



Alberta
Insurance
Council

ANNUAL REPORT

2020

Working
together
for every
Albertan



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Report of the Chair 2020

The role of the Alberta Insurance Council (“AIC”) is to focus on ensuring professionalism in the industry and protecting the consumer. Board members recognize that good governance is key, and we are committed to continuous improvement in order to achieve this.

In 2020, the Board continued its focus on achievement of the Strategic Plan. Our view continues to be that our primary responsibility as a Board is the future of the organization, whereas the present operations of the organization are the primary responsibility of Management, obviously, with Board oversight.

The 2019 refreshed Strategic Plan is structured around desired changes and improvements over the next 2-5 year period. Due to COVID-19, and the need to focus on continued smooth operations during the challenges presented by the pandemic, rather than having an in-depth strategic planning review, the Board followed the progress toward achieving the existing plan at each meeting and agreed to minor adjustments as deemed necessary.

Also, the new Risk Register which was introduced (created as a result of the updated 2019 Enterprise Risk Management policy) has been a very effective tool for Management to provide information to the Board with regard to identified risks that are being tracked, and who is responsible for the identified risk mitigation strategy.

Other changes in 2020 included the creation of a Human Resources Committee of the Board to deal with Board and C-Suite issues and policies including professional development, compensation, succession planning, and a focus on general oversight for the organization in this critical area.

In 2019 the Chair’s Report noted that the AIC had a desire to open a dialogue with the Government of Alberta regarding the proposal of a new status for the AIC with regard to rule-making authority and self-regulation. Because of the significant unforeseen issues of 2020, both the AIC and Government were required to focus on more immediate concerns. A conscious decision was made to keep our desire for change known to Government officials, but slow the pace in which changes are sought.

The AIC Board is looking forward to 2021 and making significant progress toward achieving our Strategic Plan.

Respectfully submitted,

Michael (Mick) Howden, CPA, CMA

Chair, Alberta Insurance Council April 2021

Members of the Councils 2020



Michael Bibby, *Chair*

Life Insurance Council

name	position	representing
Michael Bibby	Chair	Life Agents
Wilma Slenders	Vice Chair	Public
Tammy Couillard	Secretary	Life Companies
Andy Freeman	Member	Life Companies
Gregg Strynadka	Member	Life Agents
Miles Weatherall	Member	Public



Amanda Sawatzky, *Chair*

General Insurance Council

name	position	representing
Amanda Sawatzky	Chair	Direct Writers
Janice Sabourin	Vice Chair	Direct Writers
Tisha Doyle	Secretary (Resigned)	Insurance Brokers
Ross Bucsis	Member	Insurance Brokers
Helene Wood	Member	Insurance Brokers
Charlotte Fizer	Member	General Insurers
Robert Bhatia	Member	Public
Elizabeth Hak	Member	Public



Barry Bittner, *Chair*

Insurance Adjusters' Council

name	position	representing
David Hicks	Chair	General Insurers (Term Ended)
Barry Bittner	Chair	Adjusters
R.V. (Bob) Pearson	Vice Chair	Adjusters (Term Ended)
Michael Ilnycky	Vice Chair	General Insurers
Lisa Evren	Member	Public
Kevin Hengstler	Member	Adjusters



Michael (Mick) Howden, *Chair*

Alberta Insurance Council

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

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

Members of the Executive Team 2020



Back Row (Left to Right)

Heath Young, *Director of Information Technology and Business Services*

Carolyn Janz, *Chief Financial Officer*

Sylvia Boyetchko, *Director of Licensing*

Zabeda Yaqoob, *Director of Legal and Regulatory Affairs*

Front Row (Left to Right)

Brent Rathgeber, *Chief Operating Officer and General Counsel*

Joanne Abram, *Chief Executive Officer*

Sharan Dhalla, *Director of Compliance*

Members of Standing Committees 2020

Audit Committee

name	position
Hilary Rose	Chair
Michael (Mick) Howden	Ex Officio Member
Wilma Slenders	Member
Michael Bibby	Member

Human Resources Committee

name	position
David Hicks	Chair (Term Ended)
Miles Weatherall	Chair
Michael (Mick) Howden	Ex Officio Member
Janice Sabourin	Member
Amanda Sawatzky	Member



Report of the Chief Executive Officer 2020

It is my pleasure to present the Annual Report of the Alberta Insurance Council (AIC) for the year ending December 31, 2020.

