



IMPORTANT NOTICE TO ALL INSURANCE AGENCIES: CORPORATE ERRORS AND OMISSIONS INSURANCE

Many insurance agencies and MGAs may not be aware of the full extent of risk they face if they do not purchase separate E&O cover under a Corporate E&O plan (also known as entity E&O).

You should know ...

- Vicarious liability provisions in individual E&O do not fully protect an agency
- The cost of Corporate E&O insurance has been coming down
- The risks and costs associated with litigation have been increasing
- Many regulators are revisiting requirements in this area with a view to more stringent interpretation

The following Q&A is intended to highlight some of the important issues related to Corporate E&O insurance. Please take a few minutes to read it over.

You should discuss your agency's E&O coverage with your Association or your own insurance broker to ensure you understand all the risks and have the appropriate coverage in place.

If every agent/broker in our agency has individual E&O insurance, isn't this sufficient protection for the agency?

Not necessarily. Here are some of the risks that might not be covered ...

- A loss arising from the conduct of a former agent/broker who is no longer licensed and has left the business.
- A loss arising from the conduct of unlicensed agency administrative support staff, who do not qualify as "insureds" under the individual E&O policies held by the agent/broker.
- A loss arising from the conduct of an agent/broker who failed to maintain E&O coverage.
- A loss arising with only the agency being named in an E&O proceeding.
- A loss arising from an agent/broker failing to comply with the Policy Terms and Conditions – e.g. Late Reporting situation.
- A loss arising from the negligence of the agency, including failure to supervise.

Can an agency be sued if the complaint is against a former agent?

Yes. Claimants will often name a number of parties to ensure that they sue all those who might be liable. In addition, clients may not remember or know how to reach the agent/broker but they know the agency, so they sue it too.

What happens if I am the sole licensed individual in my company and I decide to bring in another licensed life, A&S or Mutual Fund representative?

You should purchase Corporate E&O to protect your agency from possible claims naming your agency that are brought against the new agent/broker. In addition, as already noted, you could be held responsible for any allegedly wrongful acts committed by the agent/broker if he or she subsequently leaves your agency.

Our E&O insurance complies with provincial regulation. Isn't this enough?

Regardless of what a specific jurisdiction requires, it is a prudent business practice to have Corporate E&O insurance.

Isn't the cost of Corporate E&O prohibitive?

The E&O insurance market has changed. Premiums have come down, in some cases dramatically. As well, the application process has been simplified.

This document was prepared by [Advocis](http://www.advocis.ca), the [Canadian Association of Independent Life Brokerage Agencies](http://www.cailba.com), the [Canadian Life and Health Insurance Association](http://www.clhia.ca) and [Independent Financial Brokers](http://www.ifbc.ca).