



Guidelines to assist in completing FORM 1

All member firms whether sole proprietors, partnerships or corporations are required to complete and file a FORM 1 (Position Report)

The following guidelines are to assist members in completing FORM 1.

REPORTING DATE ~ FORM 1 is to be completed in all respects for information and balances as of close of business at the end of the fiscal year and six months after the fiscal year end date. Each of these dates are referred to as the REPORTING DATE.

FILING DATE ~ FORM 1 must be filed at the offices of RIBO no later than 90 days after the reporting date.

Members who have audited financial statements, or review engagement statements prepared by a licenced public accountant may apply for an exemption from the semi-annual filing of FORM 1. An information kit outlining the procedure and disclosure requirements is available from Complaints & Investigations department upon request.

All sections of FORM 1 must be completed. If a section is not applicable, indicate accordingly with an explanation. If space on the form is insufficient, attach a schedule with the remaining information in a similar format.

Each month (approximately mid-month) RIBO will mail a blank FORM 1 to all members who have a reporting date within that month. Accompanying FORM 1 will be a current information summary which contains information currently on file for the member. This summary should be reviewed, updated where necessary, and attached to FORM 1 to complete the filing requirements.

The information required to complete the form is generally straightforward. Certain sections or lines, however, do warrant further clarification as provided below. In all cases, reporting of financial information should be consistent with generally accepted accounting principles including Accounting Standards for Private Enterprises (ASPE) or International Financial Reporting Standards (IRFS).

If there is uncertainty or specific questions when completing the report, the staff at RIBO office will be able to provide additional assistance. (416-365-1900, 1-800-265-3097, Fax 416-365-7664, Website: www.ribo.com)

FRONT PAGE

RIBO REGISTERED INSURANCE BROKERS OF ONTARIO
401 Bay Street, Suite 1200, P.O. Box 45, Toronto, Ontario M5H 2Y4 (416) 365-1900 1-800-265-3097 Fax (416) 365-7664

POSITION REPORT

CERTIFICATION
I, _____ do hereby certify that I am the principal broker as specified in the by-laws and Regulations under the Registered Insurance Brokers Act, 1990 and to the best of my knowledge and belief this report is complete and correct in all respects.
Date _____ Principal Broker Reg. # _____
Signature _____

1 A. TRUST POSITION

ASSETS

2 Cash on hand and bank balances of trust accounts (1) \$ _____
3 Allowable premiums receivable (include Retail Sales Tax if tax liability included in line 10) (2) \$ _____
4 Total premiums receivable (3) \$ _____
Less premiums over 90 days (to line 17) (3) \$ _____
Allowable premiums receivable (4) \$ _____
5 Investments held in trust as allowed by Regulation (5) \$ _____ (6) \$ _____
TOTAL ASSETS (5) \$ _____ (6) \$ _____

LIABILITIES

6 Insurance premiums payable (7) \$ _____
7 Prepaid premiums (8) \$ _____
8 Refunds due to insureds (9) \$ _____
9 Retail Sales Tax Payable (if RST receivable is included in line 2 or cash balance line 1) (10) \$ _____ (11) \$ _____
TOTAL LIABILITIES (10) \$ _____ (11) \$ _____
NET TRUST POSITION (line 6 minus line 11) (12) \$ _____ (to line 19)

