Insurance Council
BRITISH COLUMBIA

Annual Report

2020 - 2021





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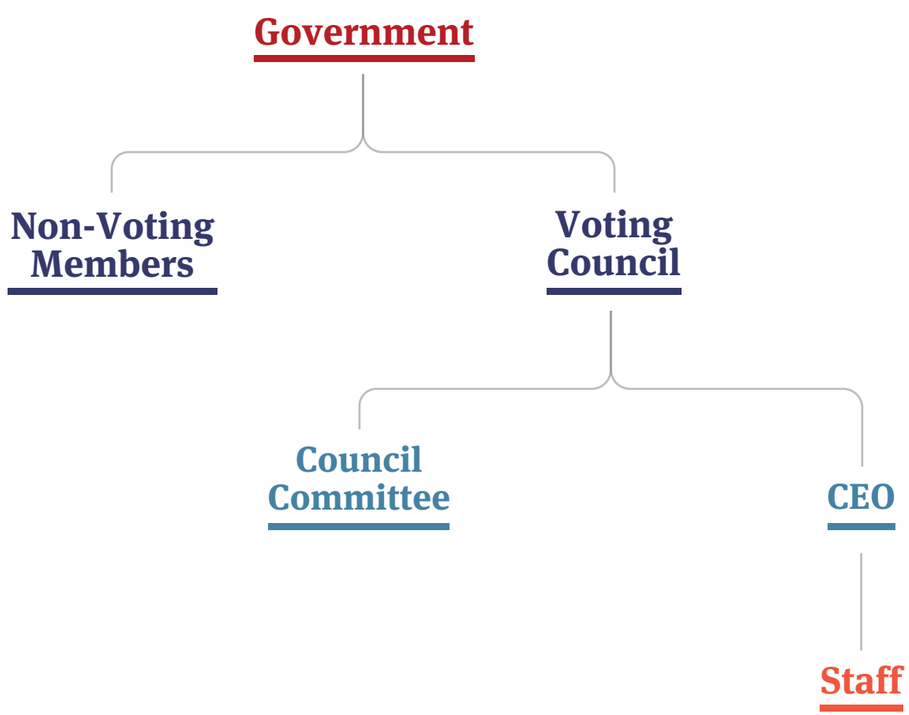
Who We Are

The Insurance Council of BC (Insurance Council) is a regulatory body established by the *Financial Institutions Act* that is 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.

Our Governance Structure



Message from the Chair



The insurance industry is rapidly changing—driven by disruptions on a local and global scale, it no longer resembles its traditional model. Economic pressures and the effects of climate change are impacting the cost and availability of insurance. Now more than ever, it's important that consumers are protected and informed when they purchase insurance products. As trusted advisors, insurance licensees have a responsibility to demonstrate the knowledge, best practices and ethical conduct that will help British Columbians navigate the shifting sands of our modern insurance landscape. With this in mind, the Insurance Council launched a new strategic plan that supports robust oversight while enabling industry innovation. The three-year plan supports our vision that *British Columbians have confidence in an insurance industry that meets international standards of public protection.*

Our continued work with government, regulatory partners and other stakeholders have informed the Insurance Council's discussions and policy development. Contributions via consultations have supported sound decision-making to improve public protection. We also extended our reach through virtual meetings and engaged with our regulatory counterparts and thought-leaders across North America and further afield on common challenges, such as fintech/insurtech and cybersecurity.

As a governing body, our focus was placed on improving regulatory practices to enhance consumer protection. This includes establishing or clarifying licensees' practice and conduct requirements through the development of guidelines such as those for continuing education and managing general agents, and strengthening licensee audit mechanisms. These activities are aligned with the best practices of insurance regulators.

A performance review conducted by the International Association of Insurance Supervisors (IAIS) concluded that the Insurance Council is largely observant of the core principles for intermediary oversight. Our work in executing the strategic plan focuses on building our standards based on the IAIS's core principles. We continued to carry out our responsibility of verifying applicants' suitability for insurance licensure to ensure reliable public access to insurance. We did this through the approval of new licence applications and by reviewing the conduct of existing licensees. This year we issued 6,796 licences. Following review and thorough investigation, 17 disciplinary orders were issued.

Our progress on the strategic plan over this past year gives me confidence that, as we look to the road ahead, we are on the right path. Through our collective efforts, we continue to move this organization forward as we work together with insurance licensees in service to British Columbians.

