



Alberta
Insurance
Council

ANNUAL REPORT

2021

Working
together
for every
Albertan

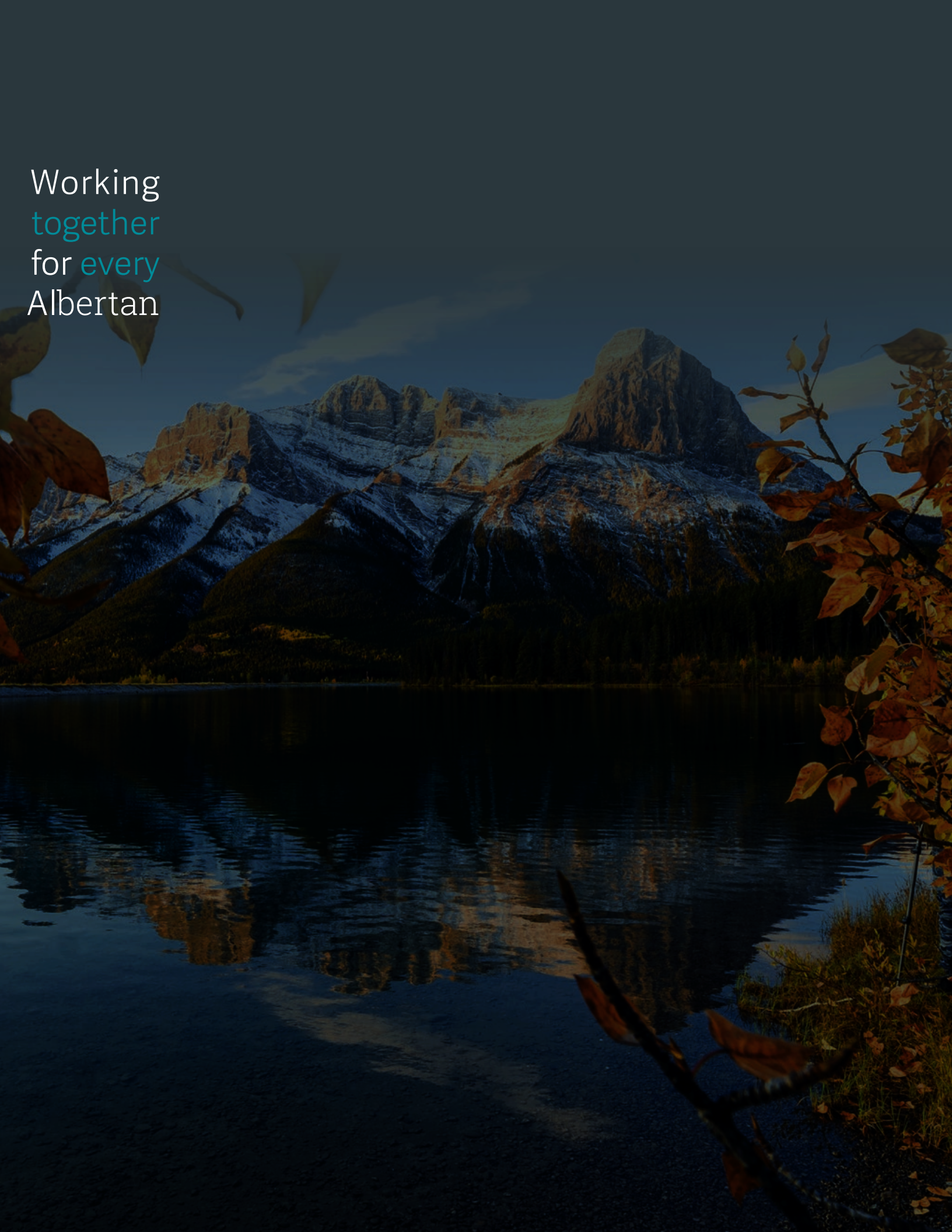


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Report of the Chair 2021

As the newly appointed (November 3, 2021) Chair of the Alberta Insurance Council I am very much looking forward to meeting with stakeholders and further my knowledge about the insurance industry and the regulation of insurance intermediaries. I have recently retired from the Bow Valley Credit Union where I held the position as President and CEO for 35 years. I believe I bring to the Board extensive experience in the financial services sector and Board Governance.

These will be exciting and challenging times as we emerge from the restrictions imposed by the COVID-19 pandemic. I see that our business practices will continue to evolve as we move forward post pandemic.

The Alberta Insurance Council (AIC) is financially successful. The current and past Board and Management are to be commended for their management, decisions and leadership.

My initial assessment is that our greatest challenge going forward is to develop and implement an I.T. Strategic Plan for the future. This is followed by strengthening our Governance model by reviewing our Board and Committees structure and voting process, number of Committees, enhancing Board and Committee reporting, and establishing workplans for Committees. This will be followed by developing a succession plan for our key positions. We will also review current management practices to ensure they are effective and increase management reporting to the Board of Directors. In the short time I have been here, we have already taken steps toward achieving these objectives.

