIBO's Council to pass certain by-laws relating to the administrative and domestic affairs of the Corporation. RIBO advised that it made no new or revised by-laws since last year's examination and none are currently planned.

**3. Financial Position**

The external auditor for RIBO is PricewaterhouseCoopers LLP (PwC), which remains unchanged from the prior year. In 2018, the audit partner changed from Claire Cornwall to Tamara Jones. RIBO's Director, Finance and Administration advised that this was in keeping with PwC's standard practice of rotating audit partners after being on an account for a number of years. The external auditor issued an unqualified opinion on RIBO's financial statements for the year ended July 31, 2018. In addition, no concerns were noted in the auditor's 2018 year-end report to the Council.

In fiscal 2018, RIBO generated an operating surplus of \$118 thousand, compared to a surplus of \$90 thousand in 2017. RIBO earned \$4.6 million (2017 - \$4.3 million) in registration and examination fees and \$137 thousand (2017 - \$100 thousand) in investment and other income. Regulation, communication and administration costs totalled \$4.6 million (2017 - \$4.3 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, 2018, the Operating Fund was nearly \$4.0 million or 86% of RIBO's expenses for the 2018 fiscal year. This is a modest decline from the prior year when the Operating Fund was about 89% of annual expenses. Key items that contributed to the increase in expenses during 2018 were amortization costs for (i) an office renovation project, (ii) new office furniture, and (iii) a new membership system.

The Operating Fund serves as a buffer to assist in funding RIBO's operations, 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 Part XIV of 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 \$1.0 million at the end of fiscal 2018, which was unchanged from 2017. 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. Governance and Management Structure**

### **(a) Governance 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

## **(b) Council**

The Council is the governing body and the board of directors with responsibility to manage and administer the affairs of RIBO. As such, it receives the reports of the CEO and of the various committees. 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 lay persons that are appointed by the Lieutenant Governor in Council. At the time of FSCO's examination, the Council membership was in compliance with the legislative requirement.

The Council executives for the 2018-2019 fiscal year are as follows:

<b>Position</b>	<b>Name / Employer</b>
President	Scott Bell AP Insurance Brokers Inc.
Vice President	Peter Blodgett Darling Insurance & Realty Ltd.
Treasurer	Katie Mellor Chris F. Mellor Insurance Brokers Limited
Secretary	Hugh Fardy Arthur J. Gallagher Canada Limited

## **(c) Management**

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

<b>Name</b>	<b>Position</b>
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. Qualification and Registration**

### **(a) Qualification and Registration Committee**

The full Council serves as the Qualification and Registration (Q&R) Committee. Generally, the 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.

**(b) Business Operations**

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

<b>Membership</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Individual Registrants	19,485	19,185	18,928
Corporations	1,021	1,048	1,064
Partnerships	13	14	16
Sole Proprietorships	5	6	6
Consultants	10	10	10
MGA/Wholesalers	56	56	51
Total Active Businesses	1,105	1,134	1,147

The trend for number of registrants was unchanged, i.e. there was a modest year-over-year increase in individual registrants and a slight decline in registered corporations, with the latter being attributed to further amalgamations in the industry.

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**

- There were no changes to staffing since the last examination and none are currently planned.
- In June 2017, the Council approved the creation of a Continuing Education Accreditation Committee, a sub-committee of the Q&R Committee. Its purpose is to review course offerings and assign the appropriate number of CE hours to them. On October 10, 2018, the Q&R Committee appointed individuals to this sub-committee. All appointees are broker members of RIBO, but not all are

members of the Q&R Committee. The chair of the Q&R Committee also serves as chair of this sub-committee. The sub-committee is not currently active as its terms of reference are not yet developed; there is no firm target date for completion. In the interim, RIBO continues its past practice of working with a consultant to evaluate course offerings.

- On December 12, 2018, the Q&R Committee approved the granting of a CE exemption whereby the CE requirement for a broker's licensing term would be deemed to be obtained if the broker participated in one of the specified industry association boards during that licensing term.
- Certain enhancements to RIBO's new CRM system have taken longer than initially anticipated, partly due to staff departures from the software provider. The component for licence renewals through the new system was launched in mid-June 2018; however, there are still some minor issues to resolve. In addition, the component to enable the filing of Form 1 position reports is still in progress, but is expected to be ready by April 2019. RIBO plans to have Gestisoft (the provider) conduct a full run-through of the internal and external processes in April 2019 to ensure they operate as required.
- New licence applications are still being processed manually by RIBO. RIBO is targeting Fall 2019 to complete enhancements to its CRM which would accommodate on-line processing of new applications.
- RIBO is working on how to generate Q&R reports from the new system. The Director, Qualification and Registration advised that they need to better understand how to extract the data, but if it becomes too cumbersome in the current state, RIBO may decide to have additional programming done in order to generate those reports with ease. RIBO is targeting the end of its current fiscal year for completion.
- An additional CRM component being considered is the ability of brokers to report the CE courses that they completed, which investigators would later verify through on-site reviews. This feature might be added by the end of 2019.
- Policy and procedures manuals require updating. The Director, Qualification and Registration advised that this was not done due to time constraints with RIBO's resources being largely focused on system changes and related training during the past year. It is anticipated that such updates will be made in 2019 and 2020.
- RIBO participated in a working group with the Canadian Insurance Services Regulatory Organizations and the Canadian Council of Insurance Regulators to create harmonized guidelines for the fair treatment of customers. The Director, Qualification and Registration advised that RIBO may add more commentary to its own guideline in that regard. This may be finalized by Summer 2019.

