



REGISTERED INSURANCE BROKERS OF ONTARIO

Town Hall:

Mandatory Disclosure Requirements

Date: October 17, 2024

Time: 1pm-2pm



RIBO's Land Acknowledgement

We acknowledge the land we are meeting on is the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg (ah-nish-naw-bek), the Chippewa, the Haudenosaunee (hoodt-en-oh-show-nee) and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis (may-tee) peoples. We also acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit.



Presentation Overview

1. Welcome & Audience Participation
2. Introduction & Background
3. Review of the Guidance and Summary of Requirements
4. Compliance & Monitoring
5. Q&A

Background

Code of Conduct, Consumer Protection and Fair Treatment of Customers

RIBO Code of Conduct (Section 14, Reg. 991)

- Subsection 14(4) states that licensees have a duty to be candid and honest.
- Subsection 14(7.1) expects a broker to disclose in writing any conflicts of interest or potential conflicts of interest associated with a transaction or recommendation.
- Subsection 14(8) states the broker must disclose any fees or charges to clients before the service is provided and fees cannot be disproportionate to the service provided as to be unconscionable.

Background

Mandatory Disclosure Obligations

The Registered Insurance Brokers of Ontario (RIBO) requires brokers to disclose all conflicts of interest, including commissions structures, as well as fees.

- See Code of Conduct Requirements in Regulation 991
- Code of Conduct Handbook also described examples of disclosures of conflict.
- Letter requirement/ “Commission disclosure protocol” - in place for years.

Background cont.

The Auditor General's Report

7.1 A member shall disclose in writing to a client or prospective client any conflict of interest or potential conflict of interest of the member that is associated with a transaction or recommendation.

- RIBO understands that there have been inconsistencies in how disclosure requirements were being met.
- In 2022, the Auditor General of Ontario requested RIBO work to improve compliance with requirements around disclosure to consumers, specifically:

to improve and refine requirements for brokerages, brokers and insurance companies to disclose information to consumers prior to providing them with all available quotes including on their website and over the phone.



RIBO GUIDANCE: MANDATORY DISCLOSURES RIBO-002

Registered
Insurance Brokers
of Ontario



RIBO GUIDANCE:
MANDATORY
DISCLOSURES

RIBO-002

Disclosure is required no later than at the time of quote. Licensees should also be reminded that Fair Treatment of Customers Guidance emphasizes that licensees must disclose all relevant information for the insurance transaction to the client so that they can make informed purchase decisions. This Guidance clarifies timing expectations for complying with existing disclosure requirements.

INTRODUCTION

Disclosure serves several purposes. Its main function, however, in the broker/client relationship is to provide clients with information that may be pertinent to their decision about whether to purchase/renew a policy. If disclosure is provided without context, it can be difficult for clients to understand how the disclosed information relates to their purchase transaction.

Disclosure also promotes transparency and trust between the parties to the transaction and can ultimately lead to stronger client relationships.

Disclosure therefore must be made as soon as possible in the broker/client relationship and **no later than the time of quote**. This gives clients the opportunity to review and consider the quote when they are fully informed about any potential conflicts of interest their broker may have in relation to the pending transaction.

BACKGROUND

This Guidance pulls together different disclosure requirements found in various RIBO documents and clarifies RIBO's expectations about when conflict disclosures should be made – no later than at the time of quote. RIBO undertook this initiative after identifying inconsistencies when disclosures were being provided to clients as part of its [2023 TAC Spot Check Final Report](#).

Similar observations were also made by the Auditor General of Ontario as part of its [2022 Value-for-Money Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions, and Pension Plans](#).

PURPOSE

RIBO has developed the following disclosure guidelines to ensure they are compatible with the broad range of brokerage models in Ontario, while also ensuring that clients' interests are protected through relevant and timely disclosure. The below set of guidelines apply to all lines of business and do not replace other existing disclosure requirements outlined in the [Code of Conduct Handbook](#).

Licensed brokers are subject to disclosure requirements that flow from RIBO's Code of Conduct.

Below are examples found in the Code of Conduct. Licensees are expected to refer to the [Code of Conduct Handbook](#) for a complete list of RIBO's disclosure requirements.

Regulation 991, includes the following key requirements:

Subsection 14(4)

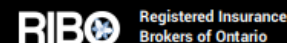
A member shall be both candid and honest when advising the member's client.

- Licensees have a duty to ensure that clients are fully aware of your role as a RIBO licensee and of the products they may purchase from you, including which markets you represent and the commissions you receive for placing business with those markets.

Subsection 14 (7.1)

A member shall disclose in writing [emphasis added] to a client or prospective client any conflict of interest or potential conflict of interest of the member that is associated with a transaction or recommendation.