As I wrote the report of the CEO for 2019 in April 2020, the world was and still continues to be in the grip of a global pandemic caused by the Coronavirus (COVID-19). In March of 2020, the Government of Alberta declared a state of Public Health Emergency. AIC offices were closed to the public. Due to AIC's ongoing commitment to technology, the majority of services continued to be provided remotely. Examinations were suspended for a seven week period of time and resumed on May 4, 2020 in a restricted capacity and in full compliance with Alberta Public Health guidelines.

In response to this gap, AIC immediately commenced the development of an online examination delivery platform and began testing in March 2021 in our own proctored environments. Work has commenced on an interface which will allow for remote proctoring of all examinations: General Insurance, Adjusters and the nationally harmonized Life License Qualification Program, by the end of the second quarter of 2021.

The General Insurance Council published Level 1 study material in 2020 and distributed the textbook to all General Insurance education providers early in 2021. New examinations were developed and will be introduced in 2021. Development of Level 2 General Insurance study material commenced in 2020 and is targeted for publication in 2021.

One of the many lessons learned from the challenges we faced in 2020 was that AIC needs to be able to adapt more quickly and to respond in a more timely manner to the evolving industry it regulates. With this objective, AIC has approached the Government with a proposal for a restructured Council which, coupled with rule making authority, would allow for more efficient and adaptable regulation while continuing to safeguard insurance consumers.

As I look back on 2020, I am extremely proud of being part of a vibrant and resilient industry which adapted so quickly to support and serve all Albertans through these challenging times. Thank you all. Stay well. Stay safe.

Joanne Abram, ICD.D, GPC.D

Chief Executive Officer April 2021

Life and Accident & Sickness Insurance

Ethics and Professional Practice

Given	4,308	
Passed	3,532	82%
Failed	776	18%

Ethics and Professional Practice — Quebec

Given	30	
Passed	22	73%
Failed	8	27%

Life Insurance

Given	3,942	
Passed	3,142	80%
Failed	800	20%

Accident and Sickness Insurance

Given	4,283	
Passed	3,476	81%
Failed	807	19%

Segregated Funds and Annuities

Given	4,120	
Passed	3,078	75%
Failed	1,042	25%

*Total Life Council Examination Modules: 16,683

Appendix A Examination Statistics

* 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.

Appendix A Examination Statistics (continued)

General Insurance

Level 1

Given	1,301	
Passed	607	47%
Failed	694	53%

Level 2

Given	570	
Passed	177	31%
Failed	393	69%

Level 3

Given	22	
Passed	9	41%
Failed	13	59%

Total General Council Examinations: 1,893

Insurance Adjusters

Level 1

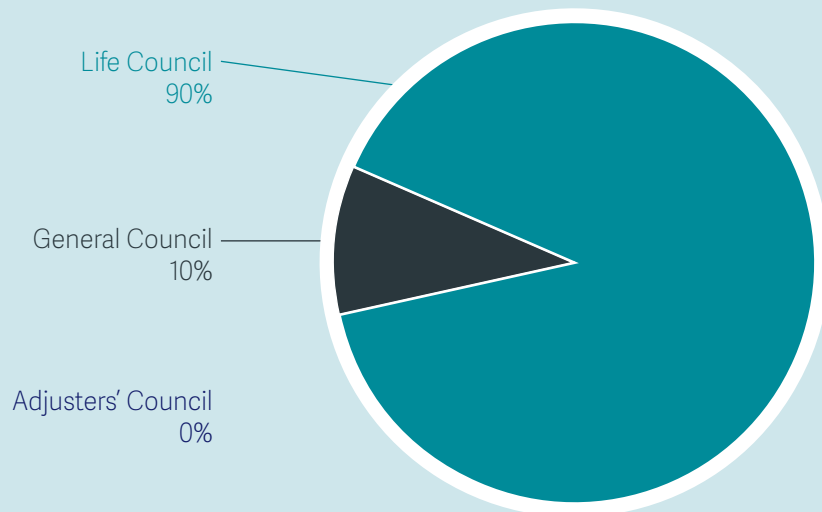
Given	47	
Passed	24	51%
Failed	23	49%

Total Adjusters' Council Examinations: 47

January 1 – December 31, 2020 — Total Module/Examinations: 18,623

* All modules/examinations were temporarily suspended from March 17 – May 4, 2020.

