



Alberta
Insurance
Council

ANNUAL REPORT

2019

Working
together
for every
Albertan

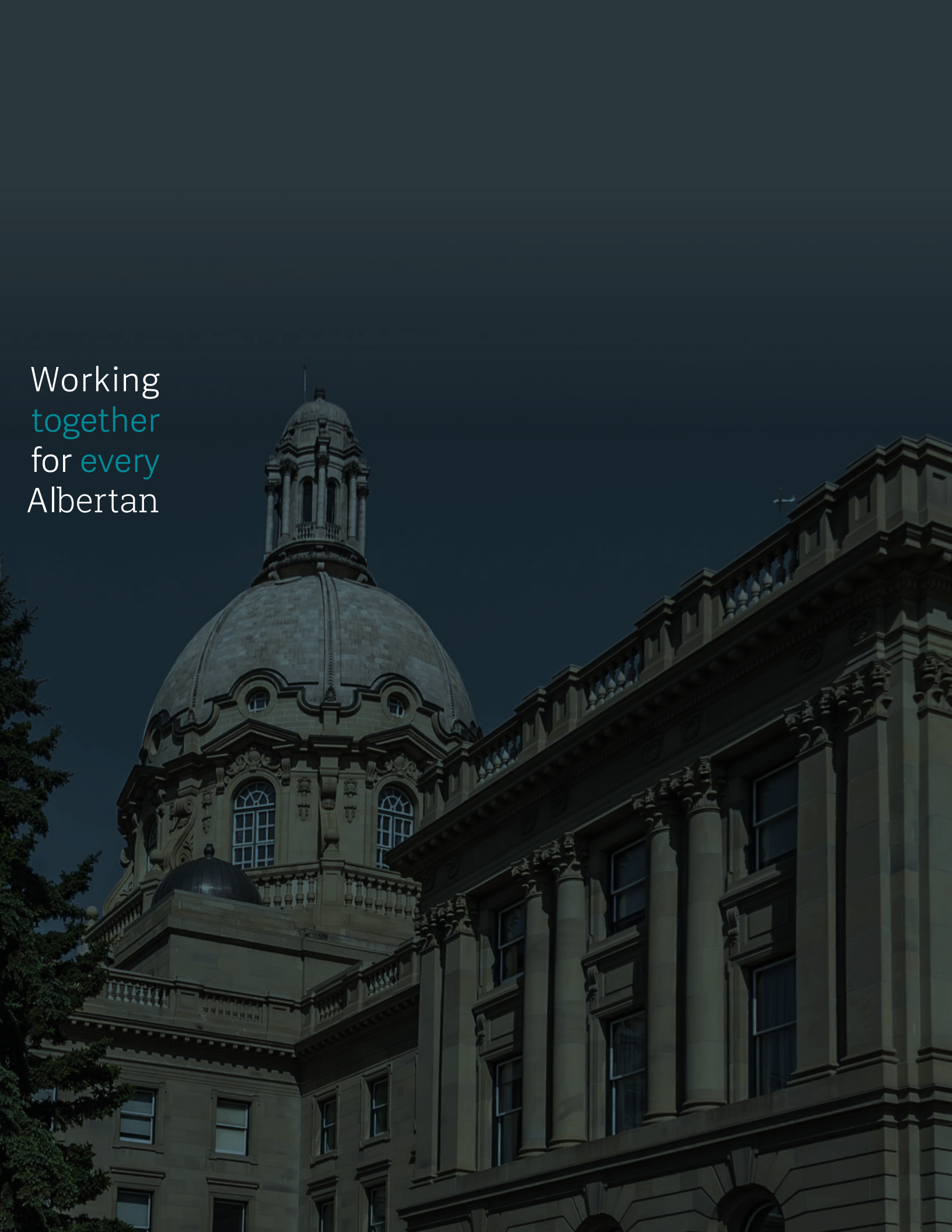


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Report of the Chair 2019

The Alberta Insurance Council's role is to be the insurance industry's intermediary regulator, and as such, we are not an advocacy group. Rather, our focus is on ensuring professionalism in the industry and protecting the consumer. Council members recognize that good governance is key, and we are committed to continuous improvement in order to achieve this.

In 2019, the Council began a shift in focus. We have changed the format of our meeting agendas so that we focus on measuring our progress toward achieving the organization's Strategic Plan, before routine matters are considered. Our view is that Council members' primary responsibility is the future of the organization, whereas the present operations of the organization is the primary responsibility of Management, obviously, with Council oversight.

Related to this heightened 'future focus', in 2019 AIC held a Strategic Planning workshop, facilitated by an expert consultant. The workshop, attended by Council members and key senior Management, took place on September 5, 2019 in Edmonton. The refreshed Strategic Plan is structured around desired changes and improvements over the next 2-5 year period.

