

## INSURANCE COUNCIL OF BRITISH COLUMBIA

### ALL LIFE INSURANCE AGENCIES ERRORS & OMISSIONS (“E&O”) INSURANCE

Since January 1, 2006, the Insurance Council of British Columbia (“Council”) Rule 7(11) has required that all life insurance agents (which includes life insurance agencies) maintain minimum E&O insurance of \$1 million per claim and a minimum aggregate limit of \$2 million that extends to all insurance activities.

In monitoring this requirement, Council has discovered many life insurance agencies (“Life Agencies”) do not have E&O insurance coverage that complies with Council Rule (“Rule”) 7(11). In particular, many Life Agencies continue to rely on E&O insurance coverage held by individual life agents who represent a Life Agency or act on its behalf. The problem with this practice is that individual based E&O insurance policies only provide limited coverage to Life Agencies and do not comply with Rule 7(11).

*Council has determined that Life Agencies which rely on individual life agent E&O insurance policies are not in compliance with Rule 7(11).*

The only exception to this is a Life Agency that has only one individual life agent and is set up as a personal corporation and the individual life agent has an E&O insurance policy which extends coverage vicariously to the Life Agency.

Council has canvassed the marketplace and is satisfied there are adequate forms of E&O insurance coverage available to Life Agencies. For example, a Life Agency can obtain E&O insurance which covers itself and all of its licensed representatives or it can obtain E&O insurance that covers itself and non-licensed persons acting on its behalf. It is up to each Life Agency to determine how best to structure its E&O insurance.

Council therefore recommends that all Life Agencies contact their E&O insurance providers to ensure they have proper coverage in accordance with Rule 7(11), taking into consideration the information outlined above.

Commencing July 1, 2009, Council will be asking Life Agencies to provide proof of E&O insurance coverage. Those without proper coverage will be in breach of Rule 7(11). Failure to be in compliance with Rule 7(11) will result in the automatic suspension of the Life Agency’s licence and may result in further action such as termination of the licence as well as disciplinary action.

If you have any questions about the regulatory requirements or this Notice, please contact Regulatory Services by calling Council’s main number and at the prompt, press 2.

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