Insurance Council
BRITISH COLUMBIA

Annual Report

2021 - 2022



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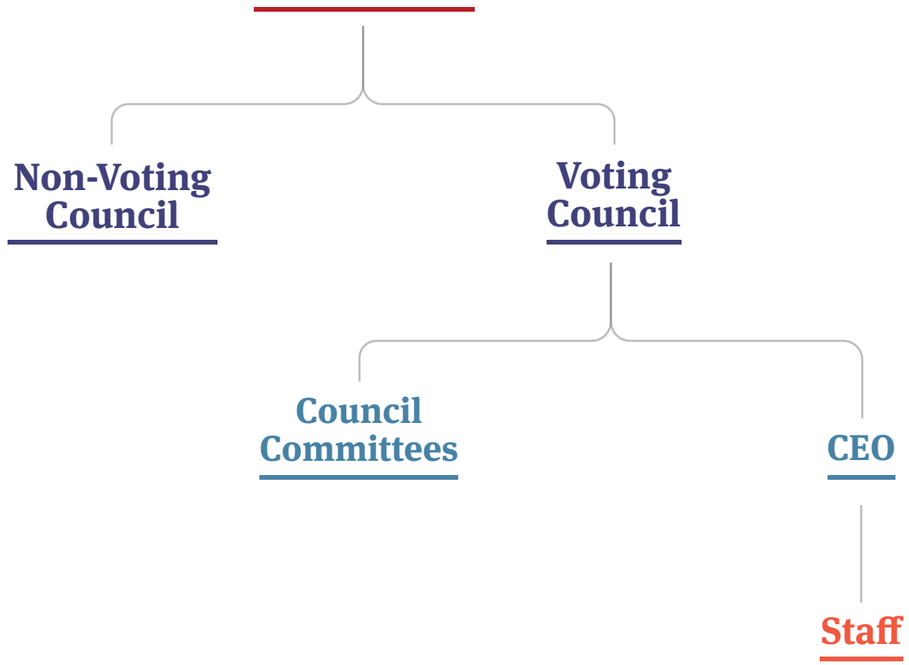
Who We Are

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 & 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



As the provincial regulator for more than 48,000 professionals working in the insurance industry, the Insurance Council of BC has a responsibility to the public and to licensees to ensure that oversight keeps pace with progress.

Our strategic plan is focused on modernizing insurance regulation—bringing the rules that govern licensing and practice up to date, aligning BC with international standards, and allowing space for industry innovation and excellence to occur.

In the past year, the Insurance Council developed regulatory guidance on several topics, making expectations clearer for licensees in meeting requirements. Practice guidelines were developed regarding the role and responsibilities of life insurance agencies, supervision of General Insurance Level 1 Licensees, and rebating. Notices were issued for these topics, as well as on the use of unauthorized insurers.

We remain committed to holding industry to high standards of competence and ethical practice. Increased enforcement capacity has yielded faster turnaround of complaint review and the opening of 108 new investigations, over double the year prior. Twenty-eight discipline decisions were issued, including suspension of eight licensees and cancellation of seven licences. Breaches resulting in disciplinary action were related to information management practices such as failure to safeguard information, false signatures and false witnesses, as well as unsuitable recommendations by licensees.

The Insurance Council participated in the Cullen Commission of Inquiry into Money Laundering in British Columbia, providing information about our organization's experience in addressing potential for money laundering in the insurance industry. The inquiry's final report commended the Insurance Council's anti-money laundering efforts and encouraged the provincial government to provide additional support for this work, including consideration of our recommendations for legislation.

We continued to make progress on modernizing the Insurance Council's Rules, remaining responsive to what licensees and stakeholders are telling us about industry practice.

What we heard in consultation regarding a permanent change to Rule 6(1)(b) regarding location restrictions on General Insurance Level 1 Salesperson licences prompted us to seek additional information via follow-up consultation. Ultimately, this led us to revise the proposed rule amendment, removing the location restriction entirely, permitting level 1 licensees to work offsite. Rule 5 was amended this year to implement a more sustainable and equitable funding model, recognizing differences between individual and corporate fees, and raising the proportion of insurer fees to redistribute the costs for funding industry oversight.