Closely related to the Strategic Plan, is an increased focus on Risk. AIC's last complete risk review was several years old, so a new Enterprise Risk Management (ERM) Policy was developed with the assistance of a specialist consultant. The goal was to take an enhanced approach to assessing risk. The new policy was developed with staff input, and was led by AIC's Executive Management with the risk consultant's input to develop, under Audit Committee oversight. The main risk areas of focus which were identified are; Strategic, Governance, Operational and Financial.

The other major topic that the Council focused on in 2019, was the Single Financial Sector Regulator (SFSR) that has been discussed over the past few years (wherein several government agencies, as well as AIC, would be combined into one body). AIC was very concerned that we were not a logical fit for this initiative.

In order to make our concerns known, we requested meetings with the new Deputy Minister of Treasury Board and Finance, the Associate Minister of Red Tape Reduction, as well as the new Minister of Finance, and his Chief of Staff. Subsequent to those meetings, we were very pleased to learn that the UCP government would not be pursuing the SFSR at this time.

Further, at those meetings, AIC expressed a desire to open a dialogue with the Government of Alberta regarding the proposal of a new status for the AIC. The Minister of Finance invited AIC to put proposals forward in writing concerning our desired rule-making authority and self-regulation. This we will do in 2020.

The AIC Council members are looking forward to 2020, and making significant progress toward achieving our Strategic Plan.

Respectfully submitted,

Michael (Mick) Howden, CPA, CMA
 Chair, Alberta Insurance Council April 2020

Members of the Councils 2019



Michael Bibby, *Chair*

Life Insurance Council

name

Michael Bibby
Jim Brownlee
Wilma Slenders
Tammy Couillard
Andy Freeman
Gregg Strynadka
Miles Weatherall

position

Chair
Vice Chair
Vice Chair
Secretary
Member
Member
Member

representing

Life Agents
Life Companies, Term Expired
Public
Life Companies
Life Companies
Life Agents
Public



Amanda Sawatzky, *Vice Chair/Chair*

General Insurance Council

name

Catherine Cake
Amanda Sawatzky
Tisha Doyle
Ross Bucsis
Helene Wood
Janice Sabourin
Thom Young
Charlotte Fizer
Robert Bhatia
Elizabeth Hak

position

Chair
Vice Chair/Chair
Secretary
Member
Member
Member
Member
Member
Member
Member

representing

Insurance Brokers, Term Expired
Direct Writers
Insurance Brokers
Insurance Brokers
Insurance Brokers
Direct Writers
Insurance Brokers, Term Expired
General Insurers
Public
Public

Members of the Councils 2019 (continued)



David Hicks, *Chair*

Insurance Adjusters' Council

name	position	representing
David Hicks	Chair	General Insurers
R.V. (Bob) Pearson	Vice Chair	Adjusters
Barry Bittner	Member	Adjusters
Lisa Evren	Member	Public



Michael (Mick) Howden, *Chair*

Alberta Insurance Council

name	position	representing
Michael (Mick) Howden	Chair	Public
David Hicks	Vice Chair	Insurance Adjusters' Council
Michael Bibby	Secretary	Life Insurance Council
Amanda Sawatzky	Member	General Insurance Council
Hilary Rose	Member	Public

The Alberta Insurance Council is composed of one member appointed by each of the industry Councils and two appointed public members

It is my pleasure to present the Annual Report of the Alberta Insurance Council (AIC) for the year ending December 31, 2019.



Report of the Chief Executive Officer 2019

Throughout 2019, the AIC continued the dialogue with government regarding the proposed creation of a Single Financial Sector Regulator (SFSR) and the proposed amalgamation of the three industry specific Councils — the Life Insurance Council (LIC), the General Insurance Council (GIC), the Insurance Adjusters Council (IAC) — and the AIC into the SFSR. The AIC met with the President of Treasury Board and Minister of Finance and the Associate Minister of Red Tape Reduction to promote a structure that allowed the Councils to maintain their responsibilities to certify, license and regulate insurance agents, brokers and independent adjusters in Alberta. AIC was pleased to receive assurance from government that this initiative would not proceed and that the Councils' independence would continue.

2019 marked the 30th anniversary of the AIC. In 1989, the AIC issued 14,395 Certificates of Authority. Today it issues over 60,000 Certificates of Authority annually. The AIC is proud to be part of such a strong and vibrant industry and pleased to provide superior services to the industry it regulates and to all Albertans.

Amendments to the Insurance Agents and Adjusters Regulation in 2019 allowed the GIC to approve courses and examinations it determined to be equivalent to the educational standards and examinations established by the Council. The GIC also initiated a training validation protocol which was launched in October 2019 and mandatory as at January 1, 2020. These initiatives have proven valuable in raising the success rate on the entry level examinations for General insurance agents.

The insurance industry is changing. New insurance products are continually being introduced into the marketplace. More complex lives mean more insurable risks and therefore new insurance products. Meanwhile, complaints from insurance consumers and the investigation and compliance processes that arise from them must be handled fairly, effectively and efficiently.