Examination Statistics



Life Insurance Council

Life	D/R	2,480
Life	Agent	17,191
Life	Corporate	2,480
Accident & Sickness	D/R	2,469
Accident & Sickness	Agent	16,925
Accident & Sickness	Corporate	2,469
Travel Agency	Restricted	441
Funeral Services Business	Restricted	71
Automobile Dealership for Credit Related	Restricted	532
Deposit Taking Institution for Credit Related	Restricted	49
Deposit Taking Institution for Group Travel	Restricted	10
Deposit Taking Institution for Personal Accident	Restricted	5
Sales Finance Company for Credit Related	Restricted	214
Vehicle Rental Agency for Personal Accident Insurance	Restricted	3
Equipment Dealer for Credit Related	Restricted	189
Total Life Insurance Council Certificates:		45,528

Appendix B Certificates Active at December 31, 2020

General Insurance Council

General Insurance Agent	Level 3 (D/R)	1,113
General Insurance (Insurer)	Probationary	1
General Insurance Agent (Agency)	Probationary	19
General Insurance (Insurer)	Level 1	1,308
General Insurance Agent (Agency)	Level 1	6,964
General Insurance (Insurer)	Level 2	346
General Insurance Agent (Agency)	Level 2	6,443
General Insurance Agent	Corporate	1,113
Automobile Dealership for Equipment Warranty	Restricted	655
Equipment Dealer for Equipment Warranty	Restricted	198
Equipment Dealer for GAP	Restricted	65
Freight Forwarding Company	Restricted	2
Hail – Agent	Restricted	134
Hail – D/R	Restricted	24
Hail – Agency	Restricted	24
Livestock – Agent	Restricted	19
Livestock – D/R	Restricted	2
Livestock – Agency	Restricted	2
Automobile Dealership for GAP	Restricted	381
Vehicle Rental Agency for Personal Effects Coverage	Restricted	2
Total General Insurance Council Certificates		18,815

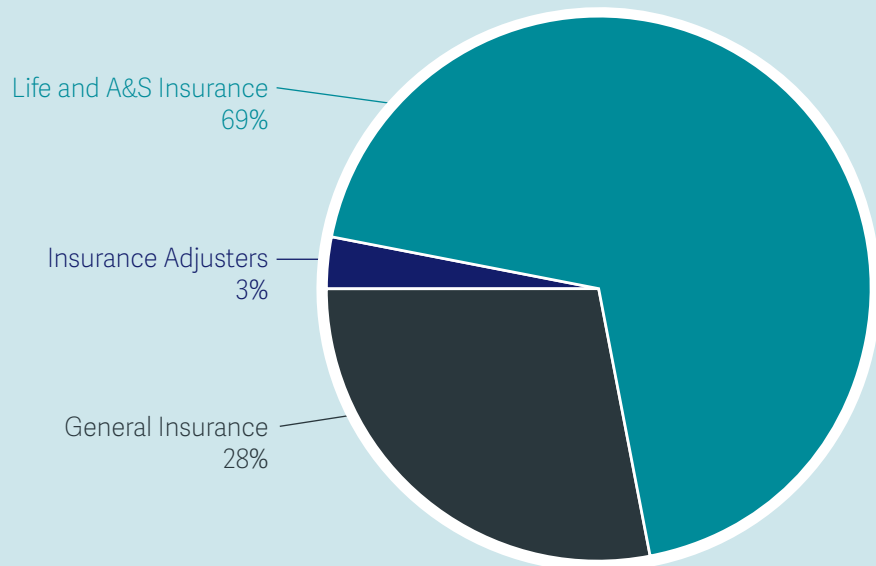
Appendix B
 Certificates
 Active at
 December 31, 2020
 (continued)