Industry and public representatives contributed to the Insurance Council's regulatory activities through participation in focus groups and practice advisory, oversight and compliance committees. We strengthened governance, transparency and oversight—this year, Council approved a new Risk Management Policy and updates to the policies for Council Member Code of Conduct, Assessing Investigation Costs and Hearing Costs, Review Committee Terms of Reference, and Hearing Guidelines, among others.

As Chair, I'm pleased to share within the pages of this report more details of the progress that members of Council and staff, our licensees and stakeholders have all contributed to. As we end the second year of our strategic plan, we continue to build on our momentum.

- Karl Krokosinski, Chair



Message from the CEO



The Insurance Council's mission is to provide proactive regulatory leadership that ensures qualified, competent, and ethical professionals meet British Columbians' insurance needs.

Over the past year, we have had the privilege to work with licensees, industry, government and other stakeholders in bringing this mission to life guided by our strategic plan.

A major focus of the plan is ensuring that regulatory tools are clear, transparent and effective, and that they serve the public interest. To that end, we have worked to review and modernize qualifications for licensure through development of competency frameworks that will be used to set education and experience requirements. We thank the committee of senior insurance professionals that worked with an expert on the framework for General Insurance Level 1 Salespersons and to those who participated in focus groups and surveys to validate the competencies.

Another significant initiative that is underway is the development of a restricted licence regime. When these licences are eventually issued, they will authorize licensed businesses to sell insurance incidental to the sale of their primary non-insurance product or service. Determining the types of products and businesses, and the regulatory processes for this new licence type is a complex and challenging undertaking.

The response to the updated Council Rules courses, which are now being offered directly by the Insurance Council, has been very positive.

These courses, along with educational webinars on a variety of regulatory topics and a growing list of practice guidelines, help build licensees' awareness and understanding of regulatory requirements.

Practice audits are another tool being used to ensure licensees understand their regulatory obligations. Auditors work with licensees to support ongoing adherence to a variety of regulatory requirements. In addition, compliance audits for continuing education (CE) and errors and omissions insurance continued to be carried out. In the coming months, the Insurance Council will be accrediting course providers to further improve understanding of what qualifies as CE.

Improving access to the Insurance Council's services is also an ongoing priority. This year, the online licence application process was expanded to include agencies and firms, and the scheduling and writing of online life licensing qualification exams were enhanced. We recognize that fair and unbiased processes are essential in professional regulation. Council members and staff have received diversity, equity and inclusion (DEI) training to further build our understanding and help identify areas for growth and improvement.

Finally, we know that strengthening relationships and engaging with industry and other partners in regulation enables informed and effective decision-making. Strata insurance, home warranty, online auto insurance sales, product charges and sales incentives, flood and fire response, and anti-money laundering are just some of the areas where we have collaborated and benefited from the knowledge of others.

This work, and what you will read about in the following pages, is carried out by a team dedicated to serving the public interest. Our Council members provide countless hours serving on practice and conduct committees and in oversight of the organization, and we are sincerely grateful for their insight and support. I also have the privilege of working with staff colleagues who tirelessly focus on how we can do things better. Together we will continue to advance and support the regulation of an industry that is critical to the wellbeing of British Columbians.

- Janet Sinclair, CEO





This year marked the end of the second year of our three-year (2020-2023) strategic plan. The strategic plan is focused on 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 continues its work to carry out the objectives of these four goals. Due to the dynamic nature of the insurance industry, we prioritized the review of regulatory guidance and engaged with our stakeholders to make changes that align with international standards and deliver on our public protection mandate.

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

Modernizing our regulatory framework

The Insurance Council continues to update its Council Rules, which are in place to establish licence conditions and requirements for all licensees in addition to the requirements set out in the provincial *Financial Institutions Act* and other legislation. The Council Rules Review Initiative is a multi-year project to ensure the Rules are keeping pace with an evolving industry and are aligned with current practices and international standards.