The AIC needs to position itself strategically to continue to effectively protect insurance consumers in Alberta. To do this, the AIC needs to develop its own rules, processes and standards. This will be a primary focus for the AIC moving forward and a new Strategic Plan for 2020-2023 was developed to reflect this focus.

As I write this report, the world around us is in the grip of a global pandemic caused by the Coronavirus (COVID-19). The effects of this pandemic will be devastating on many fronts. The AIC will continue to be available to all of our stakeholders during these difficult and unprecedented times. Stay well. Stay safe.

I would like to take this opportunity to thank the many members of the Councils, past and present, for their dedication, expertise and service. I would also like to thank the staff of the AIC for their ongoing commitment to excellence in service to the industry and all Albertans.

Joanne Abram, ICD.D, GPC.D

Chief Executive Officer April 2020

Appendix A Examination Statistics

Life and Accident & Sickness Insurance

Ethics and Professional Practice

Given	4,104	
Passed	3,448	84%
Failed	656	16%

Ethics and Professional Practice — Quebec

Given	25	
Passed	13	52%
Failed	12	48%

Life Insurance

Given	3,628	
Passed	2,957	82%
Failed	671	18%

Accident and Sickness Insurance

Given	4,184	
Passed	3,401	81%
Failed	783	19%

Segregated Funds and Annuities

Given	3,911	
Passed	2,878	74%
Failed	1,033	26%

*Total Life Council Examination Modules: 15,852

* Candidates must successfully complete four modules: Life Insurance, Accident and Sickness Insurance, Segregated Funds and Annuities, and Ethics and Professional Practice in order to qualify for Certificates of Authority to transact Life Insurance and Accident and Sickness Insurance. The successful completion of two modules; Ethics and Professional Practice and Accident and Sickness Insurance, entitles a candidate to apply for a Certificate of Authority to transact Accident and Sickness Insurance.

General Insurance

Level 1

Given	1,919	
Passed	765	40%
Failed	1,154	60%

Level 2

Given	972	
Passed	335	34%
Failed	637	66%

Level 3

Given	77	
Passed	31	40%
Failed	46	60%

Total General Council Examinations: 2,968

Insurance Adjusters

Level 1

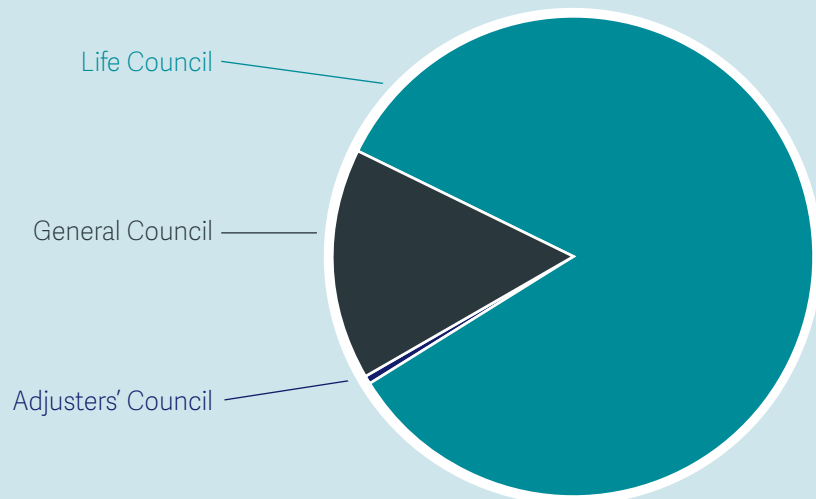
Given	103	
Passed	41	40%
Failed	62	60%

Total Adjusters' Council Examinations: 103

January 1 – December 31, 2019 – Total Module/Examinations: 18,923

Appendix A Examination Statistics (continued)

Examination Statistics



Appendix B Certificates Active at December 31, 2019

Life Insurance Council

Life	D/R	2,357
Life	Agent	15,451
Life	Corporate	2,358
Accident & Sickness	D/R	2,343
Accident & Sickness	Agent	15,306
Accident & Sickness	Corporate	2,344
Travel Agency	Restricted	493
Funeral Services Business	Restricted	70
Automobile Dealership for Credit Related	Restricted	561
Deposit Taking Institution for Credit Related	Restricted	45
Deposit Taking Institution for Group Travel	Restricted	11
Transportation Company (Travel)	Restricted	1
Sales Finance Company for Credit Related	Restricted	224
Personal Accident Type	Restricted	5
Equipment Dealer for Credit Related	Restricted	200
Total Life Insurance Council Certificates:		41,769

