Insurance Council
BRITISH COLUMBIA

Annual Report

2022 - 2023





Table of **Contents**

04

Governance

06

Message from the Chair

08

Message from the CEO

10

Strategic Plan

12

Goal 1

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

14

Goal 2

Regulatory oversight that protects consumers and enables industry innovation

16

Goal 3

Enhanced ability to support insurance consumers, licensees and government

18

Goal 4

Efficient and effective access to the Insurance Council's services

20

Insurance Council by the Numbers

26

Financial Review

Governance

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

Government

- **Non-Voting Council Members**
- **Voting Council Members**
  - **Council Committees**
  - **Chief Executive Officer**
    - **Staff**



Message from the Chair



For the last three years, the Insurance Council's strategic plan has provided a roadmap for our transition from an organization focused on more local and immediate regulatory concerns, to one more forward-looking, broader and holistic in our approach to public protection.

As we close out our strategic plan for 2020–2023, as Chair, I am delighted to highlight the progress we've made in the last year.

By positioning the Insurance Council to meet current and future regulatory needs arising from global shifts in industry and consumer trends, we can best serve the public interest and support our licensees. To that end, our work has focused on aligning regulatory practices to meet international standards; modernizing regulatory oversight to protect consumers without stifling innovation; increasing the efficiency and effectiveness of Insurance Council services; and increasing our ability to support stakeholders.

Through the Council Rules Review Initiative, we are modernizing the framework under which insurance intermediaries are regulated to ensure relevance. We brought forward rule updates in six areas including: nominee and level 3 agent qualifications, compliance with continuing education requirements, conflicts of interest in strata insurance, clarifications for requirements for names and business registration, as well as for direct supervision requirements.

Throughout this work, engagement with our stakeholders has been a critical part of the Insurance Council's process when developing regulatory policy to ensure that our approach is practical. Informed by what we heard in consultation, we withdrew a proposed rule change, revised other proposed amendments, and conducted additional consultation.

We continued to make progress on the development of a competency framework for general insurance, identifying standardized skillsets required for licensure.

We're establishing a strong foundation for licensing qualifications that can contribute to harmonization and consistency, aligned to international standards of practice and regulation.

Enormous energy has gone into the development of a restricted licence for the sale of incidental insurance products. We've been tasked by the provincial government to put in place a licensing framework for the regulation of these insurance sales to support implementation of amendments to the *Financial Institutions Act*. Significantly, the creation of a new licence will enhance the protection of consumers purchasing these products. To date, we've worked on the development of licensing criteria, and gathered preliminary feedback on performance requirements.

Furthermore, we are committed to ensuring that we are doing the things necessary for the Insurance Council to carry out its regulatory role with stability and continuity. This has meant prioritizing cybersecurity and operational contingency planning, but also observing and enhancing governance and responsible financial management processes and risk management policies that are in place.

Finally, I want to express my appreciation to my fellow Council colleagues and staff. Public protection is a team effort—to be successful it requires meaningful contributions from diverse people across industry, professional regulation and the community. I commend the work that's been done by the team to modernize the Insurance Council's processes, policies and practices.

As the Insurance Council embarks on a new strategic plan for 2024–2026, I am confident that it is well positioned for the road that lies ahead.

- Chamkaur Cheema, Chair





Message from the CEO

As the regulatory body charged with overseeing the licensing, practice and conduct of over 50,000 BC insurance licensees in the public interest, it is crucial that the Insurance Council continually assesses and modernizes how it carries out this responsibility.

This year, we have continued our journey in enhancing regulatory oversight that protects consumers while enabling industry innovation, engaging with industry partners to understand and facilitate better consumer outcomes, and ensuring that those who need the Insurance Council's services are able to access them in an efficient, effective and fair manner.

We have been reviewing and updating our qualification requirements to ensure that those who receive a licence meet expected ethical standards and are effectively trained to practice in an insurance industry that is quickly evolving. A number of rules and policies have been amended to reduce the complexity and improve transparency of licensing processes making them easier to understand and removing unnecessary regulatory burden. Work has also been underway on the development of a restricted licence regime which will regulate the sale of specific insurance products that are incidental to a vendor's primary business.

Our practice support function continues to grow as the Insurance Council practice team responds to as many as 800 inquiries a month from licensees and consumers. These inquiries, as well as matters observed through licensee practice audits, inform the development of rules, policies, practice guidance and education courses, which support licensees to better serve their clients and meet their regulatory obligations.