- 1 TRUST POSITION** This section is required for all broker billed business. If you are solely on direct bill or business is billed through an associated registered firm, please so indicate with the name of the firm where trust funds are held.
- 2 Cash on hand and bank balances of trust accounts (1)** Report the bank reconciled balances per the firm's records (i.e., bank statement adjusted for uncashed cheques).
- 3 Total premiums receivable (2)** Report total premiums receivable (or premiums plus RST if reporting RST as a trust vs. general asset) for policies with effective date as of reporting date or prior (i.e., no prebills).
- 4 Less premiums over 90 days (3)** Report total premium receivable debit balance in excess of 90 days. Any RST portion of receivables in excess of 90 days need not be shown on this line. In no case can outstanding credits in excess of 90 days be used to reduce the total premiums receivable in excess of 90 days.
- 5 Investments held in trust as allowed by Regulation (5)** Report all investments held in trust that are compliant with Reg. S.16(5). The trust certificates must be in the member's name and designated in trust – see (Reg. S. 1), and may not be assigned, pledged, or hypothecated – (Act S. 32 (2)).
- 6 Insurance premiums payable (7)** Report the gross billed to the client less the member's commission for all outstanding insurance premiums owing to insurers. This includes binder billings.
- 7 Prepaid premiums (8)** Prepaid premiums includes all monies received for renewal or new policies where the transaction has not been booked by the brokerage.
- 8 Refunds due to insureds (9)** Refunds due to insureds should be shown separately.
- 9 Retail Sales Tax Payable (10)** Report the liability for collected plus billed and not collected Retail Sales Tax *unless* no RST has been included in amounts reported as trust assets (i.e., RST is treated as a general vs. trust account).

B. MEMBER'S CURRENT POSITION

CURRENT ASSETS

Cash on hand and bank balances in general accounts (13) \$ _____

10 Investments other than trust investments (14) \$ _____

Accounts Receivable

Direct Bill Commission Receivable (15) \$ _____

11 Other receivables (16) \$ _____

12 Premiums receivable over 90 days (after allowance for doubtful accounts) (17) \$ _____

Total Accounts Receivable (15 plus 16 plus 17) (18) \$ _____

Due from trust account (from line 12) (19) \$ _____

13 Other current assets (20) \$ _____

TOTAL CURRENT ASSETS (21) \$ _____

CURRENT LIABILITIES

Bank overdraft (22) \$ _____

14 Demand loans (23) \$ _____

15 Notes payable (24) \$ _____

16 Current position of long term debt (25) \$ _____

Accounts payable (other than premiums) (26) \$ _____

Other current liabilities (27) \$ _____

TOTAL CURRENT LIABILITIES (28) \$ _____

NET CURRENT POSITION (line 21 minus line 28) (29) \$ _____

C. MEMBER'S EQUITY (Either C.1 or C.2 must be completed)
(Line 30 or 36 respectively must at all times be in compliance with Reg. S. 19)

17 **1. PROPRIETORSHIP OR PARTNERSHIP TOTAL EQUITY (30) \$ _____**

2. INCORPORATED MEMBER

18 Paid-up share capital at reporting date (31) \$ _____

Shareholder contribution—other (32) \$ _____

19 Retained earnings (deficit) at reporting date (33) \$ _____

Loans from shareholders at reporting date (34) \$ _____

Loans to shareholders at reporting date (35) \$ ()

TOTAL EQUITY (DEFICIENCY) (36) \$ _____

- 10** **Investments other than trust investments (14)** Current investments must be readily converted to cash and mature within 12 months.
- 11** **Other receivables (16)** Report all other receivables (other than loans to shareholders).
- 12** **Premiums receivable over 90 days (17)** Premiums receivable over 90 days (see line 3) less any allowance for doubtful accounts.
- 13** **Other current assets (20)** Report only current assets such as prepaids (loans to shareholders must be shown on line 34).
- 14** **Demand loans (23)** Report the full principal amount of all demand loans owing by the reporting member.
- 15** **Notes payable (24)** Report those notes payable due in the 12 months following the reporting date. If the note is callable by the lender report the full principal amounts.
- 16** **Current position of long term debt (25)** Include the amount to be repaid within the 12 months following the reporting date.
- 17** **PROPRIETORSHIP OF PARTNERSHIP TOTAL EQUITY** For a proprietorship or partnership equity can be calculated as follows: Equity at the end of last fiscal year PLUS earnings (losses) for current year LESS proprietor's or partner's drawings.
- 18** **PAID-UP SHARE CAPITAL AT REPORTING DATE (31)** Report all classes of share capital.
- 19** **RETAINED EARNINGS (DEFICIT) AT REPORTING DATE (33)** Report retained earnings (deficit) at reporting date (Beginning Retained Earnings + Year-to-date Income – Dividends Paid)

Common Form 1 Errors

Cash on hand and bank balances of trust accounts (Line 1)