General Insurance Council

General Insurance Agent	Level 3 (D/R)	1,101
General Insurance Agent	Probationary	11
General Insurance	Level 1	900
General Insurance Agent	Level 1	6,613
General Insurance	Level 2	315
General Insurance Agent	Level 2	6,216
General Insurance Agent	Corporate	1,103
Automobile Dealership, Equipment Warranty	Restricted	686
Equipment Dealer (Equipment Warranty)	Restricted	203
Equipment Dealer (GAP)	Restricted	61
Freight Forwarding Company	Restricted	2
Hail – Agent	Restricted	128
Hail – D/R	Restricted	23
Hail – Agency	Restricted	23
Livestock – Agent	Restricted	15
Livestock – D/R	Restricted	3
Livestock – Agency	Restricted	3
Automobile Dealership (GAP)	Restricted	370
Total General Insurance Council Certificates		17,776

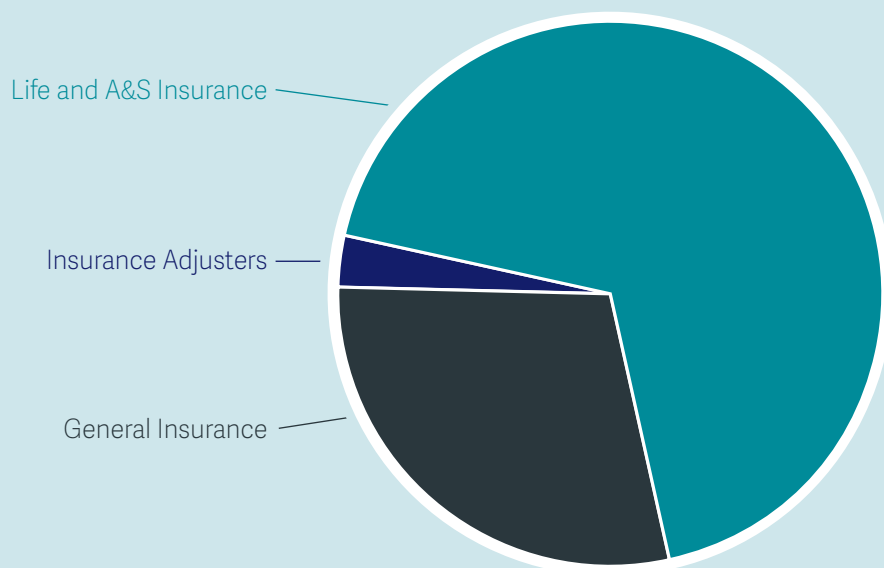
Appendix B Certificates Active at December 31, 2019 (continued)

Insurance Adjusters' Council

Adjusters	Level 3 (D/R)	80
Adjusters	Level 3	295
Adjusters	Level 2	148
Adjusters	Level 1	470
Adjusters – Corporate	Corporate	80
Restricted Hail Adjusters	D/R	3
Restricted Hail Adjusters	Corporate	3
Restricted Hail Adjusters	Adjuster	97
Restricted Equipment Warranty Adjuster	D/R	12
Restricted Equipment Warranty Adjuster	Corporate	12
Restricted Equipment Warranty Adjuster	Adjuster	55
Restricted Travel Adjuster	D/R	20
Restricted Travel Adjuster	Corporate	20
Restricted Travel Adjuster	Adjuster	522
Total Insurance Adjusters' Council Certificates:		1,817

Total Certificates: 61,362

Certificate Distribution by Class of Insurance



Appendix C

Statistics

for all

Councils

	General	Life	Adjusters	Total
Total Number of Case Files Carried Forward From 2018	33	87	1	121
Total Number of Case Files Opened In 2019	105	411	13	529
Total Number of Case Files	138	498	14	650
Total Number of Case Files Closed In 2019	118	380	13	511
Total Number of Case Files Carried Forward to 2020	20	118	1	139

Licensing Decisions by Councils

Action	General	Life	Adjusters
Licenses Issued or Retained	13	81	1
Licenses Refused	1	21	1
Total Licensing Decisions	14	102	2

Disciplinary Action Taken by Councils

Action	Adjusters	General	Life
Guilty – No Sanction Imposed	0	0	0
Guilty – Additional Education Ordered	0	0	0
Civil Penalty	0	8	25
Suspension and Civil Penalty	0	0	1
Revocation and Civil Penalty	0	0	1
Total	0	8	27

Appendix D

Life Insurance

Council

Closed Files

Conduct/Misconduct	41
Not Substantiated	30
Civil Penalty	1
Suspension and Civil Penalty	1
Revocation and Civil Penalty	1
Administrative Caution	6
Reported to Other Authority	1
Investigative Inquiry	1
Unlicensed Solicitation	22
Not Substantiated	11
Civil Penalty	4
Administrative Caution	6
Reported to Other Authority	1
Holding Out	19
Not Substantiated	11
Administrative Caution	8
Non-Disclosure	54
Not Substantiated	47
Administrative Caution	5
Civil Penalty	1
Combined to Another Case	1
CE Audit Related	45
Not Substantiated	2
Administrative Caution	25
Civil Penalty	18
E&O Audit Related	199
Not Substantiated	104
Administrative Caution	94
Civil Penalty	1
TOTAL	380

* The above statistics relate to files closed, not to files opened in 2019.

