Insurance Council
BRITISH COLUMBIA

2019/2020

Annual Report





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Governance

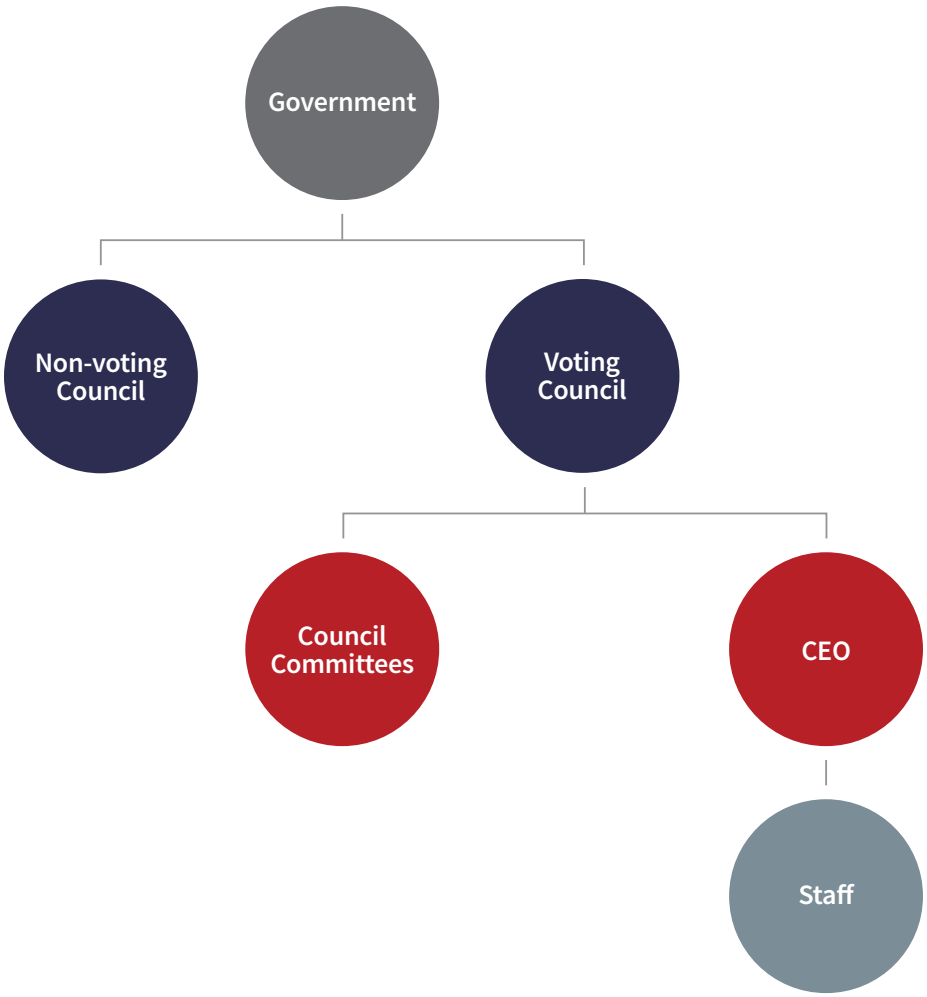
Who We Are

The Insurance Council of British Columbia is a regulatory body established by the *Financial Institutions Act* and accountable to the BC Ministry of Finance. Voting and non-voting members of the Insurance Council are appointed by and report to the government.

What We Do

The Insurance Council oversees the licensing and professional conduct of life, accident and sickness, and general insurance agents, salespersons, and independent 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 ("Insurance Council") regulates insurance agents, salespersons, and adjusters in BC with the overall goal of public protection.

Our activities this past year continued to be guided by the 2016-2020 Strategic Plan, which provides direction and focus for our regulatory efforts. The plan's strategic initiatives focus on 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

This report summarizes our progress on these initiatives over the past year and highlights metrics that illustrate the work of the Insurance Council as we carry out our mandated regulatory duty.

