



REGISTERED INSURANCE BROKERS OF ONTARIO

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October 12, 2023

Dawn Goodine
Senior Compliance Officer
Market Conduct
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto Ontario M2N 6S6

Dear Dawn,

Re: Registered Insurance Brokers of Ontario Response to Annual Examination for Fiscal Year Ended July 31, 2022

I am writing to follow up on your letter dated September 19, 2023, (“letter”) about the results of your examination of the operations of the Registered Insurance Brokers of Ontario (“RIBO”) for the fiscal year ended July 31, 2022. I note that the review also covered the subsequent interim period ended February 28, 2023.

In summary, the examination focused on specific matters in the following areas:

- Implementation of the previous year’s recommendations of the Financial Services Regulatory Authority of Ontario (“FSRA”).
- Management changes during the past year and any planned changes.
- RIBO’s current state and planned developments relating to recommendations made by the Office of the Auditor General of Ontario (“OAGO”).
- Licensing examinations.

During the examination, you reviewed information from various sources, which you identified on page 2 of your letter.

You also listed on pages 2 and 3 “key observations” made during the examination. They can be summarized as follows:

- RIBO has updated its Business Continuity and Disaster Recovery Plan incorporating changes to procedures and processes.
- RIBO created a “more robust” strategic planning and priority setting process resulting in a formal plan outlining its strategic priorities and key initiatives to support and/or achieve these priorities.
- RIBO established selected service standards and continues to consider other goals and measures of success.



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- RIBO's Take-all-Comer ("TAC") focused spot check program covered areas relating to policies and procedures, TAC requirements and other non-compliant activities. RIBO released a public report of the results of its thirty-nine (39) TAC spot checks.
- The TAC spot checks did not appear to consider how a brokerage can add its own filters when using aggregator quoting systems.

You made the following recommendations. I will include my response immediately after each recommendation where appropriate.

Recommendation 1:

It is recommended that RIBO develop, publicly consult on, and publish its desired consumer outcomes (e.g., from the ACT and CISRO and IAIS guidance) and related measures of success that demonstrates its effectiveness in achieving its mandate, particularly with regard to conduct activities that could potentially cause consumer harm.

RIBO's Comments:

As RIBO improves and enhances its data collection capabilities, RIBO will explore additional ways of consulting with other stakeholders and reporting on and demonstrating how it fulfills its public interest mandate to the public and other stakeholders.

Recommendation 2:

To promote the fair treatment of consumers and to assess broker/brokerage compliance with the Take-All-Comers requirements for automobile insurance, it is recommended that RIBO include in its spot check program a procedure to identify whether a broker/brokerage is able to add filters to screen out consumers when using either its own broker management system or the service of an automobile insurance quote aggregator and to review those filters for compliance where applicable.

RIBO's Comments:

Both FSRA and RIBO are concerned about the involvement of aggregators in automobile insurance distribution in the province, specifically about the application of filters that results in Ontarians being unable to access such insurance.

RIBO's current risk-based spot check questionnaires include a Take-All-Comers module. We have also been exploring how RIBO can further its public protection mandate on the specific issue of the use of aggregators in the automobile insurance as well as the involvement of brokers in this area. Such steps may include adding specific questions about aggregators to the Take-All-Comers spot check module. RIBO will continue to explore its options and adopt any procedures that appear to be the most effective and efficient.

Also, you may recall that during our recent meeting about the results of the 2022-2023 annual examination, Patrick Ballantyne, Chief Executive Officer at RIBO expressed an



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interest in working with FSRA staff on this issue. Specifically, the suggestion was that our organizations work together to find ways to address our concerns about aggregators. RIBO looks forward to working in collaboration with FSRA on this matter.

Recommendation 3:

To assist RIBO in meeting its statutory mandate of consumer protection, it is recommended that RIBO explore additional oversight measures that may be needed to ensure that brokers/brokerages adequately disclose conflict or potential conflict (including financial ownership by insurers) and compensation structures when transacting with consumers. This aligns with a recommendation made by the OAGO in its 2022 Annual Report (section 4.1.3).

RIBO's Comments:

As indicated during our initial meeting as well as our recent meeting about the results of the 2022-2023 annual examination, RIBO agrees that its licensees and their customers would benefit from additional guidance and oversight about disclosure of conflicts or potential conflicts of interest. We also agree that such oversight and guidance should include disclosure about financial ownership about insurers as well as compensation structures.

As we also indicated at our recent meeting, during the past few months, RIBO staff developed a draft disclosure document. In accordance with the recommendations of the Office of the Auditor General of Ontario, the draft disclosure document addresses the areas identified in your recommendation, as well as other areas of concerns about disclosure identified by RIBO staff. That document is now under review by RIBO Council members. When it is finalized, RIBO will publish guidelines for its licensees.

It is also essential to note that RIBO has already taken steps on this issue. RIBO's annual renewal questionnaire and risk-based spot check module requires brokerages to disclose details about ownership, which includes obtaining information on whether brokerages are owned by insurers and/or have any financial relationship with insurers.

Recommendation 4:

To strengthen RIBO's risk-based approach to regulating brokers/brokerages, it is recommended that RIBO consider mechanisms to collect and risk-assess data on commission structures with respect to automobile insurance transactions. In turn, such data may assist RIBO in identifying potentially higher-risk brokerages for supervisory reviews (spot checks). This aligns with a recommendation made by the OAGO in its 2022 Annual Report (section 4.1.3).

RIBO's Comments:



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Over the past few months, RIBO commenced the process of strengthening its risk-based approach in several ways, which align with the recommendations of the Office of the Auditor General of Ontario.

RIBO implemented Phase 1 of its new Customer Relationship Management System (CRM). The new CRM gives RIBO the capacity to collect additional data from licensees which will assist RIBO in identifying potentially higher-risk brokerages for review. Also, once completed, Phase II of the new CRM will give RIBO the ability to collect and assess data gathered in the complaints, investigations, and discipline processes as well as from other compliance related matters.

Recommendation 5:

To assist RIBO in developing its measures of success, it is recommended that RIBO establish meaningful targets to its supervisory reviews (spot checks) of brokerages and that adequate support (e.g. resources) are available to ensure that targets are achieved within the context of its statutory mandate. This aligns with a recommendation made by the OAGO in its 2022 Annual Report (section 4.1.3).

RIBO's Comments:

In or about May 2023, RIBO implemented Phase I of a new risk-based spot-check program. RIBO plans to implement Phase II in the coming months. This multi-module program can be enhanced, adjusted, and refined to address the nature and type of a brokerage business, as well as developing market conditions.

Given that the spot check program is still being implemented, RIBO staff will develop interim spot check performance targets for staff. These performance targets will be assessed for efficiency and effectiveness at the appropriate time.

Thank you for your insights throughout the examination and final recommendations.

Yours truly,

Rose Cavaliere

Rose Cavaliere, President
Registered Insurance Brokers of Ontario