Appendix E

General Insurance Council

Closed Files

Conduct/Misconduct	66
Not Substantiated	51
Civil Penalty	4
Administrative Caution	10
Combined to Another Case	1
Unlicensed Solicitation	2
Not Substantiated	1
Administrative Caution	1
Holding Out	1
Administrative Caution	1
Non-Disclosure Issues	2
Not Substantiated	1
Civil Penalty	1
CE Audit Related	8
Administrative Caution	5
Civil Penalty	3
E&O Audit Related	39
Not Substantiated	14
Administrative Caution	25
TOTAL FILES CLOSED	118

* The above statistics relate to files closed, not to files opened in 2019.

Appendix F Insurance Adjusters' Council Closed Files

Conduct/Misconduct	1
Not Substantiated	1
E&O Audit Related	12
Not Substantiated	7
Administrative Caution	5
TOTAL FILES CLOSED	13

* The above statistics relate to files closed, not to files opened in 2019.



Appendix G

Appeals to the Insurance Councils Appeal Board (ICAB) and Court of Queen's Bench of Alberta

In 2019, twenty-five (25) Notices of Appeals were put before the Superintendent of Insurance. The Insurance Councils Appeal Board of Alberta (ICAB) convened, and the disposition of those matters are as follows:

Number of Appeals	Decision
11	Council Decision Upheld ¹
3	Council Decision Varied ²
4	Council Decision Overturned ³
3	Appeal Discontinued ⁴
3	Carried forward ⁵
1	Rejected ⁶

Subject Matter Overview

Number of Appeals	Overview
3	Appeals of General Insurance Council decisions in relation to disciplinary matters
6	Appeals of Life Insurance Council decisions in relation to disciplinary matters
13	Appeals of Life Insurance Council decisions in relation to the issuance, retention or the renewal of an insurance Certificate of Authority
3	Appeals opened in 2019 have yet to be heard as of December 31, 2019

¹ **Upheld:** Insurance Councils Appeal Board of Alberta (ICAB) agreed with the decision of the Council

² **Varied:** New evidence was presented to ICAB which resulted in the variation of the Council decision

³ **Overturned:** The decision of the Council was undone, and a new decision was rendered

⁴ **Discontinued:** The appeal was withdrawn or abandoned by the Appellant following discussions with legal department

⁵ **Carried Forward:** Carried forward from previous years

⁶ **Rejected:** Rejected by the office of the Superintendent of Insurance

Appendix G

Appeals to the Insurance Councils Appeal Board (ICAB) and Court of Queen's Bench of Alberta (continued)

Detailed Overview

- Three (3) appeals before the Insurance Councils Appeal Board (ICAB) were negotiated on the terms of discontinuance of the appeal action; and
- One (1) appeal was rejected by the Superintendent of Insurance.

Actions before the Court of Queen's Bench of Alberta

Actions	Overview
Action 1	Filed in 2017 with the Court of Queen's Bench of Alberta and carried forward to 2019. No further advancement of this action as of December 31, 2019
Action 2	Filed in 2018 with the Court of Queen's Bench of Alberta and carried forward to 2019. The Action was withdrawn as of December 20, 2019



Appendix H

Errors & Omissions (E&O) Audits

Total E&O Providers 35

Agencies 1,559

Sole Proprietors 17,472

Total Audited 19,031

Life Licenses 5,522

Accident & Sickness (A&S) Licenses 5,299

General Licenses 7,703

Adjusters Licenses 507

Total Licenses Audited 19,031

Total Individuals Not Confirmed by Carriers 310

Results from Not Confirmed:

Total Pass 231

Total Fail 79

Appendix I

Continuing Education (CE) Audits

Life Licenses	1,008
Accident & Sickness (A&S) Licenses	1,038
General Licenses	567
Adjusters Licenses	40
Total Licenses Audited	2,653
Total Licensees Audited	1,200
Total Pass	1,188
Total Fail	12





Appendix J
Financial
Statements
2019





Financial Statements of

**ALBERTA INSURANCE
COUNCIL**

Year ended December 31, 2019



KPMG LLP
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Edmonton, AB T5J 0H3
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www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of Alberta Insurance Council

Opinion

We have audited the financial statements of Alberta Insurance Council (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors' Responsibilities for the Audit of the Financial Statements***” section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Alberta Insurance Council's Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Alberta Insurance Council's Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Original signed by

Chartered Professional Accountants

Edmonton, Canada

April 17, 2020

Alberta Insurance Council

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 4,943,658	\$ 5,730,121
Short-term investments (note 3)	6,048,996	3,999,998
Accounts receivable	51,210	37,257
Prepaid expenses	178,823	94,543
	<u>11,222,687</u>	<u>9,861,919</u>
Other assets	10,016	25,000
Capital assets (note 4)	577,892	726,681
	<u>\$ 11,810,595</u>	<u>\$ 10,613,600</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 488,359	\$ 442,055
Deferred license, assessment, and continuing education fee revenue (note 5)	3,176,700	2,878,608
	<u>3,665,059</u>	<u>3,320,663</u>
Asset retirement obligations (note 6)	115,457	113,931
Deferred rent and tenant inducements (note 7)	139,616	226,641
	<u>3,920,132</u>	<u>3,661,235</u>
Net assets:		
Invested in capital assets (note 8)	396,841	492,521
Internally restricted	1,300,000	1,300,000
Unrestricted	6,193,622	5,159,844
	<u>7,890,463</u>	<u>6,952,365</u>
Commitments and contingencies (note 9)		
	<u>\$ 11,810,595</u>	<u>\$ 10,613,600</u>

See accompanying notes to financial statements.

