



# PRINCIPAL BROKER HANDBOOK





# PRINCIPAL BROKER

## DIRECTION AND SUPERVISION REQUIREMENTS





# PRINCIPAL BROKER

## DIRECTION AND SUPERVISION REQUIREMENTS

To fulfill your obligations as a Principal Broker, you must be familiar with the *Registered Insurance Brokers Act (RIB Act)*, Regulations and By-laws, the Code of Conduct Handbook, as well as additional Guidance documents issued by RIBO. This obligation also extends to any Deputy Principal Broker that has been appointed. As such, all references to the Principal Broker in this document can also be read as references to the Deputy Principal Broker. The Principal Broker is commonly referred to as a Designated Individual or Designated Representative in other Canadian Jurisdictions.

The appointment of a Deputy Principal Broker does not materially affect the Principal Broker's accountability for establishing an adequate management and supervision framework to ensure compliance. The following pages provide an overview of guiding principles and questions that a RIBO appointed Principal Broker can consider while ensuring compliance with RIBO's legislative framework. By-Law No. 1 Section 15.1 (f) outlines the supervision requirements and duties for the Principal Broker.

### Principles and Considerations – By-law No. 1 Section 15.1 (f)

#### (i) TO ENSURE THAT ALL REGISTERED INSURANCE BROKERS WHO ARE EMPLOYEES (INCLUDING PRODUCERS) OR PARTNERS COMPLY WITH THE RIB ACT, REGULATIONS AND BY-LAWS

#### Guiding Principles

- The obligation of the Principal Broker is to support and supervise compliance efforts by **all RIBO registered or RIBO licensed individuals associated with each brokerage**. This includes, but is not limited to, employees, owners, partners, and shareholders.
- This obligation also extends to all locations where registered persons conduct insurance business, including but not limited to branches, sales offices, service offices and home offices.
- The Principal Broker is responsible for making certain that current office policies and procedures, including a plan of supervision, are in place, and that all registered staff are regularly trained on these policies, procedures and plan(s) of supervision. These policies and procedures should be consistent with the requirements set out in the RIB Act, Regulations and By-laws.
- In the event an individual RIBO licensee is suspended, or their license lapses due to non-renewal, procedures should be in place to ensure that the suspended individual complies with the suspension.
- Individuals who are suspended are no different than individuals who are unlicensed. Please refer to the Principal broker Handbook section on "Unlicensed Individuals".
- Principal Brokers are required to report any potential or real misconduct to RIBO that they are made aware of.

#### Multi-Firm Principal Brokers

Principal Brokers may be appointed to serve as the Principal Broker for several related firms. Alternatively, as a Principal Broker, they may perform professional compliance and brokerage management services for multiple firms. The duties and responsibilities of a multi-firm Principal Broker are the same as those of a Principal Broker responsible for a single brokerage.

These multi-firm Principal Brokers are required to manage their oversight duties utilizing effective risk management and documented regulatory compliance policies and procedures. These policies and procedures must reflect the unique qualities and business models in place in each brokerage that they are responsible for.



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The role of a multi-firm Principal Broker can be supported and enhanced through the appointment of one or more Deputy Principal Brokers and/or Supervising Brokers within the firm. The Supervising Broker can only perform the actions of a Principal Broker if prescribed in writing. In all cases, the Principal Broker is responsible for notifying RIBO if they have appointed or removed an individual acting as a Deputy Principal Broker or Supervising broker.

This not only serves to enhance general management oversight and accountability for the brokerage's activities and employees, but it also supports succession planning within the firm. RIBO's By-laws set out the responsibilities of the appointed Supervising Broker under subsection 15.1 (j).

**Please note that the Principal Broker retains ultimate responsibility for the actions of the brokerage despite the appointment of a Deputy Principal Broker or Supervising Broker.**

### Considerations

- Do current office policies and procedures include a plan of supervision of all individuals associated with the brokerage at all locations?
- Would the appointment of a Deputy Principal Broker(s) or Supervising Broker(s) better assist your compliance efforts? (Remember: The Supervising Broker can only perform the actions of a Principal Broker if prescribed in writing. The Principal Broker retains ultimate responsibility for the actions of the brokerage despite the appointment of a Deputy Principal Broker or Supervising Broker.)
- Is there a dedicated staff member that is responsible for relaying updated firm information to RIBO in a timely manner?
- Does the firm have a centralized payment process or dedicated staff to accept payment for premiums?
- Is there an office manager at every branch that does not have a Deputy Principal Broker and/or Supervising Broker (if applicable) in place?
- Are new hires informed of the RIBO licensing process including needing to complete a recent criminal record check and declaring whether they have a secondary occupation?
- Do all brokerage staff know who has been appointed Principal Broker, and Deputy Principal Broker, and/or Supervising Broker (if applicable)?
- Are all individuals at all locations familiar with the brokerage's management and organizational structure?
- Are periodic reviews being done to ensure the policies and procedures remain relevant?
- Are there binder controls (this includes temporary liability or pink slips) in place and are the controls being monitored and audited?
- Do staff (licensed and unlicensed) understand the proper handling of trust monies including receipt procedures and controls?
- Does the firm have abeyance and diary controls in place? Are they being monitored?
- Is the work of individual brokers reviewed annually to ensure office policies and procedures are being followed?
- Has the firm established a privacy policy that is compliant with PIPEDA?
- Has the firm addressed file ownership and acceptable file maintenance (including where hard



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copies of client files may be kept, security, confidentiality, and privacy issues)?

- Are training sessions on brokerage software and systems provided to registered staff?
- Has the firm detailed a position on acceptable secondary occupations for staff? Is there an approval process in place, including RIBO notification?
- Are any employees working remotely (from home)? Does the firm have policies and procedures in place for use of company-owned equipment, and client data file management and security when working remotely?
- Are any employees working from a third-party owned “shared space” office? If so, has RIBO approval been obtained for use of the shared space?
- Does the brokerage have a meaningful cyber risk program in place? Is there an incident response plan if there is a breach of consumer information, which includes reporting such breaches to RIBO and any other provincial insurance regulators that you and/or the firm are licensed by?
- If brokers or employees need direction or clarification on any regulatory obligations, are lines of communication and reporting clear and well defined?

- (ii) **TO ENSURE THAT ALL REGISTERED INSURANCE BROKERS WHO ARE EMPLOYEES OR PARTNERS ARE PROVIDED WITH AND USE ALL INFORMATION RESPECTING INSURANCE NECESSARY FOR THEM TO ACT IN ACCORDANCE WITH THE CODE OF CONDUCT AND WITHOUT MISCONDUCT OR INCOMPETENCE AS DEFINED OR DESCRIBED IN THE RIB ACT AND/OR REGULATIONS**

### Guiding Principles

- The Principal Broker must remain current on:
  - regulatory requirements
  - industry trends
  - insurer requirements
  - market requirements
- The Principal Broker should share this information, as appropriate, to all registered persons and if necessary, unlicensed persons, within their brokerages. This includes RIBO Broker guidance and the RIBO Code of Conduct Handbook.
- The Principal Broker (or designate) should be available to staff should they require direction or guidance.
- The Principal Broker should pay particular attention to information that could impact the business of each brokerage for whom they serve and ensure this information is highlighted to all concerned.



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### Considerations

**Principal Brokers should make the following information available to all staff:**

- Current documentation and forms
- Relevant RIBO publications, broker guidance, required forms, newsletters and notices, and other industry publications
- Resource library

### Training

- Principal Brokers must ensure that all employees complete their annual continuing education (CE) requirements.
- It is good practice to sign off on all training completed by brokers, including maintaining records onsite with the brokerage and requesting all employees keep their own records of completed CE. In addition to individual employees maintaining copies for their own records, maintaining digital or cloud based records of employee CE, certificates of completion can also be a best practice.
- Consider addressing the training needs of employees through accredited continuing education courses/seminars, including:
  - In-house training
  - Regular internal training
  - Insurer/market training
- External Training:
  - Identify and provide information about accredited continuing education courses/seminars
  - Is time given/allowed to attend/participate in continuing education courses?
  - Are staff allowed to utilize brokerage computers for accredited online learning?
  - Consider creating education opportunities by combining resources with other brokerages to bring in a facilitator/speaker
  - Are staff skills and performance regularly audited to identify?

### Misconduct

- Carefully review any situations involving potential misconduct without judgement.
- Speak to the employee about the situation, restrict any system and email access, and perform an internal investigation.
- If it does not fall under the Code of Conduct, provide the employee with additional training.
- If it does fall under the Code of Conduct, inform RIBO and provide all supporting documents.
- Consider performing an audit or review of the employee's previous work to see if it was an on-going issue.
- Document the incident, the steps taken to address the incident, and what the conclusions were.



