

FAQ's for the PEAK Financial Group Independent Advisors E&O Insurance Program

We have compiled a list of the most frequently asked questions regarding policy basics and terminology. Should you have any queries that are not answered below, please contact us at jylitampha@bflcanada.ca.

GENERAL QUESTIONS ABOUT THE PROGRAM

Q. Who is the Insurer?

A. The Insurer is AXIS Reinsurance Company (Canadian Branch).

Q. I need to make a change to my current coverage/certificate. Who do I contact?

A. Should you require an amendment to your E&O insurance coverage, please contact BFL CANADA at jylitampha@bflcanada.ca

***** Coming soon *****

Shortly, you may personally modify your coverage by visiting the program website and logging in to your account. The various types of amendments include (but are not limited to):

- Changes to Contact Information
- Addition of a Provincial Licenses

To process an amendment to your coverage throughout the insurance policy period, please access the PEAK Financial Group Inc. Errors & Omissions Liability insurance program website by clicking:

<http://www.bflproliability.ca/peak/>

Once you have accessed the website, select the "make a change to my existing coverage" option to update your contact information, select your coverage and if applicable, confirm your transaction with secure online payment. Your amended policy documents will only be made available once online payment is confirmed.

Q. Can I pay for my E&O by cheque?

A. No. A Certificate will not be issued without full payment using the online credit card process. Additional payment methods are not available at this time.

Q. I will be leaving PEAK Financial Group and wish to cancel my E&O coverage. What is the process and will I be receiving any return in premium?

A. Your Compliance Department will notify PEAK's E&O broker (BFL CANADA) of your departure. Upon receipt of this notification, BFL CANADA will contact you and advise you that your E&O coverage will be cancelled. Your E&O will be cancelled and a cheque for any unused portion of your premium will be forwarded to your home address.

Q. Where can I obtain a copy of my E&O Certificate?

A. A copy of your certificate can be found online by logging into your account and going to "Your Documents" section.

Q. How do I become eligible for the rebate related to compliance rating ?

A. A special compliance rebate is automatically applied to you, if your NRD number allows us to identify you as an Agent with a 'A' compliance rating as established by PEAK's compliance group.

Q. Which coverage(s) do I apply for?

A.	Coverage A	Coverage for Life Insurance Activities
	Coverage A & B	Coverage for Life Insurance and Mutual Fund Activities
	Coverage C	Coverage for Mutual Fund Activities and Securities
	Coverage C & A	Coverage for Life Insurance Activities, Mutual Fund Activities and Securities

Independent Life Insurance Advisors can purchase Coverage A only. All dually licensed (Mutual Funds and Life Insurance) Advisors are required to purchase Coverage A & B. All IIROC licensed Advisors are required to purchase Coverage C regardless of whether you are dually licensed (Mutual Funds and Securities) or are registered with IIROC only. For those IIROC licensed Advisors who are in addition licensed for Life Insurance, both coverages A and C are mandatory. The following chart provides a clear guideline of which coverage(s) you are to apply for:

Title	Coverage A (Coverage for Life Insurance Activities only)	Coverage A & B (Coverage for Life Insurance and Mutual Fund Activities)	Coverage C (Coverage for Mutual Fund Activities and Securities)
Life Insurance Advisor	√		
Life Insurance Advisor and Mutual Fund Dealers		√	
Registered IIROC Advisor			√
Registered IIROC and Life Insurance Advisor	√		√
Life Licensed Assistants	√		

Q. If an Advisor is currently covered for E&O outside of the PEAK Financial Group program, is the Advisor still required to enroll in the PEAK Financial Group program?

- A. No. Coverage under the PEAK Financial Group program is not mandatory for PEAK's independent Advisors. If coverage is in place outside of the PEAK Financial Group program, we recommend the Advisor to obtain a quote through the program website and to compare price and coverage. In any circumstance we recommend that existing coverage be cancelled only after coverage through our program is in place.

If any assistance is needed do not hesitate to contact BFL at jylitampha@bflcanada.ca.

Q. What type of activities does this policy cover me for?

- A. Under the PEAK Financial Group program, coverage is provided for activities related to the purchase and sale of PEAK Financial Group approved products/services, subject always to your maintaining the licence(s) that you require for the business you conduct and the terms, conditions and exclusions of the policy.

Q. Can I raise my deductible for a lower premium?

- A. This program has fixed deductibles, thus:

Life Insurance, Accident & Sickness, Group Benefits and Financial Planning claims	\$1,000
Mutual Fund claims	\$1,000
Securities claims	\$5,000

These deductibles cannot be modified.