Hilary Rose
Chair, Audit Committee

Michael Howden
Chair, Alberta Insurance Council

Alberta Insurance Council

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
License, assessment, examination and continuing education fees	\$ 6,600,000	\$ 7,291,627	\$ 6,772,905
Interest and other	100,000	179,690	116,607
	<u>6,700,000</u>	<u>7,471,317</u>	<u>6,889,512</u>
Expenses:			
Manpower (note 10)	3,609,000	3,627,132	3,187,777
Occupancy and premises	812,000	757,818	751,437
Amortization of capital assets	325,000	325,126	317,738
Councils, boards and committees (note 11)	413,000	461,235	320,173
Software and computer	450,000	273,336	400,249
Office and administration	432,000	368,374	321,088
Professional fees	236,000	395,724	210,455
Communications	260,000	172,089	168,041
Travel	154,000	145,471	129,666
Loss on disposal of capital assets	-	6,914	316
	<u>6,691,000</u>	<u>6,533,219</u>	<u>5,806,940</u>
Excess of revenue over expenses	\$ 9,000	\$ 938,098	\$ 1,082,572

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Invested in capital assets	Internally restricted	Unrestricted	2019
Net assets, beginning of year	\$ 492,521	\$ 1,300,000	\$ 5,159,844	\$ 6,952,365
Excess of revenue over expenses	-	-	938,098	938,098
Net change in invested in capital assets (note 8)	(95,680)	-	95,680	-
Net assets, end of year	\$ 396,841	\$ 1,300,000	\$ 6,193,622	\$ 7,890,463
	Invested in capital assets	Internally restricted	Unrestricted	2018
Net assets, beginning of year	\$ 500,118	\$ 750,000	\$ 4,619,675	\$ 5,869,793
Excess of revenue over expenses	-	-	1,082,572	1,082,572
Net change in invested in capital assets (note 8)	(7,597)	-	7,597	-
Transfers to internally restricted	-	550,000	(550,000)	-
Net assets, end of year	\$ 492,521	\$ 1,300,000	\$ 5,159,844	\$ 6,952,365

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 938,098	\$ 1,082,572
Items not involving cash:		
Accretion of asset retirement obligation	1,526	762
Amortization of deferred tenant inducements	(54,635)	(54,635)
Recognition of deferred rent	(32,390)	(23,863)
Amortization of capital assets	325,126	317,738
Loss on disposal of capital assets	6,914	316
(Increase) decrease in accounts receivable	(13,953)	1,847
Increase in prepaid expenses	(84,280)	(25,925)
Decrease in other assets	14,984	16,500
Increase (decrease) in accounts payable and accrued liabilities	46,304	(135,832)
Increase in deferred license, assessment and continuing education fee revenue	298,092	68,839
	<u>1,445,786</u>	<u>1,248,319</u>
Investing activities:		
Purchase of capital assets	(187,081)	(306,836)
Purchase of Guaranteed Investment Certificates	(6,048,996)	(4,999,998)
Redemptions of Guaranteed Investment Certificates	3,999,998	1,000,000
Increase in asset retirement obligation	-	47,100
Proceeds on sale of capital assets	3,830	3,152
	<u>(2,232,249)</u>	<u>(4,256,582)</u>
Decrease in cash and cash equivalents	(786,463)	(3,008,263)
Cash and cash equivalents, beginning of year	5,730,121	8,738,384
	<u>\$ 4,943,658</u>	<u>\$ 5,730,121</u>

See accompanying notes to financial statements.

Alberta Insurance Council

Notes to Financial Statements

Year ended December 31, 2019

Authority and purpose:

The Alberta Insurance Council (the "Council") operates under the authority of the Insurance Act, Chapter 1-3, Revised Statutes of Alberta 2000, as amended. As a not-for-profit organization under the Income Tax Act, the Council is not subject to either federal or provincial income taxes.

The Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for enforcing the provisions of the Insurance Act and Regulations for their segments of the insurance industry.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including the 4200 standards which apply to government not-for-profit organizations. The Council's significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition. These financial assets are convertible to cash at the request of the Council.