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### (iii) TO ENSURE THAT ALL REGISTERED INSURANCE BROKERS WHO ARE EMPLOYEES OR PARTNERS KNOW AND ACT IN ACCORDANCE WITH THE CODE OF CONDUCT SET FORTH IN THE REGULATIONS

#### Guiding Principles

- The Code of Conduct is a key component of the public protection regime set out in Section 14 of Regulation 991.
- It is also designed to enhance the professionalism of property and casualty industry participants.
- The Code of Conduct Handbook should be available to all registered brokers. They should be encouraged to review the document and keep themselves current.
- The Code of Conduct Handbook provides useful information and examples on how to best avoid a situation that may lead to an act of misconduct.
- The Principal Broker must report to RIBO serious breaches of the Code of Conduct, and any other relevant regulatory requirements as soon as it is practicable under the circumstances.
- Procedures should be in place to ensure that complaint queries from RIBO are responded to within a reasonable time frame. The Principal Broker is accountable for ensuring a reply and should follow up with the individual broker to ensure all queries have been responded to.
- Is there a log of complaints from the public and the outcomes?

#### Considerations

- Does the firm monitor revisions to the Code of Conduct and Code of Conduct Handbook through RIBO publications and the RIBO website?
- Is the Code of Conduct Handbook included in internal training initiatives?
- Confirm with registered individuals they have reviewed the Code of Conduct and have acted in accordance with it.
- Are there procedures in place to ensure compliance with the Code of Conduct, especially, but not limited to, protecting client's confidential information, disclosure protocols and the management of actual or potential conflicts of interest?
- Do the firm's procedures include guidelines for staff on reporting compliance issues to the Principal Broker?

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### (iv) TO ENSURE THAT ALL TRUST ACCOUNTS AND BOOKS, RECORDS AND ACCOUNTS ARE MAINTAINED IN ACCORDANCE WITH THE REGULATIONS

#### Guiding Principles

- The Principal Broker must have access to all banking and financial information in order to determine the trust, operating, and equity position of the firm and to make relevant decisions.
- Good financial processes and controls will enable a Principal Broker to have an accurate and current snapshot of the firm's trust position.
- Every firm must be able to meet all the trust obligations in accordance with Regulation 991, Section 16 (6).
- The Trust Account must be maintained in accordance with the *RIB Act*, Section 32 and Regulation 991, Sections 16, 17, 18 and 21.
- Books and records must be maintained on a regular basis.
- Equity requirements must be maintained in accordance with Regulation 991, Section 19.
- All queries from RIBO relating to trust accounts and books and records must be responded to within the time frames established by RIBO.

#### Considerations

- Principal Brokers should ensure that individuals responsible for maintaining trust accounts and books have working knowledge of accounting fundamentals, and how it relates to property and casualty brokerage operations.
- Principal Brokers, considering external support for maintaining books and records should engage professionals familiar with performing such functions for property and casualty brokerages.
- When using a brokerage management system, brokers are encouraged to learn and utilize the full potential of the software for its management reporting abilities and to be able to establish the firm's trust position at any given moment.
- Complete an internal Form 1 monthly
  1. bank reconciliation bank balance = G/L account balance
  2. premium receivable list = G/L account balance
  3. insurer payable sub-listing = G/L account balance
  4. over 90 days receivables
- Use the Three Step Approach prior to transferring commissions.
- Books and records are maintained in accordance with the ASPE or IFRS accounting standards.
- Trust account requirements:
  - Are all trust monies received by the firm deposited into the trust account within the required three (3) banking days after being received?
  - Account names for financial institution trust accounts and trust investment vehicles must be clearly always denoted "IN TRUST".
  - Trust investments must be "redeemable/cashable" on demand and not "saleable".

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- Regulation 991, Section 16 (5) outlines acceptable trust investments and where such investments can be made including:
  - guaranteed investment certificates up to 5 years
  - treasury bills
  - mutual funds that invest only in short-term money market
  - instruments
  - banker's acceptances
  - short-term debt securities, with a rating of the highest credit or superior credit quality from the Dominion Bond Rating Service, issued by non-financial corporations
- Maintain backups of books and records including customer records for 6 years plus the current fiscal year (Regulation 991, Section 17 (9)).
- Consider retaining commercial line records for at least 10 years to manage liability exposure.
- Ensure qualified staff are assigned to carry out these responsibilities.
- Maintain adequate corporate equity comprised of paid-up share capital, direct shareholder loans and/or contributions and retained earnings.
- The firm should have a business recovery and disaster plan in place which includes a backup of all books, records, and accounts.

### Correcting Errors for Trust, Equity, or Previously Filed Form 1

- Inform RIBO of any deficits or errors and correct them immediately.
- Launch an internal audit to determine the cause of the deficit and inform RIBO of the cause of the deficit.
- Put in safeguards to prevent it from occurring again. For example, implement a procedure by determining the net trust position and the available broker commission funds amount prior to making any funds transfer to the general bank account.
- Re-file Form 1 if there are any material differences as a result of an error.

### (v) TO ENSURE THAT ALL ERRORS AND OMISSIONS INSURANCE, AND/OR OTHER FORMS OF FINANCIAL GUARANTEE, AND ALL FIDELITY INSURANCE ARE MAINTAINED IN ACCORDANCE WITH THE REGULATIONS

#### Guiding Principles

- The firm's Errors and Omissions (E&O) insurance and Fidelity Bond must be maintained in accordance with Regulation 991, Section 20 and approved by RIBO. Policies must contain RIBO endorsement and certificates of insurance must be submitted upon renewal to RIBO. In some cases copies of the policies will be requested.
- Minimum policy limits:
  - E & O - \$3,000,000 per claim/ \$6,000,000 aggregate
  - Fidelity - \$100,000



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### Considerations

- File with RIBO within 30 days (in accordance with RIBO By-law No 20, Section 3(a)) any changes, including upon renewal, to E&O and/ or fidelity coverage, including but not limited to, changes in carriers, deductibles, and names.
- The firm is responsible for sharing all renewals and certificates of insurance (COI) with RIBO. The COIs should clearly indicate deductible information and include the mandatory RIBO endorsement.
- Include with filing, all supporting documents that provide evidence of the changes or updates, e.g., certificates of insurance, endorsements, etc.
- Firms are required to maintain, at all times, an equity capitalization of not less than an amount equal to the maximum deductible amount of the member's errors and omissions and fidelity insurance policies or,
  - (a) in the case of a member who is a sole proprietor, \$2,500; or
  - (b) in the case of a member who is a corporation or partnership, \$5,000,
 whichever is the greater

### (vi) TO ENSURE THAT ALL REQUIRED FILINGS ARE MADE AND PRESCRIBED FEES AND ASSESSMENTS ARE PAID IN ACCORDANCE WITH THE REGULATIONS

### Guiding Principles

- The Principal Broker must ensure that RIBO is notified of any changes within 30 days in accordance with By-law No. 20.
- These may include but are not limited to:
  - change of address, including branch locations
  - change of individual and personal email addresses
  - change in employment
  - change in name of individual, operating, or trade name of firm
  - change in ownership,
  - change in officers or directors
  - change in fiscal year end (this impacts position report filing due dates)
  - change in trade name
  - changes in markets
  - changes in insurance coverage including renewals
  - renewals of tradename registration
  - changes in any document filed with RIBO
- All filings are to be made with the approval of the Principal Broker who will be responsible for the accuracy therein.

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- When a brokerage is sold or purchased, changes to the Principal Broker may be made. RIBO must be notified within 30 days of making these changes and all records should be updated.
- The purchasing brokerage and the new Principal Broker become responsible for any mandatory filings that have not been made prior to the sale, including late position report filings. The purchaser is also responsible for providing up to date information about the brokerage to ensure that the registration remains up to date, including any new or expiring trade names.
- Note: A Certificate of Registration together with your Registration Information may be used as proof of trade name or other business name registration. As of October 2021, A Master Business License will no longer be issued by Service Ontario. If you have a Master Business License, it remains valid until it expires or is cancelled.
- Mandatory filings include position report and annual firm license renewal filings, as well as up to date insurance certificates confirming errors & omissions and fidelity bond coverage is in place for the firm.
- The Principal Broker must also report the events below to RIBO within 30 days. Once notified, RIBO staff will reach out to collect additional information which may include requesting an explanation of what occurred and legal documents.
  - Where the firm or employee(s) has been subject or named in a legal proceeding.
  - If the firm or employee(s) have been subject to charges/indictments under any law anywhere in the world (unless a pardon has been granted (and not revoked) under the *Criminal Records Act*).
  - If the firm or employee(s) have been subject to disciplinary action by another regulator.
- Failure to comply with required filings, due dates, and any required fees, including payment of annual licensing fees, may reflect other more serious concerns/issues within the firm which may impact operations from both a business and regulatory perspective.
- All queries from RIBO must be responded to within the time frames established by RIBO in each query.

Item	Deadline / Due Date
Form 1 Position Report	<b>90 days</b> after most recent fiscal year end and 90 days and 6 months after fiscal year
Renewal application form and fee	<b>August 31st</b>
Continuing education hours	<b>September 30th</b>
Any changes of information (i.e. employment, address, name, E&O and Fidelity Bond)	Within <b>30 days</b> of change

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### (vii) TO ENSURE THAT NO DIRECTOR, PARTNER OR EMPLOYEE WHO IS NOT A REGISTERED INSURANCE BROKER ACTS AS AN INSURANCE BROKER

#### Guiding Principles

- All employees that have direct contact with the public acting in the capacity of an “insurance broker” must be registered with RIBO and maintain that registration in accordance with the RIB Act, Regulations and By-laws.

