Best Practice: Client e-Consent

Section 1: Introduction

During regular meetings, IRI and its members identified the need to standardize within the industry the requirement of client e-Consent forms for authorization of e-Signature or no signature transaction requests.

Currently, client e-Consent may be addressed/obtained in the selling agreement, at the client level, contract/policy level, or transaction level. The inconsistencies create confusion and frustration at the distributor, financial professional, and customer level.

Section 2: Best Practice Recommendations

Description of Best Practice for Client e-Consent

As a best practice, carriers should consider addressing client e-Consent in an addendum to the selling agreement. Implementing this best practice would streamline inforce transaction processing by removing a form requirement which would likely reduce not in good order (NIGO) rates and result in quicker processing. It also reduces the number of times a client consents to "e" processing, which generally contributes to overall client satisfaction.

IRI's Operations & Technology Community also recommends that distributors and carriers consider allowing a selling agreement addendum which reflects consent of e-Signature for the firm's book of business **on all transactions submitted by the financial professional, unless otherwise specified by firm or carrier capabilities.**[1] This amendment should be standardized as much as possible and include clarification that the e-Consent is valid until either party terminates the agreement and/or the distributor is no longer listed as servicing distributor on a particular contract. The language should be such that the carrier does not need any additional validation of policy owner authorization for e-Signature at a policy/contract/transaction level but may allow for periodic recertification and/or audits.

This best practice is merely a recommendation and not a requirement. All IRI members and other industry participants can and should exercise independent business judgement to determine whether and how to adapt their policies and procedures to align with this best practice.

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[1] *The recommendation provided herein was developed as the result of discussions within the* Operations & Technology Community *which comprises of individual representatives of IRI member companies. IRI, as an organization, does not provide legal advice or recommendations, but helps facilitate the dissemination of industry best practices as developed by IRI members. All IRI members and other industry participants can and should exercise independent business judgement to determine whether and how to adapt their policies and procedures to align with this best practice.*

Recommended Steps to Achieve Best Practice

- Suggested language will be drafted to be used in a selling agreement amendment to show the responsibility for obtaining and maintaining policy owner e-Signature consent lies with the distributor.
- If the distributor is removed from the contract, the authorization for e-Signature for that distributor no longer applies for that contract. If the policy owner would like to continue to use e-Signature, they would need to appoint a distributor that is contracted for e-Signature or use a carrier solution if one is available.
- `Custodial consent would default to the signature arrangements established in the relationship between the custodian and the carrier.
- The carrier will not need to confirm policy owner e-Signature consent is on file for distributors who have agreed to the selling agreement amendment.

Section 3: Results of the Best Practice (Outcomes)

All Parties

- Removes the need for the tri-party e-Consent document.
- Encourages an electronic vs. paper experience.
- Reduces risk of fraudulent request due to authentication ceremony process for e-Signature vs. wet signatures which have no authentication.

Distributor

- Encourages adoption of tools being expensed.
- Provides a systematic method of capturing financial professional supervisory transactions.

Carriers

- Fewer processing corrections due to customer-initiated transactions that result in a negative impact.
- May accept e-Signature for any customer under a contracted broker/dealer.
- May rely on broker/dealer documentation of metadata and authentication.
- Carriers will not need to NIGO to obtain their separate e-Signature consent before processing the transaction.

Customer

- The policy owner does not need to consent to use of e-Signature multiple times.
- Customer may be serviced by financial professional for inforce transactions.
- Reduces potential delays due to carrier verification of e-Consent.
- Electronic process eliminates turn-around time that may exist for obtaining wet signatures.

Financial Professional

- Allows the financial professional to provide best interest advice to support the contract.

Section 4: Success Measurements

- Ease of doing business.
- Overall customer satisfaction.
- Reduction in NIGO rates.

Section 5: Conclusion (Benefit Statement)

As an industry, we have an opportunity to provide consistency and reduce complexity for our financial professionals and customers by creating a standard process for e-Consent. As we continue the digital journey, we need to ensure we have captured consent for electronic signatures in a manner that is simple, secure, and compliant.

The opportunity to leverage selling agreements would limit any confusion about the e-Consent process and align with documentation processes for distributors and carriers. As we look to the future and embracing "e" business, we need to create solutions and processes that support the usage of the digital tools we will offer.