

**Report of the Chief Executive Officer of the
Financial Services Regulatory Authority of Ontario
as required by the Registered Insurance Brokers
Act, R.S.O., 1990**

Examination Report

Period of February 1, 2020 to February 28, 2021

Date: May 21, 2021

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 Chief Executive Officer (CEO) of the Financial Services Regulatory Authority of Ontario to make an annual examination of the affairs of the Registered Insurance Brokers of Ontario (RIBO) and to report the results to the Minister of Finance. This report is submitted in conjunction with RIBO's Annual Report covering its fiscal year that ended July 31, 2020.

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-regulatory organization (SRO) whose members are property and casualty (general) insurance brokers in Ontario. RIBO was established, under the Act, by the Ontario government in 1981.

RIBO is a non-profit organization that is financed by its members, primarily through annual registration fees. It also generates fee income from individuals who write qualification examinations. 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 options for RIBO's members. Collectively, these revenue sources generally cover RIBO's operating expenses. RIBO incurred a net operating loss of \$84,379 in fiscal 2020, compared to net operating income of \$52,000 in fiscal 2019. RIBO's Operating Fund (akin to equity) serves as a buffer to cover any shortfall in revenues over expenses. As at July 31, 2020, its Operating Fund was \$3.9 million.

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 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 monitors 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 regarding regulatory changes that could affect RIBO's mandate.

EXAMINATION

Pursuant to subsection 9(1) of the Act, the CEO of FSRA is deemed to have an interest in RIBO as the representative of all persons who may be served by registered insurance brokers.

FSRA's 2021 examination of RIBO focused on assessing compliance with selected requirements of the Act, as well as RIBO's regulatory approach to strengthen market conduct expectations of brokers. The examination also considered the impact of the COVID-19 pandemic on RIBO's operations and how RIBO transitioned its functions to a virtual environment.

The examination included, but was not limited to, a review of the implementation of FSRA's prior year recommendations, including RIBO's enhanced audit program for brokers; a review of the 2019-2020 Annual Report and the external auditor's reports; a review of the minutes of the Annual General Meeting, the Council meetings, and certain committee meetings; a review of management changes at RIBO; a review of the quarterly bulletins and the recently introduced newsletters to RIBO members. Discussions were also held with RIBO senior management on industry issues and RIBO's current and future initiatives, including its digital transformation.

FINANCIAL STATEMENTS

FSRA 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 2019-2020 financial statements present fairly.

REGULATORY OVERSIGHT

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

Brokerages 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 spot checks or broker reviews that are conducted by RIBO investigators. The Complaints Committee evaluates the merit of investigated complaints that are presented to it by RIBO staff and determines if there is sufficient evidence to refer the matter 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 placed on the member's licence, and/or the imposition of a fine. Disciplinary decisions are posted in the Canadian Insurance Regulators' Disciplinary Actions database; however, the Discipline Committee retains discretion on whether to grant a request for non-publication.

CONCLUSION

Based on the results of FSRA's examination of selected requirements of the Act, RIBO is regulating the registered insurance broker industry and operating within the requirements of the Act and the regulations.

Below is a status update on FSRA's prior year recommendations for RIBO:

Recommendation 1: Activate the Continuing Education Accreditation Committee (now Education Committee) and finalize its terms of reference.

Status: Completed.

Recommendation 2: Update the policy and procedures manuals for Qualification and Registration and for Complaints and Investigations (this was a repeat finding).

Status: Partially completed.
RIBO's initial target for completion – end of 2021.

Recommendation 3: Update and make certain enhancements to the spot check/broker review program.

Status: Completed.

This year, there are four recommendations for RIBO, as noted below:

Recommendation 1: It is recommended that (i) RIBO continue to update its policies and procedures manuals for Qualification and Registration and for Complaints and Investigations, as planned, to ensure that they are completed by the end of 2021 and (ii) RIBO provide written confirmation to FSRA when this is achieved.

Recommendation 2: It is recommended that RIBO update its Business Continuity and Disaster Recovery Plan to incorporate changes in its practices and processes.

Recommendation 3: It is recommended that RIBO conduct a cybersecurity test of its systems by the end of its 2021-22 fiscal year, i.e. July 31, 2022.

Recommendation 4: It is recommended that RIBO's website include information on the decisions of its Discipline Committee.

Attached is RIBO's Annual Report for its fiscal year ended July 31, 2020.