Insurance Council
BRITISH COLUMBIA

2017/2018

Annual Report



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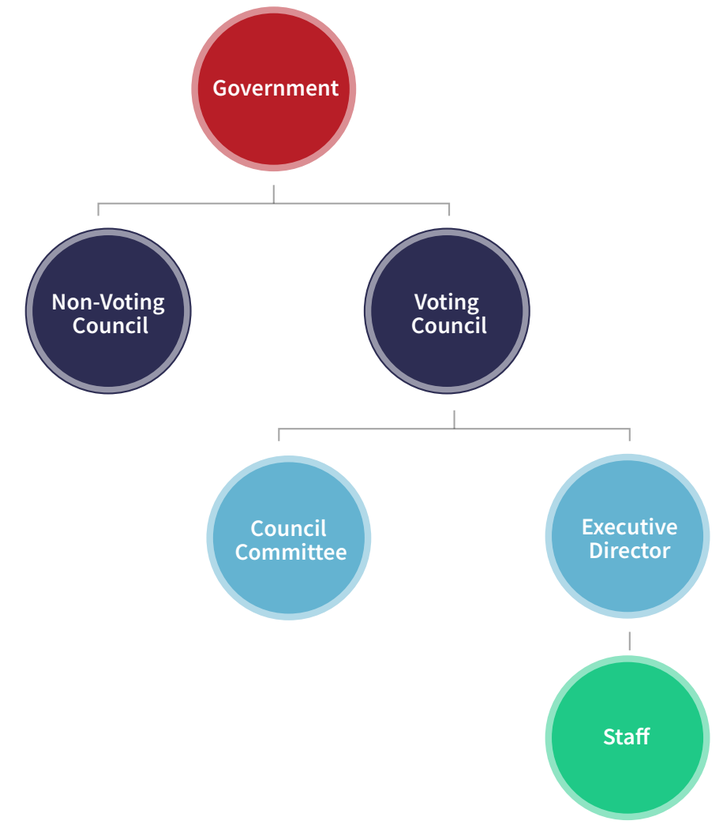
The Insurance Council of British Columbia regulates the activities of life, accident and sickness, and general insurance agents, salespersons and adjusters. Our mandate is to protect the public by ensuring agents, salespersons, and adjusters act ethically, with integrity and competence.

Governance

Who we are

The Insurance Council of British Columbia ("Council") is a regulatory body incorporated under the *Financial Institutions Act*. The appointed members of Council report to the Minister of Finance. Council regulates the activities of life, accident and sickness, and general insurance agents, salespersons and adjusters. Our mandate is to protect the public by ensuring agents, salespersons, and adjusters act ethically, with integrity and competence.

Our Governance Structure



Council Chair Message



It has been my pleasure to serve as Council Chair for 2017/2018. The past year was a busy and productive year at Council, full of interesting challenges and opportunities. Council established several new oversight committees including the Regulatory Audit Committee and the New Life Agent Supervisory Task Force. The Governance Committee was also appointed, which had previously been a task force. Three voting members left Council after the expiry of their terms and four new voting members were appointed to Council, bringing voting Council to its required eleven members. Five new non-voting members were appointed to Council. The make-up of the voting and non-voting members of Council is always changing; however, the experience and knowledge that the Council members bring continues to be a strength in providing us with the tools required to continue the public protection mandate of Council.

Council made a number of improvements to its existing policies to better support the licensees and fulfill its public protection mandate, including the implementation of a governance manual and a new policy surrounding the assessment of investigative and hearing costs. Council also made progress in each of the key areas defined in its strategic plan. Further information with respect to these goals and the successes achieved under each one are outlined in this year's annual report.

There was an extraordinary number of disciplinary decisions issued in 2017/2018 including 12 hearings held as part of Council carrying out its tribunal role. Disciplinary decisions ranged from conduct-related issues to failing to complete continuing education. Council addressed cheating and collusion on the LLQP qualification exam, which resulted in a number of disciplinary decisions, and the robustness of the LLQP exam was strengthened as a result. Some new licensees failed to complete the Council Rules Course before completing their first annual filing. Council issued a significant number of disciplinary decisions which led to a review and change for this course requirement. Further details on new licensees and disciplinary action are included later in this report under "By the Numbers" outlining other trends in the industry.

The 2017/2018 fiscal year was also a period of transition as Council hired its new Executive Director, Janet Sinclair, to replace the retiring Executive Director, Gerry Matier. I have no doubt that she will continue to provide excellent leadership to Council alongside the new incoming chair Ken Kukkonen and his vice chairs in the 2018/2019 year.

Executive Director Message



I am delighted to have joined Council this year as its Executive Director. Much of my first few months have been spent gaining a greater understanding of how Council carries out its functions, learning the nuances of the insurance business, and meeting our many stakeholders. I am grateful to the members of Council, staff, our licensees, and our stakeholders for their willingness to share their thoughts and knowledge with me.

In 2016, Council created a strategic plan with six areas of focus. The following pages will walk you through some of the key activities we have initiated over the past fiscal year to move these objectives forward.