Insurance Adjusters' Council

Adjusters	Level 3 (D/R)	80
Adjusters	Level 3	283
Adjusters	Level 2	145
Adjusters	Level 1	601
Adjusters – Corporate	Corporate	80
Restricted Hail Adjusters	D/R	2
Restricted Hail Adjusters	Corporate	2
Restricted Hail Adjusters	Adjuster	88
Restricted Equipment Warranty Adjuster	D/R	9
Restricted Equipment Warranty Adjuster	Corporate	9
Restricted Equipment Warranty Adjuster	Adjuster	54
Restricted Travel Adjuster	D/R	19
Restricted Travel Adjuster	Corporate	19
Restricted Travel Adjuster	Adjuster	471
Total Insurance Adjusters' Council Certificates:		1,862

Total Certificates: 66,205

Certificate
 Distribution by
 Class of Insurance



Compliance Files

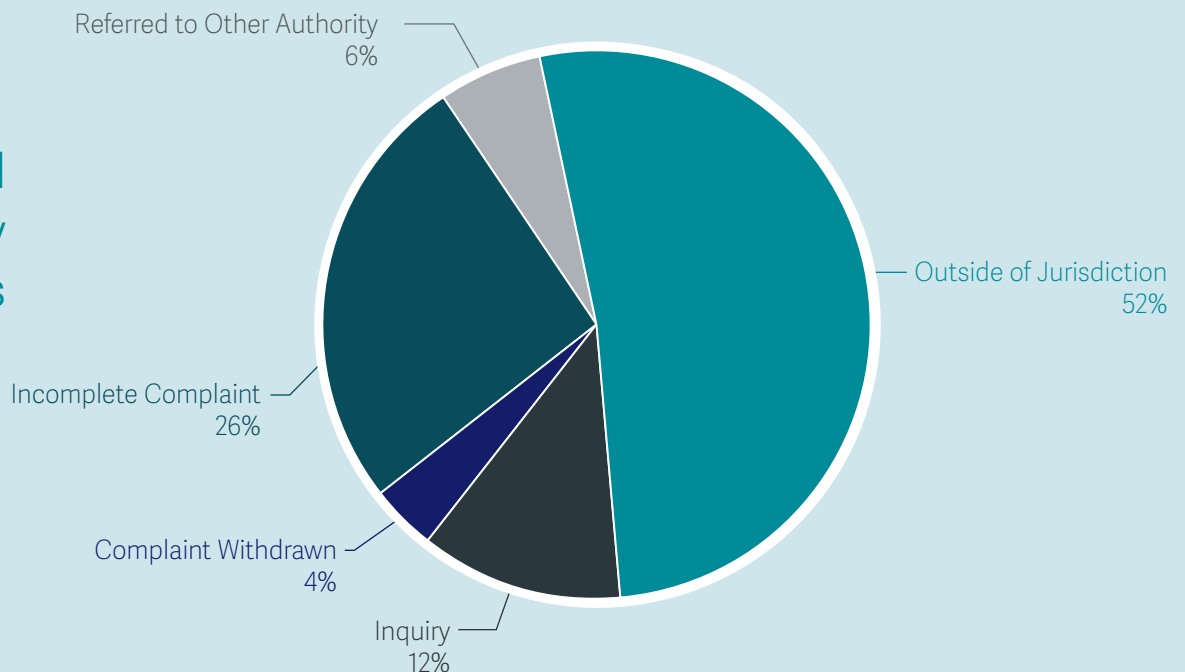
	General	Life	Adjusters	Total
Total Number of Case Files Carried Forward From 2019	20	118	1	139
Total Number of Case Files Opened In 2020	37	112	1	150
Total Number of Case Files	57	230	2	289
Total Number of Case Files Closed In 2020	44	209	2	255
Total Number of Case Files Carried Forward to 2021	13	21	0	34

Appendix C Statistics for all Councils

Reviews and Inquiries by Councils

Action	Adjusters	General	Life	Total
Complaint Withdrawn	2	5	2	9
Incomplete Complaint	12	39	9	60
Referred To Other Authority	3	8	3	14
Outside Of Jurisdiction	25	72	21	118
Inquiry	6	14	6	26
Total	48	138	41	227

Reviews and Inquiries by Councils



Appendix C

Statistics for all Councils (continued)

Licensing Decisions by Councils

Action	General	Life	Adjusters
Licenses Issued or Retained	9	53	1
Licenses Refused	4	33	1
Total Licensing Decisions	13	86	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	1	7	19
Suspension and Civil Penalty	0	0	0
Revocation and Civil Penalty	0	1	2
Total	1	8	21