#### Considerations

- “Insurance broker” as defined in the RIB Act is: any person who for any compensation, commission, or other thing of value, with respect to persons or property in Ontario, deals directly with the public and,
  - (a) acts or aids in any manner in soliciting, negotiating or procuring the making of any contract of insurance or reinsurance whether or not the person has agreements with insurers allowing the person to bind coverage and countersign insurance documents on behalf of insurers,
  - (b) provides risk management services including claims assistance where required,
  - (c) provides consulting or advisory services with respect to insurance or reinsurance, or
  - (d) holds themselves out as an insurance consultant or examines, appraises, reviews or evaluates any insurance policy, plan or program or makes recommendations or gives advice with regard to any of the above.
- Any unlicensed persons acting as a broker may be committing an offence under *RIB Act*, Section 33 (2) and may be prosecuted under the *Provincial Offences Act* or subject to other court proceedings.
- Such persons may be exposing brokerage clients, insurers, the E&O policy, and the brokerage itself to increased risks for which the Principal Broker may be held accountable.
- For additional guidance, refer to “the Unlicensed Individuals” section on the types of activities an unlicensed employee can perform within the brokerage.
- Does your firm have a process to confirm that all employees’ RIBO licenses are in good standing as well as a process to verify the restriction level for all licensees? Employees should be encouraged to view/and or print their license via the member portal to verify that their license is valid and in good standing. They can also search for their name on the public member broker search webpage. If there is an issue, individuals should contact RIBO, as soon as possible, as they may not have completed their license renewal properly.



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### (viii) TO ENSURE THAT PROCEDURES ARE ESTABLISHED AND FOLLOWED SUCH THAT THE REQUIREMENTS OF SUB-PARAGRAPHS (I) THROUGH (VII) ARE MET

#### Guiding Principles

- The Principal Broker must establish and maintain a supervisory environment that fosters the business objectives and professionalism of the firms and promote the self-regulatory process.
- Accordingly, through the Principal Broker, the firm should take all reasonable steps and place a high priority on ensuring compliance.
- Where deficiencies in procedures are noted by RIBO staff during any review or investigation, a plan to address these deficiencies must be prepared, filed with RIBO, and implemented as identified in the plan submitted to RIBO in the established time frame.
- These plans should be reflected in the firm's policy and procedures.
- A firm that has had significant deficiencies identified may be subject to increased reporting requirements, more frequent spot checks or other sanctions.

#### Considerations

- Is there a current office policies and procedures manual for the firm, and if so, does it include a plan of supervision of staff (licensed and unlicensed) working in all locations, including remotely?
- Is all relevant information/material available and known to all registered staff (e.g., central library, intranet)?
- Are the responsibilities of the Deputy Principal Broker, Supervising Broker, and for all other compliance staff prescribed in writing?
- How does the firm monitor for compliance with firm policies and procedures?
- Does the Principal Broker report suspected instance of non-compliance to RIBO?
- Are staff required to report suspected instances of non-compliance to the Principal Broker?
- Are there procedures in place to ensure that complaint queries are responded to within a reasonable time frame? Is an escalation process in place for consumers who have concerns with a broker? Are complaint queries shared with the Principal Broker? Does the Principal Broker follow up with the individual broker to ensure queries have been responded to?



# DEPUTY PRINCIPAL BROKER

## DIRECTION AND SUPERVISION REQUIREMENTS



# DEPUTY PRINCIPAL BROKERS

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As the Principal Broker, you can also appoint registered individuals, who are also an officer or director of the firm, with an "Unrestricted" class of registration as a Deputy Principal Broker of the firm to assist you in the management of your duties and responsibilities. It is important to remember that as the Principal Broker, you will still be held accountable and responsible for the firm.

Deputy Principal Brokers must also understand their obligations and responsibilities and, in tandem with the Principal Broker, provide the firm with an effective level of oversight and supervision. These Guidelines are also designed to assist Deputy Principal Brokers with their day-to-day supervisory activities.

Although the regulation references are to Principal Brokers, the responsibilities and requirements outlined may also be applicable to Deputy Principal Brokers. The RIBO By-laws outline the roles and responsibilities for Principal Brokers under ByLaw No.1, subsection 15.1 (f). A Deputy Principal Broker can be responsible for performing any or all of these duties, if prescribed in writing.

### Guiding Principles

- The Principal Broker duties may be performed by a Deputy Principal Broker or Supervising Broker; however, the delegation of these duties does not absolve the Principal Broker of their responsibilities.
- The appointment of a Deputy or Deputies may be a key component to the firm's business continuity plan. A Deputy Principal Broker can assist the Principal Broker in instances involving multiple branches/offices, producers in remote geographical locations and/or large number of producers. A Deputy Principal Broker can also assist should the Principal Broker be on extended vacation including under other unplanned circumstances involving sudden departure, illness, or death.
- The appointment of a Deputy Principal Broker may also support succession planning within the firm, ensuring that a qualified individual is available to act in the capacity of Principal Broker in the event the designated Principal Broker retires or is unable to fulfill these duties.
- The powers and responsibilities of the Deputy Principal Broker must be assigned by the Principal Broker in writing.
- RIBO must be notified of the appointment, and the Deputy Principal Broker is required to sign and file an undertaking with RIBO with respect to their roles and responsibilities.
- RIBO strongly recommends Principal Brokers appointing Deputy Principal Brokers and Supervising Brokers where the brokerage has offices located throughout the province, has 5 or more locations, or who employs more than 30 individuals. This is an effective method to ensure that each site has adequate oversight and supervision.

### Considerations

- When supervising multiple firms (if applicable), have you appointed any Deputy Principal Brokers or Supervising Brokers to support you in supervising the firm and its employees?
- Has the Principal Broker assigned duties to the Deputy Principal Broker?
- Are duties and powers of Deputy Principal Broker prescribed in writing?



# DEPUTY PRINCIPAL BROKERS

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- Have the Deputy Principal Broker's duties and powers been incorporated into the office policies and procedures?
- Has RIBO been notified of the Deputy Principal Broker appointments?
- Has the Deputy Principal Broker confirmed acceptance of duties and responsibilities to RIBO, by signing an undertaking with RIBO?

### Supervising Brokers

In 2017, RIBO introduced the "Supervising Broker" class of registration. The role of a Supervising Broker is to assist the Principal Broker and Deputy Principal Broker in their supervisory responsibilities as required. RIBO recommends that Principal Brokers appoint several Supervising Brokers as part of the firm's supervision plan to ensure that a qualified individual is always available to supervise employees when a Principal Broker or Deputy Principal Broker is not on site.

Supervising Brokers can also assist Principal Brokers in ensuring that the plan of supervision is adhered to. In cases where the Principal Broker is responsible for multiple firms it is good practice to have Supervising Brokers providing direct oversight. Please note however that the Principal Broker is still ultimately responsible for the conduct of the firm and its employees.

To qualify as a Supervising Broker a broker must:

- Hold a RIBO Unrestricted license
- Meet the Continuing Education Requirements for Principal Broker, Deputy Principal Broker, and Supervising Brokers
- Not be subject to an order/complaint of the Discipline Committee.

The Supervising Broker role, unlike Deputy Principal Brokers or Principal Brokers, is not required to be named as an officer or director of the corporation,

A Supervising Broker can perform a number of actions including, but not limited to:

- Signing employment confirmations
- Ensuring employees comply with the Registered Insurance Brokers Act of Ontario, Regulations and RIBO Bylaws
- Educating other Brokers about the RIBO Code of Conduct
- Ensuring that employees follow procedures
- Providing general management for remote or in-person brokers, including those working at multiple branch locations.

### Considerations

- Has the Supervising broker been prescribed duties in writing?
- Are the Supervising Broker's responsibilities incorporated into office policies and procedures?
- Has RIBO been notified of the Supervising Broker's appointment?

# PLAN OF SUPERVISION

## BRANCH LOCATIONS AND REMOTE WORK



Principal Broker Handbook

# PLAN OF SUPERVISION

## BRANCH LOCATIONS AND REMOTE WORK

Any brokerage (including consultants, wholesalers and Managing General Agents) that conducts business from a location other than the head office on a regular basis must treat these locations as branch offices. All such locations MUST be included in the firm's supervisory responsibilities and outlined in a Plan of Supervision established by the Principal Broker.

In implementing a hybrid or remote work policy within the brokerage, Principal Brokers should consider how they will manage the RIBO requirements of supervision given the potential distance involved (including for employees residing outside of the province where the firm's head office is located). Principal Brokers should review the Cyber Security guidance section of the Principal Broker handbook to ensure that adequate personal information and cyber security protection measures are in place.

RIBO does not regulate the remote work practices of its registered firms but does require, all licensees to follow the Code of Conduct and comply with the Act and Regulations.

### Working Remotely

Principal Brokers need to provide supervision and support to all employees, including those working remotely. A brokerage's plan of supervision should also cover policies and procedures for maintaining supervision of employees working remotely or from home.

