Insurance Council
BRITISH COLUMBIA

2018/2019

Annual Report

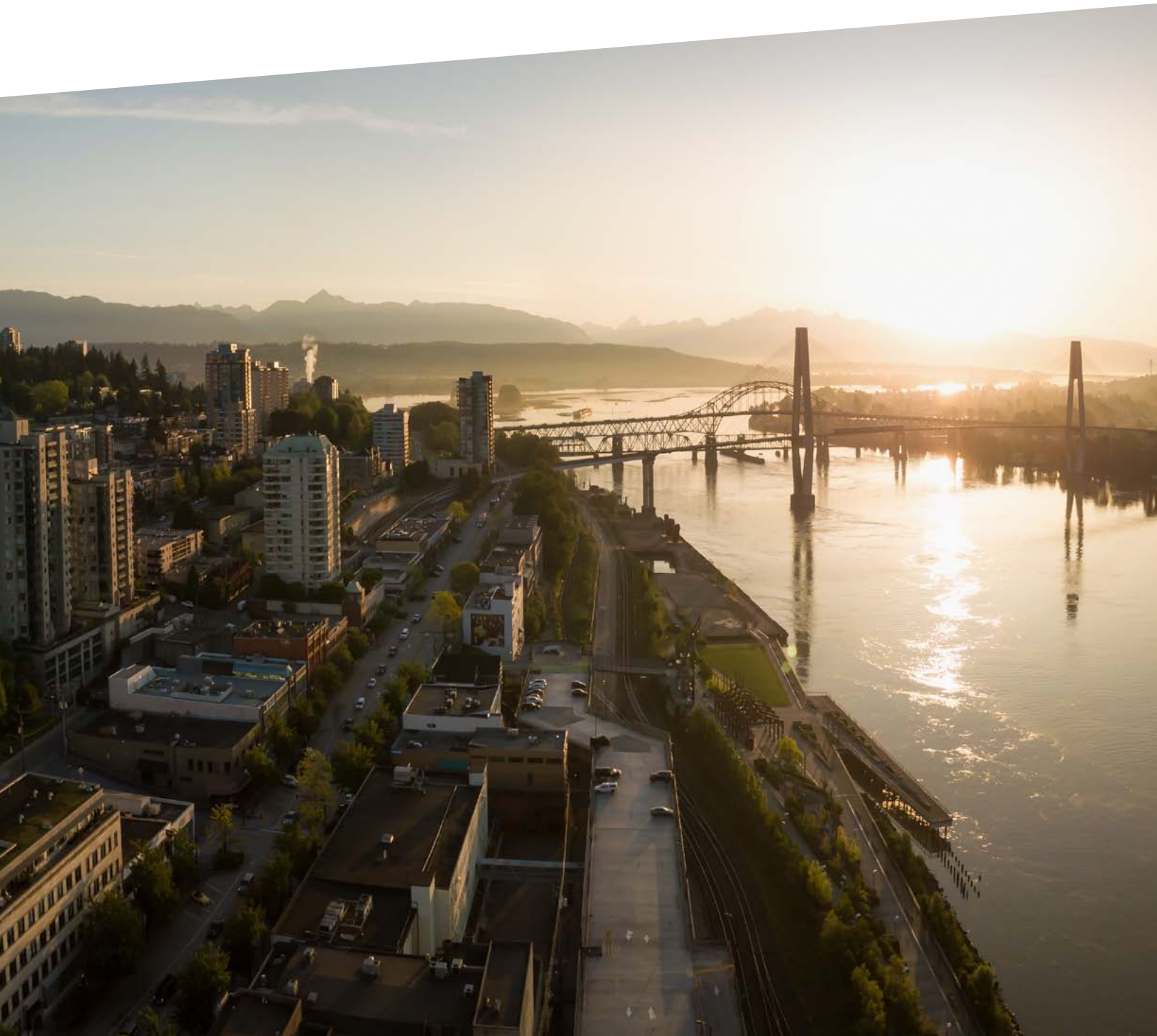




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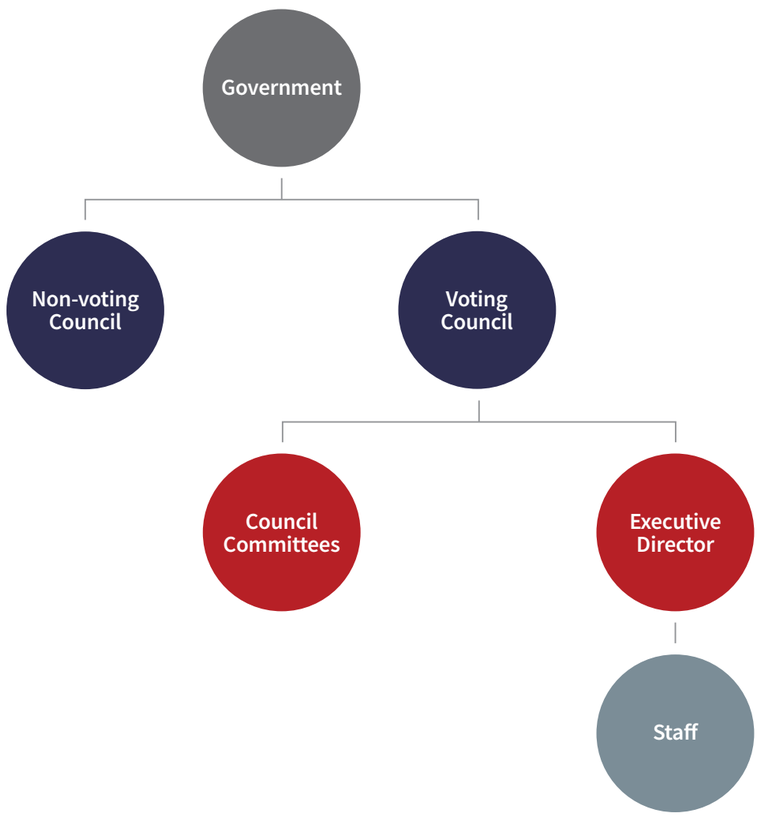
Governance

Who We Are

The Insurance Council of British Columbia ("Council") is a regulatory body established by the *Financial Institutions Act* and is accountable to the BC Ministry of Finance. Members of Council are appointed by and report to the government.

Council oversees the licensing and professional conduct of life, accident and sickness, and general insurance agents, salespersons, and adjusters. We protect the public by ensuring that licensees act ethically, with integrity and competence.

Governance Structure



Strategic Plan

The Insurance Council of British Columbia regulates insurance agents, salespersons, and adjusters in BC with the overall goal of public protection.

Council's 2016-2021 Strategic Plan provides the roadmap for our regulatory activities. The strategic initiatives identified by the plan focus our efforts in six key areas.

Strategic Initiatives

1 Evaluate licensing criteria

2 Applicant/licensee education requirements

3 Identify technology needs

4 Long-term talent management strategy

5 Evaluate current funding model and modify for the future

6 Review and renewal of governance framework

Our progress on these initiatives over the past year is summarized within the pages of this report. Through the efforts of Council members and staff, we are moving forward with delivery of the strategic plan.



Message from the Chair



It has been a busy 12 months at Council, and it's been my pleasure to serve as chair in this time of change and growth as we look towards the future of our industry.

Council's work has been guided by the six initiatives of our strategic plan which are: focusing on licensing criteria, licensee education requirements, technology needs, human resources, sound financial management, and effective governance. Throughout, we have been working with our stakeholders in industry, government, and beyond.

Through our work at the national level, Council is exploring harmonization of general licensing qualification requirements. Council has also worked to develop new supervision guidance so that new life agents have appropriate and consistent oversight, and supervisory duties are better understood by licensees.

We also continued to make improvements to our governance practices. To facilitate longer-term planning that is aligned with the strategic plan, Council moved to a three-year budget process, to which the Ministry of Finance continues to maintain line of sight.

Council issued 40 disciplinary decisions in 2018/2019 and held 11 hearings. Decisions addressed a number of issues, including theft, improper advice to clients, overriding toll bridge debts, and failure to maintain errors and omissions insurance.

