

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

REGULATION 14-1

PROFESSIONAL LIABILITY INSURANCE

Adopted by the Council under the *Chartered Professional Accountants of Ontario Act, 2017* and the By-law on September 21, 2018, and effective as of November 19, 2018.

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**REGULATION 14-1
PROFESSIONAL LIABILITY INSURANCE**

Application

This Regulation applies to Firms, and provides details on professional liability insurance requirements for Firms engaged in the Practice of Public Accounting or Providing Accounting Services to the Public.

Definitions

1. In this Regulation, words have the same meaning as they do in the Act and the By-law.

Professional Liability Insurance

2. Every Firm engaged in the Practice of Public Accounting or Providing Accounting Services to the Public shall maintain (or shall ensure that another Firm maintains for it, through umbrella coverage) professional liability insurance in the following minimum amount:
 - 2.1 for a Firm of one Member, \$1 million;
 - 2.2 for a Firm of two or three Members, \$1.5 million; and
 - 2.3 for a Firm of four or more Members, \$2 million.
3. In respect of the deductible, being the amount the Firm must pay out of pocket before an insurance provider will pay any expense:
 - 3.1 any deductible amount shall be reasonable in relation to the total revenue of the Firm and shall not exceed 50% of the required minimum amount of insurance to be maintained; and
 - 3.2 every Firm shall set aside assets that are at least equal in value to the deductible amount of its professional liability insurance policy, which assets are:
 - 3.2.1 in cash (or demand deposits); or
 - 3.2.2 cash equivalents, such as a letter of credit or short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.
4. Every professional liability insurance contract shall require the insurer to immediately notify CPA Ontario of the expiry, cancellation, or termination of the insurance coverage, or the reduction of the insurance coverage below the amount required by section 2.

Self-insurance

5. The Registrar may permit a Firm to self-insure if, having made reasonable efforts, the Firm cannot obtain professional liability insurance coverage in the amount required due to the size of the practice of the Firm and its risk exposure.
6. The Registrar's decision on whether to permit a Firm to self-insure is final.
7. A Firm that is permitted to self-insure:
 - 7.1 is exempt from the requirements of sections 2 and 3; and
 - 7.2 shall certify to CPA Ontario that the Firm has self-insured for the amount as would be required by section 2 by setting aside assets at least equal in value to that amount.
8. The requirement to set aside assets shall be fulfilled by an insurance company that is formed directly or indirectly by the Firm, or by an association or global network of firms in which the Firm is a member, which insurance company provides professional liability insurance coverage for the Firm.

Duration of Coverage

9. Subject to section 10, every Firm shall continue to maintain professional liability insurance in an unreduced amount for a period of at least six years following (as applicable):
 - 9.1 the withdrawal of a partner, shareholder or Member employee of a Firm from engaging in the Practice of Public Accounting or Providing Accounting Services to the Public, whether or not that partner, shareholder or employee continues to carry on engaging in the Practice of Public Accounting or Providing Accounting Services to the Public elsewhere;
 - 9.2 the merger, dissolution or cessation of practice of a Firm;
 - 9.3 the suspension and/or deregistration of a Firm;to cover acts or omissions occurring before the above-noted events.
10. The requirements of section 9 shall not apply to a Firm that has never had a client.

Proof of Coverage

11. Every Firm shall provide CPA Ontario with satisfactory proof of the maintenance of professional liability insurance coverage or certification of self-insurance, as applicable, as required by this Regulation in the prescribed form:
 - 11.1 before engaging in the Practice of Public Accounting or Providing Accounting Services to the Public;

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- 11.2 on an annual basis thereafter on the anniversary date of the insurance policy;
and
 - 11.3 within five Business Days of the expiry of its policy.
12. CPA Ontario may perform periodic reviews of a Firm's maintenance of the required professional liability insurance coverage. If a Firm is selected for review, CPA Ontario may contact the Firm's insurance company to confirm coverage, and any expiry, cancellation, or termination of the policy.

Failure to Comply

13. Failure by a Firm to provide the proof required by section 11 may result in a late fee.
14. If a Firm fails to provide the proof required by section 11.3, the Registrar shall:
- 14.1 suspend the Firm and its Firm Representative; and
 - 14.2 deregister the Firm and revoke the Firm Representative's membership 30 Days after the imposition of a suspension under section 14.1 unless, before that date, the Firm provides the required proof, and the Registrar has reinstated the Firm and the Firm Representative.

Exception – Quality Control Services

15. A Member solely providing quality control services for Firms that perform audits and reviews of financial statements and other assurance engagements may, instead of filing the prescribed proof of coverage form, file a listing of every Firm for which the Member provides services and a declaration, in the prescribed form, that each Firm is insured as required by this Regulation.