It has been a pleasure serving as your chair during this past year. I want to thank those who have all had a hand in working collaboratively on this organization's governance: voting members who serve on our board, non-voting members who participate in our regulatory and oversight committees, and staff who support our efforts through operations. I continue to be inspired by your commitment to fostering a culture of practice excellence and ethical conduct in BC's insurance industry.

"Our progress on the strategic plan over this past year gives me confidence that, as we look to the road ahead, we are on the right path."

- Darlene Hyde, Chair





Message from the CEO

“Our mission of proactive regulatory leadership ensures qualified, competent and ethical professionals meet British Columbians’ insurance needs.”

- Janet Sinclair, CEO



We can safely say this past year has been like none other. Like the rest of the world, we learned to conduct our work in different ways. As the regulator for insurance intermediaries, that meant keeping public protection as our North Star. This year we launched a new, three-year strategic plan to guide us on our journey.

The strategic plan guides the steps we will take annually to achieve the four goals that are the foundation of our vision over the three years. The plan lays out 28 initiatives, each with its own key performance indicators to measure our advancement in accomplishing our objectives.

We have made good progress in the first year on moving our goals forward. We have worked at developing clear guidance for licensees that enforces consumer protection and have taken an active approach to inform licensees about their regulatory requirements by hosting interactive webinars and making them available online. Our efforts in more two-way communication with licensees and stakeholders through consultations have led to increased engagement and our understanding of the challenges all parties face. It has also brought awareness of potential unintended consequences of regulatory changes. We have also made strides in strengthening our underlying regulatory structure. This included an ongoing, in-depth assessment of Council’s Rules to ensure that they facilitate good insurance practice even as industry evolves.

Global events have greatly impacted British Columbians. From the pandemic to climate change, the risk of catastrophic events has increased with growing concerns over the availability and rising cost of insurance. Recognizing these challenges, we have engaged with government and stakeholders to identify and assess issues driving up insurance costs and to establish regulatory measures to mitigate where possible. Additionally, we have enhanced monitoring and protocols to detect suspicious activities and disciplined licensees engaged in grey market activities to combat money laundering. We have also participated in the Cullen Commission’s work on money laundering in BC.

The COVID-19 pandemic continues to be a challenge for all industries. We adapted to a work from home setting and moved our services online. We realized the need for level 1 general insurance salespersons to be able to work outside the office and quickly worked with government to enact a temporary rule change to accommodate a remote work environment. We held virtual disciplinary proceedings to ensure timeliness of disciplinary decisions and, when in-person licence examinations became unfeasible, we transitioned to online scheduling and offering of exams. Council and committee meetings were also held virtually.

The Insurance Council’s voting and non-voting members’ contributions are critical in achieving our mandate and their dedication and commitment is sincerely appreciated. And a huge thanks goes out to our staff whose significant efforts during challenging circumstances have allowed us to continue our mission of *proactive regulatory leadership that ensures qualified, competent and ethical professionals meet British Columbians’ insurance needs.*



Our three-year (2020-2023) strategic plan is divided into four main goals.

Strategic Plan

Our Vision

British Columbians have confidence in an insurance industry that meets international standards of public protection.

Our Mission

Proactive regulatory leadership that ensures qualified, competent and ethical professionals meet British Columbians' insurance needs.

The Insurance Council's work this past year centered around four goals. Focus was placed on modernizing our regulatory practices and building technology into our services to support an insurance industry that upholds the public's interest.

Goal 1

Effective regulatory practices and support systems that meet current and emerging international standards.

Priority

Update regulatory practices to meet the International Association of Insurance Supervisors' Insurance Core Principles and the Professional Standards Authority's Standards of Good Regulation.

Goal 2

Regulatory oversight that protects consumers and enables industry innovation.

Priority

Modernize regulatory oversight to keep pace with changes in the insurance marketplace and support/enable industry transformation.

Goal 3

Enhanced ability to support insurance consumers, licensees and government.

Priority

Build awareness of the Insurance Council's role and the services it provides to better serve consumers, licensees and government.

Goal 4

Efficient and effective access to the Insurance Council's services.

Priority

Drive operational effectiveness.