In the fall, we also held an important strategy session to discuss two critical topics that we believe will have lasting impact on the industry and to us as a regulator: FinTech and industry professionalism. Changes in financial technologies and distribution patterns will reshape how the industry does business and interacts with the public. We have a responsibility to make sure that our guidance, support, and enforcement remains appropriate and has focus on the right areas. We believe it is important that the public feels that the licensees and businesses that they interact with are operating to high standards of professional competence and ethics.

Lastly, I would like to thank all of my Council colleagues for the active engagement and participation throughout the year. Their experience, commitment, and collaboration ensure that we are well positioned to meet the future challenges that Council and the industry face.



Ken Kukkonen

Message from the Executive Director



It is my privilege to report on the work that has taken place at Council this year. With our mandate of public protection in mind, we've made progress on our strategic plan, taking steps to improve and evolve our operations, governance, services, and capacity. This report provides a high-level overview of the activities we've undertaken to achieve this.

In 2018/2019 we introduced operational enhancements with benefits to both licensees and the public. In June 2018, we launched Council's new website, setting the stage for a number of services that have been made available online this year, as well as a number that are planned for the future. This included an improved searchable licensee database, the ability to update licensee information online, and fully integrated filing and fee payment.

On the licensure and qualification front, Council has been reviewing how it administers LLQP exams and has been exploring ways to increase access to exams for pre-applicants, improve exam security, and find operational efficiencies. And, beginning March 1, 2019, all new licensees were required to complete the Council Rules Course to qualify for licensure.

We continue to engage with the Ministry of Finance and the Financial Institutions Commission, fulfilling our reporting duties and working collaboratively to meet regulatory challenges. Earlier this year, Council provided a formal submission to the Ministry's review of the *Financial Institutions Act*, providing input on the legislation as it relates to licensees and regulation of the insurance industry.

It's our role as a regulator to provide the right guidance, tools, and support so that licensees understand their obligations under Council Rules. While it is our job to identify gaps in licensees' practice and regulatory compliance when they occur, it is also our job to do what we can to bridge them so that licensees can be successful and British Columbians can trust that their interests are being protected.

As we work towards the goal of right-touch, supportive regulation, I would like to express my gratitude to Council, staff, and our licensees for their knowledge, enthusiasm, and efforts. I look forward to our continued progress in the year ahead.



Janet Sinclair

Strategic Initiative 1

Evaluate Licensing Criteria

Engage industry stakeholders on how best to structure licensing criteria to meet industry requirements while ensuring the public has access to well-trained and competent licensees.

Life Licence Qualification Program (LLQP)

Changes have been introduced to improve pre-applicant access to the LLQP exam. The exam start time is now an hour later, and options for piloting an additional exam location in the Lower Mainland were explored. Starting in September 2019, Council will be offering exams in Surrey.

General Insurance Licensing Qualification Review

Council has been working with other provincial and territorial insurance regulators towards national harmonization of general insurance qualifications for licensure. Through our work on the General Insurance Licensing Qualification Review (GILQR) Committee, development of a competency matrix and framework for recommendation to the Canadian Insurance Services Regulatory Organizations (CISRO) is underway.

Life Agent Supervision Guidance

To address inconsistencies in the oversight provided to new life licensees, proposed updates to guidance for new life agent supervision have been drafted and developed. The proposed guidance was prepared for consultation in June 2019, ahead of Council consideration in the fall.

Financial and Insurance Technologies (FinTech/InsureTech)

In an effort to stay on top of the impacts and integration of financial technologies in the insurance industry, Council has been with working with CISRO and the Canadian Council of Insurance Regulators (CCIR) to develop a framework for sharing information, coordinating research, and exploring approaches to regulation of emerging technologies. This includes consideration of the use of regulatory sandboxes for the deployment of FinTech services and products, as well as the creation of a national advisory hub.



Strategic Initiative 2

Applicant/Licensee Education Requirements

In conjunction with Strategic Initiative #1, review the existing education programs; engage in a thorough assessment of education needs and education delivery methods; and evaluate their effectiveness in ensuring licensees are competent.