Significant effort has been made this year to support licensees' understanding of and compliance with continuing education (CE) requirements through the development of a new CE accreditation program, webinars and a new rule.

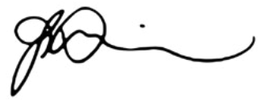
These additional tools help build licensees' competence and give confidence that expected requirements are being met.

With an increasing number of licensees, we continue to see growth in the number of complaints received and the number of investigations conducted. These cases are often complex and involve conduct that has caused public harm. Efforts are ongoing to ensure a timely resolution to these cases while maintaining a fair process for all involved.

Effective regulation requires the input of many stakeholders, and we continue to have ongoing dialogue through formal and informal consultations with licensees, industry, government, other regulators and the public. These important conversations help to identify unintended consequences allowing the Insurance Council's regulatory oversight to more effectively meet its mandate of public protection. This is also a key focus of the Insurance Council's 2024–2026 strategic plan which was developed this year and took effect June 1. While much of what is in the new plan carries forward the work started with the 2020–2023 strategic plan, there is increased focus on harmonizing requirements with other Canadian jurisdictions and ensuring that our services are equitable, inclusive, and accessible by all.

The work to advance a regulatory environment that engages all only moves forward due to the industry stakeholders who willingly provide insight into improving service and regulatory practices; the dedication of our Council members who devote significant time and effort providing oversight, guidance, and support; and my staff colleagues who deliver the organization's vision every day. I am grateful to everyone for their contributions.

- Janet Sinclair, CEO





This was the final year wrapping up our three-year strategic plan. The work leading up to the culmination of the 2020–2023 strategic plan was 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 meets British Columbians' insurance needs.

Over the past three years, the work the Insurance Council has completed aimed to meet the objectives of the below four goals to address the challenges of regulating the conduct of and services provided by licensees in a dynamic insurance industry. As the 2020–2023 strategic plan comes to an end, our organization has evaluated its achievements and the insurance landscape to devise the next three-year plan to ensure it aligns with international regulatory standards and upholds public protection.

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 Insurance Council services.

Priority
Drive operational effectiveness.

Goal 1

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

Updating regulatory rules to meet an evolving insurance landscape

The Council Rules Review Initiative is a multi-year project to update the Insurance Council Rules to keep pace with an evolving insurance industry and align with current practices and international standards. This project is a huge undertaking and continues to be fundamental to the work that we do.

Stakeholder feedback is integral to the project. In Spring 2022, proposed changes in eight different topic areas were introduced. These updated rules provide better clarity and direction for licensees that include compliance with mandatory education for nominees, publicly transparent and proper representation of licensees and their business, and direct supervision requirements. Amendments to the initial set of changes relating to licence renewal and nominee qualifications were subject to further consultation to address licensee concerns.

These rule changes are designed to help ensure greater public protection, as well as thorough understanding and adherence to standardized practices. The final package of proposed rule amendments was later approved by the Minister of Finance with implementation dates in 2023 and 2024.



Updating procedures to ensure compliance with licensing requirements

To implement recently approved changes to Rule 4(4), updates to the annual licence renewal procedure were introduced this year that required licensees to have confirmed they met their annual continuing education (CE) and errors and omissions (E&O) insurance requirements prior to renewing their licence. Live webinars were held to support licensees in understanding their annual CE and E&O requirements and the changes in licence renewal procedure. These webinars were recorded and made available for those unable to attend the live sessions. Licensees who viewed the live or recorded sessions on CE requirements and CE guidelines during the renewal season period earned CE credit.

Accrediting courses to boost licensee assurance in taking courses that meet CE criteria

The Insurance Council launched a CE Accreditation Program in 2022, beginning by opening applications to those interested in becoming an accredited course provider, and later expanding to individual accredited courses. The program was created to support licensees by making it easier to identify courses that are eligible to meet their annual CE requirements.

Course offerings become Insurance Council-accredited through appointed evaluation committees, which include industry professionals. These accreditation committees verify applicant courses are meeting specific criteria that build professional training and knowledge for licensees. The program is designed to expand and provide an up-to-date list of accredited courses that licensees can confidently take knowing that they meet technical and practice requirements outlined in the Insurance Council's CE Guidelines.

