

IMPORTANT NOTICE

Information Relating to the Implementation of Errors and Omissions Insurance in the Province of Alberta

Proclamation of Section 465 of the Insurance Act effective April 1, 2006.

The Alberta Insurance Council (the "AIC") is the body responsible, by delegation from the Minister of Finance, for licensing insurance agents, brokers and adjusters in the province of Alberta. The AIC currently issues approximately 28,000 certificates to 18,000 distinct businesses and individuals.

The Government of Alberta has proclaimed section 465 of the Insurance Act by Order in Council (OC 457/2005) dated October 5, 2005. As a result, the requirements for certificate holders to meet and maintain the Financial Guarantee established by the section takes effect on April 1, 2006. The Financial Guarantee required is a policy of Errors and Omissions Insurance which meets the standards set forth in the regulation ("E&O").

Proof of coverage will be through the provision of a certificate of insurance from the carrier that issued the agent's or adjuster's policy. Agents or Adjusters who fail to provide proof of E&O coverage to the AIC will not be eligible to receive or retain their certificates of authority after the effective date.

The AIC is holding a series of information meetings with the industry to explain these requirements.

Overview

In the last comprehensive amendment of the Insurance Act (the "Act") the Government of Alberta added a section, which requires all certificate holders to provide a "financial guarantee" (s. 465). The Regulation provides that this "financial guarantee" will take the form of an errors and omissions insurance policy. The terms of this insurance must meet the requirements respecting financial guarantees set out in the set out in sections 33, 34 & 35 of the *Insurance Agents and Adjusters Regulation* 122/01 ("A.R. 122/01"). Specifically, s. 33(2) of A.R. 122/01 requires that the errors and omissions policy be issued by a licensed insurer and be in a form, and contain the terms, conditions, definitions and exclusions approved by the Minister. The Minister has delegated responsibility for approving the form of policy for the purposes of errors and omissions insurance under the Act to the AIC. The form of policy has been established and approved by the AIC and those requirements are set for the in a certificate of insurance which the carriers must sign and submit to the AIC .

The AIC is working with the E&O carriers and industry associations to make the transition as smooth as possible. However, Agents and Adjusters must be aware that the responsibility to provide proof of coverage is their responsibility and failure to provide that proof by April 1, 2006 will result in the automatic suspension of their certificate(s).

Further information on this subject is available on the AIC website at www.abcouncil.ab.ca or by contacting the AIC directly. Copies of the relevant sections of the Act , Regulation and certificate of insurance have been posted on the website.

PLEASE ENSURE THAT YOU TAKE THE NECESSARY STEPS TO PROVIDE THIS CERTIFICATION TO AVOID THE SUSPENSION OF YOUR CERTIFICATE.