A priority has been the implementation of tools and mechanisms to simplify and enhance interactions between licensees and Council. The introduction of an online form and credit card payments made it easier for licensees to manage their annual licence filings this year. Development of a new website with improved navigation and content has also been a major focus.

We have also started work to update our regulatory processes. Council is participating in a national review of licensing requirements and much effort has been put into strengthening exam procedures. The strategic plan also looks to improve Council's internal organizational infrastructure. Several oversight committees have been created for this purpose.

Enhanced engagement with the Financial Institutions Commission and the Ministry of Finance has allowed for greater understanding and collaboration on our shared objectives. We also continue to listen and learn from licensees, industry representatives, and other regulators including our provincial colleagues.

I truly believe that most people want to do the right thing and it is the regulator's job to help make that happen through education and compliance systems that make sense. Progressive regulators work with their licensees and stakeholders to protect the public.

In the year ahead, we will continue to review and improve how we carry out our regulatory responsibilities and to advance our technological capabilities. We look forward to your input.

Strategic Plan

Council's Purpose

Council protects the public by ensuring licensed insurance agents, salespersons and adjusters act within a professional framework, which promotes ethical conduct, integrity, and competence.

Success

In order to fulfill Council's purpose, the following is performed with excellence:

Licensing

Ensure that licences are only issued to those applicants who have demonstrated they are competent, trustworthy, financially reliable, and intend to carry on the business of insurance in good faith and in accordance with the usual practice.

Policy

Monitor industry changes and licensee practices, and develop policies, when appropriate, to ensure the public's interest is best served and that licensees understand their duties and responsibilities.

Enforcement

Exercise Council's authority to discipline licensees under the *Financial Institutions Act* in order to deter and penalize misconduct; educate stakeholders on the requirements; and maintain the public's confidence in Council as a regulator.

Administration

Ensure Council's operations are structured in a manner that supports its reporting obligations, its responsibility to service stakeholders, and the day to day functions carried out by staff.



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.

General Insurance Licence Qualification Review

Council representatives are participating on a national committee to develop recommendations for a harmonized general insurance licensing education curriculum and standard for all Canadian jurisdictions. It is believed that establishing a standard level of competency for general insurance licensees would not only assist in increasing consumer protection, but also enhance professionalism in the industry and lead to development of a common professional knowledge base. In addition, it would further reduce potential barriers to labour mobility. The committee has developed its terms of reference as well as a project plan. It has also identified key stakeholders who will be consulted throughout the project.

Life Licence Qualification Program (LLQP)

New national Life Licence Qualification Program (LLQP) exams were launched in January 2018. At this time security measures for the exams were also enhanced. These exams are the standard qualification exam for life and accident and sickness insurance agents in Canada. A comprehensive investigation determined that the exams had been compromised in British Columbia due to cheating and colluding by a few examinees. As a result Council required 231 examinees to rewrite new versions of the exams (out of a total of 1,942 examinees who wrote exams in 2017/2018) and the licences of 13 life and accident and sickness insurance agents were cancelled. The disciplinary process is still underway for this matter.

Council Rules Course

The Council Rules Course was implemented on March 1, 2016 as a requirement for all new licensees to complete prior to submitting their first annual filing. While the goal was to ensure that all new licensees were aware of the Council Rules, there was a significant number of licensees that did not complete the course prior to submitting their first annual filing, which resulted in disciplinary decisions. Council revisited the purpose behind this course and decided to make the Council Rules Course a pre-licensing requirement effective March 1, 2019.



Strategic Initiative 2

Applicant/Licensee Education Requirements

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

Certification

Council approved a new certification course for Level 1 general insurance salespersons, offered through the Insurance Brokers Association of BC, and approved the Real Estate and Mortgage Institute of Canada Inc. as a new course provider for the Harmonized Life Licence Qualification Program for life and/or accident and sickness insurance agents.

Supervision Requirements

On September 1, 2012, Council established a mandatory supervision requirement for all new life and/or accident and sickness insurance agents. The requirement stipulated that new agents be supervised for a minimum of 24 months by a qualified supervisor.

In monitoring compliance with this requirement, Council has determined further guidance on what supervision entails is necessary to help ensure the public is adequately protected when interacting with newly licensed and supervised licensees.

The New Life Agent Supervisor Task Force was created to review the current supervision requirements and to determine whether modifications are required and if so, recommend changes to Council. The Task Force anticipates presenting their recommendations to Council in the fall of 2018.



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.

During 2017/2018, Council embarked on the creation of a strategic information technology plan that will allow Council to plan and resource technological improvements. The goal of these improvements is to make the public and licensee's interactions with Council easier and more efficient.

The new website design was started in January 2018 and the launch of the new website is planned for June 2018.

The 2018 filing season was the first time that credit card payments were offered as an alternative to cash, cheque, and money order. Feedback received from the industry indicated that this was a positive change.

Strategic Initiative 4

Long-Term Talent Management Strategy

Hire and maintain a strong staff component.

Council's new Executive Director, Janet Sinclair, joined Council on November 1, 2017 following the retirement of the outgoing Executive Director, Gerry Matier, on October 31, 2017.

Several changes occurred at the Council staff level this year, including the expansion of the investigations department to include two new investigators.

