

# Fiduciary Duty

A fiduciary duty is a duty to act in trust and in the best interest of another, particularly with respect to monetary matters.

- ❖ A fiduciary is one who holds property or money in trust for another.
- ❖ This duty requires full disclosure of any potential conflicts of interest, honest recommendations, and the prioritization of the client's needs over personal gain.
- ❖ Premiums collected on behalf of insurer:
  - Must be held in a Trust account
  - Remitted to insurer in period of time contractually agreed to
  - Net premium remitted to insurer = Gross premium minus commissions

**Policy premium less applicable percentage of commission = Net Premium**

## Insurer vs Broker/Agency Relationship

### Insurer

An insurer is a company that underwrites insurance policies and assumes financial responsibility for risks covered under those policies. Insurers are regulated entities that provide insurance products directly or through intermediaries like brokers or agents.

### Key Responsibilities:

- Develop insurance products and set pricing.
- Assume financial liability for claims.
- Provide advice on coverage when dealing directly with insureds.

### Broker

A broker acts as an intermediary between the insured (client) and multiple insurers. Brokers are independent professionals who represent the interests of their clients rather than the insurers. They are licensed by the Alberta Insurance Council.

**Key Responsibilities:**

- Assess clients' needs and recommend suitable coverage from various insurers.
- Negotiate terms and premiums with insurers on behalf of clients.
- Provide ongoing policy maintenance, claims support, and professional advice.
- Ensure transparency about compensation arrangements (e.g., commissions).

**Questions:**

**Premium collected by the Broker on behalf of the insurer MUST:**

- a. Be remitted to the insurer ASAP
- b. Be held in Trust Account
- c. Be reduced by commissions and expenses
- d. Be held for no more than 90 days

**Brokers or Agents usually have two bank accounts for their business, an operating account and a trust account. A trust account is one which is used to deposit:**

- a. Premium collected to pay insurers for policies they issue
- b. Commissions earned and only expenses can be paid from this account
- c. Contingent profit commission earned
- d. Earned premiums