



Empire Life™

HEAD OFFICE CIRCULAR

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TO: Managing General Agents, Regional Managing General Agencies, General Agencies, Associate General Agents and Independent Advisors

SUBJECT: Corporate Errors & Omissions (E&O) Insurance

In the spring of this year, several industry organizations, representing both carriers and advisors, worked together to create a Q&A document to address the confusion surrounding the appropriateness of E&O for corporate entities. A copy of this Q&A is attached for your reference.

Empire Life has always been a strong believer in E&O insurance for those working in our industry. We require all of our distribution partners to have E&O coverage, even those in provinces where E&O is not a regulatory requirement.

Using the attached information as a guideline, we have been assessing the documented E&O coverage provided to us by our corporate entities to determine if the corporate entity is fully covered. Where it has not been clear the corporate entity is fully covered, we have been contacting the MGA or AGA for further clarification. Corporate entities should ensure that the proof of E&O they submit clearly indicates the corporate entity itself is fully insured for actions of all people related to the entity (including administrative staff and brokers). The easiest way to accomplish this is to have the corporate entity named as the insured.

Empire Life strongly encourages all corporate entities to review their coverage with their E&O providers. We have noticed that many certificates being submitted as proof of corporate E&O coverage include vicarious liability clauses that only cover the corporate entity for actions of a specific insured (usually the principal). If you are not operating alone, this coverage is not full corporate coverage. Please review your coverage carefully to ensure your corporation is fully covered and if not, please make the necessary adjustments and forward updated proof of corporate coverage to our Producer Documentation area.

Should you have any questions regarding our policy on E&O insurance, please contact any member of your sales management team.

Reference: Lisa Lawlor, Manager, Field Operations & Compliance



Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.



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).