Council recruited for an in-house legal counsel to manage the disciplinary process and to act as Council's privacy officer. Council also recruited for a Manager, Human Resources and brought an information technology consultant on board to assist with technological strategic planning.



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.

On August 1, 2017, Council issued a Request for Comment to the industry with respect to an amendment to Rule 5, which would have allowed Council to increase its fee maximums. The maximum amount that can be assessed for Council's fees is stipulated in Rule 5, which had not been amended since 2006.

While the Minister of Finance declined Council's request to amend Rule 5 at this time, these discussions with the government were beneficial and provided insight as Council undertakes a review of its current funding model.

To ensure that Council remains financially sustainable and able to carry out its regulatory responsibilities, licensing filing fees were increased by $50. This increase is within the current maximum allowed by Rule 5 and allowed Council to approve a balanced budget following two years of $1M+ operating deficits.

In the spring of 2018, Council contracted an external consultant to conduct a financial process review. This review found Council's financial systems and controls to be adequate. A number of recommendations to enhance Council's systems were made and work to implement these recommendations is underway.

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.

As per the *Financial Institutions Act*, the voting members of Council meet no later than every five weeks. At these meetings, policy and governance matters and disciplinary/licensing cases are discussed. Council also receives an update on major operational activities that have occurred since the last meeting.

At its August 2017 meeting, Council implemented two new oversight committees: the Regulatory Audit Committee and the Governance Committee.

The Regulatory Audit Committee reviews a random selection of closed licensing and compliance files in order to ensure appropriate action by staff.

The Governance Committee was tasked with facilitating the appointment and reappointment process of members, as well as the creation of a governance manual that would contain all of the policies and procedures that govern how Council fulfills its mandate. Part of the governance manual included the development of a skills matrix that was completed by all voting and non-voting Council members. Based on the feedback received, Council was able to see where its strengths lay in terms of representation from the industry as a whole and where recommendations could be made to government during the appointment process.



By The Numbers

Licensing

June 1, 2017 to May 31, 2018

Total licences as of May 31, 2018

Corporate Licences

Licence Class	Active	Inactive	Suspended
Life and Accident and Sickness Agencies	2,478		10
Accident and Sickness Agencies	17		
General Agencies	994		2
Adjusting Firms	83		
Restricted Travel Agencies/Sole-Proprietors	355		

Individual Licences

Licence Class	Active	Inactive	Suspended
Life and Accident and Sickness	16,455	735	65
Accident and Sickness	424	43	3
General	15,979	1,623	19
Adjuster	964	64	5



As of May 31, 2018 there were a total of 40,318 licences, which is a 1.83 percent increase over the previous year. As the number of applicants continues to increase, over the next year Council will focus on streamlining the licensing processes.

This will include working towards implementing an online self serve portal, which will allow applicants to apply online and licensees to update some of their licence information, such as address updates and licence changes. It is anticipated that these changes will result in reduced processing times and better service to applicants and licensees.

A total of 1,942 examination registrations were received, a total of 8,131 LLQP modules were written and 6,672 were passed this fiscal year. The vast majority of these exams were written in Vancouver.

Regulatory Services

June 1, 2017 to May 31, 2018

83 errors and omissions (E&O) audits conducted

70
closed no issue

1
referred to Council

5
closed with reminder letter

4
closed other [1]

3
open

140 continuing education (CE) audits conducted

73
closed no issue

3
referred to Council

12
closed with reminder letter

5
closed other [2]

47
open

Complaints

243 complaints received against individual licensees/agencies

90
general industry

88
life and accident and sickness industry

65
breaches of council rules

232 complaints closed

71
closed no issue

46
referred to investigations

68
closed with reminder letters

42
closed other [3]

5
referred directly to Council

[1] 4 closed other (i.e. licence terminated)

[2] 5 closed other (i.e. licence terminated)

[3] 42 closed other (i.e. not in Council's jurisdiction, complainant withdrew complaint, complainant did not respond to Council, insufficient evidence, licence terminated)

Investigation and Discipline

June 1, 2017 to May 31, 2018

40
investigation files carried forward from previous year

58
new investigations (38 life and accident and sickness industry and 20 general industry)

41
investigation files closed

56 disciplinary decisions (22 general industry and 34 life and accident and sickness industry)

- 12 hearings held
- 1 FST appeal of 7 Council decisions

$127,000
fines assessed

$27,000
assessed in investigative and hearing costs

$98,000
fines paid as at May 31, 2018

Top trends in nature of complaints resulting in disciplinary action:

- Cheating on qualification or upgrading exams
- Facilitating the bypassing of debt payments in order to process an Autoplan insurance transaction for a customer
- Breaching client confidentiality and privacy requirements
- Lack of response to Council inquiries

Top trends identified by inspections and audits indicating knowledge/practice gaps to be filled

- Failure to maintain required errors and omissions insurance
- Failure to complete the required continuing education credits
- Failure to notify Council of disciplinary action by another regulator or declare bankruptcy or criminal charges
- Representation to the public under a name that is different from that of the licence when conducting insurance business
- Failure to keep adequate records
- Failure to provide adequate policy renewal notice to consumers



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