Q. Are my licensed and unlicensed assistants covered?

A. If you employ unlicensed assistants or administrative staff, they are covered by your E&O policy.

If however, you employ life licensed assistants or administrative staff, they must purchase their own E&O coverage and therefore can enroll in the PEAK Financial Group program. Licensed staff are **NOT** covered by your own policy.

Q. If my business grows or I decide that my coverage is insufficient, is there an option to increase my Limit(s) of Liability?

A. Yes. You may increase your limit(s) at any point during the policy year. In order to do so, you must first confirm that you have no knowledge of any unreported claims or matters that may give rise thereto. Once this confirmation has been received, your limit(s) will be amended and you will be charged a pro-rated premium increase, based on the modified cover.

Q. Can I decrease my limit?

A. You may decrease your limit(s) during the policy year, but we would recommend caution when doing so.

As E&O policies are on a claims made and reported basis, you should be aware that any act, error or omission occurring prior to, but of which you are not notified until after a decrease of the limit(s) of liability is limited to whatever lower limits you select.

For example:

- Your limit of liability Per Claim is \$2,000,000.
- You reduce the limit to \$1,000,000 with effect from 1st January 2013
- A claim for \$1,500,000 is received on 15th January 2013, relating to a matter that occurred on 15th December 2012.
- The claim is determined to be valid and the policy pays \$1,000,000, i.e. the decreased limit.
- You are responsible for the balance of \$500,000.

Q. I am taking medical leave (maternity / disability). Can I cancel my E&O insurance pending resumption of my work?

A. It is important that you understand that your liability does not cease simply because you are taking leave of your position. You are still exposed to liabilities for business conducted prior to your leave. As E&O policies are written on a Claims Made and Reported basis, you will need to ensure a policy is in force to protect you for any acts, errors or omissions occurring prior to your leave, even though they may not be reported until you are on leave.

QUESTIONS REGARDING CLAIMS

Q. What is a Claims Made and Reported Policy?

- A. Errors & Omissions (“E&O”) insurance policies such as this are written on a "claims made and reported" basis. This means that the policy in force at the time a claim is made is the one that will provide coverage, rather than the policy in force at the actual time the error or omission occurred. As a condition of an E&O policy, it is imperative that you report actual claims or situations which may give rise to a claim to BFL CANADA as soon as possible.

Q. Who do I report a claim to?

- A. Claims / complaints must be notified to Sébastien Bouchard of BFL CANADA, per the following contact details:

2001, McGill College, bureau 2200
Montréal (Québec)
H3A 1G1

Toll-Free: 1-866-688-9888
Tel.: (514) 843-3842
email: reclamations-peak@bflcanada.ca

Q. When do I report a claim? What if it is not in writing and just an accusation? (potential claim)

- A. A claim is a verbal or written demand arising from an alleged act, error or omission of an Advisor. Claims or potential incidents which may give rise to a claim should be immediately reported to BFL CANADA, so that they may give timely notification to the Insurer. Please see the contact details above.

If in any doubt, please report the matter and we will clarify whether or not coverage exists.

QUESTIONS ABOUT TERMS FOUND WITHIN THE E&O INSURANCE POLICY

Q. What is the Retroactive Date?

- A. The retroactive date reflects the earliest date for which the insurer of this policy will provide coverage. Any claims made for activities conducted prior to the retroactive date are not covered.

It is important to be aware of the retroactive date on your certificate.

Q. What is the difference between the Limit of Liability Per Claim and the Aggregate Limit of Liability?

- A. The Limit of Liability Per Claim refers to the maximum an Insurer will pay for any single claim. The Aggregate Limit of Liability refers to the maximum an Insurer will pay during a policy period.

The following example assumes a selected Limit of Liability of \$1,000,000 per claim and \$2,000,000 in the aggregate:

- The policy will respond, subject to the terms, conditions and exclusions, for up to \$1,000,000 per covered claim.
- If any single claim exceeds \$1,000,000, you will be liable for the difference.
- The maximum amount payable in respect of all covered claims during the policy period is \$2,000,000.
- If all the claims in one policy year exceed \$2,000,000, you will be liable for the uninsured difference.

The policy offers a range of limits, so that you can tailor your coverage to suit your individual requirements.