Since the first set of public consultations launched in 2021, rule amendments have been approved to update the Insurance Council fee structure, making it more reflective of the actual costs of oversight and more financially sustainable. This includes the more equitable redistribution of fees for all licence classes. A permanent amendment to Rule 6(1)(b) has also been approved to permit General Insurance Level 1 Salespersons to work remotely, which was integral during the COVID-19 pandemic.

Stakeholder consultations have also been completed for another set of proposed changes in eight different topic areas to further modernize the Rules, providing greater clarity, direction and consumer protection. Feedback and amendments are under Council review to determine next steps for these proposed changes.



Creating clear guidance for licensees for better understanding and adherence

With a shifting insurance landscape and as part of the strategic plan, the Insurance Council regularly reviews, updates and develops practice guidelines to help licensees meet their regulatory requirements.

In accompaniment to changes to Rule 6(1)(b), guidance for the supervision of General Insurance Level 1 Salespersons has been updated to clarify the Insurance Council's expectations for agencies, nominees and agents on supervision requirements. The *Guidelines for Supervision of General Insurance Level 1 Salespersons* were created to better support licensees to ensure that the supervision requirements are understood for salespersons working offsite and that they have the tools to successfully carry out their duties without compromising customer protection.

Following stakeholder consultations, new guidelines were published for life insurance agencies to address inconsistent compliance practices in the sale of insurance that can negatively impact consumers. The *Guidelines for Life Insurance Agencies* laid out roles and responsibilities more clearly to avoid ambiguity and ensure fair business practices.

Aligning regulatory practices to international standards

In 2021, the Insurance Council implemented a practice audit program beginning with general insurance licensees. The program now includes life and accident & sickness insurance. Licensees are randomly selected for annual audits to ensure they are maintaining appropriate practice standards when conducting insurance business. Additionally, in accordance with the International Association of Insurance Supervisors (IAIS), declaration statements have been included as part of the annual licence renewal process. IAIS is the global standard-setting body responsible for developing principles, standards and guidance for the supervision of the insurance sector. The declarations are a process to confirm that licensees are aware of their duties by acknowledging they have met their licensing requirements. This inclusion is a way for licensees to take accountability for understanding their obligations as a licensed insurance professional and allows Insurance Council staff to support licensees in addressing any non-compliance.

Continuing Education Accreditation Program

Insurance Council licensees are expected to continually develop their skills through learning and training on an annual basis by completing curricula that meet technical and practice requirements outlined in our *Continuing Education (CE) Guidelines*. We have heard from licensees that they want more definitive direction on what training and content meet CE requirements.

In response, the Insurance Council has developed a CE Accreditation Program that will support licensees by providing them with up-to-date lists of approved courses and course providers. Applications to become an accredited course provider or an accredited course will be accepted in 2022 and reviewed by newly formed accreditation committees made up of industry professionals. The CE Accreditation Program is anticipated to fully launch in 2023 and will be made available to licensees for the upcoming licensing year.

Goal 2

Regulatory oversight that protects consumers and enables industry innovation

Improving licensee awareness of regulatory obligations

In Spring 2022, the Insurance Council launched a new version of the Council Rules Course. Previously offered by third-party course providers, the updated version now available through the Insurance Council includes recent changes to the Rules and information about other important regulatory policies and guidelines. By offering the course in-house, timely updates can be made to course content, ensuring new licensees are presented with the most up-to-date information while offering existing licensees a refresher course to sharpen their knowledge.

Developing competency standards for professionals entering a career in general insurance

The Insurance Council identified a need to review entry-level industry standards in the general insurance sector. Work is currently underway to develop a competency framework for entry-level qualifications and professional standards for general insurance salespersons. Consultations have taken place to gather feedback on the competency framework and will be presented to the General Insurance Practice Committee, a group of senior general insurance professionals, for consideration.