Developing education tools to enhance knowledge of management responsibilities

To support the implementation of the updated Insurance Council Rule related to nominee qualifications, we developed a new course to clarify the existing responsibilities of a nominee, introducing standardized training. This new course, which will be delivered in two streams (general insurance and adjusters; life and accident & sickness (A&S) insurance), is a prerequisite for individuals seeking appointment as a nominee at an agency or firm, and nominees seeking appointment to a different agency.

All new nominee appointments are required to complete the course starting in August 2023, and existing nominees can opt to take the course for CE credit and refresh their knowledge of their role as a nominee.

Goal 2

Regulatory oversight that protects consumers and enables industry innovation

Developing a restricted insurance licensing regime

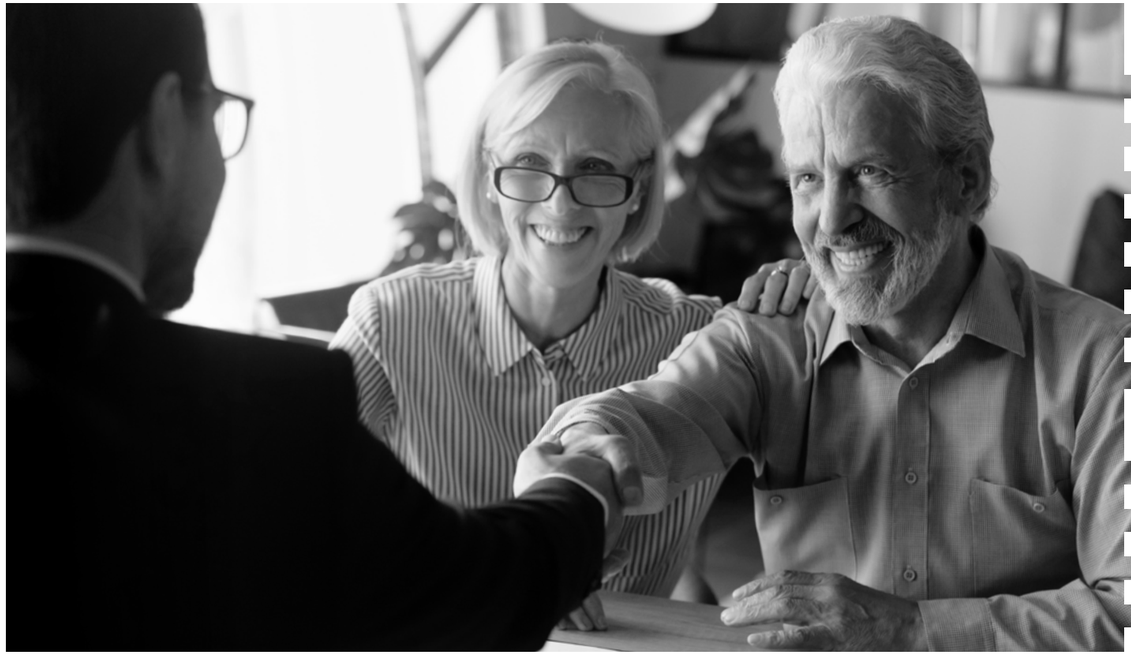
In 2019, the Province introduced amendments to the *Financial Institutions Act* to enable a restricted insurance licence framework in BC—this will apply to organizations that sell incidental insurance products. In response, we are working on a restricted licensing regime that will include the development of a competency framework and licensing requirements. We are currently engaging with key regulatory and industry stakeholders to gain their unique perspective to support the development of this new regime.

Creating standardized skills for entering the insurance industry

The growing insurance industry plays an impactful role in the lives of British Columbians and it is increasingly important to modernize professional standards to enter the industry. The Insurance Council has taken on the task of developing entry-level qualification standards for licensure and has completed base competencies for level 1 general insurance salespersons. Work on harmonizing these standards with other Canadian jurisdictions continues. Ensuring new insurance licensees have a standardized base-level skillset will increase public protection and confidence in the industry. Launch and implementation of the general insurance competency framework in BC is anticipated in late 2025.

Maintaining the quality of LLQP exams

In response to the COVID-19 pandemic, the Insurance Council quickly moved to administer the Life Licence Qualification Program (LLQP) exams online to minimize disruption. With the State of Emergency lifted and COVID-19 no longer classified as a global pandemic, we reevaluated the quality of the online examination process and made the decision to return to administering all LLQP exams in-person. The conclusion was made with the goal of ensuring the security and integrity of the examination process. Following the discontinuation of offering LLQP exams online, we will be adding more in-person exam locations within BC to increase accessibility.