Life Licence Qualification Program (LLQP)

To maximize use of resources, Council has reviewed how it administers LLQP exams and implemented several changes. This includes increasing the ratio of examinees to proctors in line with other jurisdictions and reducing the frequency of exam sittings outside of the Lower Mainland in locations where there has been less demand. This change allows for better use of exam space and exam proctor capacity. Additionally, a number of new LLQP exam questions were piloted this year to support refreshing the exam, increasing the overall security of exams.

Council Rules Course

With the goal of supporting licensees' competence and awareness of their obligations under Council Rules, Council introduced the requirement that individuals applying for licensure in BC after March 1, 2019, complete the Council Rules Course to qualify for licensure. Individuals who received their insurance licence between June 1, 2018, and March 1, 2019, were required to complete the Council Rules Course during their first licence period unless they qualified under the Reactivation Provision (Council Rule 2(19)) or had previously completed the course.



From June 1, 2018, to May 31, 2019, Council issued 5,246 individual licences and 368 corporate licences.

Strategic Initiative 3

Identify Technology Needs

Develop a long-term strategic IT plan that supports secure, reliable, and user-friendly technology that fosters effective regulation in the interests of all stakeholders, including the public, licensees, applicants, and industry.

New Website and Online Services

Council launched a new website in June 2018, which hosts a number of new and improved services introduced over the last 12 months that benefit licensees and the public. This includes enhancements to the searchable licensee directory listing agencies and individuals, as well as a new online portal where licensees can update their account information, pay outstanding fees, and complete their annual filing.

These changes represent a significant jump in technology for Council services and have been well received by licensees and other stakeholders. This was the first year that Council made fully integrated online filing and payment available to licensees, resulting in 70% of filings being completed through this process.

Future improvements supported by the new website will include online exam scheduling, online licence applications and amendments, and online self-serve reporting of continuing education credits.

Phone System Upgrades

Changes to Council's phone system, including call routing and the installation of a new VOIP phone system in January 2019, were implemented to reduce telecommunications costs and improve call handling and management capabilities. This allows Council to continue to reduce wait times and provide better service to callers.

System and Network Upgrades

Technology improvements related to stability, capacity, performance, and functionality have been achieved through the initial migration of some network infrastructure to Microsoft Azure and upgrades to Council's licensee information management system, Accela.

Strategic Initiative 4

Long-term Talent Management Strategy

Hire and maintain a strong staff component.

Capacity Building and Recruitment

A number of changes occurred on Council's staff team to support the delivery of regulatory functions and programs. This included the hiring of a financial controller and legal counsel, and recruitment for a manager of corporate communications and additional legal staff.

With human resources expertise now available in-house, Council has brought the recruitment process inside the organization and established an onboarding program. Additionally, a staff compensation review was conducted externally and initial results were presented to Council to inform the development of an organizational compensation policy.

Talent Development and Performance Management

To implement performance management organization-wide, performance development processes were developed and rolled out in November 2018. This included training management and staff, goal setting, and establishing KPI (key performance indicators) for staff roles.



Strategic Initiative 5

Evaluate Current Funding Model and Modify for the Future

A financially sound organization that is structured to be able to meet its needs, both today and as it evolves.

Budget Alignment and Responsible Financial Management

In response to recommendations from a financial risk assessment presented to Council's Audit Committee by accounting firm BDO, Council introduced new tools, and automation of accounting processes and reporting this year.

Council implemented accrual-based financial reporting at the beginning of the reporting year and adopted multi-year budget planning. A three-year budget (fiscal year 2020, and pro forma budgets for 2021 and 2022) was presented to Council's voting members and subsequently submitted to the Ministry of Finance.

Other improvements underway include the development of a reserves policy and a review of Council's revenue model to determine approaches to help ensure sustainability for the foreseeable future.

Financial Sustainability

This year, licensing filing fees and late filing fees for 2019 were increased by $35 each. Over the last 12 months, Council has implemented a number of improvements to advance its goal to be a progressive regulator with modernized systems. Further work is in progress to further improve and expand the services and guidance provided to support licensees. As filing fees are Council's primary revenue source and fund Council's operations, this increase supports Council's efforts to ensure that adequate resources are in place to continue with these improvements.