## **7. 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) 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 an equity deficit is identified. In the past, the spot check and broker review programs primarily dealt with a brokerage's financial and business operations; however, they were expanded in recent years to also include market conduct matters.

During fiscal 2018, RIBO completed 235 spot checks of which 10 resulted in a formal proceeding. As such, there were about 10% fewer spot checks compared to 2017 when RIBO completed 262 of which 9 resulted in a formal proceeding. By expanding the scope of reviews, two staff (previously one) now attend brokerage reviews. Nonetheless, RIBO aims to complete 260 brokerage visits in fiscal 2019.

### **(c) 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 2018, the Complaints Officer resolved approximately 90% of inquiry/complaint 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 continued to be mainly about policy cancellations due to non-payment, claims coverage, and misquotes on automobile insurance.

Below are highlights of the complaint and investigation activity for the past two years:

Category	Fiscal 2018	Fiscal 2017
Inquiry telephone calls (*approximately)	1,053*	1,000*
New files for investigation	87	130
Cases referred to Discipline Committee	25	28

There was a significant year-over-year decrease in the number of files requiring investigation and slightly fewer cases were referred to the Discipline Committee. Generally, this was due to fewer cases arising from public and member broker complaints as well as fewer cases of non-compliance findings by RIBO.

It was noted that some complaints were missing from the data chart for type of complaint, as reported on page 7 of RIBO's 2017-18 Annual Report. The Director, Complaints and Investigations advised that they were working without a system during the time that the data was prepared, so they manually went through files to tabulate the data. Subsequently, RIBO provided the below chart that includes the missing data:

Type	17/18	16/17
Code of Conduct	55	91
Other Misconduct	1	0
Delinquent Filing	4	10
Trust Funds	13	20
Equity Requirements	8	4
Financial Records	6	5
Non-Compliance (other regulations)	0	0
Criminal Allegations	0	0
<b>Total</b>	<b>87</b>	<b>130</b>

#### **(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**

- There were no changes to staffing since the last examination. Discussions are ongoing about whether to add another investigator. Generally, two staff instead of one now attend an on-site review as a result of expanding the scope of the review programs.
- RIBO is enhancing its CRM system with a component that will streamline its inquiry and complaint handling function. The Director, Complaints and Investigations advised that the required information has been provided to the programmer at Gestisoft. As such, he noted that the new system might be ready in a couple of months. Until that time, records are maintained manually.
- RIBO is developing a Social Media Guideline. The Director, Complaints and Investigations advised that once it is finalized, it will form part of the Principal Broker Handbook, which is posted on RIBO's website.
- During Summer 2018, RIBO conducted training seminars for members of the Complaints Committee and the Discipline Committee to prepare them for their role on the respective panels.
- RIBO's CEO advised that there appears to be a hardening of the insurance market across the board, i.e. not just automobile insurance.

#### **8. 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.

The chair of the Discipline Committee 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 \$100,000 unless the member is an individual, in which case the maximum fine is \$25,000.

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. The bulletins are posted on RIBO's public website.

**Observation: There are only two public members appointed to the Discipline Committee, instead of four as stipulated in the Act.**

RIBO's CEO advised that he follows up with the Ministry of Finance at least once a month on the status of the vacancies (currently two). If needed, RIBO could draw a public member from the Council to sit on a panel for a disciplinary hearing.

## **9. 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**

- There were no changes to staffing since the last examination and none are currently planned.
- 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. Particulars were confirmed by reviewing the policy document.
- The Director, Administration and Finance advised that RIBO upgraded its servers to minimize security risks. He further advised that all of RIBO's databases were subsequently moved to the new servers, which addressed the vulnerabilities that were identified in the cyber security assessment of RIBO's systems.
- The Director, Administration and Finance advised that RIBO plans to conduct a disaster recovery test of its new systems, possibly in April 2019.

- The Director, Administration and Finance advised that the significant decline in prepaid fees in fiscal 2018, compared to fiscal 2017, was due to problems with the new system. This issue is not expected to recur.
- RIBO finalized the redesign of its website in Summer 2018.
- RIBO's office renovation was completed by Fall 2018.

## **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. There were no formal committee meetings in fiscal 2018. Thus far in 2019, one committee meeting was held, primarily to discuss ways to enhance communications with brokers and to seek broker feedback in that regard. Options being considered are preliminary in nature and, as such, the committee plans to continue discussions in this regard.

### **(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, and miscellaneous leaflets. 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 might 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 once in fiscal 2018 and twice thus far in fiscal 2019. Its discussions primarily dealt with various broker guidelines, such as those relating to disclosure rules, social media, and protection of customer information.

