

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

### INTRODUCTION

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

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

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

### BACKGROUND

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

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

### PURPOSE

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

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

Below are examples found in the Code of Conduct.

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

**Regulation 991, includes the following key requirements:**

#### Subsection 14(4)

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

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

#### Subsection 14 (7.1)

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

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

If, however, they do find that they are in a conflict of interest, or there may be a potential for one, licensees have a professional obligation to disclose this in writing to their clients.

### Subsection 14(8)

*A member shall not stipulate, charge, or accept any fee that is not fully disclosed, or the basis for which is not fully disclosed prior to the service being rendered, or which is so disproportionate to the service provided as to be unconscionable.*

- Brokers must disclose any fees or charges to customers before providing the service to the customer. Even though there is no guarantee that the broker will receive a commission, e.g., contingent profit commissions, the possibility that the broker may receive this commission in the future must also be disclosed. This includes the Commissions Disclosure Protocol (previously referred to as the Point-of-Sale Commissions protocol) outlined in the [Code of Conduct Handbook](#).

### SUMMARY OF EXPECTATIONS

- At all times, the mandatory disclosures listed as part of this Guidance should be made before a client agrees to make a purchase, and no later than at the time of quote.
- Licensees must provide clients with written confirmation of their discussions, including confirmation of all mandatory disclosures. Not only must they provide written confirmation, but such confirmation must also be specifically drawn to the client's attention. This includes using visual cues or verbal instructions on accessing the disclosure documents.
- Licensees must also maintain records of their communications with clients in their client files and make them available for RIBO inspection,

upon request. Records include, but are not limited to, phone call recordings, and broker notes within a Broker Management System.

- Licensees are expected to avoid transactions that may cause a personal or professional conflict of interest. If a licensee is unable to avoid a conflict, then it must be disclosed as part of the transaction.
- If there is any risk that a conflict or potential conflict could arise, or that a conflict could be perceived, then this information should be disclosed. This means also disclosing information that may not seem pertinent at the time of the transaction.
- RIBO encourages licensees to communicate any disclosures to the clients in the ways they feel are most effective for their respective client while complying with their regulatory obligations in Regulation 991, s.14.(7.1). You may wish to consider your clients' needs to determine which communication method works best for them.
- RIBO will consider that a broker has not complied with these disclosure requirements if it is provided in a manner that is unclear or vague. For example, if the disclosure is buried in a package of voluminous documents and can be easily overlooked or missed by the client.
- RIBO encourages licensees to have internal policies and training on disclosure and conflict of interest management. Employees should have easy access to these resources. These resources should give them the ability to identify when disclosure is required and how to effectively communicate the disclosure to clients.

### LICENSEE REQUIREMENTS AND EXPECTATIONS

Based on the professional obligations for RIBO licensees set out in the Fair Treatment of Customers Guidance and RIBO Code of Conduct, the following must be initially disclosed **verbally or in writing** to a client when present in any **new business** transaction:

- i. **Duty of Care** – Provide your client with a copy or a link to the [CISRO Principles of Conduct for Insurance Intermediaries](#) and the [Fact Sheet About Your Registered Insurance Broker](#). For more information about sharing these, see the [RIBO Guidance: Sharing the Principles of Conduct](#) document.
- ii. **Compensation and Commissions** – Disclose the forms of compensation (including contingent commissions) that you and the brokerage are entitled to and refer client to documents outlining the brokerage's statement of compensation that complies with the [Code of Conduct Handbook – Commission Disclosure Protocol](#).
- iii. **Third-Party Financial Interest** – Disclose whether an insurer or their affiliated companies (e.g., holding companies) or any company whose products you are remunerated to distribute has a financial interest. There is no minimum material threshold for this disclosure.
- iv. **Sales Incentives** – Disclose whether you receive incentives for selling the policy.
- v. **Other Disclosures That May Apply** – You are also required to disclose any other information that is pertinent to the transaction/quote. Examples of items requiring additional disclosure include but are not limited to:
  - your brokerage has an exclusive arrangement with a single insurer;
  - your brokerage is affiliated with a network;
  - your brokerage is offering premium financing or is affiliated with the company financing the client's premiums;

- you are placing risk(s) with an unlicensed insurer; and/or
- you are receiving or paying referral fees.