Goal 1

Effective regulatory practices and support systems that meet current and emerging international standards

Updating rules and policies to reflect current industry standards

At the beginning of the global pandemic, the Insurance Council made an immediate temporary change to Insurance Council Rule 6(1)(b) to allow level 1 general insurance salespersons to work remotely to help stop the spread of COVID-19. This temporary arrangement was renewed and continued throughout 2021. This measure enabled continued public access to insurance products and provided new salespersons the ability to continue to work during a global crisis with rising unemployment rates. As the temporary rule change did not indicate any negative impacts on public protection, it prompted consideration to permanently change Rule 6(1)(b) to align with current industry trends.

The Insurance Council Rules were introduced in 2005 to provide an ethical and professional framework for insurance licensees when conducting business. Since then, there has not been a fulsome review of the Rules. To address this and keep pace with an evolving industry, the Insurance Council launched the Council Rules Review Initiative. This initiative will examine each of the rules to ensure alignment with international standards and gather feedback from industry stakeholders and the public through a consultation process.

In Spring 2021, we began public consultations for Rules 5 and 6(1)(b) for a set of proposed changes to modernize the Rules. We have received feedback and support for the proposed changes which will be presented to the Minister of Finance for approval.



Ongoing guideline reviews

In 2020, the Insurance Council created a set of continuing education guidelines for each licence class after we identified a need for clearer direction for licensees to better understand and meet their regulatory education requirements. Updates were applied to reflect educational standards in other provinces and changes were made to better align with the way courses are delivered in moving towards an online format. Clearly defined guidance was then developed and compiled into a resource for licensees. The new Continuing Education (CE) Guidelines serve as a resource for licensees to refer to, supporting adherence to educational requirements and to maintain relevant skill levels for industry. The guidelines came into effect June 1, 2021.

We are also in the process of developing guidelines for managing general agents (MGAs) in the life insurance sector in BC. Over the years, we have seen inconsistent compliance practices within the industry that can negatively impact consumers. The guidelines will provide clarity and consistency among MGAs on expectations and duties around the sale of life insurance. Stakeholder consultation took place in February 2021 to gather feedback on the draft guidelines.

We are continuing to conduct comprehensive reviews to ensure all Insurance Council guidelines and policies are up-to-date and aligned with the *Financial Institutions Act* after the provincial government introduced amendments in Fall 2019.

Utilizing technology to support new professionals entering insurance practice

In early 2021, we offered introductory webinars for new life insurance agents and level 1 general insurance salespersons. The one-hour, free courses provided licensees an introduction to their responsibilities and obligations as a licensed insurance professional. In addition, we hosted a series of webinars to introduce the new CE Guidelines that included a Q&A session for licensees. The webinars were very well-received and as a result we will continue to provide online offerings and look to develop more interactive digital resources.

Safeguarding the public through accountability

General insurance practice audit processes were developed and implemented to assess competency and address potential issues. Targeted audits will take place annually for identified risks of potential consumer harm, as well as be randomly selected to ensure broad coverage. We are also currently in the development stage for a life and accident and sickness insurance audit program. These audits are designed to identify if licensees are maintaining appropriate practice standards when conducting insurance business. The proactive checks aim to address practice or conduct issues before they result in regulatory breaches that can impact British Columbians.

Goal 2

Regulatory oversight that protects consumers and enables industry innovation

Leading the way in establishing standards for entry and professional aptitude

The Insurance Council identified the need to develop an overall competency framework for general insurance licensure that better articulates the knowledge, skills and attributes that distinguish insurance salespersons and agents as recognized skilled professionals. The development and adoption of new entry-level qualifications and professional standards will enhance public safety and trust.

Restricted licences

Restricted licences are a type of licence granted to individuals or companies with conditions that limit the scope of practice. Prompted by a review of our process for granting this type of licence, with public protection in mind and recent changes to the *Financial Institutions Act*, the Insurance Council halted issuing product-specific restricted licences as of March 2021 to ensure compliance with the *Act*.

We are working to establish a framework for a revised restricted licensing process. Current efforts include a review of the classes and types of insurance products businesses are authorized to sell in other provinces. Working in collaboration with the provincial government to align the framework with anticipated regulation changes, we will put in place an updated model for restricted licences that will further increase consumer protection.