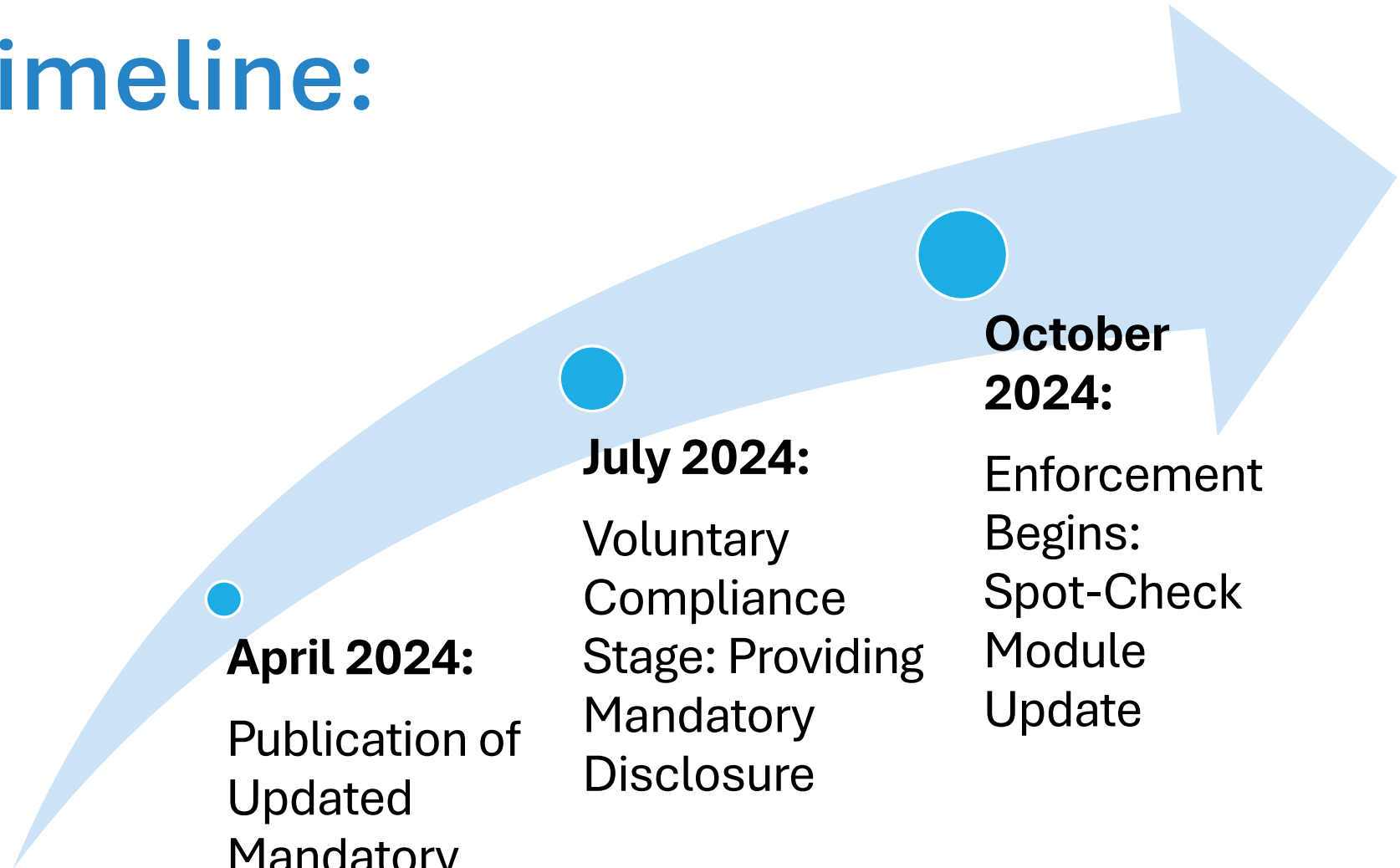
- Generally, licensees should avoid conflicts of interest (see Key Definitions section for more information) when conducting business with clients.



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RIBO's Mandatory Disclosure Timeline:



April 2024:
Publication of Updated Mandatory Disclosures Guidance

July 2024:
Voluntary Compliance Stage: Providing Mandatory Disclosure

October 2024:
Enforcement Begins: Spot-Check Module Update

POP QUIZ

What is a conflict of interest in the context of an insurance brokerage providing a quote?

- A) When a broker fails to disclose commissions received from a policy.
- B) When a broker's loyalty to a client is compromised by the broker's own personal or professional interests.
- C) When a client disagrees with the broker's policy recommendation.
- D) When a broker has insufficient knowledge of a product they are selling.

POP QUIZ

Which of the following is an example of a potential conflict of interest?

- A) A broker fails to inform a client about a competitor's better offer because they might get a chance to win a trip if they hit their sales threshold with that insurer for the month
- B) A broker recommends an insurance product based on its features rather than the client's needs.
- C) A broker's knowledge of future market changes influences their recommendations to clients.
- D) A broker gets bonuses tied to how much business they generate for a specific insurer.

Summary of Requirements

Disclosure - New Business

Licensees are expected to avoid transactions that may cause a personal or professional conflict of interest.

- **No later than at the time of quote**, any conflicts of interests or potential conflicts related to the transaction or recommendation should be disclosed (in writing).