Employees are responsible for updating their personal information, including address information, in the membership portal. It is the individual's responsibility to be sure that their Principal Broker supports the request for remote work before the changes are made and that updated information is submitted to RIBO within 30 days of any changes. Individuals working remotely or from home should review the Cyber Security guidance section of the Principal Broker handbook.

Care must be taken with respect to home offices to ensure that a meaningful level of support, management and supervision is provided by the Principal Broker and any Deputy Principal Broker. Employees working from home do not need to be registered as a branch office of the brokerage. However, if a producer or individual meets consumers in their home office, their office must be registered as a branch office.

Employees are required to submit any changes to their registration information, including home address and Ontario Mailing Address (only applies if working outside of Ontario) to RIBO within 30 days of the change.

### Guiding Principles

- The Principal Broker is obligated to ensure that each branch location is compliant with the *RIB Act*, Regulations and By-laws.

The Principal Broker may appoint an individual with an "Unrestricted" registration as Deputy Principal Broker or Supervising Broker at each branch location to assist in the supervisory Requirements.

- The Principal Broker must ensure that a plan of supervision is in effect.



# PLAN OF SUPERVISION

## BRANCH LOCATIONS AND REMOTE WORK

### Considerations

The Principal Broker and Deputy Principal Broker must be familiar with regulatory provisions and guiding principles that describe the Principal Broker responsibilities as well as all of the considerations outlined under the **"Principal Broker Direction and Supervision Requirements"**.

The following should also be considered and included in the plan of supervision:

- Trust account management and control
- Binder/liability certificate control
- Staff training
- Does each branch location have a copy of the firm's most current office policy and procedures manual?
- Are on-going regular visits (scheduled and unscheduled) being made to each branch location?
- Are branch audits being conducted periodically to monitor compliance with stated office policies and procedures?

### Best Practices

Principal Brokers wishing to exercise "Best Practices" in their supervisory responsibilities should consider implementing the following:

- Appointing a Deputy Principal Broker for each branch location
- Putting in place an office manager or Supervising Broker if it is not feasible to appoint a Deputy Principal Broker
- Visiting each branch location on a quarterly basis at a minimum
- Visiting the branch location when setting up (establishing) the branch
- Virtual visits may be necessary in certain circumstances and are acceptable for some quarterly visits
- Ensuring that the branch location is separate and distinct and has proper signage
- Signs should clearly indicate the name of the registered licensed firm and not only the tradename
- Ensure that individuals working from mini-office locations (shared office space locations, e.g., WeWork or other) have received approval from the Qualification and Registration Committee for the location
- Establish policies on the proper steps brokers should take to protect consumer information and confidentiality
- Ensure that individuals working remotely or from home have access to a secure internet connection and are using computer equipment and portable devices that include Multi-Factor Authentication (MFA) and/or comply with the firm's cyber security, password, and encryption standards
- Individuals working remotely or from home should review RIBO's Cyber Security guidance

# PLAN OF SUPERVISION

## BRANCH LOCATIONS AND REMOTE WORK

To update RIBO records, the Principal Broker must provide the following information for each branch location:

- Address, telephone, fax numbers and email addresses
- Who is responsible for this location? Is the Principal Broker or Deputy Principal Broker or Supervising Broker responsible? If none, provide RIBO with a branch contact person
- Whether or not the branch location is to receive separate mailings from RIBO or is all mail to be directed to the Principal Broker at head office
- Confirmation that the branch location is separate and distinct
- Branch locations do not need to be recorded for individuals working remotely or from home, however all individuals are required to submit any changes to their registration information and address to RIBO within 30 days of the change

Upon request, The Principal Broker must also provide a listing of individuals working from each branch location.



# FINANCIAL REPORTING REQUIREMENTS



Principal Broker Handbook

# FINANCIAL REPORTING REQUIREMENTS

## Key Regulatory Provision –REGULATION 991

- 21.(1)** Every member who is a sole proprietor, partnership or corporation shall, within ninety days after the member's fiscal year-end, complete and file with the Manager a position report in the form approved by the Council presenting fairly the member's financial and trust positions as of the member's fiscal year-end, and providing such details as may be required with respect to the member's financial guarantees and the markets with which the member places insurance, and such other information as is required on the form
- (2)** Every member to whom subsection (1) applies shall, within nine months after the member's most recent fiscal year-end, complete and file a position report in the form approved by the Council as of the day that falls six months after the member's most recent fiscal year-end

## Commentary

The Regulations require the Principal Broker to complete a Form 1 Position Report semi-annually and at year end, outlining the trust, general and equity position of the firm. As the Principal Broker, it is your responsibility to review and complete a Position Report directly on the member portal. It is good practice to keep detailed notes when financials are reviewed.

"Guidelines to assist in completing the Form 1 Position Report" have been established for Principal Brokers who require clarification along with a listing of common errors made by Principal Brokers when completing the Position Report. You can find the Guidelines and copies of the form 1 report form on the following webpage: <https://www.ribo.com/broker-resources/printable-forms/>

## 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.



# FINANCIAL REPORTING REQUIREMENTS

- 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.
- 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 firm or that are not in the registered name of the firm cannot be reported.
- Only trust investments that are in compliance with Regulation 991, Section 16(5) can be reported.
- General ledger transactions (sales, purchases, interest payments and/or accruals) are not made. The 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).

# FINANCIAL REPORTING REQUIREMENTS

- Broker insurer payables must be based on broker records rather than insurer/company statements. Insurer statements must be adjusted to match broker records (e.g. 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 included.
- Binder billed amounts owing are not 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.

## Refunds due to Insureds (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 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.

# FINANCIAL REPORTING REQUIREMENTS

## Three (3) Step Approach

The broker's net trust position is comprised of two elements. Firstly, monies in the broker's bank account or "in trust" investments that represent funds that have been received and not yet transferred to the general account. These balances represent funds that could be transferred to the general account. Secondly, commission receivable element from premium receivable balances that are 0 to 90 days old. These balances represent amounts that are not transferable to the general account, as the funds have not yet been received.

The Three-Step Approach uses information from the broker's own systems, whether automated or not. It can be used as a means to manage the trust assets and liabilities of the firm or as a monitoring tool for the broker to determine that their method of commission transfer is in full compliance with the regulations. It determines how much money ought to be in the trust account, taking into consideration that some policy premiums may not have been collected yet. The difference between the net trust position calculation minus the Three-Step Approach calculation is the amount that is potentially available for transfer to the general account.

The Three-Step Approach is not a regulation and no firm will ever face a complaint proceeding alleging non-compliance with it. It is intended to be used as a management tool only. What the Three-Step calculation does, however, is highlight that a firm may be transferring commissions on policies written from the trust to the general accounts before the firm has collected the premium on those policies. In this instance, the firm may well face complaint proceedings alleging that the firm has misused trust funds, contrary to the regulation that firms can only use trust monies for the purpose for which they were received. The Three-Step calculation could be used as proof of mishandling trust funds in breach of that regulation.

The following example demonstrates how the three-step would work for Broker XYZ:

\$100,000	trust cash
200,000*	premium receivable
25,000	over 90-day balances
190,000	insurer payables
5,000	prepaid premiums
2,500	refunds owed
15,000	retail sales tax owing

Assume the broker has an average commission of 15% and an average retail sales tax rate of 6%

\*0 to 60 - \$150,000, 61 to 90 - \$25,000

### Step 1. Calculation of the net trust position.

Cash	\$100,000
Premiums Receivable	\$200,000
Over 90-day balances	\$25,000
Allowable premiums receivable	\$175,000
Trust investment	0
<b>Total Trust Assets</b>	<b>\$275,000</b>

# FINANCIAL REPORTING REQUIREMENTS

Insurer payables	\$190,000
Prepaid Premiums	\$5,000
Refunds	\$2,500
RST payable	\$15,000
<b>Total Trust Liabilities</b>	<b>\$212,500</b>

**Net Trust Position** **\$62,500**

## Step 2. Calculation of the minimum net trust position

Best Practice Method	Alternative Method
Form 1 Position Report Using the allowable premium receivable balances (0-60-day balances) remove the retail sales tax on those balances by dividing it by the average retail sales tax rate	Using the allowable premium receivable balances (0-90-day balances) remove the retail sales tax on those balances by dividing it by the average retail sales tax rate
150,000 divided by 1.06 = 141,509	175,000 divided by 1.06 = 165,097
Multiply resulting balance by the average commission factor	
141,509 multiplied by 15% = 21,226	165,097 multiplied by 15% = 24,764
Remove the retail sales tax on the 61 to 90-day balances	
25,000 divided by 1.06 = 23,585	
Minimum net trust position	
21,226 + 23,585 = <b>44,811</b>	<b>24,764</b>

Please note prepaid premiums and refunds owed should be reclassified as trust liabilities when making this calculation.