Anti-money laundering

Money laundering affects all Canadians. Criminals have increasingly become more sophisticated in moving large amounts of money through complex financial transactions to fund unlawful activities. The Insurance Council has implemented measures to ensure our handling of complaints and investigations consider money-laundering risk factors, resulting in disclosures to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The Insurance Council identified breaches this year associated with the grey market in luxury vehicle exports and has initiated further action to detect and deter these activities. The breaches entailed timely exports of newer model luxury vehicles with affiliated insurance policies cancelled prematurely. These types of transactions have been linked to trade-based money laundering.

Insurance meets technology

With increasing technological advancement in all sectors, insurtech is gaining traction in its appeal to consumers. Insurtech is where insurance meets technology—the term refers to the use of innovative technology that can cater to specific consumer needs such as collecting user data to build strong profiles to quickly determine risk evaluations to generate custom competitive rates using AI technology, as well as providing ease of purchase through online transactions. While insurtech companies have yet to saturate the Canadian market, the Insurance Council is exploring the kinds of insurtech activities currently taking place nationwide and evaluating potential consumer risk. We are forging ahead to determine if and what parameters are needed to prevent consumer vulnerability.



Goal 3

Enhanced ability to support insurance consumers, licensees and government

Building strong partnerships

As an organization that interacts closely with insurance licensees, we have the ability to put forth concerns and recommendations to our provincial legislators about policies that impact the industry and consumers. Utilizing our connections with various government branches, we can bring voice to emerging matters such as issues related to strata insurance, insurance distribution models and consumer protection. By engaging with our government partners, we can all work collectively to tackle issues relevant to the interests of British Columbians.

The Insurance Council continues to maintain strong relationships with other provincial insurance regulators and associations. Regular meetings and touchpoints ensure we are informed of emerging issues, trends and the work of each organization, as well as finding opportunities to collaborate on related matters. By aligning with our regulator counterparts, we can effectively identify and handle unfair practices and put systems in place to counteract unprofessional behaviour.

Finding ways to reach our audience

One of our priorities is to effectively engage with Insurance Council licensees and the public on matters that directly affect them. Through a consultation process included in projects like the Council Rules Review Initiative and practice guideline development, we reached out to licensees and other stakeholders to seek feedback that will inform our decision-making process. We are also exploring opportunities for public engagement through consumer awareness, media relations and public outreach. By increasing two-way communications, we are effectively raising the Insurance Council's profile, as well as educating on what we do and the ways to connect with us.





Goal 4

Efficient and effective access to the Insurance Council's services

Modernizing systems and increasing access to online services

Since the global pandemic, we moved quickly to shift our practices to meet the needs of our licensees. With several other insurance regulators across the country, we partnered with Durham College to offer online Life Licence Qualification Program (LLQP) exams to allow prospective insurance licensees to write the exam when in-person exams were cancelled due to provincial COVID-19 restrictions. By providing an online exam option, we were able to limit disruption of employment opportunities in insurance by facilitating access to the examination process. With the success and demand for online exam registrations, we will continue to offer an online option for another year.

As we continue to provide more accessible options for licensees, we identified a desire for licensees to have a way to keep track of annual CE credit completion required to maintain their licence. We designed a CE Self-Tracker as part of our online portal that will allow licensees to enter their credits and calculate any carryover credits, contained in one area for quick reference. By making this tool available, we anticipate it will help address confusion around the number of credits required for each licensing period and provide information for licensees to determine what courses qualify for CE credit under the guidelines. The CE Self-Tracker is set to be available in Summer 2021.

Building a comprehensive long-term financial plan that supports proactive regulation

Looking ahead, we measured risk and considered future growth plans to align with the organization's strategic goals in our changing regulatory environment with the creation of a responsible financial plan. With the goal to increase services to licensees and enhance regulatory oversight, a revision to Insurance Council fees is being evaluated as part of the Council Rules Review Initiative. By implementing a change to the fee structure that has remained unchanged for over 10 years, this will allow the Insurance Council to modernize and operate with a more sustainable financial model.

Developing operational resources and processes to support business resilience

We implemented key technological changes to enhance our systems. Prepayment options for large agencies are now available to provide the flexibility to pay in advance, including the option to pay for their agents' annual licence fees within our online portal. In addition, we have improved the electronic fund transfer remittance option available to licensees. By modernizing our various systems, we have increased operational efficiencies.

Moreover, several organizational policies such as our procurement, reserve, business travel expense, spending authority and investment policies were reviewed and updated throughout the year. These policies provide structure and guide the organization and staff to ensure we have robust processes and strong internal controls in place.

