

INSURANCE COUNCIL OF BRITISH COLUMBIA

MANDATORY ERRORS AND OMISSIONS INSURANCE REQUIREMENTS FOR ALL GENERAL INSURANCE, LIFE INSURANCE, ACCIDENT & SICKNESS INSURANCE AND ADJUSTER LICENSEES

The Insurance Council of British Columbia (“Council”) has concluded its final review of the cost and availability of Errors and Omissions (“E&O”) insurance and has determined that coverage is readily available at a cost that is not prohibitive. Therefore, effective January 1, 2006, all licensed general insurance agents and salespersons, life insurance agents, accident & sickness insurance agents and insurance adjusters will be required to meet the E&O requirements prescribed in Council Rule 7(11).

Highlights of the E&O insurance coverage and implementation requirements are provided below, but licensees must read Council Rule 7(11) in its entirety to ensure compliance. Council Rules are available on our website or by contacting Council’s office.

- A licensee must be covered under an E&O insurance policy with a minimum limit of \$1 million per claim and a minimum aggregate limit of \$2 million.
- A licensee is not required to hold an individual policy; the licensee may be covered under the E&O insurance policy of a licensed insurance agency or adjusting firm.
- A licensee covered under an existing E&O insurance policy that has limits lower than the requirements outlined above must ensure their coverage meets the minimum requirements by January 1, 2006.
- A licensee who is considered an employee of an insurer may be considered exempt, subject to meeting the requirements of Rule 7(11)(b).
- A licensee that does not meet the minimum coverage requirements of Rule 7(11) as of January 1, 2006 must cease conducting any insurance activities and must notify Council within 5 business days.

Existing licensees are not required to send confirmation of coverage at this time. Council will follow up with licensees on the format of the required confirmation by October 2005. Work is underway to update Council’s application forms and website to incorporate the new E&O requirements. The reverse side of this notice provides an overview of administrative reporting requirements.

Council strongly urges licensees who need to obtain or amend E&O insurance to begin the process as soon as possible. Failure to obtain the required E&O insurance by January 1, 2006 will result in a licensee being unable to conduct insurance activities until coverage is in place.

General Insurance Agencies:

If a general insurance agency carries E&O insurance which provides coverage to all licensed salespersons and agents authorized to conduct insurance activities on the agency's behalf, the agency will be required to provide confirmation to Council. After this confirmation is on file, individual licensees and applicants of the agency will not be required to provide confirmation of E&O insurance. If the agency's E&O insurance does not provide coverage for its licensed representatives, each individual licensee will have to provide confirmation of coverage.

Insurance Adjusting Firms:

If an adjusting firm carries E&O insurance which provides coverage to all licensed adjusters authorized to conduct insurance activities on the firm's behalf, the firm will be required to provide confirmation to Council. After this confirmation is on file, individual licensees and applicants of the firm will not be required to provide confirmation of E&O insurance. If the firm's E&O insurance does not provide coverage for its licensed adjusters, each individual adjuster will have to provide confirmation of coverage.

Life and Accident & Sickness Insurance Agencies:

If a life or accident & sickness insurance agency carries E&O insurance which provides coverage to all licensed agents authorized to conduct insurance activities on the agency's behalf, the agency will be required to provide confirmation to Council. After this confirmation is on file, individual licensees and applicants of the agency will not be required to provide confirmation of E&O insurance. If the agency's E&O insurance does not provide coverage for its agents, each individual agent will have to provide confirmation of coverage.

Insurance Company Employees:

Some insurers sell only through licensed individuals, who are employees of the insurance company. In such cases and subject to prescribed requirements, the insurer may choose to take responsibility for the insurance activities of its licensed agents and salespersons and respond to E&O claims on the same basis as set out in Council Rules. Where confirmation of the requirements, as outlined in Rule 7(11)(b) is provided by an insurer, an exemption will be granted. Such confirmation can be provided on either a blanket basis (all authorized agents or salespersons) or on a case-by-case basis.

First Time Applicants:

First time applicants that are not covered through an agency or firm's E&O policy or are not provided an exemption as an employee of an insurer will have to submit confirmation of the prescribed requirements. Council will issue a first licence without confirmation of E&O coverage, however, the licensee will have to provide the confirmation within 30 days of the licence effective date and will be prohibited by Council Rule 7(11) from conducting insurance activities until the requirements are met. If the required confirmation of E&O insurance is not received in Council's office within 30 days of the effective date of the licence, the licence will be automatically suspended.

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