## Step 3. Calculation of the minimum net trust position

Best Practice Method	Alternative Method
Calculate amount potentially available to transfer to general account by subtracting minimum net trust position from net trust position	
62,500 – 44,811 = 17,689	62,500 – 24,764 = 37,736

- Please note the above assumes that balances are paid to insurers in 60 days, but there could be instances where items receivable have been paid in 30 days (wholesalers and specialty markets)
- Conversely items may not be paid to insurers until after 60 days (Binder bill balances or disputed amounts with insurers)



# FINANCIAL REPORTING REQUIREMENTS

## Best Practices

Firms wishing to employ "Best Practices" in management of their method of commission transfer can take advantage of the more detailed calculation, using the adjustment in step two of the process. This additional step provides a more accurate picture because 0-60-day balances have probably not been paid to insurers whereas 61-90-day balances have been paid to insurers.

The 3-step approach can be tailored to each firm, depending on the existence or otherwise of premiums that may be receivable between 61 and 90 days in each firm's case.

**More importantly you should always adjust the model to your own circumstances.**

## Trust Accounts

### Key Regulatory Provisions

#### *RIB ACT Section*

- 32. (1)** All funds received or receivable by a member in the course of business on behalf of insurers from members of the public or on behalf of members of the public from insurers are deemed to be trust funds
- (2)** No member shall assign, pledge, hypothecate or mortgage or in any way charge the funds referred to in subsection (1) whether or not such funds have been received or remain receivable
- (3)** Any assignment, pledge, hypothecation, mortgage or other charge of or on funds referred to in subsection (1) is null and void as against the beneficial owner of the funds

### REGULATION 991 Sections

- 16. (1)** Subject to subsections (2) and (3), every member who is a sole proprietor, partnership or corporation shall maintain, for all trust funds received, a trust account or trust accounts at any Ontario branch of,
- (a) a bank listed in Schedule I or II to the Bank Act (Canada);
  - (b) a trust corporation;
  - (c) a loan corporation;
  - (d) a credit union authorized by law to receive money on deposit; or
  - (e) a Province of Ontario Savings Office, and each such account shall be kept in the name of the member and designated as a trust account
- (2)** On application, the Council shall permit a member who is licensed or registered as an insurance broker or agent in four or more provinces of Canada and maintains offices in each of them to maintain the member's trust account in any such province at a branch of,
- (a) a bank listed in Schedule I or II to the Bank Act (Canada);
  - (b) a trust corporation;
  - (c) a loan corporation; or
  - (d) a credit union authorized by law to receive money on deposit; that is not in Ontario, but the Council may, for good and due cause;
  - (e) impose such terms and conditions as it considers appropriate; and

# FINANCIAL REPORTING REQUIREMENTS

- (f) revoke its permission at any time.
- (3)** On application, the Council may permit a member who is licensed or registered as an insurance broker or agent in two or more provinces of Canada to maintain the member's trust account in any such province at a branch of,
  - (a) a bank listed in Schedule I or II to the Bank Act (Canada);
  - (b) a trust corporation;
  - (c) a loan corporation; or
  - (d) a credit union authorized by law to receive money on deposit; that is not in Ontario, but the Council may
  - (e) impose such terms and conditions as it considers appropriate; and
  - (f) revoke its permission at any time.
- (4)** A member shall ensure that all trust money he or she receives, whether by cash, cheque or otherwise, is dealt with in accordance with the following:
  - 1. The trust money be deposited into a trust account or invested in an investment described in subsection (5) as soon as practicable after receipt;
  - 2. The member shall not knowingly fail to make the deposit or investment referred to in paragraph 1 within three banking days after the day the trust money is received;
  - 3. Money deposited into a trust account may be subsequently invested and held in trust in an investment described in subsection (5);
  - 4. Subject to paragraph 5, the member shall not, except in accordance with the terms and conditions under which the money was received;
    - i. disburse any money held in trust or the proceeds from any investment in which trust money was invested, or
    - ii. withdraw any money from a trust account
  - 5. The member may withdraw money belonging to him or her from a trust account and deposit it into the member's general account.
- (5)** Trust money may be invested in and held in trust in the following types of investments:
  - 1. Deposits, guaranteed investment certificates and other forms of indebtedness,
    - i. that are issued by a bank listed in Schedule I or II to the Bank Act (Canada), a trust corporation, a loan corporation, a credit union, the Government of Canada or a Province of Canada,
    - ii. that have a term not exceeding five years, and
    - iii. that permit the repayment on demand of the principal sum evidenced by the deposit, guaranteed investment certificate or other form of indebtedness
  - 2. Treasury bills and other instruments evidencing indebtedness;

# FINANCIAL REPORTING REQUIREMENTS

- i. that are issued or guaranteed by the Government of Canada or a Province of Canada, and
  - ii. that are issued for a period of 30 days or less
- 3. Mutual or pooled funds that invest only in short-term money market instruments;
- 4. Bankers' acceptances;
- 5. Short-term debt securities issued by non-financial corporations for a term of one year or less, but only if the securities have a rating of the highest credit quality or a superior credit quality from the Dominion Bond Rating Service.
- (6)** A member shall ensure that the member is at all times able to meet all of the member's trust obligations from,
  - (a) money in the member's trust account;
  - (b) investments held by the member in trust; and
  - (c) the member's trust funds receivable, excluding premiums that have been receivable for more than 90 days
- 17. (1)** A member shall ensure that the member is at all times able to meet all of the member's trust obligations from,
  - (a) all money received in trust for insurers or members of the public;
  - (b) all disbursements out of money held in trust;
  - (c) all other money received and disbursed in connection with the business; and
  - (d) all specifically identified property other than money held in trust including marketable securities, stock certificates, bonds, debentures, deposit receipts, treasury bills or other negotiable instruments and any other thing of value or instrument that could be negotiated by the broker
- (2)** As a minimum requirement to comply with subsection (1), every member who is required to maintain a trust account shall maintain,
  - (a) a book or other permanent account record showing all receipts and disbursements of money, distinguishing therein between,
    - i. the receipt of money in trust for insurers and members of the public and disbursements out of money held in trust; and
    - ii. money received and money paid on his own account;
  - (b) a record in the form of a remuneration book or file or copies of billings showing all commissions or fees charged or billings to members of the public;
  - (c) bank statements or pass books, cashed cheques and detailed deposit slips for both trust and general accounts;
  - (d) a record showing the monthly totals of the trust assets and trust liabilities as they appear from the books and records of the member; and
  - (e) a listing or other record showing all specifically identified property held in trust from time to time for insurers or members of the public
- (3)** The Manager, Council or a committee thereof or their representative is entitled to inspect the

# FINANCIAL REPORTING REQUIREMENTS

books and records required to be kept under this section at any time;

- (4) Every member who is required to maintain a trust account shall provide the Manager with a current audited financial statement within thirty days after written request therefor from the Manager, Council or a committee thereof;
- (5) Every member who is required to maintain a trust account shall maintain accounting records in accordance with generally accepted accounting principles;
- (6) Where this Regulation requires a record to be kept by a member, it may be kept in a bound or looseleaf book, or by means of a mechanical, electronic or other device;
- (7) Where a record is not kept in a bound book, the member shall,
  - (a) take adequate precautions, appropriate to the means used, for guarding against the risk, of falsifying the information recorded; and
  - (b) provide means for making the information available in an accurate and intelligible form within a reasonable time to any person lawfully entitled to examine the record
- (8) The bound or looseleaf book or, where the record is not kept in a bound or looseleaf book, the information in the form in which it is made available under clause (7)(b) is admissible in evidence as proof, in the absence of evidence of the contrary, of all facts stated therein;
- (9) Where this Regulation requires a record to be kept by a member, it shall be preserved for at least the six-year period previous to the most recent fiscal year-end of the member;

## Commentary

The requirements outlined in the *RIB Act* and Regulation 991 for the trust account and record keeping is very specific.

Trust monies are ALL funds received from a client in payment of Insurance Premiums for payment to an Insurer and ALL funds received from an Insurer for refund to a client.

## Banking

Every sole proprietor, partnership or corporation is required to maintain a Trust Account.

When arranging the banking, it is important that the bank you will be or are dealing with is aware that it is a "statutory trust account" accorded protection from general creditors of the firm under the Bank Act. It is highly recommended that a receipted copy of Regulation 991, Section 16 be given to the bank so that they are aware of the transactions that should be processed through this account.

Cheques must have the words "Trust Account" and the name of the member in whose name the Trust Account is kept printed on their face. The bank statements must also clearly designate the account as being a "Trust" account.

Members are required to deposit all trust monies received (cash, cheque or otherwise) into the Trust Account without delay and in no case, any later than three (3) banking days after it is received. Deposits must be made in kind, i.e., if cash is received from the insured, the cash must be deposited into the trust account. A broker should never issue a personal cheque for the same amount to be deposited into the trust account while taking the cash received from the trust account.



# FINANCIAL REPORTING REQUIREMENTS

As more and more clients are using online banking services and/or electronic funds transfers, it is important for any firm that is considering accepting/implementing electronic payments, that the firm can identify the insured that is paying and the insurer to whom the payment belongs. The proper identification of client/insured deposits and disbursements are critical to the process of maintaining proper books and records. It is important to note that any fees charged by the bank for electronic funds transfer activities would not qualify as a "trust" disbursement and therefore cannot be paid as such (i.e., these fees must be financed/transferred from the firm's general/operating accounts).