Updating records management systems

We are continuing to transition from hardcopy record-keeping to digitizing records to increase efficiency and data security. The digitization of records will provide easy access and eliminate physical storage needs as we further modernize our practices.



41,221
individual licences

4,315
corporate licences

Insurance Council by the Numbers

Licensing

Total Licensees

June 1, 2019 – May 31, 2020 — **42,014**

June 1, 2020 - May 31, 2021 — **45,536**

8.4%
increase over last year

Licence applications

June 1, 2018 – May 31, 2019 — **5,872**

June 1, 2019 – May 31, 2020 — **5,809**

June 1, 2020 - May 31, 2021 — **7,213***

**includes approximately 200 applications for restricted licences, of which issuance was suspended*

Life and Accident and Sickness

19,597	Active
1,028	Inactive
1	Suspended

Accident and Sickness

452	Active
42	Inactive
0	Suspended

General

17,515	Active
1,598	Inactive
2	Suspended

Adjuster

888	Active
98	Inactive
0	Suspended

Life and Accident and Sickness Agencies

2,856	Active
10	Suspended

Accident and Sickness Agencies

21	Active
1	Suspended

General Agencies

1,026	Active
2	Suspended

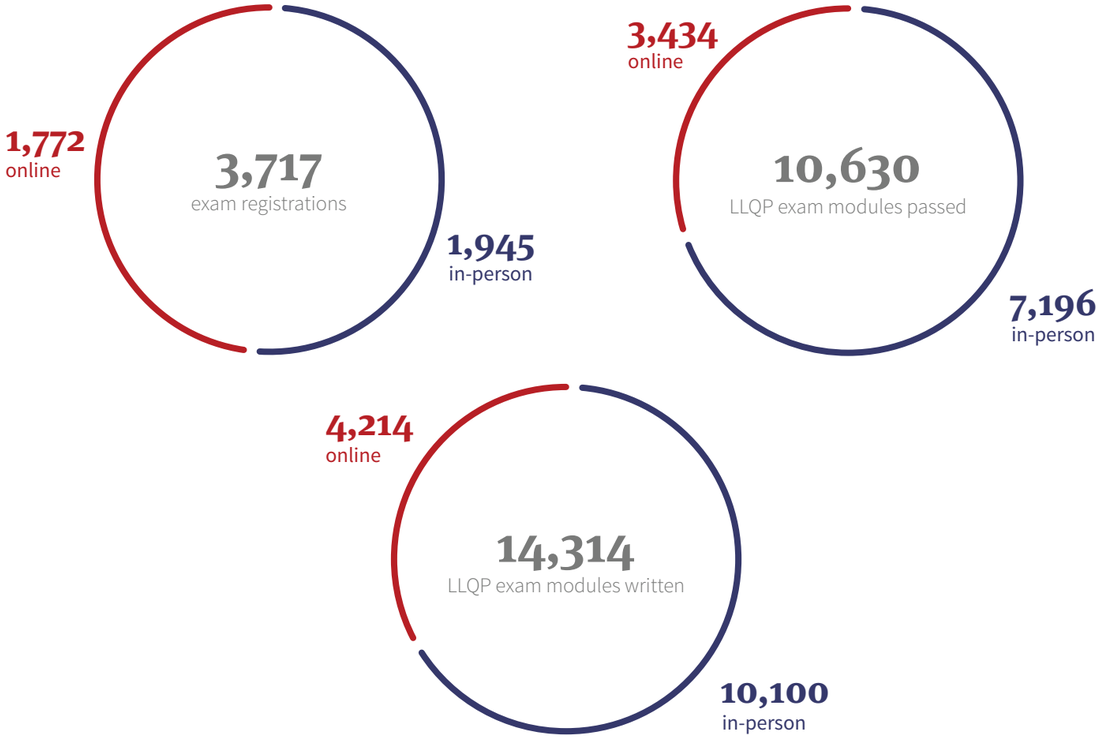
Adjusting Firms

86	Active
0	Suspended

Restricted Travel Agencies/Sole-proprietors

313	Active
0	Suspended

LLQP Exams



Webinars



11
webinars hosted

240
attendees

540
registrations for recorded CE information session

3
continuing education information sessions hosted

890
attendees

Regulatory Services

To ensure licensees comply with rules and regulations, the Insurance Council regularly audits and verifies continuing education requirements are met and that licensees have adequate errors and omissions (E&O) insurance coverage.