(b) Revenue recognition:

License and assessment fees are recognized as revenue on a straight-line basis over the term of the license and assessment. Examination fees are recognized at the time the related exam is held. Continuing Education (CE) course approval fees are recognized upon submission to the Accreditation Committee. CE provider fees are recognized on a calendar year basis. License and assessment fees received but not yet recognized as revenue are recorded as deferred license and assessment fee revenue.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(c) Capital assets and amortization:

Capital assets are recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives as follows:

Asset	Rate
Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Computer software	3 - 7 years
Leasehold improvements	Term of lease
Telephone equipment	3 - 5 years

(d) Examination development costs:

Costs of development of examination questions are expensed as incurred.

(e) Tenant inducements, deferred rent and asset retirement obligation:

Tenant inducements associated with leased premises are amortized on a straight-line basis over the term of the related lease and recognized as a reduction of rent recorded in occupancy and premises expenses.

Rent expense is recognized on a straight-line basis over the lease term. Deferred rent comprises the aggregate difference in the rental expense incurred on a straight-line basis over the lease term and the actual rent charged.

The asset retirement obligation associated with leased premises is recorded at its discounted value, and is amortized over the term of the related lease. The associated accretion expense is included with occupancy and premises expenses.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(f) Internally restricted net assets:

The Council has established internally restricted net assets in the amount of \$1,300,000 (2018 - \$1,300,000) to fund capital asset additions and maintenance costs over the medium term.

(g) Contributed services:

The work of the Council is dependent on the contributed services of members. The value of contributed services is not recognized in these financial statements.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at cost.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. As the Council does not have any unrealized changes in fair value, a statement of remeasurement gains and losses has not been presented.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

1. Significant accounting policies (continued):

(h) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets and asset retirement obligations. Actual results could differ from those estimates.

(j) Change in accounting policies:

The Council has adopted the following accounting standards effective January 1, 2019: PS3430 *Restructuring Transactions*. The adoption of this standard did not have a significant impact on the Council's financial statements.

(k) Future accounting standard pronouncements:

The following summarizes upcoming changes to public sector accounting standards. In 2020, the Council will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, the requirements of PS1201 *Financial Statement Presentation*, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation* and PS3041 *Portfolio Investments* must be implemented at the same time.

Standard	Effective date (fiscal years beginning on or after)
PS1201 - Financial Statement Presentation	April 1, 2021
PS3450 - Financial Instruments	April 1, 2021
PS2601 - Foreign Currency Translation	April 1, 2021
PS3041 - Portfolio Investments	April 1, 2021
PS3280 - Asset Retirement Obligations	April 1, 2021
PS3400 - Revenue	April 1, 2022

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

2. Cash and cash equivalents:

Included in cash and cash equivalents is an amount of \$3,321,998 (2018 - \$4,505,867) invested in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed by the Government of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The average interest rate during the year ended December 31, 2019 was 1.87% (2018 - 1.63%).

3. Short-term investments:

Short-term investments consist of Guaranteed Investment Certificates (GIC's) with fixed annual interest rates ranging from 1.95% to 2.2%, and maturity dates ranging from June 2020 to June 2021.

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 457,164	\$ 361,857	\$ 95,307	\$ 97,371
Computer equipment	528,502	359,725	168,777	175,017
Computer software	831,657	705,609	126,048	171,177
Leasehold improvements	1,190,398	1,012,494	177,904	272,845
Telephone equipment	21,335	11,479	9,856	10,271
	\$ 3,029,056	\$ 2,451,164	\$ 577,892	\$ 726,681

5. Deferred license, assessment, and continuing education fee revenue:

	2019	2018
License	\$ 3,088,825	\$ 2,782,433
Assessment	81,375	82,125
Continuing education	6,500	14,050
	\$ 3,176,700	\$ 2,878,608

License terms commence July 1 and remain in effect until June 30 of the following year.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Asset retirement obligations:

The Council is required by the terms of its leases for premises in Edmonton and Calgary to remove improvements made to these premises upon termination of the leases. It is the opinion of management that it is highly probable that the Council will be required to remove improvements made to its Edmonton premises, and has recorded an asset retirement obligation and leasehold improvements for the discounted value of the estimated removal costs, using the discount rate of 1.8% (2018 - 1.87%). Amortization of \$6,029 (2018 - \$6,029) is included in amortization of capital assets, and accretion expense in the amount of \$610 (2018 - \$610) has been included with occupancy costs. The undiscounted asset retirement obligation is \$68,000 as at December 31, 2019 (2018 - \$68,000).

The Council has recorded an asset retirement obligation and leasehold improvements for the discounted value of the estimated removal costs for its Calgary premises, using the discount rate of 1.8% (2018 - 1.87%). Amortization of \$14,874 (2018 - \$2,479) is included in amortization of capital assets, and accretion expense in the amount of \$916 (2018 - \$153) has been included with occupancy costs. The undiscounted asset retirement obligation is \$50,000 as at December 31, 2019 (2018 - \$50,000).

The estimated carrying value of the Edmonton leasehold improvements is \$74,000 at December 31, 2019 (2018 - \$130,000), and the estimated carrying value of the Calgary leasehold improvements is \$66,000 at December 31, 2019 (2018 - \$86,000).