Combatting financial crime through partnering in anti-money laundering initiatives

We continue to be vigilant in recognizing ways insurance transactions may be used in criminal activities. This fiscal year, the Cullen Commission, an inquiry into money laundering in BC, issued their final report with recommendations we have been considering and working with government to implement. We are also continuing work as an associate partner in the RCMP-led Counter Illicit Finance Alliance of British Columbia. The partnership allows us to draw upon the expertise of each member agency, and facilitates the flow of timely, relevant and high-quality information to help respond to issues and make money laundering more difficult.

Advancement of technology in the insurance industry

Technological innovation is rapidly changing the way consumers interact with insurance products and the Insurance Council is working to understand these changes to ensure consumers are adequately protected. We are researching the usage of InsurTech in BC compared to global trends, as well as consulting with industry representatives. The aim of our work is to ensure the Insurance Council strikes the appropriate balance, applying regulation without stifling innovation within the industry.



Goal 3

Enhanced ability to support insurance consumers, licensees and government

Building strong partnerships to protect the public interest

Communication and engagement with stakeholders are key priorities for the Insurance Council as a means to ensure the development of effective regulation and support building strong working relationships. Stakeholder feedback has been sought and considered on major initiatives, such as the new restricted licensing regime, level 1 general insurance competency framework, amendments to Council Rules, and licensees' communication preferences. Engaging with our stakeholders is integral as the work that we do affects licensees, the public, other regulators and partners, and we require their input to consider regulation that is fair while putting consumer protection at the forefront.

Working with government on emerging issues and ensuring regulatory alignment

Building strong relationships with government is important to the Insurance Council to address key and emerging issues in the insurance industry in BC, as well as working in tandem to respond to emergency situations arising from natural disasters that have become our new reality. The Insurance Council regularly meets with government officials to discuss shared interests in enforcement, emergency management, and effective regulation. We work with government to align our regulatory practices with the *Financial Institutions Act* and seek approval for updates to the Insurance Council Rules.

Collaboration to support effective insurance regulation

Collaboration with other regulatory bodies allows us to draw upon the experience of our regulatory counterparts. The Insurance Council is an active member of the Canadian Insurance Services Regulatory Organizations (CISRO) and has engaged with our regulatory colleagues on topics such as the development of general insurance licensing requirements, LLQP exam integrity, segregated funds compensation, life insurance replacement disclosure, up-front compensation in the life insurance industry, as well as participating in the CISRO Consumer Awareness Working Group, who coordinates strategic national efforts to raise consumer awareness of insurance issues.

Insurance Council staff regularly engage with other provincial agencies (e.g., BCFSA, ICBC) to collaborate on matters of common interest. This includes input on changes to the insurance marketplace, best terms pricing and researching emerging trends in insurance distribution.

Goal 4

Efficient and effective access to the Insurance Council's services

Effective operations that support regulatory functions

It is our responsibility to ensure the business operations that support and enable our regulatory work are efficient, forward-looking and financially sustainable.

In the preceding years of this strategic plan, we built a long-term financial plan and completed a comprehensive records management process review. In this final year, we continued our work on business resilience and contingency planning, and carried out major work on technology service improvements.

What we've accomplished during the last year demonstrates our commitment to meeting the standards of operation that the public and licensees expect of us.

Planning for business resilience and cyber risk

To better consider risks and recovery activities relevant to us, we updated our business continuity plan to reflect the Insurance Council's hybrid work environment.

Cybersecurity has also been a priority, and in the last year we have carried out testing and remediation activities to assess and address potential vulnerabilities in our IT systems. Protocols for responding to cyber incidents were fully implemented and a cyber security awareness training program for the organization was launched.

Technology improvements to licensing services

We have undertaken significant work to develop web-based tools and functionality that make it easier to access Insurance Council services.

To increase the efficiency of licensing processes and to enable easier access to licensing services, we rolled out a number of improvements and features in the Insurance Council's online portal. This included the creation of a licence summary for use by licensees, functionality for online application for trainee registrations, functionality to allow applicants to respond to outstanding requirements directly through the online portal, as well as the ability to future date changes to authority to represent (ATR). Further improvements being released soon include functionality to allow licensees to initiate licence amendments, changes to name or nominees, changes to supervision, and resignations.