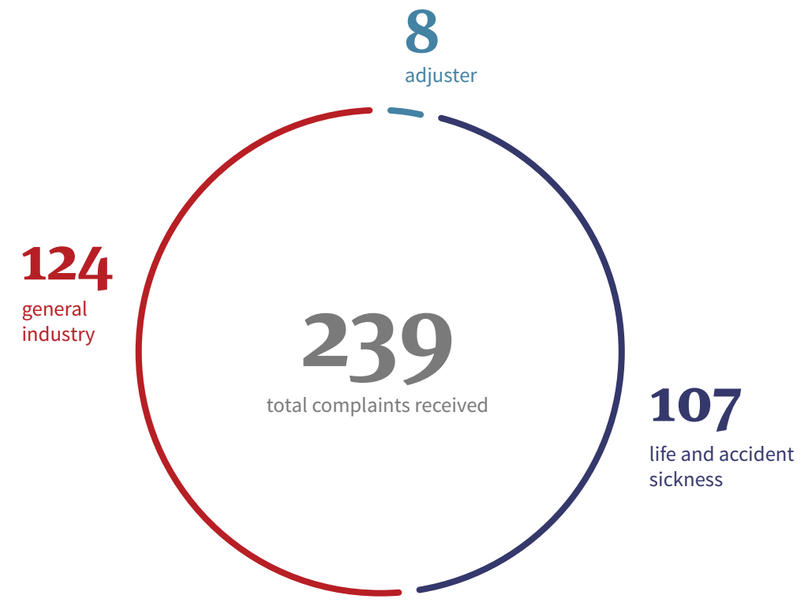
129
E&O and continuing education audits conducted

119
general insurance audits conducted

Complaints

June 1, 2020 – May 31, 2021

Complaints by Business Practice



<90
days average time to review complaints

227
complaints closed

Investigation and Discipline

June 1, 2020 – May 31, 2021

Top trends in complaints resulting in disciplinary action

- Breaches related to information management (failure to safeguard, false signatures, false witness)
- Unsuitable recommendations by life agents

49 investigations carried forward

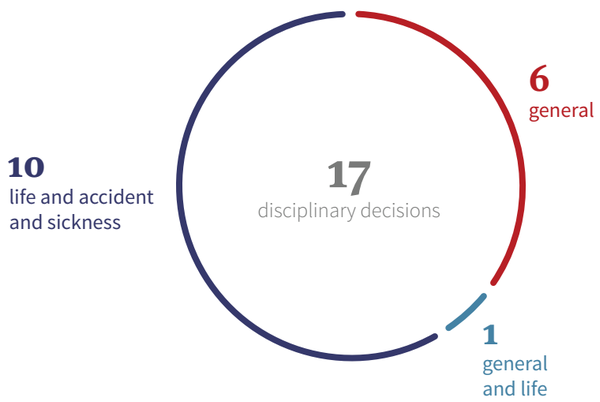
31 investigations closed

New Investigations Opened

June 1, 2019 – May 31, 2020 — **35**

June 1, 2020 - May 31, 2021 — **52**

Disciplinary Decisions



3 licensee suspensions

1 of which ended in cancellation of licence and is currently undergoing an investigation

3 former licensees

prohibited from licence reapplication for one year or more

Fines

$55,000
in fines assessed

$48,800
in assessed investigative and hearing costs

$87,500
in fines paid

$47,600
in investigative and hearing costs paid

Financial Review

As of fiscal year end, the Insurance Council's financial position remained strong as reflected in its strengthened liquidity and stable growth in its primary sources of revenue. Although the fiscal year had unprecedented challenges due to the COVID-19 pandemic, the organization immediately pivoted and adapted to the conditions. The organization made important operational changes during the year, which provided material savings and resulted in a significant surplus of $1.1M.

The audited financial statements for fiscal year ending May 31, 2021, include the Insurance Council's financial position, statement of operations, statement of changes in net assets, statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The preparation of the financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Insurance Council's June 1, 2020 – May 31, 2021 financial statements have been audited by the independent firm Smythe LLP and are available on our website: insurancecouncilofbc.com/about-us/annual-reports/.





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