Appendix D

Life Insurance

Council

Closed Files

Conduct/Misconduct	50
Not Substantiated	34
Civil Penalty	5
Active Warning	2
Revocation and Civil Penalty	2
Administrative Caution	4
Reported to Other Authority	1
Complaint Withdrawn	2
Unlicensed Solicitation	4
Civil Penalty	2
Administrative Caution	2
Holding Out	3
Not Substantiated	1
Administrative Caution	2
NON-DISCLOSURE	13
Not Substantiated	5
Administrative Caution	7
Civil Penalty	1
CE Audit Related	12
Administrative Caution	3
Civil Penalty	9
E&O Audit Related	127
Not Substantiated	29
Administrative Caution	96
Civil Penalty	2
TOTAL	209

The above statistics relate to files closed, not to files opened in 2020.

Appendix E

General Insurance Council Closed Files

Conduct/Misconduct	35
Not Substantiated	25
Civil Penalty	5
Administrative Caution	1
Revocation and Civil Penalty	1
Reported to Other Authority	1
Complaint Withdrawn	2
Unlicensed Solicitation	6
Not Substantiated	1
Administrative Caution	3
Combined to Another Case	2
Non-Disclosure	1
Civil Penalty	1
CE Audit related	2
Administrative Caution	1
Civil Penalty	1
TOTAL FILES CLOSED	44

* The above statistics relate to files closed, not to files opened in 2020.

Appendix F Insurance Adjusters' Council Closed Files

Non-Disclosure	1
Administrative Caution	1
CE Audit Related	1
Civil Penalty	1
TOTAL FILES CLOSED	2

* The above statistics relate to files closed, not to files opened in 2020.



Appendix G

Appeals to the Insurance Councils Appeal Board (ICAB)

Actions before the Insurance Councils Appeal Board of Alberta

In 2020, sixteen (16) Notices of Appeal were put before the Superintendent of Insurance. The *Insurance Councils Appeal Board of Alberta* convened, and the disposition of those matters are as follows:

Appeals

Number of Appeals	Decision
7	Council Decision Upheld
0	Council Decision Overturned
0	Council Decision Varied
7	Carried Forward
1	Discontinued
0	Rejected
1	Abandoned

Additionally, three (3) matters were averted prior to advancing to appeal. These potential appeals were no longer relevant as the circumstances of the appellant had changed, which caused the subject on appeal to be moot.

Subject Matter Overview

Number of Appeals	Overview
7	Appeals of the General Insurance Council's Decision with respect to the issuance, retention or the renewal of an insurance Certificate of Authority
7	Appeals of the Life Insurance Council's Decision with respect to the issuance, retention or the renewal of an insurance Certificate of Authority (which also includes discontinued appeals)
7	Carried forward from 2020 to 2021. Verdict of <i>Insurance Councils Appeal Board</i> yet to be received as of December 31, 2020

Appendix G

Appeals to the Insurance Councils Appeal Board (ICAB) (continued)

Definitions

Term	Definition
Upheld	<i>Insurance Councils Appeal Board</i> agreed with the Decision of the Council
Varied	New evidence was presented to the <i>Insurance Councils Appeal Board</i> which resulted in the variance of the Council Decision
Overtaken	Council Decision was reversed, and a new Decision was rendered by the <i>Insurance Councils Appeal Board</i>
Discontinued	The Appeal was withdrawn by the Appellant
Rejected	Notice of Appeal rejected by the Superintendent of Insurance
Abandoned	The Appeal was abandoned by the Appellant



Appendix H

Errors & Omissions (E&O) Audits

Participating E&O Providers	18
Total Number of Travel Agencies Audited	430
Total Number of Travel Agencies Not Confirmed by Providers	56

Results from Not Confirmed:

Total Pass	55
Total Fail	1

Appendix I

Continuing Education (CE) Audits

Life Licenses	148
Accident & Sickness (A&S) Licenses	129
General Licenses	95
Adjusters Licenses	8
Total Licenses Audited	380
Total Licensees Audited	200
Total Pass	199
Total Fail	1







Appendix J
Financial
Statements
2020



Financial Statements of

**ALBERTA INSURANCE
COUNCIL**

Year ended December 31, 2020



KPMG LLP
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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, 2020
- 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, 2020, and its results of operations, its changes in net assets 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 15, 2021