- *Used to be “point of sale”*

4 key types of disclosures:

- i. Duty of Care to the customer – Provide copies of Fact sheet and Code of Conduct for Insurance Intermediaries
- ii. Compensation and Commissions – Provide Letter / Disclosure Statement
- iii. Third-Party Financial Interest – Identify third party ownership/relationship with Insurer or other
- iv. Sales Incentives – Mention if you participate from time to time, or add to your Disclosure Statement

Summary of Requirements Cont.

Written Disclosure

Disclosure should initially be made verbally (or in writing) and clearly communicated to the client before providing a recommendation or quote. Include written information or links post binding in your package

- Includes providing links or actual PDF copies of disclosure documents (see slide 13).
- Commission structure and ownership information can be disclosed in accordance with the Commissions Disclosure of Facts Protocol found in the Code of Conduct Handbook.

Example disclosure:

“[Insurance Company] and [Brokerage] have common ownership” or “[Brokerage] has had a loan guaranteed by [Insurance Company] that was used to expand our business services”



Three example workflows:

In each case, follow up after the sale in writing reiterating information that was discussed/shared. Customer “sign-off” is not a requirement but record keeping is.



1. Discuss

- Phone call, with follow up email with quote information
- Explain the requirement to share information about being RIBO licensed, commissions information and conflicts like ownership.
- Along with emailed quote(s), follow up can summarize discussion and provide written disclosure along with your written quote(s).



2. Online review

- Online quoting to customers
- Web form should include a link to the disclosure, including commissions information, ownership, etc.
- Include an acknowledgement that the potential client has reviewed and understood the disclosure before quote information is presented.



3. Follow up

- Gauging interest online “requesting email or call back”
- Provide the disclosure in your email while gathering information necessary before providing quote.

CASE STUDY: Verbal Binding

A brokerage does most of their business over the phone, and calls are recorded. The brokerage owner is wondering whether the following processes are compliant:

- A broker discusses coverage and quote options on phone.
- Client accepts and asks that paperwork be sent for eSigning.
- Broker does not send an email with the quote to the client because it has already been reviewed and finalized over the phone.
- **What do I need to send in writing?**



Case Study – Verbal Binding Cont.

Key Takeaways

The customer must be given an option to review and consider information about conflicts of interest before deciding to make a purchase.

It's not a requirement to obtain sign off that your client received and read all disclosure documentation prior to binding

For and every transaction, keep a record of all correspondence verbal discussions with your customers

- At minimum, provide a high-level explanation, whether verbally or in an automated message, of obligations to share information about being RIBO licensed and commission structure information – **No later than at the time of quote.**
 - If applicable, , must also share if brokerage is owned by a third-party, e.g., insurer.
 - The broker should also offer to share this information in writing with the customer via email if they want to review before they make their purchase.
- **Written Confirmation:** Provide confirmation to your customer of all discussions, including information about mandatory disclosures **as soon as possible** after binding.

POP QUIZ

How should a broker disclose a potential conflict of interest during a phone conversation?

- A) Do not mention it unless the client asks about it.
- B) Mention it in the follow-up email after the call.
- C) Provide the conflict information upfront in a clear and simple manner.
- D) Disclose the conflict only if the client decides to go with the insurer involved.

Summary of Requirements cont.

Ongoing Disclosure & Renewals

- Brokers must inform clients if there are changes in fees, commissions, or any other financial interests.
- Any policy renewals, endorsements, or significant changes to the terms of the policy must be accompanied by an updated disclosure (if updates have occurred).

Compliance & Monitoring

Compliance with Fair Treatment of Customers

Monitoring through spot checks and investigations

Licenseses must disclose all relevant information for the insurance transaction to the client so that they can make informed purchase decisions.

- Licensees must also maintain records of their communications with clients in their client files and make them available for RIBO inspection.
- Compliance will continue to be monitored as part of the spot check program.
- Complaints regarding non-compliance can be investigated.
- RIBO will consider that a broker has not complied with these disclosure requirements if it is provided in a manner that is unclear or vague.

POP QUIZ

When is the **latest point** at which mandatory disclosures must be made?

- A) Before the client agrees to a quote
- B) At the time of policy renewal
- C) After the client has received a quote but before they sign a contract
- D) At the end of the insurance term

POP QUIZ

True or False:

My brokerage is independently owned so I don't have to disclose anything?

Where can I find this information?

Stay informed with the below resources, our LinkedIn and Website

- [Mandatory Disclosures Guidance No. 002](#)
- [NEW – Verbal Binding example disclosure script JULY 10, 2024: Providing Mandatory Disclosures](#)
- [\[News Release\] – Updated Mandatory Disclosures Guidance and script examples](#)
- [Guidance No. 003: Sharing the Principles of Conduct \(CISRO Conduct Guidance\)](#)
 - CISRO Principles of [Conduct](#)
 - [UPDATED: “About your Insurance Broker” Fact Sheet](#)
- [UPDATED: RIBO Code of Conduct Handbook](#)

Bookmark this link: [Broker Reference Manual:](#)
<https://www.ribo.com/broker-resources/>