Respectfully submitted,

Larry Bohn

Chair, Alberta Insurance Council April 2022

Members of the Councils 2021



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 (Term Expired)	Life Agents
C.J. Omoth	Member	Life Agents
Miles Weatherall	Member (Term Expired)	Public
Usman Mahmood	Member	Public



Janice Sabourin, *Chair*

General Insurance Council

name	position	representing
Amanda Sawatzky	Chair (Term Expired)	Direct Writers
Janice Sabourin	Chair	Direct Writers
Ross Bucsis	Vice Chair	Insurance Brokers
Matthew McNichol	Secretary	Direct Writers
Helene Wood	Member	Insurance Brokers
Charlotte Fizer	Member	General Insurers
Ashley Ziprick	Member	Insurance Brokers
Robert Bhatia	Member (Term Expired)	Public
Elizabeth Hak	Member	Public

Members of the Councils 2021 (continued)



Michael Ilnycky, *Chair*

Insurance Adjusters' Council

name	position	representing
Barry Bittner	Chair (Term Expired)	Adjusters
Michael Ilnycky	Chair	General Insurers
Lisa Evren	Vice Chair	Public
Kevin Hengstler	Member (Term Ended)	Adjusters
Vince Marino	Member	Adjusters
Robert (Bob) Millis	Member	Adjusters



Larry Bohn, *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 (Resigned)	Public
Larry Bohn	Chair	Public
Michael Bibby	Vice Chair	Life Insurance Council
Amanda Sawatzky	Member (Term Expired)	General Insurance Council
Janice Sabourin	Member	General Insurance Council
Michael Ilnycky	Secretary	Insurance Adjusters' Council
Hilary Rose	Member (Resigned)	Public
David Weyant, Q.C.	Member	Public

Members of Standing Committees 2021

Audit Committee

name	position
Hilary Rose	Chair (Resigned)
Michael (Mick) Howden	Ex Officio Member (Resigned)
Wilma Slenders	Chair
Michael Bibby	Member
Andrew Freeman	Member
Larry Bohn	Ex Officio Member

Human Resources Committee

name	position
Miles Weatherall	Chair (Term Expired)
Michael (Mick) Howden	Ex Officio Member (Resigned)
Janice Sabourin	Chair
Amanda Sawatzky	Member (Term Expired)
Michael Ilnycky	Member
Larry Bohn	Ex Officio Member



Report of the Chief Executive Officer 2021

It is my pleasure to present the Annual Report of the Alberta Insurance Council (AIC) for the year ending December 31, 2021.

As we slowly emerge from the global pandemic that has altered the way we work and the manner in which we conduct our business, it has become increasingly clear that we must be flexible in order to adapt to our rapidly evolving environment. Economic pressures are having a significant impact on the cost and availability of insurance and it is vital to AIC's mandate to protect insurance consumers that we continue to focus our efforts to increase professionalism in the industry thereby ensuring that Albertans are served by qualified and competent insurance professionals.

In July 2021, AIC launched a computer-based, remote-proctored examination program. This allows for the provision of Life and Accident and Sickness examinations, General Insurance examinations and Adjuster examinations remotely, while we continue to host in-person examinations in several locations in compliance with Alberta Public Health guidelines.

As at December 31, 2021, AIC recorded 70,512 active Certificates of Authority. This is an increase of 4,307 Certificates from 2020.

Notices to the Profession have been developed and sent out to assist Certificate holders in understanding and complying with licensing and regulatory matters.

The transition to remote working over the last two years as well as the potential for an ongoing hybrid working environment has increased AIC's focus on cybersecurity. Late in 2021, AIC initiated a complete digital consultancy as well as a Cybersecurity Maturity Assessment and External/Internal Penetration testing. This study will form the basis for a three-year technology roadmap to be defined in 2022.

The Board of the AIC will be undertaking a review and update of our Strategic Plan to ensure that we are continuing to provide efficient and effective regulatory services to all of our stakeholders.

I would like to take this opportunity to thank all Council members and staff, both past and present, for their dedication and commitment to the AIC and to the regulatory process.