## 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 2018 or thus far in 2019.

## 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 is one new recommendation for RIBO, as noted below. In addition, it is recommended that FSCO include in the scope of next year's examination a sample review of spot check/broker review files to observe the extent of documented responses to the program components.

### Recommendation for RIBO:

**Recommendation 1:** It is recommended that RIBO update its policy and procedures manuals, as needed.

## (H) SIGNATORIES

	Name	Signature & Date
<b>Preparer:</b>	Dawn Goodine, Senior Compliance Officer Market Conduct Compliance Unit Market Regulation Branch	<i>D. Goodine</i> March 15, 2019
<b>Approver:</b>	Kirk Quinn, Manager Market Conduct Compliance Unit Market Regulation Branch	<i>Kirk Quinn</i> March 22/19.
<b>Approver:</b>	Wendy Horrobin, Director (Acting) Market Regulation Branch Licensing and Market Conduct Division	<i>W. Horrobin</i> March 22/2019



**Financial Services  
Commission  
of Ontario**

**Commission des  
services financiers  
de l'Ontario**



Chief Executive Officer and  
Superintendent of Financial Services

Directeur général et  
surintendant des services financiers

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March 29, 2019

**MEMORANDUM**

**TO:** The Honourable Victor Fedeli  
Minister of Finance

**FROM:** Brian Mills  
Chief Executive Officer and  
Superintendent of Financial Services

**SUBJECT: Registered Insurance Brokers of Ontario (RIBO)  
Annual Report 2017 - 2018 and  
Report of the Superintendent 2017 - 2018**

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Subsection 10(2) of the *Registered Insurance Brokers Act, R.S.O., 1990* (the Act) requires that I report to you annually on the affairs of the Registered Insurance Brokers of Ontario (RIBO). 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.

An examination of the affairs of RIBO was completed and encompassed a review of RIBO's organizational structure and operations. This included the composition and activities of RIBO's Council and its committees as well as its financial viability.

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.

Enclosed is my report as well as RIBO's Annual Report for the year ended July 31, 2018. The examination report is also available upon request.

Brian Mills

Enclosures

A handwritten signature in blue ink, appearing to read 'Brian Mills', written over the word 'Enclosures'.





Prepared by: Dawn Goodine 416-590-7163  
Approved by: Kirk Quinn, Manager, MCCU  
Wendy Horrobin, Acting Director, MRB  
Anatol Monid, Executive Director, LMCD  
Brian Mills, CEO & Superintendent  
Date: March 29, 2019  
File Location: CETS 39403

## **FINANCIAL SERVICES COMMISSION OF ONTARIO BRIEFING NOTE**

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

### **REGISTERED INSURANCE BROKERS OF ONTARIO (RIBO) ANNUAL REPORT 2017/2018**

#### **ISSUE:**

Subsection 10(2) of the Registered Insurance Brokers Act, R.S.O., 1990 of Ontario (the Act) requires the Minister of Finance (Minister) to table the annual report of the Registered Insurance Brokers of Ontario (RIBO) and the report of the Superintendent of Financial Services (Superintendent), concerning his examination of the affairs of RIBO, in the Ontario Legislature.

#### **BACKGROUND**

The Superintendent is required to make an annual examination of RIBO and to report on its affairs to the Minister. The Minister is required to table the Superintendent's report along with RIBO's annual report in the Ontario Legislature.

RIBO is a self-funding and self-governing corporation, without share capital, whose members are property and casualty (general) insurance brokers in Ontario. Its mandate is to protect the public when conducting insurance transactions with brokers and it is responsible for the licensing, standards of practice, prevention of misconduct and the discipline of all independent insurance brokers in Ontario.

This year's annual report is based on the examination of RIBO's activities during its fiscal year ended July 31, 2018 and the six-month period ended January 31, 2019.

The 2018 fiscal year marked RIBO's thirty-seventh year of operation since its creation in 1981. The insurance industry is in a constant state of evolution, thereby placing pressure on regulators to refine and enhance supervisory practices. Industry group associations and stakeholders alike are citing the need to co-ordinate and harmonize regulation, not only in Ontario, but across Canada. As such, RIBO is committed to evolving with these changes in order to be a centre of progressive regulatory excellence for insurance brokers and the public they serve.

Attached is a copy of the RIBO Annual Report 2017-2018. The following documents are also attached:

1. report of the Superintendent 2017-2018,
2. a memorandum from Brian Mills, CEO and Superintendent of Financial Services, to Greg Orenacsak, Deputy Minister of Finance,
3. a memorandum from Brian Mills, CEO and Superintendent of Financial Services, to the Honourable Victor Fedeli, Minister of Finance,
4. a letter of transmittal from Greg Orenacsak, Deputy Minister of Finance, to the Honourable Victor Fedeli, Minister of Finance,
5. a letter of transmittal from the Honourable Victor Fedeli, Minister of Finance, to Todd Decker, Clerk of the Legislative Assembly,
6. a memorandum from the Honourable Victor Fedeli, Minister of Finance, to Steven Davidson, Secretary of the Cabinet, Head of the Ontario Public Service, and Clerk of the Executive Council, and
7. a memorandum from Richard Tillmann, Senior Manager and Special Advisor 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, 2019.

Attachments