

NOTICE

INSURANCE COUNCIL OF BRITISH COLUMBIA LIFE INSURANCE AGENCIES ERRORS & OMISSIONS (“E&O”) INSURANCE ADVISORY

Since January 1, 2006, all life insurance agents (which includes life insurance agencies) have been required to maintain or be covered by E&O insurance. Coverage under the E&O insurance must extend to all of the agent’s activities as a licensee and have a minimum limit of \$1 million per claim and a minimum aggregate limit of \$2 million. This licence condition is set out under Insurance Council of British Columbia (“Council”) Rule 7(11).

Council is concerned that some life insurance agencies may not be meeting the E&O requirement. In particular, reviews have revealed that rather than maintain E&O insurance, some agencies may be inappropriately relying on the E&O policies held by their licensed agents to meet this licence condition.

Council recognizes that E&O policies provided to individual life insurance agents generally provide some extension of coverage for the agency which the agent is authorized to represent. However, these coverage extensions may not apply in certain situations, resulting in the potential for an uninsured E&O loss. Possible situations where an uninsured loss could occur and where an agency could be held accountable include:

- a loss arises from the conduct of an agency representative who leaves the agency, whether or not the agent remains in the business, leaving the agency uninsured;
- a loss arises from the conduct of unlicensed agency administrative support staff, who do not qualify as “insureds” under the E&O policies held by agency representatives;
- a loss arises from the conduct of an agency representative and the representative failed to maintain E&O coverage; and
- a loss arises and only the agency is named in an E&O proceeding.

Life insurance agencies (corporations, partnerships and sole-proprietors) are advised that they must be covered by E&O insurance which addresses these and other possible exposures, up to the prescribed limits. Otherwise, they risk being in contravention of the E&O requirement.

Because of this, Council recommends that all life insurance agencies review whether they are meeting this requirement and, where necessary, take the appropriate steps to bring themselves into compliance.

Council has canvassed the marketplace and understands that coverage is available to address agency E&O exposures. Licensees may find it helpful to speak with providers of such coverage for more information.

For questions about the regulatory requirements or this Notice, please contact the Regulatory Services Department by calling Council’s office, at the main menu press “2”.

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