**Renewals:** Licensees are required to disclose if any new conflicts listed in i-v above arise after the original policy was issued (and such conflicts were not initially present or disclosed). For example, a broker's duty to disclose new conflicts could arise if an insurer purchased the brokerage mid-year.

**Timing:** Disclosure should occur before a client agrees to purchase the policy **no later than at the time of quote**, or when the policy is set to renew. See an example of a potential broker workflow below. Please note that for renewals, disclosures may be included within the renewal package.

**Written Confirmation:** At binding, clients should receive a summary of the disclosures in writing that were provided.

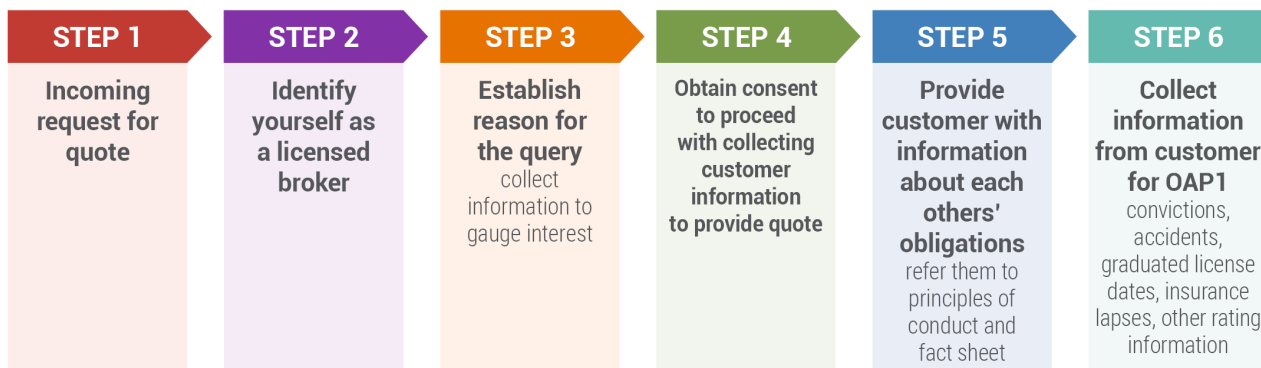
**Record Keeping:** Brokerages are required to maintain client records, e.g., notes, emails, BMS records, and/ or audio recordings, that demonstrate you met the mandatory disclosure requirements.

These must be made available to RIBO upon request.

**Automated Quoting/Binding:** Any automated quoting software should include a process to provide mandatory disclosures at the point of quote. These disclosures must be drawn to the customer's attention before the contract and other documents are sent for signature.

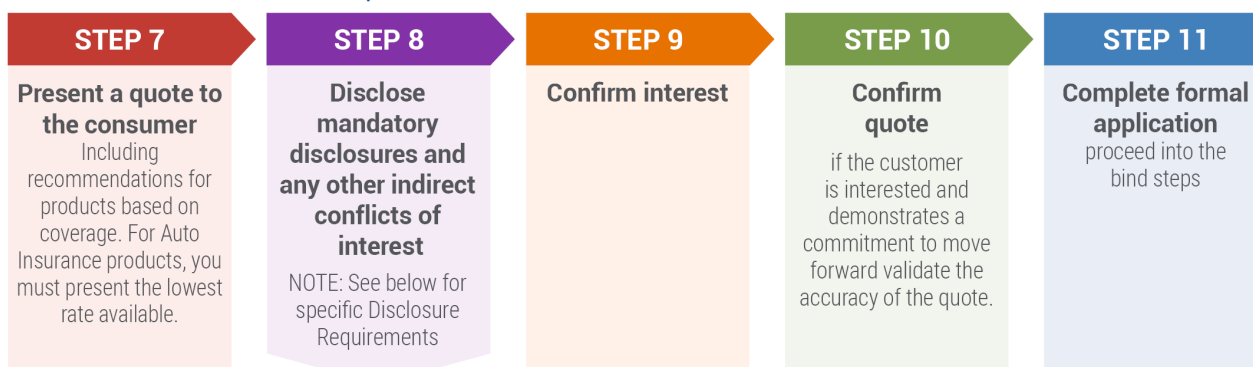
An example of a potential workflow for automobile insurance is provided below for illustration purposes. Brokerages may have different workflows within their offices. Brokerages should adapt their personal lines and commercial lines workflows to ensure that conflicts of interest are disclosed no later than at the time of quote.