Alberta Insurance Council

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,774,975	\$ 4,943,658
Accounts receivable	810,215	51,210
Investments (note 3)	7,135,199	6,048,996
Prepaid expenses	267,779	178,823
	<u>11,988,168</u>	<u>11,222,687</u>
Capital assets (note 4)	1,785,902	577,892
Other assets (note 5)	381,740	10,016
	<u>\$ 14,155,810</u>	<u>\$ 11,810,595</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 681,016	\$ 488,359
Deferred revenue (note 6)	3,235,206	3,176,700
Current portion deferred rent and tenant inducements (note 8)	184,112	95,550
	<u>4,100,334</u>	<u>3,760,609</u>
Asset retirement obligation (note 7)	170,803	115,457
Deferred rent and tenant inducements (note 8)	1,102,036	44,066
	<u>5,373,173</u>	<u>3,920,132</u>
Net assets:		
Invested in capital assets (note 9)	595,868	396,841
Internally restricted	-	1,300,000
Unrestricted	8,186,769	6,193,622
	<u>8,782,637</u>	<u>7,890,463</u>
	<u>\$ 14,155,810</u>	<u>\$ 11,810,595</u>

See accompanying notes to financial statements.

Wilma J. Slenders, PhD

Chair, Audit Committee

Michael Bibby

Vice Chair, Alberta Insurance Council

Alberta Insurance Council

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020	2019
Revenue:			
License, assessment, examination and continuing education fees (note 11)	\$ 7,249,000	\$ 7,686,077	\$ 7,291,627
Interest and other	151,000	157,262	179,690
	<u>7,400,000</u>	<u>7,843,339</u>	<u>7,471,317</u>
Expenses:			
Manpower	3,998,000	3,824,906	3,627,132
Occupancy and premises	921,000	1,070,747	757,818
Amortization of capital assets	377,000	331,687	325,126
Councils, boards and committees (note 12)	475,000	352,868	461,235
Software and computer	375,000	387,405	273,336
Office and administration	442,000	408,460	368,374
Professional fees	387,000	360,354	395,724
Communications	232,000	168,329	172,089
Travel	175,000	40,307	145,471
Loss on disposal of capital assets	-	6,102	6,914
	<u>7,382,000</u>	<u>6,951,165</u>	<u>6,533,219</u>
Excess of revenue over expenses	\$ 18,000	\$ 892,174	\$ 938,098

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019

	Invested in capital assets	Internally restricted	Unrestricted	2020
Net assets, beginning of year	\$ 396,841	\$ 1,300,000	\$ 6,193,622	\$ 7,890,463
Excess of revenue over expenses	-	-	892,174	892,174
Net change in invested in capital assets (note 9)	199,027	-	(199,027)	-
Transfers to unrestricted	-	(1,300,000)	1,300,000	-
Net assets, end of year	\$ 595,868	\$ -	\$ 8,186,769	\$ 8,782,637

	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 9)	(95,680)	-	95,680	-
Net assets, end of year	\$ 396,841	\$ 1,300,000	\$ 6,193,622	\$ 7,890,463

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 892,174	\$ 938,098
Items not involving cash:		
Accretion of asset retirement obligation	1,645	1,526
Amortization of deferred tenant inducements	(71,832)	(54,635)
Recognition of deferred rent	192,895	(32,390)
Remeasurement of asset retirement obligation	(17,897)	-
Amortization of capital assets	331,687	325,126
Loss on disposal of capital assets	6,102	6,914
Increase in accounts receivable	(759,005)	(13,953)
Increase in prepaid expenses	(88,956)	(84,280)
Increase in accounts payable and accrued liabilities	192,657	46,304
(Increase) decrease in other assets	(371,724)	14,984
Increase in deferred revenue	58,506	298,092
	<u>366,252</u>	<u>1,445,786</u>
Capital activities:		
Purchase of investments	(5,086,199)	(6,048,996)
Redemptions of investments	3,999,996	3,999,998
Purchase of capital assets	(1,546,524)	(187,081)
Increase in asset retirement obligation	76,600	-
Tenant inducements receivable	1,025,469	-
Proceeds on sale of capital assets	725	3,830
Asset retirement costs incurred in year	(5,002)	-
	<u>(1,534,935)</u>	<u>(2,232,249)</u>
Decrease in cash and cash equivalents	(1,168,683)	(786,463)
Cash and cash equivalents, beginning of year	4,943,658	5,730,121
Cash and cash equivalents, end of year	<u>\$ 3,774,975</u>	<u>\$ 4,943,658</u>

See accompanying notes to financial statements.