Message from the Chair



During a year like no other, I have been honoured to serve as the Insurance Council of British Columbia's chair. While we continue to feel the global effects of the Coronavirus pandemic, it has been inspiring to see our industry and our organization adapt to meet changing circumstances.

Since reporting last year, we have successfully advanced the six initiatives of our 2016-2020 strategic plan, demonstrating progress with major milestones related to licensing criteria, licensee education requirements, technology, human resources, financial management, and governance. Additionally, we issued 5,774 licences, published 4 practice advisory notices, conducted 8 hearings, and issued 74 disciplinary decisions as a part of our ongoing regulatory work.

In the fall of 2019, the BC government enacted amendments to the *Financial Institutions Act*, the legislation that governs the Insurance Council. We have been working with the Ministry of Finance and other regulatory stakeholders on the implementation of these amendments which will continue through 2020.

Nationally, we continued to collaborate with our provincial counterparts on harmonized requirements for general insurance licensing and course accreditation for the Life Licence Qualification Program (LLQP).

This year, the Insurance Council consulted with licensees and stakeholders on proposed guidelines for new life agent supervision, resulting in a decision to implement the guidelines in January 2020. Engaging with licensees and stakeholders on regulatory matters that are relevant to them is critical to ensuring a right-touch approach to oversight.

With this in mind, Council members came together for a strategy session in September 2019. Foremost in our discussion: What are the disruptive concepts and technologies that will drive future trends and innovation in the insurance industry, and what kind of regulatory oversight will be required to ensure the public is protected? This is at the heart of the new strategic plan that takes effect June 2020, providing a road map for the Insurance Council to become a proactive regulator that works with its licensees to ensure that qualified, competent, and ethical professionals meet British Columbians' insurance needs and help provide piece of mind in uncertain times.

In the months and years ahead, insurance professionals will continue to be an essential part of efforts to keep BC's economy moving forward. On behalf of the Insurance Council, I thank you all for the important work you are doing during these extraordinary times.



Lesley Maddison

Message from the CEO



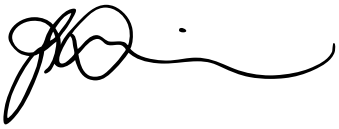
It has been said that the only constant is change, and as I look back on this past year, this has certainly been the Insurance Council of BC's story.

Throughout the last 12 months, our focus has been working to enhance professional guidance, services, business infrastructure, and governance to support our licensees and to benefit the public we serve. We expanded options and access to LLQP exams for potential licensees with an additional exam location, new start times, and new fee structure. We also improved service to licensees by offering more intuitive self-serve functions through our website's online portal, such as management of Authority to Represent (ATR) agreements, printable licence certificates, online payment, and annual filing.

We improved how we communicate, focusing on keeping licensees informed and providing access to guidance and resources to help them meet high standards of ethical and professional conduct. To provide more comprehensive and clear information for licensees about their professional requirements, we developed guideline documents for new life agent supervision and continuing education. By increasing licensees' awareness of their obligations and the Insurance Council's expectations as a regulator, we are enhancing public protection.

Upgrades to our information systems and data storage were undertaken this year, adding to the security and robustness of our technology infrastructure. These timely improvements allowed us to pivot from our normal operations to a fully virtual office in a matter of days when the provincial government declared a state of emergency in March due to COVID-19. Even as we closed our office to the public, license applications, practice support, and enforcement work continued as staff worked remotely. LLQP exams were postponed in all BC locations in compliance with public health orders, but are now being resumed under the latest guidance from WorkSafeBC.

Licensees and staff have had to adapt to an enormous amount of change in the last year. Through it all, what's been made clear is our capacity for resilience and transformation. Reflecting on what I've seen in the last year, I want to thank our licensees, council, and staff for their positive efforts throughout; it's been my privilege to work alongside you as we've risen to meet the challenges before us as we move 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.

Engaging with Industry on Licensure Needs

We continued to engage with industry associations and educators to address concerns and understand industry perspectives on life and general agent licensing. In July 2019 we consulted with life licensees and related stakeholder groups on proposed New Life Agent Supervision Guidelines leading up to the decision to implement the new guidelines on January 1, 2020.