Q. What is Vicarious Liability?

A. Vicarious Liability coverage provides defence for a company that is named in a suit as a result of an action that is attributable to the Named Insured Advisor. Under the PEAK Financial Group program, this coverage only applies to :

a corporation, in which the Named Insured beneficially owns, directly or indirectly, securities so as to entitle the Named Insured to:

- elect a majority of the Board of Directors
- receive the majority of the dividends declared by the corporation, and
- receive the majority of those assets upon liquidation

OR

to corporations or partnerships in which the Named Insured Advisor has the right to:

- cast a majority of the votes
- receive the majority of the profits and
- receive the majority of the assets upon liquidation

AND

under which the Named Insured Advisor is carrying on business or is employed, but only with respect to such corporation's or partnership's liability for claims or suits arising out of wrongful acts related solely to the rendering of professional services by the Named Insured Advisor.

Q. What is Corporate/Entity Coverage?

A. Subject to certain conditions, entities are considered to have a separate legal status and therefore can be sued. The company's liability stems from the actions of its employees or those acts and omissions attributable to the company itself. As such, under the PEAK Financial Group program an entity may purchase insurance coverage to protect itself from that liability. We refer to this coverage as "Entity E&O" coverage. Under the PEAK Financial Group program, Entity Coverage can be purchased at an additional premium if separate limits are required and aims to provide coverage for professional services rendered by the licensed or registered firm.

Under the PEAK Financial Group program, entity coverage can be purchased for:

a corporation, in which the Named Insured beneficially owns, directly or indirectly, securities so as to entitle the Named Insured to:

- elect a majority of the Board of Directors
- receive the majority of the dividends declared by the corporation, and
- receive the majority of those assets upon liquidation

OR

to corporations or partnerships in which the Named Insured Advisor has the right to:

- cast a majority of the votes
- receive the majority of the profits and
- receive the majority of the assets upon liquidation

AND

under which the Named Insured Advisor is carrying on business.

Q. What is the difference between Vicarious Liability Coverage and Corporate Coverage?

- A. Vicarious Liability is a form of secondary liability whereby an employer ("corporation") may be held responsible for the actions of its employees based on its ability and duty to control those actions, without actual negligence being committed by the corporation. Independent Advisors' E&O policies generally extend Vicarious Liability coverage to the corporation ONLY with respect to the individual Advisor's liability (including the PEAK Financial Group program). In cases where the employer is alleged to have been negligent, the corporation will not have liability insurance coverage under the advisor's E&O policy.

Here are some examples of what the individual Advisor's policy will not cover on behalf of a Corporation:

- A suit against the corporation for an act, error, or omission the Advisor committed that is not covered under the Advisor's personal policy (i.e. non-covered product)
- A suit against the corporation for an act, error, or omission committed by a non insured employee (unless considered an unlicensed assistant to the individually covered Advisor)
- A suit against the corporation alleging negligent hiring, supervision or training

In many provincial jurisdictions, regulators require separate Corporate E&O (Entity E&O) policies for life licensed agencies.

Through the PEAK Financial Group program, Advisors may purchase separate "Entity E&O" coverage for firms in which they have an ownership interest. This Entity E&O coverage protects the corporation from claims that extend beyond Vicarious Liability.

Beyond regulatory obligations, it is just good risk management practice to purchase protection for your licenses or registered firm against costly legal actions.

Q. What is ERP?

- A. ERP is the acronym for Extended Reporting Period.

An ERP extends the time period during which a claim can be notified. Liability does not cease just because you are no longer practising and an ERP is often purchased for one of the following reasons:

- Death (an estate may purchase an ERP on behalf of a deceased Advisor, provided that this occurs within 30 days following the policy expiry date)
- Disability (in which an Advisor relinquishes their licence(s) because they are no longer able to work)
- Retirement or Cessation of business

QUESTIONS ABOUT YOUR BUSINESS

Q. What should I bear in mind if I buy a book of business?

- A. You may be assuming some liabilities when you purchase a book of business. You must therefore be sure to complete a thorough due diligence when taking over a portfolio of new clients (which may include individual review of files).

If you purchase a book of business, you should without fail ensure that the other Advisor buys an Extended Reporting Period (ERP) from their own insurer.

Q. What about if I sell my book of business?

- A. We recommend that Advisors selling their book of business seek legal advice surrounding such purchase and sales. Advisors selling a book of business should consider the purchase of an Extended Reporting Period.

Q. How long do I have to keep my records for?

- A. Retention of Record requirements vary from Province to Province. Privacy laws also dictate what type of information an Advisor can and cannot keep in their file.

We suggest Advisors with concern on this issue obtain legal advice and check with local regulatory bodies for specific direction.

Q. What should I do if important client documents are returned undelivered?

- A. If you mail important documents to a client and they are returned in the mail, we would recommend the following:
- Do not open the envelope.
 - Date stamp the item, keeping the envelope sealed and add it to the client's file. This is your proof that the item was mailed.
 - Document any attempts to locate the client's correct address.