Licences limited to the sale of specific products

The Insurance Council ceased issuing new product-specific limited licences in March 2021. We have been working with the Ministry of Finance and BC Financial Services Authority (BCFSA) to support the implementation of amendments made in 2019 to the *Financial Institutions Act* that would enable a new restricted licence framework. This new proposed licence would allow corporate entities to apply for a restricted licence that permits their unlicensed employees and representatives to sell specific insurance products under the corporate licence. The timeline for these licences to be available is uncertain as we continue to work with government to align with the development of a new framework.

Anti-money laundering

The Insurance Council continues to be vigilant in recognizing ways insurance transactions may be used in criminal activities. Last fiscal year, input was provided to the Cullen Commission, an inquiry into money laundering in BC, which will be included in their final report with recommendations. The Insurance Council has also been named as an associate partner in the RCMP-led Counter Illicit Finance Alliance of British Columbia. The status allows the Insurance Council to draw upon the expertise and experience of each partner agency and facilitate the flow of timely, relevant and high-quality information to help respond to issues and make money laundering more difficult.

InsurTech

As more services and products are made available online, insurance is no exception, and we foresee this trend to continue. Therefore, there must be further consideration of how consumer protection can be maintained when purchasing insurance products online and throughout the lifecycle of the insurance policy. The Insurance Council has been examining InsurTech activities in BC and is working with other regulatory partners, including the BCFSA and Ministry of Finance, to share research and collaborate on methods to support the regulation of online insurance sales.



Goal 3

Enhanced ability to support insurance consumers, licensees and government



Impacts of climate change and disaster recovery

Extreme weather due to climate change has become the new reality. Parts of BC was hit with massive flooding displacing residents and disrupting businesses in late 2021. Communities were anxious to rebuild and recover losses through their insurance policies. In anticipation of an unprecedented number of claims, the Insurance Council acted quickly to help accelerate the claims process by expediting adjuster licensing and offering a temporary adjuster licence.

Consumer resources were also created, detailing how to recover losses and providing information about insurance claims and coverage in the event of a natural disaster. These were made available on the Insurance Council website and shared with stakeholders. We have also been liaising with government partners at Emergency Management BC to continue discussions on emergency response related to wildfires, as well as working with them during the flooding event. Insurance is more important than ever with fluctuating weather patterns drastically impacting the lives of British Columbians. Through our work, we continue to support government and industry disaster recovery efforts so affected residents can return to their daily lives as soon as possible.

Strengthening partnerships to create sound insurance regulation

With a direct line to licensees who interact with consumers, the Insurance Council is in a position to provide valuable expertise to government as a trusted partner with a unique perspective on industry and regulatory matters. Through interactions with various government agencies, we have been able to provide insight for consumer protection and assist in consumer access to resources in catastrophic events. We also work with other regulatory partners in the province (such as ICBC and BCFSA) and our provincial counterparts and industry associations across Canada to share insights and collaborate on emerging issues in the industry through regular working group meetings.

Engaging stakeholders to improve practice and services

Input from our licensees, stakeholders and regulatory partners continues to inform the Insurance Council's work. Consultation played an essential role in the development of supervision guidelines for General Insurance Level 1 Salespersons, the competency framework for general insurance salespersons, the *CE Accreditation Program Guidelines* and amendments to Council Rules. In early 2022, the Insurance Council conducted a survey in which licensees were asked about their communication preferences and what information and services they want to receive and are most important to them. Over 1,800 individuals participated, providing robust demographic representation. Results will be analyzed to put forth actionable items to increase engagement and keep licensees informed, as well as modernize our services to better cater to licensee needs.



Goal 4

Efficient and effective access to the Insurance Council's services

Modernizing organizational funding for a sustainable future

Following Minister of Finance approval, the Insurance Council implemented modernizing changes to its funding model this licensing year for the first time in more than 10 years. The new model distinguishes between fees for individual and corporate licences and includes an increase to insurer fees, resulting in more equitable redistribution of oversight costs. This new more sustainable funding model supports enhanced regulatory oversight necessary for the dynamic growth and rapid innovation occurring in the insurance industry.

