

Date 29 March 2022

Recipient Stakeholders Writing Errors & Omissions Insurance in Alberta

Subject **Alberta - Mandatory requirements for Errors & Omissions coverage**

<i>Purpose:</i>	To remind stakeholders of the mandatory requirements guidance for Errors & Omissions coverage
<i>Affects:</i>	Errors & Omissions business written and conducted in Alberta
<i>Line of Business:</i>	Errors & Omissions
<i>Jurisdiction :</i>	Province of Alberta
<i>Effective:</i>	Ongoing

What you need to know

The [Alberta Insurance Council \(the AIC\)](#) maintain mandatory requirements for property & casualty insurers writing errors & omissions (E&O) coverage in the Province of Alberta. This bulletin is to remind stakeholders of these requirements and Lloyd's expectations.

The AIC is the body responsible for the licensing and regulation of insurance agents, brokers and independent adjusters in the Province of Alberta.

The AIC conducts an annual E&O audit on the licensed insurance agents, brokers and independent adjusters to confirm they hold valid E&O coverage. Insurers are required to assist the AIC in this process, in accordance with the legislative requirements per the [Insurance Act, RSA 2000, Chapter 1-3 \("the Act"\)](#) and the [Insurance Agents and Adjusters Regulation AR 122/2001](#). Please see [Crystal](#) for relevant legislation and regulation extracts.

Lloyd's Canada assists the AIC to complete the audit on behalf of the market. However, regularly, Lloyd's Canada is unable to validate a number of policies due to the nature and structure of Lloyd's. Lloyd's Canada is then required to engage with the market for details of policies and confirmation of compliance, and in some instances, a copy of the policy is required.

In addition, the AIC audits require Lloyd's to confirm that the policies underwritten by Lloyd's underwriters providing E&O coverage in Alberta, meet the statutory and minimum requirements under Section 465 of the Alberta Insurance Act, in accordance with Regulation 122/2001. We would like to remind underwriters that the following applies to all E&O coverage pertaining to licensed insurance agents, brokers and independent adjusters in the Province of Alberta.

Statutory requirements:

1. A policy is issued by a licensed insurance company.
2. The named insured on the policy is in the full name of the business including the trade name.
3. The insurance coverage being provided to the insured is against errors and omissions insurance.
4. The errors and omissions insurance coverage meets the required amounts.
5. The errors and omissions insurance provides coverage for the employees and independent contractors of the licensed business.

Minimum requirements:

1. The E&O policy for holders of a certificate(s) of authority, must provide for an automatic extended reporting period of 1 year and the policy must allow for a claim to be made during the term of the policy, including the extended reporting period. Should the insured breach the terms and conditions of the policy the claim may be disallowed.
2. Where the insured is not a resident of Alberta, the policy must provide coverage to the limits prescribed by the regulation in respect of claims arising in Alberta.
3. The E&O policy must provide coverage for loss resulting from fraudulent acts committed by an insured, and will operate to protect the claimant to the full amount of the coverage prescribed by the regulation, provided that this coverage shall not apply to any insured who participated in or ratified the fraudulent act.
4. A claimant may report a claim directly to the provider of the E&O insurance policy or through the insured. The claim must be settled in a manner provided for in the policy wording.
5. The insurer acknowledges that at no time will any policy issued fall short of the standards set out in the minimum requirements above, without prior notice.

What this means to you

Compliance with the AIC E&O audit is **mandatory** for all stakeholders writing E&O insurance in the Province of Alberta. Lloyd's stakeholders should check their control processes to confirm they have mechanisms in place to ensure compliance. Failure to meet the statutory requirements and/or audit expectations may result in penalties.

Stakeholders are encouraged to have policy information readily available by **July 1st each year** to facilitate a positive audit. Lloyd's stakeholders must also be responsive to regulatory deadlines and provide Lloyd's Canada with additional information requested from the AIC in a timely manner.

For further information, please contact info@lloyds.ca.

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