



# Insurance Binder

## Personal and Commercial Lines Insurance

The purpose of this procedure is to encourage damage insurance representatives to provide their clients with written confirmation of the insurance coverage they have purchased pending issuance of the insurance policy and its transmission to the client. This procedure sets out the rules to be followed when submitting an insurance binder **to the insured**.

The insurance binder enables the representative to fulfill his reporting obligation to his client on the mandate being carried, pursuant to section 37(4) of the *Code of Ethics of Damage Insurance Representatives*, since it provides the insured with a description of the coverage granted and confirms the date at which this coverage comes into force.

Furthermore, since a loss can occur at any time, the insurance binder helps to avoid misunderstandings and thus reduces the possibility of potential lawsuits.

- It is up to the representative to assess the situation and decide whether he needs to provide his client with an insurance binder. In particular, he must provide one under the following circumstances:
  - if he is not able to provide the client with his insurance policy or to send it within a short time;
  - when purchasing or leasing a new vehicle (insurance certificates or pink cards are not enough to confirm coverage in effect);
  - at the client's request;
  - at the request of an interested third party, such as a secured creditor or a landlord.

IMORTANT: A third party does not have to receive all the information that may be included in an insurance binder. A simple "attestation of insurance" should suffice.



- Although interim in nature, the insurance binder confirms the existence of the insurance contract. It attests to the agreement entered into by the insured and the insurer and confirms that the insurer has accepted the risk. The representative must therefore:
  - complete the insurance binder with great care;
  - fully understand the binding authority granted to his firm by all the insurers the firm represents;
  - verify the policy upon receipt to ensure that there are no discrepancies between the policy and the insurance binder.
- The representative must indicate on the insurance binder its validity period (usually 30, 60 or 90 days). Furthermore, before the expiry of the binder's validity period, the representative must carry out all required follow-up to ensure that the policy is issued and sent to the insured. If this cannot be done on time, he must issue another insurance binder.
- If the insurer refuses to accept the risk, the representative must cancel the insurance binder, following the same rules that govern the cancellation of an insurance contract. He must therefore send a written notice by registered mail to all the insureds named in the contract and comply with all the required deadlines.