Strategic Initiative 6

Review and Renewal of Governance Framework

A governance structure that will provide Council with the confidence that it can effectively monitor and evaluate the organization's performance.

Legislative Change and Regulatory Compliance

Through regular reporting and communication, Council engages with the BC Ministry of Finance and the Financial Institutions Commission (FICOM).

In response to government's review of the *Financial Institutions Act*, Council provided a formal submission in June 2018 advising on aspects of the legislation with an impact on the regulation and practice of licensees in the insurance industry. Working with FICOM this year, Council developed an organizational procurement policy.

Governance and Accountability

To take a proactive approach to organizational planning, Council held a strategic issues session in October 2018 examining two topics: the impact of technology on the insurance distribution model, and industry professionalism.

To support transparency in governance, an annual report of Council activities was presented at the AGM and published on the website, along with Council's audited financial statements.

Other activities included the creation of a stakeholder register to support engagement and outreach, implementation of a formal onboarding process for new Council members, and the development of a framework document to help track and manage the duties and obligations Council must fulfill in order to be compliant with legislative requirements.

At a Glance

Licensing

June 1, 2018 - May 31, 2019

At May 31, 2019, there was a total of 41,509 licensees (37,447 individual licensees and 4,062 corporate licensees), a 3% increase over the prior year.

Total at May 31, 2019

Individual Licences

Licence Class	Active	Inactive	Suspended
Life and Accident and Sickness	17,168	750	1
Accident and Sickness	444	44	0
General	16,286	1,654	8
Adjuster	1,029	63	0

Corporate Licences

Licence Class	Active	Suspended
Life and Accident and Sickness Agencies	2,582	11
Accident and Sickness Agencies	18	0
General Agencies	1,004	4
Adjusting Firms	94	0
Restricted Travel Agencies/Sole-proprietors	349	0

Exam registrations	3,139
LLQP exam modules written	9,597
LLPQ exam modules passed	7,908

Regulatory Services

As a means to proactively deliver on our regulatory duty to protect the public, Council conducts audits to verify that licensees are meeting their continuing education requirements and have adequate errors and omissions insurance coverage.

Top trends identified indicating gaps in practice or knowledge to be filled:

- Inadequate record keeping
- Failure to meet minimum continuing education requirements
- Failure to meet reporting requirements with regard to reporting discipline, bankruptcy, criminal charges or convictions, or a judgment received against the licensee
- Allowed errors and omissions insurance to lapse

June 1, 2018 - May 31, 2019

34 Errors and Omissions (E&O) audits conducted

20 files closed with no issue

2 files referred to Council

3 files closed with reminder letter

8 files closed (other)

1 file open

199 Continuing Education (CE) audits conducted

19 files closed with no issue

3 files referred to Council

16 files closed with reminder letter

10 files closed (other)

151 files open

Complaints

To protect the public, Council has a robust process for reviewing complaints, investigating inappropriate conduct, and disciplining where warranted.

June 1, 2018 - May 31, 2019

201 complaints received against individual licensees/agencies

Complaint type:

79 general industry

77 life and accident and sickness industry

45 breaches of Council Rules

229 complaints closed

82 closed with no issue

55 referred to Investigations

5 referred to Council

46 closed with reminder letters

41 closed (other)



Investigation and Discipline

June 1, 2018 - May 31, 2019

Top trends in complaints resulting in disciplinary action:

- Cheating on pre-qualification and qualification exams
- Theft of general insurance agency funds
- Unsuitable recommendations by life agents
- Having clients sign blank documents, false witnessing of clients' signatures

57 investigation files carried forward from previous year

42 investigation files closed

50 new investigations opened

21 life and accident and sickness

29 general

40 disciplinary decisions

23 life and accident and sickness

14 general

3 life and general

11 hearings held

4 FST appeals

This year, Council assessed $160,000 in fines and $117,284 in investigative and hearing costs. At May 31, 2019, $81,000 in fines had been paid.



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