

MANDATORY DISCLOSURES ON VERBAL BINDING : WHAT BROKERS AND CUSTOMERS NEED TO KNOW

Background:

RIBO understands that many brokerages provide insurance advice and, in some cases, will provide quotes and bind coverage over the phone. However, with this streamlined process comes the responsibility to ensure that customers receive all mandatory disclosures, just as they would in a written or in-person transaction.

Effective October 1, 2024, all brokerages must comply with RIBO's Mandatory Disclosures Guidance ([Guidance No. 002](#)). Customers must be provided with clear information about real or potential conflicts of interest, commission information, and any ownership interests that the individual, or brokerage might have.

Binding Over the Phone:

Customers who transact business over the phone with no follow-up documentation, apart from receiving post sale coverage confirmation and Electronic Proof of Insurance documents are entitled to the same protections and level of disclosure as someone who has written correspondence, or online, or face-to-face encounters with their broker.

Complying with certain disclosure requirements may prove to be challenging for businesses that have adopted verbal binding workflows for their business. In circumstances where a broker binds a transaction over the phone, they should, at a minimum, provide:

- a high-level explanation, whether verbally or in an automated message, of their mandatory disclosure obligations, i.e., commission structure information and whether the brokerage has any insurer ownership or other potential conflicting third-party interests they are required to declare.
- This explanation must be provided verbally no later than at the time of quote.

Following this, licensees are to provide customers all mandatory disclosures highlighted during the over-the-phone quoting process as soon as possible in writing after the sale.

- Written disclosure includes providing links or actual copies of the About your Insurance Broker Fact Sheet and the CISRO Code of Conduct for Insurance Intermediaries, as well as all other applicable mandatory disclosures, including commission structure information disclosed in accordance with the Commissions Disclosure of Facts Protocol found in the Code of Conduct Handbook.

- The following represent common examples of disclosure of ownership or financial relationships as outlined in the most recent version of the Code of Conduct Handbook:
 - The policyholder and insured(s) are hereby notified and advised that the producing broker name of brokerage is owned by name of insurer, the underwriter of this policy of insurance.
 - The name of insurer has an ownership interest in name of brokerage.
 - Name of brokerage and name of insurer have common ownership or are both members of the same group of companies, as the case may be.
 - Name of brokerage currently has a loan guaranteed by name of insurer that was used to expand our business.
 - Name of brokerage has a financial relationship with name of insurer.

The written confirmation must clearly indicate that mandatory disclosure information for customers is included in the attachments or that weblinks to mandatory disclosure information for customers are being provided. In order to draw the customer's attention to the content, licensees should use clear visual cues or verbal instructions on how to access the disclosure documents.

For example, the confirmation could read "I am providing you written information [or links to information] about items that I am required to disclose to all customers as a RIBO licensee" or could describe the contents of the relevant disclosure attachments in a simple statement, e.g., "Attached please find copies of the about your insurance broker fact sheet and information about broker commissions".

Brokers should document in the customer's file and/or Broker Management Systems as proof that they have sent the follow up in writing.

Licensees are also expected to provide information in writing at any point during the quoting and sales process if a customer requests it.

Example of Script for Verbal Bindings:

Below is a script that licensees may wish to incorporate as part of their verbal binding process (automated message or live discussion) that should only be used in sales situations where the customer is not completing a written application and wishes to purchase insurance directly over the phone:

Thank you for considering our services.

Following this call, I am going to send you our required full disclosure package including information about commissions, however at this point I need you to understand that our

*brokerage **XYZ** and **X** share common ownership (who I am proposing) or **XYZ** has a loan from [**X** or other third party]. If you would prefer to review this beforehand, I can send you a link to our website right now, or you can look up this information at any point during our call www.insurancebrokerage.com*

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[JULY 10, 2024: Providing Mandatory Disclosures](#)

[\[News Release\] – Updated Mandatory Disclosures Guidance](#)

[Mandatory Disclosures Guidance No. 002](#)

[UPDATED: “About your Insurance Broker” Fact Sheet](#)

[UPDATED: RIBO Code of Conduct Handbook](#)