- The account balance reported is often the balance shown on the bank statement and adjustments for any outstanding deposits or cheques are not made.
- Not all trust bank accounts and balances are being reported.
- Bank reconciliations are being done at dates other than month-end date which could result in transactions recorded in an inappropriate time period. Filter dates set for month-end can easily correct for this error (purpose of bank reconciliation is to verify that the general ledger balance is correct).
- "Outstanding transfers" from the general account to the trust account are not to be included in the trust bank balance (trust funds must be physically in the account at month-end dates to be included). Premium receivable balances being reported are not being offset/reduced by the outstanding deposits included in the trust bank balances (results in asset being double-counted and trust position overstated).
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Total premiums receivable (Line 2)

- Reported balance may not be accurate due to incorrect invoicing dates for new business, renewals, endorsements, cancellations and binders. Total premium balances should be based on the latter of the invoiced date or the effective date.
- The balance on the premium receivable list is not the same as the balance on the general ledger. The balance to report on the Form 1 should be the more conservative figure of the two.
- Valid receivables, which would be included, are omitted because they are shown as pre-bills due to incorrect parameter settings on the premium receivable list.
- Pre-bills being included as trust receivables due to incorrect parameter settings on the premium receivable list.
- Double-counting of post-dated cheque balances if they are included in both the regular aged receivables and the balance summary.
- Direct bill commissions are not to be added to the agency billed receivables.
- Late charges are not deemed to be trust receivable assets and should not be included as an agency bill receivable item.
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Premiums over 90 days (Line 3)

- The most common error is to report the net amounts generated by the system summary. Only over 90 day debits should be reported here since any amounts owed over 90 days are deemed to be “non-trust assets”. Over 90 day credits should not be applied to amounts owing as these balances are trust liabilities and cannot be applied to “non-trust assets” for any reason.
- Valid receivables which would normally be included, are omitted due to incorrect parameter settings on the premium receivable list (over 90 day balance may not actually be over 90 days).
- Receivables which would be normally excluded, are included as trust receivables due to incorrect parameter settings on the premium receivable list.
- Items on the over 90 day premium receivable balance becomes current due to flipping (e.g. NSF cheques, policy rewrites, policy issuance on a binder)
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Investments held in trust as allowed by Regulation (Line 5)

- Trust investments that are not owned by the brokerage or that are not in the registered name of the brokerage cannot be reported.
- Only trust investments that are in compliance with Ontario Regulation 991, Section 16(5) can be reported.
- General ledger transactions (sales, purchases, interest payments and/or accruals) are not made. The sum total of the investments should verify that the corresponding general ledger balance is correct.
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Insurance Premiums Payable (Line 7)

- Reported amounts owed to insurers are improperly reduced by the amount of Direct Bill/monthly Payment Plan commissions expected from insurers.
- Only the company billings for the two months preceding the reporting date are being reported although there are still amounts owed and outstanding to insurers (any amounts owing are still trust liabilities until they are paid).
- Broker insurer payables must be based on broker records rather than insurer/company statements. Insurer statements must be adjusted to match broker records (i.e. trust asset items and trust liability items must match).
- Total insurer payables are not fully reported and only amounts paid in the reporting month and/or next month are being included.
- Binder billed amounts owing are not being included in insurer payables.
- Reporting of old items (credit or debit) in the insurer payable accounts that are no longer relevant. These accounts should be reviewed periodically to ensure that they accurately reflect what is owed to the insurers.
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Prepaid Premiums (Line 8)

- Reported prepaid premiums are not added to net premium receivable balances reported on Line 2 resulting in the double-counting of trust liabilities (net trust position is understated).
- Prepaid premium balances are not reported but are added to net premium receivable balances reported on Line 2 resulting in trust liabilities being understated (net trust position is overstated).
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Refunds due to Insureds (Line 9)

- Reported refunds due to insureds are not added to net premium receivable balances reported on Line 2 resulting in the double counting of trust liabilities (net trust position is understated).
- Refunds due to insureds balances are not reported but are added to net premium receivable balances reported on Line 2 resulting in trust liabilities being understated (net trust position is overstated).
- U.S. exchange not being applied to and reported for all trust assets and liabilities.