National Collaboration on Licensure

At the national level, we continued work with our Canadian Insurance Services Regulatory Organizations (CISRO) colleagues on the development of harmonized licence qualification requirements for general insurance licensees, as well as accreditation requirements for LLQP certification course providers.

Impact of Pandemic Response

In March 2020 the World Health Organization's declaration of COVID-19 as a global pandemic and a state of emergency in BC prompted the Insurance Council to take extraordinary measures in response. This included the temporary suspension of LLQP exams for three months, as well as seeking an urgent amendment to Rule 6(1)(b) to temporarily lift the location restriction on Level 1 General Insurance Salespersons so that these licensees could work from home, enabling self-isolation to curb the spread of the virus.

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.

Increasing Awareness of Continuing Education Requirements

To provide better support and enhance public protection through greater licensee awareness of and compliance with continuing education obligations, we developed continuing education guidelines for each class of licence. These guideline documents aim to make continuing education requirements easier to understand, address inconsistencies, and provide more specific guidance and resources. The guidelines were approved for licensee and stakeholder consultation, taking place over the summer of 2020.

We identified a need for developing the Insurance Council's capacity to better assess and meet the regulatory education needs of licensees; an Education Manager role was created and filled to resource this need.

As disruptions caused by the coronavirus pandemic have made completing CE credits more challenging for licensees, we extended the 2020 deadline to complete CE credits by an additional year.

Improvements to LLQP Exams

In the fall of 2019, we introduced improvements to the delivery of LLQP exams. This included revising the pricing structure and changing start times to improve convenience for licensees, as well as successfully piloting a new LLQP exam location based in Surrey.

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.

Technology Solutions for Service Improvement and Business Intelligence

This year, the Insurance Council transitioned from external IT services to in-house support and systems, enabling improvements to service and security. New functionality added to our website's online portal allows licensees to print licence certificates and corporate licensees to manage ATRs. Additionally, the annual filing process was conducted exclusively through the online portal, improving ease of use, administrative efficiency, and timeliness.

To help track progress and better manage information, a reporting tool for complaints and investigations was developed. Substantial work has been completed on the development of online modules for licence applications, exam applications, and CE reporting, with rollout anticipated before the end of 2020.

Responding to Operational Needs

With the improvements to technology and systems noted above, the Insurance Council was able to pivot from on-site to online delivery of services following the declaration of a public health emergency by the Provincial Health Officer. Online functionality was further expanded to permit online payment for exams and licence applications.



Strategic Initiative 4

Long-term Talent Management Strategy

Hire and maintain a strong staff component.

Continuing Organizational Transformation

The Insurance Council is continuing its organizational transition to more proactive regulation and has realigned its organizational structure in line with that goal. The Regulatory Services, Investigations, and Legal departments have been restructured to form a Practice and Quality Assurance Department and a Professional Conduct Department, broadening the available expertise on staff in areas such as policy development, education, and investigation of financial crime.

Recognizing increases in licensing-related requests, an additional position was created in this area to provide increased support to corporations and meet volume demands.

Building Organizational Competency on Critical Issues

We continued to build our organizational capacity in areas such as anti-money laundering, strata insurance, fintech/insuretech, and regulatory practices through training and other educational opportunities, focusing on the skills and practices needed to advance the Insurance Council's strategic initiatives.



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.

Responsible Financial Management

The Insurance Council is committed to responsible financial management. A number of financial policies regarding reserves, investment, and expenses were developed or revised to improve oversight. Prudent management of investments resulted in greater than budgeted returns, despite a declining market.

An audit of the Insurance Council's finances for the 2019/2020 fiscal year was completed successfully and found no material deficiencies.

Building Capacity and Resilience

Sustainable financial management is a critical priority for the Insurance Council. We conducted a review of the current funding model and analyzed options for building organizational financial capacity and resilience with the objective of delivering regulatory oversight that is responsive to the growth and transformation of the insurance industry in BC.

Responding to operational needs during the pandemic, online banking tools were expanded to seamlessly manage the Insurance Council's finances.