Building an online learning platform

Based on the success of last year's introductory webinars for new life, accident & sickness insurance agents and General Insurance Level 1 Salespersons, we continued to offer these webinars and made recorded versions available for licensees to access at any time through our new Learning Management System (LMS), a web-based platform for course registration and learning. The introduction of the LMS will allow us to develop more regulatory education tools for licensees to easily access in the future as we continue to grow our CE program.

Technology infrastructure

A digital transformation project is underway to review current business processes, as well as anticipating future needs. Focus has been put on replacing the current database platform with more advanced technology that can adjust to changing demands. This multi-year project will also look at other web-based upgrades to allow licensees the ability to access and update information, as well as creating more automation in regulatory processes to increase efficiency.

Cybersecurity

The ease and increase of interactions and transactions online have intensified incidences of cybercrime. The Insurance Council recognizes the threat of a cyber attack and continues to address and manage technological risks in a manner essential to maintaining effective operations. We regularly identify existing and emerging risks and work to ensure that appropriate action plans are made to manage and mitigate these risks. This year, we paid particular attention to assessing risks related to data protection through the use of external objective security testing and through the development of a formal incident response procedure. As a result of security testing, immediate and appropriate investments in our IT infrastructure were made to further safeguard data and assets from emerging threats.



44,430
individual licences

4,476
corporate licences

Insurance Council by the Numbers

Licensing

Total Licensees

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

June 1, 2021 - May 31, 2022 — **48,906**

7.4 %
increase over last year

Licence Applications

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

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

June 1, 2021 - May 31, 2022 — **7,830**

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

Life and Accident & Sickness

21,524	Active
1,317	Inactive
3	Suspended

Accident & Sickness

421	Active
50	Inactive
0	Suspended

General

17,990	Active
2,130	Inactive
5	Suspended

Adjuster

888	Active
102	Inactive
0	Suspended

Life and Accident & Sickness Agencies

3,041	Active
12	Suspended

Accident & Sickness Agencies

21	Active
0	Suspended

General Agencies

1,021	Active
3	Suspended

Adjusting Firms

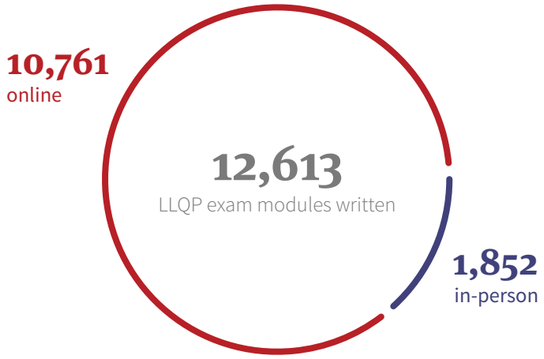
84	Active
0	Suspended

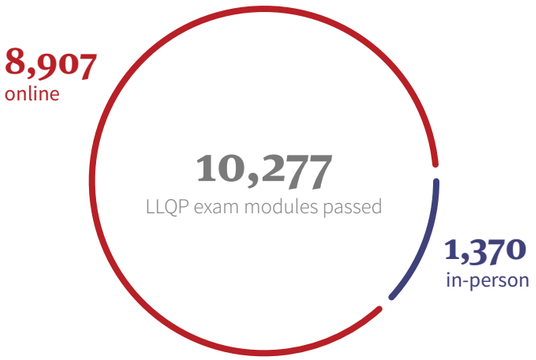
Restricted Travel Agencies/Sole-proprietors

294	Active
0	Suspended

LLQP Exams







Webinars



4
live webinars hosted

1,201
attendees



1,103
registrations for recorded webinars



3
annual licence renewal tutorials hosted

471
attendees

Audits

To ensure licensees are in compliance, the Insurance Council audits and verifies that licensees' annual renewal declarations and continuing education (CE) requirements are met, as well as ensuring that licensees have the required errors and omissions (E&O) insurance coverage.

