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# I WANT THE TRUTH



## RIBO ANNOUNCES NEW MANDATORY DISCLOSURE GUIDELINES FOR BROKERS

The Registered Insurance Brokers of Ontario (“RIBO”) was established in 1981 as the regulatory body responsible for overseeing general insurance brokers in Ontario. Among its various responsibilities, RIBO governs the province’s insurance industry by mandating brokers to adhere to its Code of Conduct and investigating and disciplining those who fail to abide by such rules.

To support its mission of governing Ontario’s insurance industry, RIBO will occasionally release additional guidelines with the goal of providing further information on the rules and policies currently in place. On April 17th, 2024, RIBO released such guidance on fee and conflict disclosure requirements, titled RIBO Guidance: Mandatory Disclosure.

The promotion of transparency in the insurance industry has been an important policy consideration for RIBO over the last several years and was intensified according to the findings from the June 2023 TAC Spot Check Final Report, the self-exercised internal report, which found that there were inconsistencies and deficiencies in the way that brokers were disclosing commission earnings and conflicts of interest to their clients.

### Current Disclosure Rules

Currently, mandatory disclosure requirements are ruled by Subsections 14(4), (7.1), and (8) of O. Reg 991 (RIBO's Code of Conduct). However, these rules fail to provide brokers with tangible guidance on what, when, and how to disclose the required information.

#### Subsection 14(4)

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

#### Subsection 14 (7.1)

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

#### 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."**

Other documents published by RIBO in the past have provided some advice on discourse, such as the Guidelines on Marking Practices (2016) and the Fair Treatment of Customers (2019). However, until the publication of the recent RIBO guidance, brokers were challenged to piece together the rules on mandatory disclosure requirements from various RIBO documents.

### New Disclosure Rules

The new RIBO Guidance: Mandatory Disclosure consolidates all existing disclosure requirements by outlining the five key requirements and expectations that brokers must follow when conducting new business transactions: (1) Duty of Care, (2) Compensation and Commissions, (3) Third-Party Financial Interest, (4) Sales Incentives, and (5) Other Disclosures.

To abide by the first requirement, Duty of Care, brokers are advised to provide new clients with a copies of the [CISRO Principles of Conduct for Insurance Intermediaries](#) and the [Fact Sheet About Your Registered Insurance Broker](#) documents.

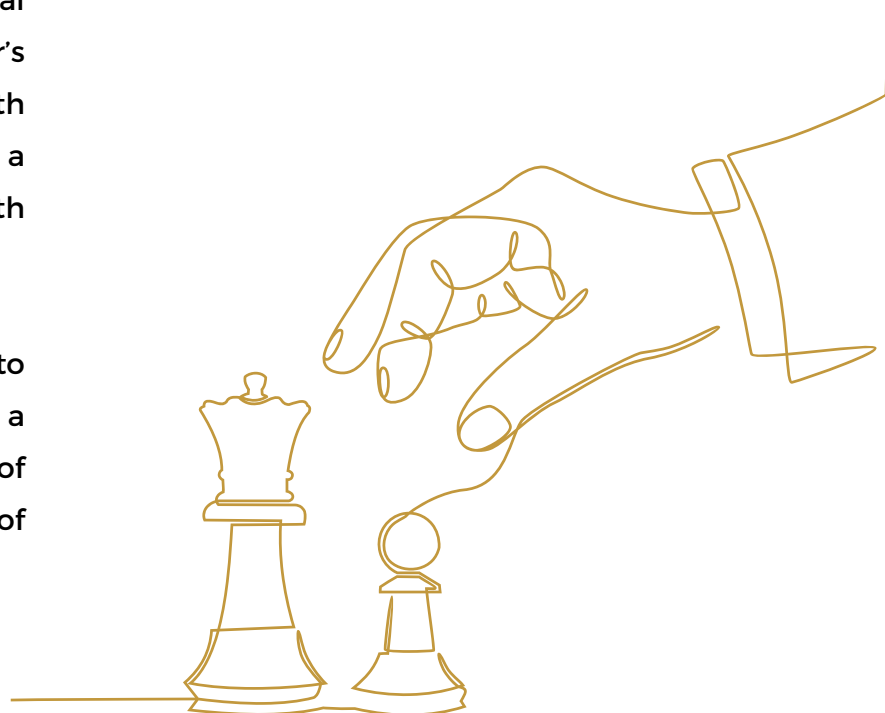
Next, brokers are required to fully disclose all forms of compensation that they are entitled to, including commission, possible contingent commission, referrals, and added fees. Brokers are also expected to disclose any affiliations, relationships, or remunerations from third parties, such as financing companies or insurers, and if there are any incentives that might be received by the broker for selling a particular policy to a client.

Finally, RIBO also provides a non-exhaustive list of situations requiring additional disclosure, such for example when a broker's brokerage has an exclusive relationship with a single insurer, the broker is affiliated with a network, or if the broker is placing risks with an unlicensed insurer.

Further, RIBO now expects disclosures to occur before a client agrees to purchase a policy (and no later than at the time of quote), or prior to renewal in the event of reoccurring business.

Also, RIBO will now require that clients are provided with a written summary of all disclosures made by the broker and that they are advised if any changes occur.

Effective July 1st, 2024, brokers will need to ensure compliance with RIBO Guidance: Mandatory Disclosure, otherwise the broker risks possible disciplinary action. However, RIBO has also indicated that enforcement of this guideline won't occur until October 1st, 2024. And while some brokers may find themselves yelling "[You Can't Handle The Truth!](#)", other brokers might view RIBO Guidance: Mandatory Disclosure favourable, as a consolidation of the disclosure rules into one document which provides a much clearer breakdown of the regulator's expectations.



RJS LAW has vast experience in the insurance industry, having handled files of all shapes and sizes while regularly assist clients in the purchase and sale of their books of business, setting up active and non-active brokerages, handling disputes between brokerages and their employees and contractors, and representing clients in front of RIBO's disciplinary committees. We would be happy to provide you with tailor-made solutions and advice to help you smoothly navigate any challenges you may face.

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