Respectfully submitted,

Joanne Abram, ICD.D, GPC.D

Chief Executive Officer, Alberta Insurance Council

April 2022

Life and Accident & Sickness Insurance

Ethics and Professional Practice

Given	3,326	
Passed	2,910	87%
Failed	416	13%

Ethics and Professional Practice — Quebec

Given	73	
Passed	49	67%
Failed	24	33%

Life Insurance

Given	3,216	
Passed	2,647	82%
Failed	569	18%

Accident and Sickness Insurance

Given	3,504	
Passed	2,802	80%
Failed	702	20%

Segregated Funds and Annuities

Given	3,265	
Passed	2,675	82%
Failed	590	18%

*Total Life Council Examination Modules: 13,384

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	1,726	
Passed	946	55%
Failed	780	45%

Level 2

Given	745	
Passed	211	28%
Failed	534	72%

Level 3

Given	12	
Passed	4	33%
Failed	8	67%

Total General Council Examinations: 2,483

Insurance Adjusters

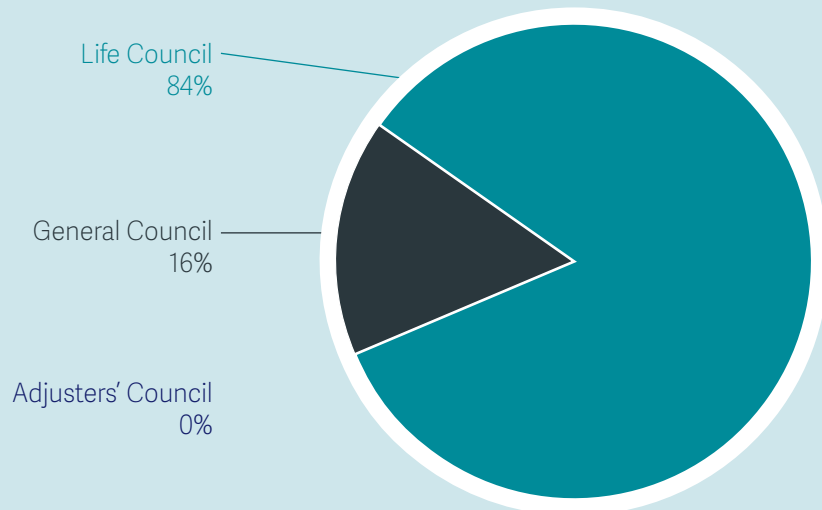
Level 1

Given	39	
Passed	14	36%
Failed	25	64%

Total Adjusters' Council Examinations: 39

January 1 – December 31, 2021 — Total Module/Examinations: 15,906

Examination Statistics



Appendix B

Certificates

Active at

December 31, 2021

Life Insurance Council

Life	D/R	2,573
Life	Agent	18,645
Life	Corporate	2,573
Accident & Sickness	D/R	2,554
Accident & Sickness	Agent	18,216
Accident & Sickness	Corporate	2,554
Travel Agency	Restricted	411
Funeral Services Business	Restricted	68
Automobile Dealership for Credit Related	Restricted	533
Deposit Taking Institution for Credit Related	Restricted	45
Deposit Taking Institution for Group Travel	Restricted	9
Deposit Taking Institution for Personal Accident	Restricted	5
Sales Finance Company for Credit Related	Restricted	210
Vehicle Rental Agency (Personal Accident Insurance)	Restricted	5
Equipment Dealer for Credit Related	Restricted	191
Total Life Insurance Council Certificates:		48,592

General Insurance Council

General Insurance Agent	Level 3 (D/R)	1,078
General Insurance	Probationary	98
General Insurance (Insurer Employee)	Level 1	1,482
General Insurance Agent (Agency)	Level 1	7,944
General Insurance (Insurer Employee)	Level 2	347
General Insurance Agent (Agency)	Level 2	6,735
General Insurance Agent	Corporate	1078
Automobile Dealership (Equipment Warranty)	Restricted	672
Equipment Dealer (Equipment Warranty)	Restricted	199
Equipment Dealer (GAP)	Restricted	76
Freight Forwarding Company (Cargo)	Restricted	2
Hail – Agent	Restricted	122
Hail – D/R	Restricted	24
Hail – Agency	Restricted	24
Livestock – Agent	Restricted	16
Livestock – D/R	Restricted	2
Livestock – Agency	Restricted	2
Automobile Dealership (GAP)	Restricted	408
Vehicle Rental Agency (Personal Effects Coverage)	Restricted	5
Total General Insurance Council Certificates		20,314