7. Deferred rent and tenant inducements:

	2019	2018
Deferred tenant inducements	\$ 65,594	\$ 120,229
Deferred rent	74,022	106,412
	\$ 139,616	\$ 226,641

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 577,892	\$ 726,681
Asset retirement obligation	(115,457)	(113,931)
Deferred tenant inducements	(65,594)	(120,229)
	\$ 396,841	\$ 492,521

(b) Change in net assets invested in capital assets is calculated as follows:

	2019	2018
Net change in investment in capital assets:		
Amortization of capital assets	\$ (325,126)	\$ (317,738)
Purchase of capital assets	187,081	306,836
Amortization of deferred tenant inducements	54,635	54,635
Increase in asset retirement obligation	-	(47,100)
Proceeds on sale of capital assets	(3,830)	(3,152)
Accretion of asset retirement obligation	(1,526)	(762)
Loss from disposal of capital assets	(6,914)	(316)
	\$ (95,680)	\$ (7,597)

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Commitments and contingencies:

The Council is committed under existing lease agreements and contracted services for operating lease payments. The annual lease payments over the next 5 years and thereafter are as follows:

2020	\$	449,204
2021		456,149
2022		242,683
2023		242,683
2024		242,683
Thereafter		1,580,498

The Council is also responsible for its share of operating costs related to the office premises leases. These costs are not fixed within the lease and are subject to change on a year to year basis.

The Council has been named as a defendant in two legal actions. The first action relates to a claim for damages in the amount of \$10 million, which in management's opinion, the legal action brought forward lacks merit. The second action relates to a former employee seeking damages in the amount of \$63,600 plus costs. The Council has adequate insurance to cover these legal proceedings and a provision of \$35,000 has been included in these financial statements to cover costs including the insurance deductible related to these actions. Consequently, any settlements reached are not expected to have a material adverse effect on the financial position of the Council.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

10. Manpower:

	Full Time Employees	Salary (a)	Benefits (b)	2019 Total	2018 Total
Senior Executives	3	\$ 730,430	\$ 141,771	\$ 872,201	\$ 837,831
Other staff	27	2,315,442	439,489	2,754,931	2,349,946
	30	\$ 3,045,872	\$ 581,260	\$ 3,627,132	\$ 3,187,777

- (a) Salary includes regular base pay, bonuses, overtime, and severance.
- (b) Benefits includes employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, group life insurance, long and short-term disability plans and vacation pay.

Employees of the Council are specifically excluded from enrolment in the Province of Alberta's Public Service Plan and the Province of Alberta's Management Employees Pension Plan. The Council employees are also excluded from any of the Province of Alberta's employee benefits plans.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

11. Councils, boards and committees:

(a) The following amounts are included in Councils, boards and committees expenses:

	2019	2018
Councils and Council Committees	\$ 272,328	\$ 193,351
Appeal Boards	100,710	59,244
Accreditation Committee	88,197	67,578
	\$ 461,235	\$ 320,173

The Minister of Finance, responsible for the Insurance Act, has appointed the members of the Alberta Accreditation Committee (AAC), provided for in Section 29 of the Insurance Agents and Adjusters Regulation. The Council funds the operations of and provides administrative services to the AAC.

(b) Per diem payments of Council Members:

The following amounts are included in Councils, Boards and Committee expenses:

	Number of Members	2019 ⁽ⁱⁱ⁾ \$	Number of members	2018 ⁽ⁱⁱ⁾ \$
Councils ⁽ⁱ⁾				
Chairs	12	102,985	13	101,287
Members	41	183,765	41	131,289
Total	53	286,750	54	232,576

(i) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council, the Audit Committee, the AIC Chair annual stipend, the Appeal Boards, and the Alberta Accreditation Committee.

(ii) All per diem payments made to members of Councils, Committees and Boards are paid by the Council out of fees received from insurance licenses and continuing education course accreditation fees. This includes public members appointed by the Lieutenant Governor in Council, as well as Alberta Accreditation Committee members appointed by the Minister of Finance pursuant to the Government Organization Act.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Council is exposed to credit risk with respect to its accounts receivable.

The Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Council at December 31, 2019 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2018.

(b) Liquidity risk:

Liquidity risk is the risk that the Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Council manages its liquidity risk by monitoring its operating requirements. The Council prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2018.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Council to cash flow interest rate risk. The Council is exposed to this risk through its interest-bearing deposit in the CCITF, and certain short-term fixed rate investments. Details of these investments are included in notes 2 and 3 of the financial statements.

There have been no significant changes to the interest rate risk exposure from 2018.

13. Subsequent events:

On March 11, 2020, the World Health Organization declared the global outbreak of the Coronavirus, COVID-19, a pandemic. The extent of impact that COVID-19 will have on the operations and financial results of the Council in fiscal 2020 is currently not known with certainty.

14. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year presentation format.





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