

## **PRODUCT SUITABILITY: A BEST PRACTICES APPROACH**

Product suitability has always been one of the primary principles of doing business as a broker in Ontario. The RIBO Code of Conduct has always required that brokers maintain the competence to provide guidance based on sufficient knowledge of the specific risks involved and adequate consideration of the relevant insurance principles so that product recommendations are suitable for addressing the needs of the client.

The recommended product or service must be appropriate for the needs of the client, as determined by a needs-based assessment done by the broker and/or as directly articulated by the client. While the information provided may vary in each transaction, it should be brief and relevant to the purchase decision.

Where a client is seeking advice on product recommendations, product suitability requires the collection of sufficient information from the client to enable the broker to properly assess their needs and make appropriate recommendations. If a broker can demonstrate that the recommended product is suitable for his or her client, then any conflict of interest from compensation, ownership of financial links is likely to have been adequately managed.

Suitability depends on the needs, facts and expectations of the client. The following best practices will enhance compliance with this principle:

1. Know your client — the facts and assumptions that support your recommendations require you to first gather appropriate information from the client.
2. Undertake a thorough client needs assessment before making your recommendations. Such an assessment should reflect factors such as the underlying risk, the client's objectives and the complexity of the product being sold. By way of example, a large commercial risk would typically require a more in-depth assessment than simple automobile coverage. A higher risk automobile client, however, may make a more fulsome assessment advisable.
3. Confirm the goals of your client. This will help you avoid any miscommunication that could lead to unsuitable recommendations. If so, document that you are working with information provided by the client, or that the client has requested a specific product or service.
4. Discuss with your client any product comparisons that were carried out and why a particular product is recommended.
5. Ensure the client file reflects the collection of information from your client, your analysis of their needs, available products and the reason for your recommendations. A broker should be able to explain how the recommended product or service addresses the client's needs.

6. Document your reasons for recommending a product. There should be enough information in the file to show why a particular recommendation was made.
7. Particularly for commercial accounts, consider the value of a survey or a checklist of important coverages that a client might reasonably expect in a like situation.
8. In situations where the product is offered without advice, brokers should inform the client that no advice is being offered.
9. Competence is paramount. A broker owes a duty to his or her clients to be competent to perform the services undertaken on their behalf. Where you do not have the expertise to adequately service your client's particular risk, refer the client, or consider engaging the services of a broker who possesses the necessary expertise.

Principal Brokers should ensure that procedures are in place within the brokerage to follow these practices.

During spot-check visits, RIBO reviews a random selection of client files and will be asking about office policies for product suitability assessments.