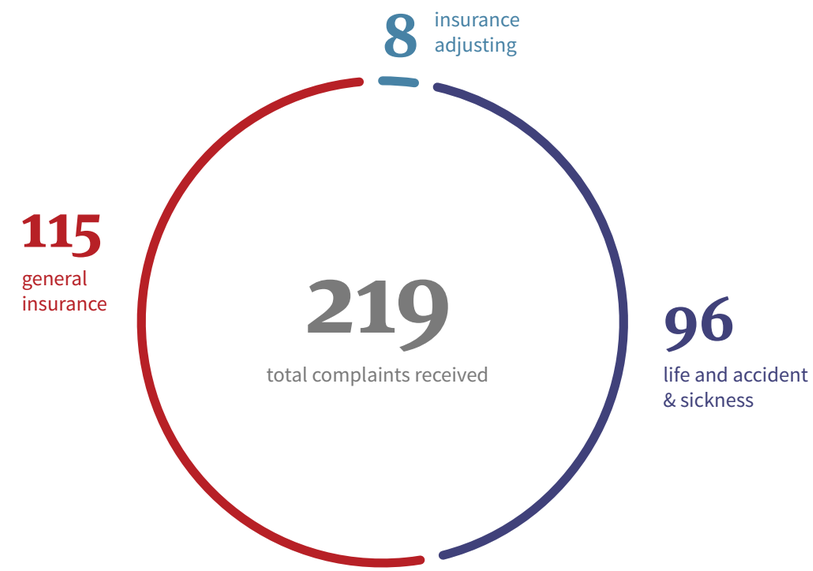
432
CE, annual renewal declaration, and E&O audits conducted

142
general insurance agency and individual life insurance agent practice audits conducted

Complaints

June 1, 2021 – May 31, 2022

Complaints by Business Practice



<90
days average time to review complaints

164
complaints closed

Investigation and Discipline

June 1, 2021 – May 31, 2022

Top trends in complaints resulting in disciplinary action

- Breaches related to information management, which include failure to safeguard information, false signatures and false witnesses
- Unsuitable recommendations by agents

70 investigations carried forward

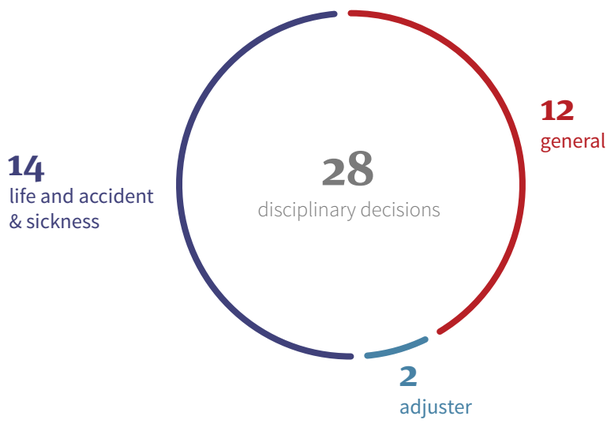
47 investigations closed

New Investigations Opened

June 1, 2020 – May 31, 2021 — **52**

June 1, 2021 - May 31, 2022 — **108**

Disciplinary Decisions



8 licensee suspensions

7 licence cancellations

Fines

$66,000
in fines assessed

$58,334
in assessed investigative and hearing costs

$43,400
in fines paid

$49,946
in investigative and hearing costs paid

Financial Review

The Insurance Council's financial position remained stable as of 2022 fiscal year end. The current revenue stream mainly from annual licence renewal and application fees was sufficient to support operations as the organization continues to grow its staff to achieve its strategic goals and mandate. The Insurance Council will have to continue to exercise sound and prudent financial management in the upcoming year to ensure adequate resources to support its operations and to manage and minimize potential financial risks from external factors.

The audited financial statements for the fiscal year ending May 31, 2022, include the Insurance Council's financial position, statement of operations, statement of changes in net assets and statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The preparation of the financial statements is the responsibility of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Insurance Council's June 1, 2021 – May 31, 2022 financial statements have been audited by the independent firm Smythe LLP and are available on our website: insurancecouncilofbc.com/annualreport.





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