### EXAMPLE OF A BROKER WORKFLOW FOR AUTOMOBILE - INTAKE STAGE



**NOTE:** Consider any potential or indirect conflicts of interest that could affect ability to serve the client.

### EXAMPLE CONTINUED – QUOTE, RECOMMENDATION AND BIND STAGES



#### STEP 2A MANDATORY DISCLOSURES – NEW BUSINESS

The following must be disclosed verbally or in writing with any new business transaction

- i. **Duty of Care** – Provide a copy of the Principles of Conduct guidance and fact sheet
- ii. **Compensation and Commissions** – Disclose the forms of compensation that the brokerage is entitled to and outline the brokerage's statement of compensation
- iii. **Third-party Financial Interest** – Disclose whether an insurer owns or has a financial interest in the brokerage
- iv. **Sales Incentive** – Disclose whether you receive any performance-based incentives for selling the policy
- v. **Other** – Disclose other conflicts, for example: your brokerage has an exclusive arrangement with a single insurer; your brokerage is affiliated with a network; and/or your brokerage owns the financing company financing the client's premiums

**Timing** – All disclosure requirements must occur no later than the time of quote

**Records** – Brokers must maintain client records that demonstrate all disclosure requirements have been met

#### STEP 2B MANDATORY DISCLOSURES – RENEWALS

Any new conflicts that arise after the original policy is issued must be disclosed. Any previously undisclosed conflicts may be included within the renewal package.

## KEY DEFINITIONS

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### CONFLICT OF INTEREST

A **conflict of interest** is a real, apparent, or perceived risk that a licensee (including a brokerage) may not be acting in the client's best interest because of the licensee/brokerage's other interests, e.g., personal, financial, or professional. Specifically, a conflict of interest exists when a broker's loyalty or representation of a client could be materially or adversely affected by the broker's/brokerage's own interests, or duties to other clients, or other third parties.

A **potential conflict of interest** requires brokers to consider the risk that a conflict could arise in the future. If it appears that a broker's personal, private, financial or professional interests or knowledge may influence how that broker transacts business with a client(s), even if that is not the case, such information has to be disclosed to the client.

### CONTINGENT PROFIT COMMISSIONS

Contingent Profit Commissions refers to monetary incentives that are tied to a broker or brokerage's performance. Such commissions are not guaranteed. The payment of these commissions depends on the profitability (loss ratio) of a broker's total book of business with an insurer (and not on individual policies), or volume or growth targets in other cases.

### INCENTIVES

Incentives include monetary and non-monetary incentives that are paid to brokers and brokerages based on performance targets set by insurers. Such incentives need to be disclosed. This includes travel, goods, hospitality, entertainment, and other non-cash benefits.

### NETWORK AFFILIATION

A network affiliation is an arrangement where an insurance brokerage partners with other companies to offer their services, and may offer compatible or complementary products, and will often pass leads to each other.

### NEW BUSINESS

New business includes, but may not be limited to, new clients, endorsements, and add-ons to the policy.

### OWNERSHIP INTEREST(S) (INDIRECT/DIRECT)

An ownership interest may influence an insurance brokerage/broker to place a policy with a particular insurer because of the relationship between that broker and that insurer.

This includes any direct ownership interests that an insurance company may have in a broker/brokerage and indirect interests such as loan facilities or credit facilities extended by insurers to brokers/brokerages.

### POINT OF SALE

Binding of the contract, including obtaining signatures and billing information.

## KEY DEFINITIONS

(CONTINUED)

### PREMIUM FINANCING COMPANIES

Some insurance brokerages have relationships with premium financing companies where the brokerage earns referral fees. In certain cases, the brokerage may also have a direct or indirect ownership interest in the premium financing company.

### QUOTE

Recommendation of one or more policies/coverages that includes price.

### SINGLE/EXCLUSIVE MARKETS

Insurance brokerages typically represent multiple insurance companies to provide clients with a range of products to meet their insurance needs. Some insurance brokerages may have exclusive contracts with an insurer to direct all or a substantial share of a certain product to that insurer.

There are other circumstances where a brokerage may offer only a single market due to market conditions (e.g., only one insurer offering that product, loss of markets, and/or when the broker has developed an innovative/niche product for which coverage is scarce).

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