Renewing our technology infrastructure

Work progressed on a major multi-year project, the Digital Transformation Project, which will involve the eventual transition from the current licensee database to a new platform that can more effectively support the Insurance Council's technology ecosystem. This project's work on process analysis and future state visioning has concluded, and selection of the new platform is now in progress.





46,605
individual licences

4,564
agency/firm licences

Insurance Council by the Numbers

Licensing

Total Licensees

June 1, 2021 – May 31, 2022 — 48,906

June 1, 2022 - May 31, 2023 — 51,169

4.6%
increase over last year

Licence Applications

June 1, 2020 – May 31, 2021 — 7,213*

June 1, 2021 – May 31, 2022 — 7,830

June 1, 2022 - May 31, 2023 — 8,131

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

Life and Accident & Sickness

22,770	Active
1,487	Inactive
3	Suspended

Accident & Sickness

474	Active
51	Inactive
0	Suspended

General

18,799	Active
2,020	Inactive
4	Suspended

Adjuster

909	Active
88	Inactive
0	Suspended

Life and Accident & Sickness Agencies

3,163	Active
11	Suspended

Accident & Sickness Agencies

24	Active
0	Suspended

General Agencies

1,010	Active
1	Suspended

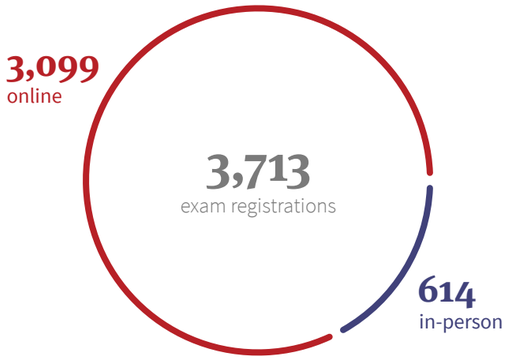
Adjusting Firms

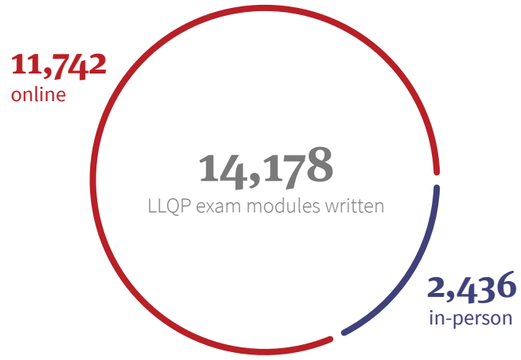
73	Active
1	Suspended

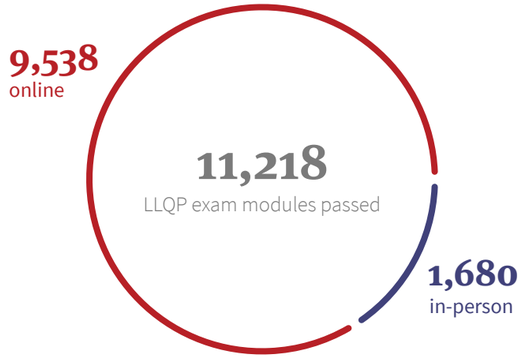
Restricted Travel Agencies/Sole-proprietors

281	Active
0	Suspended

LLQP Exams







Webinars



2
live webinars providing CE credits hosted

1,432
participants



3
recorded webinars providing CE credits hosted

2,440
participants



3
live annual licence renewal tutorials hosted

211
participants

Courses

Council Rules Course Registrations

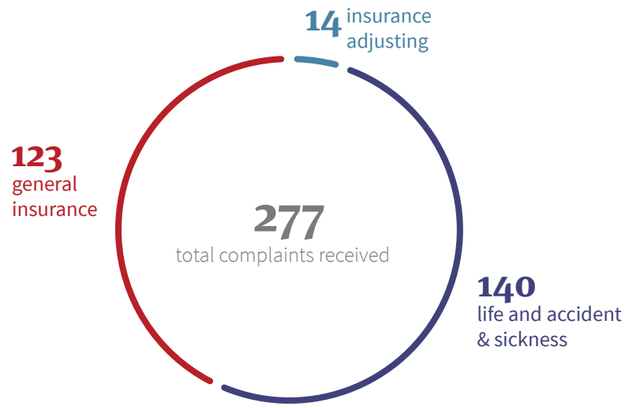
3,708 General Insurance Agents, Adjusters and Salespersons