Retail Sales Tax Payable (Line 10)

- Only next month's payments/remittance for retail sales tax are reported as Retail Sales Tax Payable and the actual total amount owing is not reported. The retail sales tax owing is the amount collected in the current month plus retail sales tax amounts not yet collected which are included in premium receivables balances at month end (trust liabilities are understated and net trust position overstated).
- Reported balance differs from invoice amount when taxes are being remitted on an invoice basis (invoice balance and not general ledger balance should be reported).

Member's Equity Position (Lines 31 to 35)

- Paid up share capital is not properly reported.
- Any up-to-date earning/loss and the dividends payable balance in the retained earnings/deficit balance at reporting date must be included (adjustments must be made to most recent fiscal year-end figure when semi-annual report is filed).
- Loans to and from indirect shareholders do not qualify as equity and are not to be included in as equity.
- Shareholder loans being reported as contributed surplus on Line 22 and not as Line 34.

**POSITION REPORT****CERTIFICATION**

I, _____, do hereby certify that I am the principal broker as specified in the By-Laws and Regulations under the Registered Insurance Brokers Act, 1990 and to the best of my knowledge and belief this report is complete and correct in all respects.

_____ Date _____ Principal Broker Reg. # _____

_____ Signature _____

A. TRUST POSITION**ASSETS**

Cash on hand and bank balances of trust accounts (1) \$ _____

Allowable premiums receivable (include Retail Sales Tax if tax liability included in line 10)

Total premiums receivable (2) \$ _____

Less premiums over 90 days (3) \$ _____

(to line 17)

Allowable premiums receivable (4) \$ _____

Investments held in trust as allowed by Regulation (5) \$ _____

TOTAL ASSETS (6) \$ _____

LIABILITIES

Insurance premiums payable (7) \$ _____

Prepaid premiums (8) \$ _____

Refunds due to insureds (9) \$ _____

Retail Sales Tax Payable (if RST receivable is included in line 2 or cash balances line 1) (10) \$ _____

TOTAL LIABILITIES (11) \$ _____

NET TRUST POSITION (line 6 minus line 11) (12) \$ _____

(to line 19)

(over)

B. MEMBER'S CURRENT POSITION

CURRENT ASSETS

Cash on hand and bank balances in general accounts	(13) \$ _____
Investments other than trust investments	(14) \$ _____
Accounts Receivable	
Direct Bill Commission Receivable	(15) \$ _____
Other receivables	(16) \$ _____
Premiums receivable over 90 days (after allowance for doubtful accounts)	(17) \$ _____
Total Accounts Receivable (15 plus 16 plus 17)	(18) \$ _____
Due from trust account (from line 12)	(19) \$ _____
Other current assets	(20) \$ _____

TOTAL CURRENT ASSETS (21) \$ _____

CURRENT LIABILITIES

Bank overdraft	(22) \$ _____
Demand loans	(23) \$ _____
Notes payable	(24) \$ _____
Current position of long term debt	(25) \$ _____
Accounts payable (other than premiums)	(26) \$ _____
Other current liabilities	(27) \$ _____

TOTAL CURRENT LIABILITIES (28) \$ _____

NET CURRENT POSITION (29) \$ _____
(line 21 minus line 28)

C. MEMBER'S EQUITY (Either C.1 or C.2 must be completed)

(LINE 30 OR 36 RESPECTIVELY MUST AT ALL TIMES BE IN COMPLIANCE WITH REG. S. 19)

1. PROPRIETORSHIP OR PARTNERSHIP TOTAL EQUITY (30) \$ _____

2. INCORPORATED MEMBER

Paid-up share capital at reporting date	(31) \$ _____
Shareholder contribution—other	(32) \$ _____
Retained earnings (deficit) at reporting date	(33) \$ _____
Loans from shareholders at reporting date	(34) \$ _____
Loans to shareholders at reporting date	(35) \$ (_____)

TOTAL EQUITY (DEFICIENCY) (36) \$ _____