Any direct bill and/or monthly payment plan payments or installments received from clients on behalf of the insurer are also considered to be trust funds and must be deposited into the trust account. Payments to the insurer must be processed through the trust account and paid with a trust account cheque/authorized electronic funds transfer (e.g. online banking, wire transfers). These transactions cannot be processed through the general account. These payments should have a neutral effect on the trust position of the firm since money deposited into the trust account results in a corresponding liability which is used to offset the increase in the bank account.

Once funds are deposited into a Trust Account, they can only be properly taken out under the following circumstances/situations:

- (i) Payments to Insurers by Trust cheque/electronic funds transfer
- (ii) Refunds to clients by Trust cheque/electronic funds transfer
- (iii) Transfers, by Trust cheque/electronic funds transfer, for deposit into the member's general account, in respect of commissions
- (iv) Payments to the Ministry of Finance for purposes of retail sales tax by Trust cheque/electronic funds transfer
- (v) Purchase of trust investments by Trust cheque/electronic funds transfer
- (vi) Payment of claims on behalf of insurers if authorized by insurer

Disbursements made for any other reason would likely constitute an act of misconduct. The firm must be in a trust positive position at all times, and it is extremely important that procedures are established to ensure this.

Establishing a bank line of credit against the trust bank account to ensure a trust positive position would NOT be an option as disbursements from the trust account to the line of credit would not comply with the Regulations. Also, arrangements made with the bank manager may be such that the bank manager and not the principal broker, is the one who is controlling the injection of funds into the trust account to meet the payables and the removal of the funds from the trust account to pay down the line of credit. The firm may also be reporting the trust bank account amount including the availability of the line of credit without the funds being injected into the bank on the Form 1 Position Report.

Caution should also be taken if commissions owed by regulation to the general account are being transferred from the trust account at the beginning of the month as it could result in a trust deficit.

Accounts receivables from the clients (trust funds) should never be hypothecated by the firm to financial institutions. Should business assets be assigned as collateral, trust assets must be specifically declared to be excluded from the provisions of the assignment agreement, pledge or security agreement.

# FINANCIAL REPORTING REQUIREMENTS

## Credit Card Transactions

It is important to remember that the use of a broker's personal credit card or the firm's corporate credit card not be used to remit or process the client's premium payments as this is in non-compliance with Regulation 991, Section 16. The Regulation requires that trust monies be deposited into the trust account in the form it was received within 3 banking days. Credit card payments by the firm or broker to the insurer on behalf of a client would not comply nor qualify as "trust funds" as it is not the firm who forwards the premium monies to the insurer but the credit card facility of the credit card issuing bank, thereby breaking the flow of "trust" monies. An acceptable form of electronic payment under the regulations is electronic funds transfer.

## Brokers Having Claims Payment Authority

Some firm contracts with licensed insurers include specific and limited authority to act on the company's behalf and pay claims to provide prompt payment for claims within guidelines set out by the company. The claim payments made on behalf of the insurer are then offset against the accounts payable to the insurer.

Firms that have claims payment authorization must maintain accurate records to ensure that any claims payments made on behalf of that insurer are paid only with funds specifically held in trust for that insurer. Should any payment for claims be made in excess of the funds held in trust for that insurer, the excess must be paid from the firm's own financial resources and not from the funds held in trust for members of the public or other insurers.

## Best Practices

Firms wishing to employ "Best Practices" in management of authorized claims payment can establish/maintain a separate trust bank account and separate trust accounting for each insurer whose Broker Contract includes authority to pay claims for all business transacted with that insurer. The accounting records and trust bank account must meet RIBO regulation requirements and are subject to review during a spot check or upon request by RIBO.

## Trust Account Monitoring

Trust account activity should be closely monitored to minimize the fraudulent activity involving stolen and altered cheques being cashed on business bank accounts. The use of online banking, a service provided by most banks, speeds up the bank reconciling process since the broker would be able to verify deposits and disbursements as they occur. In this regard, month-end closing can be streamlined and more relevant as it can be done in a more timely manner.

The scheme usually involves cheques being intercepted and stolen in transit. The payee is changed as well as the amount in many cases and the cheques are presented for payment at another bank, sometimes in another province or even another country. In some cases, the fraudsters have incorporated companies and opened bank accounts under that corporation for the sole purpose of perpetrating the scheme.

Trust cheques representing monthly insurer payments are the most common cheque used in this scheme, intercepted enroute to the insurer. In many cases, electronic imaging equipment has been used to reproduce several cheques and "second" attempts to cash such cheques have been reported up to a year after the first incidence.

As an extra precaution, firms are urged to use a secure method of payment delivery on all cheques to insurers or other large amount payees.

# FINANCIAL REPORTING REQUIREMENTS

## Canadian Deposit Insurance Corporation Requirements for Trust Account Disclosure

The Canadian Deposit Insurance Corporation (CDIC) under the CDIC Joint and Trust Account Disclosure By-Law now require member financial institutions (i.e., banks and credit unions) to request on an annual basis, information on the beneficiaries of trust accounts and amounts being held in trust to determine deposit insurance coverage. If requested, the firm need only disclose an "alphanumeric code or other identifier, in respect of each beneficiary" and the beneficiaries of a firm's trust accounts are the markets with whom business is conducted. This code/identifier should correspond with the trust records kept by the firm "that contain an up-to-date list of (a) the name and address of each beneficiary and (b) particulars of the amount or percentage of each beneficial interest."

## Direct Bill Commission

Direct bill commission "receivable" is revenue for the firm as it is the commission due to the firm from an insurer. It is not a trust asset as the funds are not held on behalf of an insurer or an insured.

Direct bill commission receivables are not protected funds. If a firm becomes insolvent, the direct bill commission receivable from an insurer is available to satisfy general creditors. If an insurer becomes insolvent, the full agency bill payable (without offset) would still be outstanding to the Receiver.

If a firm experiences a trust deficit, without the inclusion of direct bill commission receivable as an asset to correct it, it may be an indication that trust funds are being used for general purposes and not for purposes for which the funds were received.

Firms that have both "agency bill" and "direct bill" accounts with the same insurer should only be using the agency billed items in calculating the insurance company Payables.

## Trust Receivables

### Proper Binder Billing Procedure

When invoicing clients on a binder bill basis, the firm must ensure that clients are properly invoiced otherwise the binder billed policy cannot be accrued and counted as a trust receivable.

There must also be proper reversing mechanisms in place for when the actual policy or endorsement is received to prevent the double counting of trust asset and liability balances which would result in the overstatement of the trust position by the corresponding commission element.

As with all agency billed premiums, binder billed premiums must also be consistently aged. The aging process should commence with the latter of the effective date or the invoice date (i.e., if the binder is 60 days old when the policy comes in, then it should be 60 days old after it has been issued and invoiced and balances on the aged list should not be flipped from 60 days old to current as a result of the policy being issued). The parameters for this process should be set to segregate those premiums that are current from those premiums that exceed 90 days.

## Post-Dated Cheques

When the firm permits clients to pay premiums by post-dated cheques, problems with Trust account adequacy may result where the cheques are payable more than 90 days from the effective date of the policy.

# FINANCIAL REPORTING REQUIREMENTS

Premiums receivable over 90 days are deducted from the total premium receivable for the purposes of calculating "trust assets" on the Form 1 Position Report. Thus, the deduction of these over 90-day post-dated cheques may place a firm in a "technical" trust deficit when the firm may be actually in an "earned position"

When the firm is in an "earned position", the firm could cancel any policy for non-payment if a post-dated cheque were NSF and still be in sufficient funds, already cashed, to cover the time-on-risk earned premium due to the insurer for the policy.

Generally, if a firm is in a "technical" trust deficit situation, and if the firm is able to satisfy RIBO that an adequate system for the accounting and collection of trust receivables is in place and operating, the firm may be permitted to include, in determining the trust position, the over 90-day balances represented by post-dated cheques provided that for each over 90-day receivable the firm has an unearned premium balance of at least 60 days against earned premium may be applied if the policy is cancelled.

However, if the firm offers a system of in-house premium financing to the firm's customers and the total amount financed represents more than 10% of the total trust assets, NO post-dated cheques applied to over 90-day balances will be considered as allowable trust receivables, for the purpose of determining the trust position.

## Brokers Should Review Late Charges on A Regular Basis

Late charges are charges made by the firm on overdue accounts. It is not a trust asset as it is not money held to be paid to an insurer or on behalf of an insurer to an Insured. These items are excluded when calculating the trust position of the firm.

Late charges included in the trust premium receivable portion of the Form 1 Position Report may accumulate over a lengthy period of time and potentially overstate the trust assets when not properly aged. Late charges should be reviewed on a regular basis a procedure adopted to clear the uncollectible amounts and ensure proper aging of the remaining charges Late charges should be aged exactly like premiums receivable to ensure a proper calculation of the over 90-day amounts.

