

**CHARTERED PROFESSIONAL
ACCOUNTANTS OF ONTARIO**

**REGULATION 4-4
PROFESSIONAL LIABILITY INSURANCE**

Adopted by the Council pursuant to the Bylaws on June 16, 2011, continued under the *Chartered Professional Accountants of Ontario Act, 2017*, and as amended to September 28, 2017.

TABLE OF CONTENTS

Definitions.....	2
Insurance Coverage	2
Maximum Allowable Deductible	2
Self-insurance.....	3
Duration of Coverage	3
Proof of Coverage	4
Exception – Quality Control Services	4
Failure to Comply	4
Notification of Insurance Cancellation or Reduction.....	4

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Definitions

1. In this regulation, words have the same meaning as they do in the Act and bylaws.

Insurance Coverage

2. Professional liability insurance coverage shall be maintained by:
 - 2.1 every Firm engaged in the practice of public accounting or providing accounting services to the public in Ontario; and
 - 2.2 every Member engaged in the practice of public accounting or providing accounting services to the public in Ontario who is a partner in any organization other than those included in subsection 2.1.
3. The minimum amount of professional liability insurance required to be maintained is:
 - 3.1 for a Firm of one Member or for a Member as set out in subsection 2.2, \$1 million;
 - 3.2 for a Firm of two or three Members, \$1.5 million;
 - 3.3 for a Firm of four or more Members, \$2 million.

Maximum Allowable Deductible

4. Any deductible amount shall be reasonable in relation to the total revenues of the Firm and shall not exceed fifty per cent of the required minimum amount of insurance to be maintained.
5. Each Firm shall ensure that assets are set aside at least equal in value to the amount of the deductible that is specified in the professional liability insurance policy. The assets set aside for this purpose must be in:
 - 5.1 cash (or demand deposits); or
 - 5.2 cash equivalents such as a letter of credit or short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

6. Section 5 does not apply to a Firm that has certified to CPA Ontario pursuant to the provisions of section 9 that the Firm has self-insured for the required amount of professional liability insurance.

Self-insurance

7. The Registrar may permit a Firm that, having made reasonable efforts, cannot obtain professional liability insurance coverage in the amount required due to the size of the practice or Firm and its risk exposure to self-insure.
8. The decision of the Registrar whether to permit self-insurance is final.
9. A Firm permitted to self-insure shall certify to CPA Ontario that the Firm has self-insured for the amount required by CPA Ontario by setting aside assets at least equal in value to the amount of insurance required pursuant to section 3.
10. The requirement in section 9 to set aside assets shall be fulfilled by an insurance company that is formed directly or indirectly by the Firm, or by an association in which the Firm is a member, or for members by a global network of Firms, and that insurance company provides professional liability insurance coverage for the Firm.

Duration of Coverage

11. Professional liability insurance in an unreduced amount shall continue to be maintained for a period of at least six years following:
 - 11.1 the withdrawal of a partner 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 or employee continues to carry on providing accounting services to the public elsewhere;
 - 11.2 the merger, dissolution or cessation of practice of a Firm;
 - 11.3 the suspension, revocation or non-renewal of a Firm's registration, or the dissolution or discontinuance of a Firm;
 - 11.4 the suspension, revocation or non-renewal of a professional corporation's certificate of authorization, or the dissolution or discontinuance of a professional corporation; or
 - 11.5 the withdrawal of a shareholder, officer, director or Member employee of a professional corporation, whether or not that shareholder, officer, director or Member employee continues to carry on the practice of public accounting or providing accounting services to the public elsewhere, to cover acts or omissions occurring prior to the changes listed in the subsections above.

Proof of Coverage

12. Satisfactory proof of the maintenance of professional liability insurance coverage or certification of self-insurance as required by this regulation shall be provided to CPA Ontario in Form 4-4A:
 - 12.1 within two months of the commencement of engaging in the practice of public accounting or providing accounting services to the public in Ontario; and
 - 12.2 on an annual basis thereafter, on the date set by CPA Ontario.
13. A Form 4-4A that is not filed by the date set in section 12 will not be accepted for filing without payment of a late fee, as provided in Regulation 4-2.

Exception – Quality Control Services

14. 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 a Form 4-4A for each Firm, file a listing of every Firm for which services are provided and a declaration in Form 4-4B that each Firm is insured as required by this regulation.

Failure to Comply

15. A failure to comply with any section of this regulation is a breach of member obligations as defined in Regulation 4-3.

Notification of Insurance Cancellation or Reduction

16. Every professional liability insurance contract shall be endorsed with the requirement that the insurer notify CPA Ontario immediately of:
 - 16.1 the cancellation of the insurance coverage; or
 - 16.2 the reduction of the insurance coverage below the level required pursuant to section 3.