4,358 Life and/or Accident & Sickness Agents

Complaints

June 1, 2022 – May 31, 2023

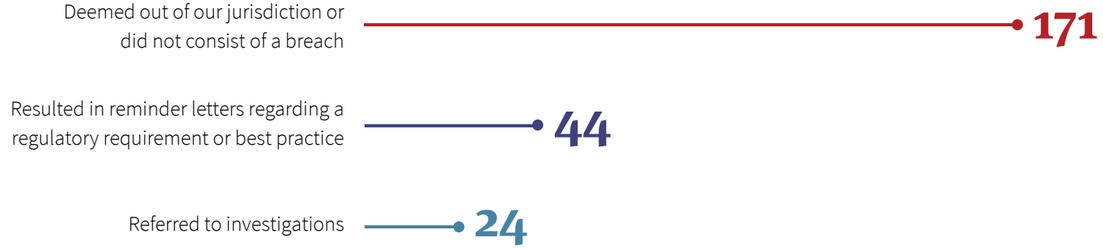
Complaints by Business Practice



239 complaints closed

49 days average to resolve complaints

Reasons for complaint closure



Audits

To ensure licensees are in compliance, the Insurance Council audits and verifies licensees' understanding and compliance with their licence and practice requirements. Compliance audits verify a licensee is meeting regulatory requirements such as their continuing education (CE) requirements, errors & omissions (E&O) insurance requirements, annual licence renewal declarations or other licensing requirements. The Practice Audit Program aims to support licensees by proactively reviewing licensee practices, addressing potential issues before complaints are received and providing feedback and practice guidance so licensees can ensure they are meeting their requirements.

539 CE, annual licence renewal declaration, E&O and other rule related compliance audits conducted

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

2 accredited course provider education audits conducted

Investigation and Discipline

June 1, 2022 – May 31, 2023

Top trends in complaints resulting in disciplinary action

- Breaches related to information management, which includes failure to safeguard information
- Unsuitable recommendations by agents
- Fraudulent transactions

133 investigations carried forward

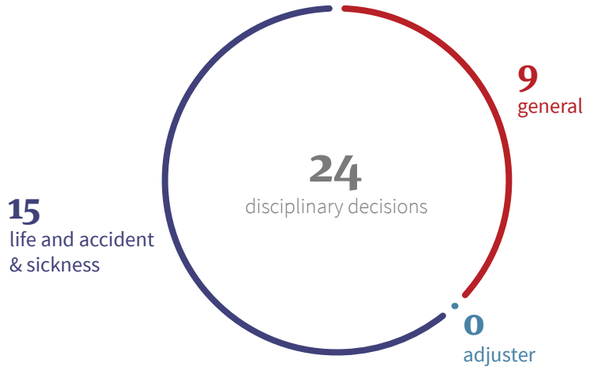
96 investigations closed

New Investigations Opened

June 1, 2021 – May 31, 2022 — **108**

June 1, 2022 - May 31, 2023 — **76**

Disciplinary Decisions



9 licensee suspensions

2 licence cancellations

Hearing and Appeals

Licensees may request a hearing to dispute all or part of an intended decision/disciplinary action. If a licensee disagrees with the Insurance Council's final decision as a result of a hearing, they can appeal to the Financial Services Tribunal, an impartial body that provides an independent appeal process.

1 hearing concluded

1 Financial Services Tribunal review concluded

Fines

A new policy was implemented in 2023 that provides guidance on effective recovery of fines and costs owed to the Insurance Council that may also include external services for collection along with an internal recovery plan.

$109,500
in fines assessed

$85,457
in assessed investigative and hearing costs

$19,500
in fines paid

$47,154
in investigative and hearing costs paid

Financial Review

The Insurance Council's financial position continued to be stable as of the 2023 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 to achieve its strategic goals and mandate. With prudent spending, the Insurance Council continues to build its reserves to allocate resources for various major initiatives such as the Digital Transformation Project.

The audited financial statements for the fiscal year ending May 31, 2023, 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 is overseen by the Finance and Audit Committee. These statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Insurance Council's June 1, 2022–May 31, 2023 financial statements have been audited by the independent firm Smythe LLP and are available on our website: insurancecouncilofbc.com/annualreport.





1400-745 Thurlow Street, Vancouver, BC V6E 0C5
insurancecouncilofbc.com