## Insurer Payables

A firm's account current statement is generated from invoice driven transactions (i.e. new business, renewals, endorsements or cancellations) producing a premium receivable listing of trust assets and an insurer payable listing of liabilities. The revenue for the firm is the difference between the assets and the liabilities.

A firm has the option of submitting the insurer payable amount based on either the firm's own statements or the insurer statements. The firm must be consistent upon which basis the insurer payables are made.



# FINANCIAL REPORTING REQUIREMENTS

## Firm Statements

Depending on the insurer's terms of payment (immediate/upon binding, 30 days or 60 days), the total amount payable can easily be calculated from the firm's accounts current statements. This calculation will also determine whether the insurer subledger is accurate. Insurer accounts should be rolling over 30-60 days at most. These items should be closely monitored and if necessary, removed as they may no longer be deemed to be a "trust" item.

## Insurer Statements

If the firm's trust position is calculated solely from the insurer statements, there is the risk that the trust assets and liabilities do not balance resulting in the trust position being inaccurately reported. To ensure accurate reporting, the insurer payables must be adjusted for the timing differences between the insurer records and firm records.

Although not a requirement, insurer payables are broken into subledgers by insurer. This subledger system identifies the amount owed and by whom allowing the firm to manage these payables in the most efficient and effective manner. Also, since most broker management systems do not include broker payables with the insurer subledgers, it is important that this be included and to always have this balance equal to all of the outstanding binders at that respective date.

The insurer payables should be reconciled on a monthly basis to ensure that balances are accurate. When errors such as incorrect commission amounts, incorrect invoicing or incorrect opening balances or adjustments to balances are identified early, it can easily be corrected. If the errors are left unchecked, correcting it can be a large and complicated process.

## Client Credits

Client credits can take the form of either prepaid premiums or refunds owed. Prepaid premiums arise from client payments on account for an insurance policy that has not been invoiced or is effective at a future date while refunds owed arise from client reduction or cancellation of insurance coverages or an overpayment of premium by the client.

A primary duty of a broker is to collect the premium and issue and deliver the policy to the client as quickly as possible. Refunds owed are owed to the client immediately unless the client has instructed otherwise. How a broker manages his client credits is as every bit as important as the collection of premiums. The proper handling of these credits would enhance the professionalism of the broker to the clients and reduce the potential for an Errors & Omissions claim.

From a reporting perspective, a broker may choose one of the following options:

1. Report the net balance, which is reflected by the broker's accounts receivable balance on Line 2 of the Form 1 followed by nil balance on Lines 8 & 9.
2. Add the credits to the accounts receivable balance and report the offsetting liability balances on Lines 8 & 9 of the Form 1 Position Report.

Please be reminded that for option 2, the credit balance should only be added to the accounts receivable balance if the broker's system includes the credit balances on the listing.

For systems which age credits, brokers are cautioned that the over 90 days credits are still considered to be trust liabilities, and should not be netted against the non-trust Assets. The total over 90 days credits should be added back to the system generated over 90 days net accounts receivable balance to calculate the actual over 90 days amount for the firm.

# FINANCIAL REPORTING REQUIREMENTS

## Taxes – Retail Sales Tax (RST) and Goods and Services Tax (GST)

Although firms are required to register and remit taxes as required, the Retail Sales Tax (RST) and Goods and Services Tax (GST) are not within RIBO's jurisdiction.

A firm's net trust position would not be affected by the retail sales tax balance; however, firms must be able to account for the retail sales tax to ensure that the retail sales tax assets and liabilities are properly reconciled.

The taxes can be paid/remitted from either the trust or general accounts of the Firm. It is important to note that if the decision is made to pay the taxes from the general account, the payment amount must first be transferred from the trust account to the general account.

Some firms remit the taxes on invoiced premiums rather than paid premiums. Even though the taxes may not yet have been collected from the insureds, it is the easiest method to remit and account for the taxes since the balance in the account at any month-end should reflect what will be remitted the next month. When the taxes are remitted on invoiced premiums, the taxes are considered to be prepaid in accordance with the Treasurer of Ontario guidelines.

The Retail Sales Tax Act prohibits firms from rebating the sales tax or discounting a premium to be paid by paying the retail sales tax themselves, on behalf of a client. It is also considered an act of misconduct to directly or indirectly make or attempt to make an agreement as to the premium to be paid for a policy other than as set forth in the policy. This includes the payment of the sales tax by the firm and/or broker as an inducement to direct, control or secure general insurance business.

## Record Keeping

The books and records of a firm are based on the policy transactions processed by the firm, whether it is new business, renewals, endorsements or cancellations. These are the firm's own records of activity within the firm.

In most brokers' offices between 85-90% of the invoicing occurs in the 30-45 days from the effective date of a client's policy. Whether manual or automated, the firm's books and records must incorporate "effective date or invoice date", whichever is greater, when recognizing trust assets, liability and income for the firm.

A firm's books of account must separate and record:

- (i) Receipt of money in Trust for insurers;
- (ii) Receipt of money in Trust for members of the public;
- (iii) All disbursements out of money held in Trust;
- (iv) Bank statements, deposit books and cashed cheques;
- (v) Record showing monthly totals of Trust assets and Trust liabilities.

# FINANCIAL REPORTING REQUIREMENTS

The original books of entry described above support and verify the monthly list of trust assets and liabilities that are prepared and retained. The books and records must be prepared on the basis of generally accepted accounting principles. It is also recommended that any applicable "best practice" RIBO guidance and Newsletter bulletins be adopted as part of the firm's record keeping practice.

All of the records referred to above must be preserved and kept by members for up to seven (7) years. Please note that there are no regulatory requirements with respect to policy/client records, however, our best advice, is to keep these records for the prescribed period mentioned above and in cases of commercial liability it may be wise to consider keeping them for ten years particularly because of the possibility of a future negligence action. Your Errors and Omissions carrier may also have additional advice for you. Scanned files are an accepted form for record keeping, however, there must be proper back-up procedures in place to protect the integrity of the data and the files must be readily accessible.

Whether it's a manual or computerized record keeping system that is utilized by the firm, the books and records must be kept current and in order. It is important that a detailed verifying trail supporting any changes be prepared and retained. Also, if the firm engages the services of a third-party accounting firm to prepare the required filings, a copy of their working papers must be obtained and retained. However, firms fully utilizing an insurance firm management system that is integrated to a general ledger set of accounts producing financial records (balance sheets, income statements, aged premium receivable lists and insurer payable listings) more than meets the regulatory record keeping requirements.



# SHARING OFFICE SPACE





# SHARING OFFICE SPACE

## Key Regulatory Provision –REGULATION 991

5. No person shall be issued a certificate of registration as an insurance broker where the Qualification and Registration Committee is satisfied that,
- (a) the applicant; or
  - (b) a person occupying office space in the same business premises as the applicant, is in a position to offer inducement or use coercion or undue influence in order to control, direct or secure insurance business.

## Commentary

A firm's office must be separate to ensure confidentiality of conversations and the contents of client files and to provide security for trust monies awaiting deposit. The premises of the firm's office must also be clearly identified to avoid any confusion on the part of the consumer as to the independence of the firm operation from other businesses on the premises.

A firm wishing to share physical office space is required to request an exemption to do so from the Qualification and Registration Committee. A written request must be made to the Qualification and Registration Committee addressing the following items:

- Reason(s) why there is a need for sharing space.
- Description of other business(es) occupying adjacent space.
- Details of procedures to be taken by the firm to ensure there will be no risk of inducement, coercion, or undue influence to control, direct or secure insurance business.
- Description of any relationship, shared ownership or other financial connection between the firm and other businesses on the premises.
- Floor plan showing location of each business office and physical separations.
- Details of means of public access to each office, and the way in which it is proposed that the separate firm office premises will be identified.
- Steps taken to ensure confidentiality of the firm clients' affairs (telephone, fax, incoming and outgoing correspondence).
- Details of security arrangement concerning client file information.
- Details of procedures taken by the brokerage to ensure there will be no risk of inducement, coercion or undue influence to control, direct or secure insurance business.
- Description of relationship, shared ownership or other financial connection between the brokerage and other businesses on the premises.
- Is there a separate public access to the brokerage?
- Are the premises clearly identified to indicate that the brokerage is on premise?



# SPOT CHECK PROCESS



# SPOT CHECK PROCESS

## Key Regulatory Provision –REGULATION 991

**17.(3)** The Manager, Council, or a committee thereof or their representative is entitled to inspect the books and records required to be kept under this section at any time

## Commentary

This section gives RIBO the statutory authority to conduct spot checks of insurance brokers/brokerages. Spot checks give RIBO the opportunity to evaluate the efficiencies of brokers/brokerage operations and ensure that they are complying with the applicable legislation, regulations and by laws.

Spot checks are really about quality assurance; a strategy to ensure that members are complying with governing legislation, bylaws, regulations and the code of conduct. Brokers can do this by maintaining the financial records they are required to maintain and implementing the appropriate operational processes to conduct business. The spot check program is a proactive way of regulating our licensees and ensuring that they are complying with the legislation and code. Spot checks are conducted by a member of RIBO's Compliance team.