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.

Regulatory and Legislative Development in the Public Interest

In the fall of 2019, the provincial government introduced amendments to the *Financial Institutions Act*, the legislation which grants the Insurance Council its regulatory authority. The Insurance Council worked with Ministry of Finance staff to identify and mitigate issues related to the implementation of those amendments. We also initiated a review of the Insurance Council Rules to align them with the legislative changes and to consider what modernizing changes might be required to ensure that they continue to be an effective framework for regulatory oversight.

In response to rapid changes to insurance business operations needed to prevent the spread of COVID-19, the Insurance Council sought and obtained ministerial approval to implement an urgent temporary change to Rule 6(1)(b) to allow insurance salespersons to work outside of agencies. This change supports insurance agencies' ability to have staff self-isolate and work from home so that British Columbians can continue to access insurance.

Business Continuity

A business continuity plan was developed and successfully implemented in March 2020, following the declaration of a provincial health emergency in response to COVID-19. Insurance Council business activities were able to quickly pivot to offsite operations and delivery of service.

Planning for the Future

The Insurance Council's voting and non-voting members worked with staff to develop a new strategic plan for 2020-2023. This plan is supported by an implementation plan and coordinated with a three-year budget. The use of reporting metrics will provide a means to monitor our progress on the new strategic plan.

At a Glance

Licensing

June 1, 2019 - May 31, 2020

At May 31, 2020, there was a total of 42,014 licensees (37,886 individual licensees and 4,128 corporate licensees), a 1.2% increase over the prior year.

Total at May 31, 2020

Individual Licences

Licence Class	Active	Inactive	Suspended
Life and Accident and Sickness	17,588	975	3
Accident and Sickness	482	65	0
General	16,038	1,647	5
Adjuster	969	114	0

Corporate Licences

Licence Class	Active	Suspended
Life and Accident and Sickness Agencies	2,664	4
Accident and Sickness Agencies	20	0
General Agencies	1,013	2
Adjusting Firms	86	0
Restricted Travel Agencies/Sole-proprietors	339	0

Exam Registrations	2,185
LLQP Exam Modules Written	9,023
LLPQ Exam Modules Passed	6,329

Regulatory Services

As a means to proactively deliver on our regulatory duty to protect the public, the Insurance 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:

- Responses not provided to requests from the Insurance Council for information
- Failure to report discipline by another regulator, bankruptcy, criminal charges and/or convictions, and judgments
- Failure to meet continuing education requirements
- Failure to meet errors and omissions insurance requirement
- Not reporting to the Insurance Council when an authorization to represent an agency ends

June 1, 2019 - May 31, 2020

16 Errors and Omissions (E&O) audits conducted

6 files closed with no issue

2 files referred to Council

4 files closed with reminder letter

1 file closed (other)

3 files open

147 Continuing Education (CE) audits conducted

2 files closed with no issue

37 files referred to Council

88 files closed with reminder letter

20 files open

Complaints

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

June 1, 2019 - May 31, 2020

144 complaints received against individual licensees/agencies

Complaint type:

61 general industry

60 life and accident and sickness industry

23 breaches of Council Rules

183 complaints closed

58 closed with no issue

31 referred to Investigations

43 closed with reminder letters

42 closed (other)

9 referred to Council



Investigation and Discipline

June 1, 2019 - May 31, 2020

Top trends in complaints resulting in disciplinary action:

- Unsuitable recommendations by life agents
- Theft of general insurance agency funds or regulated products
- Breaches related to information management (failure to safeguard, false signatures, and false witness)
- Cheating on exams

64 investigation files carried forward from previous year

51 investigation files closed

35 new investigations opened

25 life and accident and sickness

10 general

74 disciplinary decisions

42 life and accident and sickness

31 general

1 life and general

8 hearings held

4 Financial Services Tribunal appeals initiated

4 Financial Services Tribunal appeals carried over

3 Financial Services Tribunal appeals resolved

This year, Council assessed $221,500 in fines and $131,591 in investigative and hearing costs. At May 31, 2020, $107,000 in fines had been paid.

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