Alberta Insurance Council

Notes to Financial Statements

Year ended December 31, 2020

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, assessment, examination and continuing education fees received but not yet recognized as revenue are recorded as deferred revenue.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

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
Leasehold improvements	Term of lease
Furniture and office equipment	3 - 10 years
Computer equipment	3 - 7 years
Computer software	3 - 7 years
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, 2020

1. Significant accounting policies (continued):

(f) Internally restricted net assets:

Internally restricted net assets were established to fund capital asset additions and maintenance costs over the medium term. In 2019, the provision was increased to provide for the anticipated costs of acquiring new space.

New premises were acquired in 2020 for the Council's Edmonton and Calgary locations. As a result, the Council approved a transfer of the internally restricted net assets to unrestricted net assets during the year ended December 31, 2020. Capital expenditures related to the new premises were funded out of unrestricted net assets.

(g) Contributed services:

The work of the Council is dependent on the voluntary services of members. The value of donated 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, 2020

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) 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, 2022
PS3450 - Financial Instruments	April 1, 2022
PS2601 - Foreign Currency Translation	April 1, 2022
PS3041 - Portfolio Investments	April 1, 2022
PS3280 - Asset Retirement Obligations	April 1, 2021
PS3400 - Revenue	April 1, 2023

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Cash and cash equivalents:

Included in cash and cash equivalents is an amount of \$4,401 (2019 - \$3,321,998) 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, 2020 was 0.90% (2019 - 1.87%).

3. Investments:

Investments consist of Guaranteed Investment Certificates (GIC's) with fixed annual interest rates ranging from 0.45% to 2.20% and maturity dates ranging from March 2021 to June 2021.

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 2,068,324	\$ 997,783	\$ 1,070,541	\$ 140,731
Furniture and office equipment	606,858	316,032	290,826	95,307
Computer equipment	574,745	359,404	215,341	168,777
Computer software	896,322	788,805	107,517	126,048
Asset retirement obligation	185,500	92,632	92,868	37,173
Telephone equipment	24,353	15,544	8,809	9,856
	\$ 4,356,102	\$ 2,570,200	\$ 1,785,902	\$ 577,892

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Other assets:

Included in other assets is a receivable of \$243,700 (2019 - \$nil), related to the tenant inducements recognized in the year (note 7). It is the Council's expectation that this receivable will be collected in fiscal 2022.

6. Deferred revenue:

	2020	2019
License ^(a)	\$ 3,102,831	\$ 3,088,825
Assessment	78,375	81,375
Examination	47,000	-
Continuing education	7,000	6,500
	\$ 3,235,206	\$ 3,176,700

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

7. Asset retirement obligation:

The Council is required by the terms of its leases for premises in Bell Tower and Manulife Place in Edmonton, and Touchstone Place and Jamieson Place in Calgary, to remove improvements made to these premises upon termination of the leases.

In October 2020, the Council moved some of their Calgary operations from Touchstone Place to Jamieson Place. The Touchstone Place location will remain in use as an examination centre until late 2021.

In November 2020, the Council moved its Edmonton premises from Bell Tower to Manulife Place. Pursuant to decommissioning costs incurred to December 31, 2020 and decommissioning estimates obtained, the asset retirement obligation (ARO) for the Bell Tower space was reduced from the original estimate of \$68,000 to \$45,000.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Asset retirement obligation (continued):

As at December 31, 2020, the estimated undiscounted estimate for the ARO is \$180,000 (2019 - \$118,000). The ARO's present values have been calculated using a discount rate during the year of 0.90% (2019 - 1.87%) and the expected timing of settlement is between 1 to 12 years (2019 - 2 years). The specific provisions regarding the Council's ARO are as follows:

	Bell Tower	Manulife Place	Touchstone Place	Jamieson Place	Total
ARO, January 1, 2019	\$ 66,679	\$ -	\$ 47,252	\$ -	\$ 113,931
Accretion	610	-	916	-	1,526
ARO, December 31, 2019	67,289	-	48,168	-	115,457
Liabilities incurred	-	41,100	-	35,500	76,600
Liabilities settled	(5,002)	-	-	-	(5,002)
Remeasurement of ARO	(17,897)	-	-	-	(17,897)
Accretion	610	48	916	71	1,645
	(22,289)	41,148	916	35,571	55,346
ARO, December 31, 2020	\$ 45,000	\$ 41,148	\$ 49,084	\$ 35,571	\$ 170,803

The estimated carrying value of the leasehold improvements is \$1,070,541 (2019 - \$140,731). Amortization on leasehold improvements of \$90,923 (2019 - \$74,035) is included in amortization of capital assets.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Deferred rent and tenant inducements:

	2020	2019
Deferred rent and tenant inducements, beginning of year	\$ 139,616	\$ 226,641
Leasehold improvement allowance received in the year	1,025,468	-
Rent free fixturing period	233,812	-
Amortization of deferred rent and tenant inducements	(112,748)	(87,025)
Deferred rent and tenant inducements	1,286,148	139,616
Less: current portion deferred rent and tenant inducements	(184,112)	(95,550)
	\$ 1,102,036	\$ 44,066

9. Invested in capital assets:

(a) Invested in capital assets consists of the following:

	2020	2019
Capital assets	\$ 1,785,902	\$ 577,892
Asset retirement obligation	(170,803)	(115,457)
Deferred tenant inducements	(1,019,231)	(65,594)
	\$ 595,868	\$ 396,841

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Invested in capital assets (continued):

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

	2020	2019
Net change in investment in capital assets:		
Amortization of capital assets	\$ (331,687)	\$ (325,126)
Purchase of capital assets	1,546,524	187,081
Increase in tenant inducements	(1,025,469)	-
Amortization of deferred tenant inducements	71,832	54,635
Increase in asset retirement obligation, net (note 7)	(55,346)	(1,526)
Proceeds on sale of capital assets	(725)	(3,830)
Loss from disposal of capital assets	(6,102)	(6,914)
	\$ 199,027	\$ (95,680)

10. 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 five years and thereafter are as follows:

2021	\$ 418,444
2022	409,163
2023	409,163
2024	437,816
2025	437,816
Thereafter	3,212,141

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.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Commitments and contingencies (continued):

The Council has been named as a defendant in three 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 other actions relate to two former employees seeking damages in the amount of \$200,000 plus costs. The Council has adequate insurance to cover these legal proceedings and a provision of \$51,500 (2019 - \$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.

11. License, assessment, examination and continuing education fees:

Revenue from license, assessment, examination and continuing education fees consists of the following:

	2020	2019
License fees	\$ 6,525,452	\$ 6,141,680
Assessment fees	162,375	170,625
Examination fees	779,650	746,222
Continuing education fees	218,600	233,100
	\$ 7,686,077	\$ 7,291,627

12. Councils, boards and committees:

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

	2020	2019
Councils and Council Committees	\$ 226,422	\$ 272,328
Appeal Boards	55,162	100,710
Accreditation Committee	71,284	88,197
	\$ 352,868	\$ 461,235

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 ACC.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

12. Councils, boards and committees (continued):

(b) Per diem payments of Council Members:

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

	Number of members	2020 ⁽ⁱⁱ⁾ \$	Number of members	2019 ⁽ⁱⁱ⁾ \$
Councils ⁽ⁱ⁾				
Chairs	9	101,141	12	102,985
Members	42	188,007	41	183,765
Total	51	289,148	53	286,750

(i) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council, the Audit Committee, the Human Resources 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, 2020

13. 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, 2020 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2019.

(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 2019.

(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 2019.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2020

14. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The current challenging economic climate has not caused a significant adverse change in operating results, cash flows, and financial position of the Council. In response to the ongoing pandemic, the Council has undertaken the following:

- Where feasible, staff have been encouraged to work from home. Provincial rules around social distancing are being enforced for all staff;
- Personal protective equipment has been provided to individuals in exam rooms; and
- Development of online exams is ongoing for the next fiscal period.

15. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.





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