Once a firm has been selected, the Principal Broker receives an email informing them that they were selected for a spot check. The email includes links to the modules as well as a timeline for submitting the completed modules to RIBO.

Brokerages will be requested to complete one or more modules. Each module deals with a specific areas within a brokerage. For example, brokerages may be asked to complete modules about:

- Office processes
- Financials/Books and records
- Disclosure
- Take-all-comers
- Fair treatment of customers
- Principal broker
- Deputy principal brokers
- Information technology
- New business
- Renewals

The modules also require brokers to provide supporting documents in some instances.

After reviewing the information in the completed modules, RIBO staff may request additional information and/or request brokers/brokerages complete an additional module(s).

Brokerages will be informed in writing of the outcome of the Spot Check.

Where appropriate, RIBO staff will work with brokerages to resolve minor deficiencies.

If, however, a Spot Check reveals any serious issues that may be deemed to be a risk to the public, the matter needs to be referred to Investigations for an investigation to be authorized.



UNLICENSED  
INDIVIDUALS

# UNLICENSED INDIVIDUALS



Principal Broker Handbook



# UNLICENSED INDIVIDUALS

## Key Regulatory Provision

### RIB ACT Section

- 33. (2)** No person shall willfully procure or attempt to procure himself, herself or itself or any other person to be registered under this Act by knowingly making any false representation or declaration or by making any fraudulent representation or declaration, either orally or in writing

### REGULATION 991 Section

- 2. (1)** No person shall act as an insurance broker unless the person is a registered insurance broker under this Act
- (2)** Subsection (1) does not apply to,
- (f) an employee of a person registered under this Act when the employee is acting for or on behalf of his or her employer engaged solely in the performance of clerical or administrative duties in the office of his or her employer

## Commentary

Receptionists and other unlicensed/unregistered individuals should not be employed to speak with the public to obtain and record information which is required for insurance decisions or actions, such as applications, policy changes (e.g. address changes, vehicle substitutions, etc.) or loss reports; nor should they be involved in giving advice about insurance coverages, providing insurance quotations or discussing claims matters with clients.

To avoid conflict with the requirements of the Act, unregistered employees should be instructed to limit their involvement with the public to taking messages which can then be dealt with by registered brokers. Brokerages may wish to avoid listing such individuals on their company directory.

The use of unlicensed personnel to follow up on overdue accounts receivables or to obtain expiry dates is permitted as long as the unlicensed person does not give insurance advice, and all insurance related questions are referred to a registered broker.



# KEY REGULATORY PROVISIONS



Principal Broker Handbook

# KEY REGULATORY PROVISIONS

## Principal Broker Key Regulatory Provisions

### REGULATION 991 Sections

- 6. (1)** A corporation is qualified to be issued and hold a certificate of registration as an insurance broker where,
- (a) the corporation acts as an insurance broker under the direction and supervision of a principal broker as described in section 7.2
- 7.(1)** A partnership is qualified to be issued and hold a certificate of registration as an insurance broker where,
- (a) the partnership acts as an insurance broker under the direction and supervision of a principal broker as described in section 7.2
- 7.1.(1)** A sole proprietorship is qualified to be issued and hold a certificate of registration as an insurance broker if,
- (a) the sole proprietorship acts as an insurance broker under the direction and supervision of a principal broker as described in section 7.2
- 7.2.(1)** A sole proprietorship, partnership or corporation which holds or wishes to hold a certificate of registration as an insurance broker shall designate an individual who is an insurance broker to be the principal broker of the business
- (2)** A member qualifies to be designated as a principal broker if the member,
- (a) is not in default of paying any fee due under the Act or the By-laws of the Corporation;
  - (b) is not, at the time the notification referred to in subsection (3) is made, the subject of a complaint referred to the Discipline Committee or the subject of disciplinary proceedings before the Discipline Committee;
  - (c) is not the subject of an outstanding order of the Discipline Committee;
  - (d) is not in a class of membership which restricts him or her to acting under supervision;
  - (e) is the sole proprietor or an employee of a sole proprietorship, is a partner or is an officer or director of the corporation, as appropriate; and
  - (f) directs and supervises the sole proprietorship, partnership, or corporation in acting as an insurance broker and has the authority to act in its name and on its behalf regarding applications or reports required under this Act or the By-laws of the Corporation.
- (3)** Directs and supervises the sole proprietorship, partnership, or corporation in acting as an insurance broker and has the authority to act in its name and on its behalf regarding applications or reports required under this Act or the By-laws of the Corporation.
- (4)** In order to maintain his or her status as a principal broker, the member shall satisfy such educational requirements as are established by the Council within the time periods established by the Council.
- (5)** The principal broker may appoint one or more deputies to perform such duties as may be delegated to him or her in writing by the principal broker.
- (6)** This section, except subsection (5), applies to a deputy principal broker in the same way it applies to a principal broker.
- 15. (1)** For the purposes of the Act, "misconduct" means any of the following:
- (16) Failure as a principal broker to properly supervise brokers whose registration is restricted to acting under his or her direction and supervision.

# KEY REGULATORY PROVISIONS

## RIBO BY-LAW NO. 1, PART XV

**15.1.(f)** In this By-law "principal broker" shall be interchangeable with and shall have the same meaning as "designated individual".

A member who is an individual may be a principal broker, subject to compliance with the Act, the Regulations, and the By-laws. The principal broker of a sole proprietorship, partnership or corporation which is a member shall provide direction and supervision of such member as an insurance broker and of all registered insurance brokers who are employees or partners of such member.

The provision of direction and supervision by the principal broker shall include but not be limited to the following responsibilities:

- (i) to ensure that all registered insurance brokers who are employees or partners comply with the Act, Regulations and By-laws;
- (ii) to ensure that all registered insurance brokers who are employees or partners are provided with and use all information respecting insurance necessary for them to act in accordance with the Code of Conduct and without misconduct or incompetence as defined or described in the Act and/or Regulations;
- (iii) to ensure that all registered insurance brokers who are employees or partners know and act in accordance with the Code of Conduct set forth in the Regulations;
- (iv) to ensure that all trust accounts and books, records and accounts are maintained in accordance with the Regulations;
- (v) to ensure that all Errors and Omissions insurance, and/or other forms of financial guarantee, and all fidelity insurance are maintained in accordance with the Regulations;
- (vi) to ensure that all required filings are made and prescribed fees and assessments are paid in accordance with the Regulations;
- (vii) to ensure that no director, partner or employee who is not a registered insurance broker acts as an insurance broker; and
- (viii) to ensure that procedures are established and followed such that the requirements of sub-paragraphs (i) through (vii) are met.

In discharging these responsibilities, the principal broker shall be required to exercise reasonable diligence only.



# KEY REGULATORY PROVISIONS

## Deputy Principal Broker, Key Regulatory Provisions

### REGULATION 991 Sections

- 7.2 (2)** A corporation is qualified to be issued and hold a certificate of registration as an insurance broker where,
- (a) is not in default of paying any fee due under the Act or the By-laws of the Corporation;
  - (b) is not, at the time the notification referred to in subsection (3) is made, the subject of a complaint referred to the Discipline Committee or the subject of disciplinary proceedings before the Discipline Committee;
  - (c) is not the subject of an outstanding order of the Discipline Committee;
  - (d) is not in a class of membership which restricts him or her to acting under supervision;
  - (e) is the sole proprietor or an employee of a sole proprietorship, is a partner or is an officer or director of the corporation, as appropriate; and;
  - (f) directs and supervises the sole proprietorship, partnership or corporation in acting as an insurance broker and has the authority to act in its name and on its behalf regarding applications or reports required under this Act or the By-laws of the Corporation.
- (3)** A member shall not be designated as a principal broker until the member has notified the Corporation in writing that he or she meets the criteria described in subsection (2) and the Corporation has acknowledged the notice in writing.
- (7)** To maintain his or her status as a principal broker, the member shall satisfy such educational requirements as are established by the Council within the time periods established by the Council.
- (8)** The principal broker may appoint one or more deputies to perform such duties as may be delegated to them in writing by the principal broker.
- (9)** This section, except subsection (5), applies to a deputy principal broker in the same way it applies to a principal broker.

### RIBO BY-LAW NO. 1, PART XV

- 15.12(f)** The duties and powers of a principal broker set forth in the Regulations and the By-laws may be performed or exercised by a deputy principal broker appointed by the principal broker, or if there are more than one appointed, by the deputy principal brokers in order of seniority (as determined by the principal broker). A deputy principal broker shall perform such duties and exercise such powers as may from time to time be prescribed to him in writing by the principal broker. Notice of the Appointment of a Deputy shall be made to the Manager by the principal broker.
- (g) The Act, the Regulations and the By-laws continue to apply to the principal broker regardless of any appointment of a deputy.
  - (h) The Act, the Regulations and the other provisions of the By-laws apply to the deputy principal broker as if he were a principal broker to the extent of the duties and powers prescribed to him in writing by the principal broker.
  - (i) Subsections (a) through (d) of this section 15 12 apply to a deputy principal broker as if he were a principal broker.