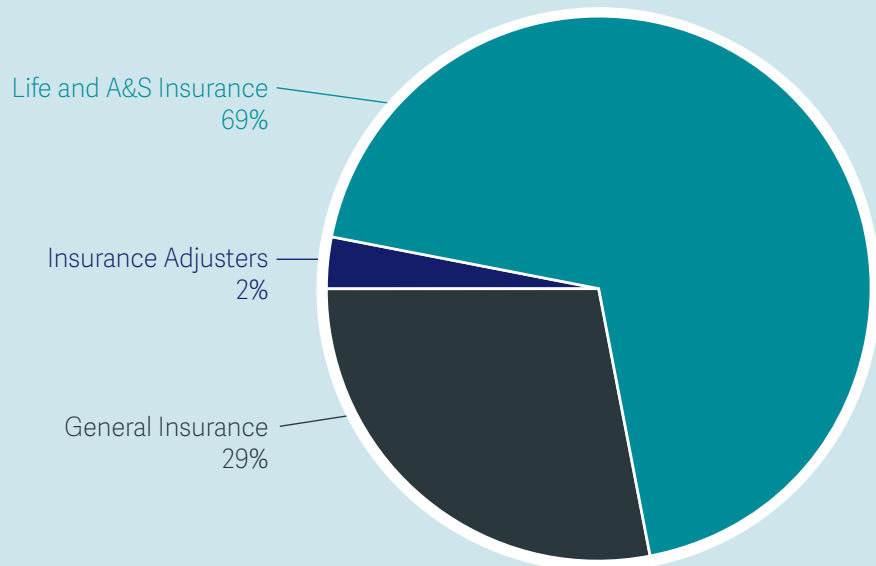
Appendix B
 Certificates
 Active at
 December 31, 2021
 (continued)

Insurance Adjusters' Council

Adjusters	Level 3 (D/R)	81
Adjusters	Level 3	284
Adjusters	Level 2	132
Adjusters	Level 1	530
Adjusters – Corporate	Corporate	81
Restricted Hail Adjusters	D/R	3
Restricted Hail Adjusters	Corporate	3
Restricted Hail Adjusters	Adjuster	76
Restricted Equipment Warranty Adjuster	D/R	11
Restricted Equipment Warranty Adjuster	Corporate	11
Restricted Equipment Warranty Adjuster	Adjuster	55
Restricted Travel Adjuster	D/R	18
Restricted Travel Adjuster	Corporate	18
Restricted Travel Adjuster	Adjuster	303
Total Insurance Adjusters' Council Certificates:		1,606

Total Certificates: 70,512

Certificate
 Distribution by
 Class of Insurance



Appendix C

Statistics for all Councils

Compliance Files

	General	Life	Adjusters	Total
Total Number of Case Files Carried Forward From 2020	13	21	0	34
Total Number of Case Files Opened In 2021	275	242	28	545
Total Number of Case Files	288	263	28	579
Total Number of Case Files Closed In 2021	257	240	27	524
Total Number of Case Files Carried Forward to 2022	31	23	1	55

Licensing Decisions by Council

Action	General	Life	Adjusters
Licenses Issued or Retained	14	75	3
Licenses Refused	7	110	0
Total	21	185	3

Disciplinary Action Taken by Council

Action	General	Life	Adjusters
Guilty – No sanction imposed	0	0	0
Guilty – Additional education	0	0	0
Civil Penalty	19	9	5
Suspension and Civil Penalty	2	0	0
Revocation and Civil Penalty	1	1	0
Total	22	10	5

Appendix D

Life Insurance Council

Closed Files

Conduct/Misconduct	89
Not Substantiated	47
Administrative Caution	5
Revocation and Civil Penalty	1
Civil Penalty	1
Active Warning	1
Outside Jurisdiction	34
Unlicensed Solicitation	7
Not Substantiated	2
Administrative Caution	5
CE Audit	73
Administrative Caution	65
Civil Penalty	8
E&O Audit	34
Not Substantiated	11
Administrative Caution	23
Online Examination Suspension	37
Referred to Licensing	37
TOTAL CLOSED	240

* The above statistics relate to files closed, not to files opened in 2021.

Appendix E

General Insurance Council Closed Files

Conduct/Misconduct	186
Not Substantiated	69
Administrative Caution	3
Revocation and Civil Penalty	1
Suspension and Civil Penalty	2
Civil Penalty	11
Combined File to another case	1
Outside Jurisdiction	99
Unlicensed Solicitation	2
Civil Penalty	1
Administrative Caution	1
Non-Disclosure	2
Not Substantiated	2
Holding Out	1
Not Substantiated	1
CE Audit	39
Not Substantiated	1
Administrative Caution	30
Civil Penalty	7
Active Warning	1
E&O Audit	22
Not Substantiated	10
Administrative Caution	12
Online Examination Suspension	5
Referred to Licensing	5
TOTAL CLOSED	257

* The above statistics relate to files closed, not to files opened in 2021.

Appendix F

Insurance

Adjusters'

Council

Closed Files

Conduct/Misconduct	18
Not Substantiated	10
Outside Jurisdiction	8
Non-Disclosure	1
Civil Penalty	1
CE Audit	7
Administrative Caution	3
Civil Penalty	4
E&O Audit	1
Not Substantiated	1
TOTAL CLOSED	27

* The above statistics relate to files closed, not to files opened in 2021.

Actions before the Insurance Councils Appeal Board of Alberta

In 2021, twenty-seven (27) 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 Varied
4	Council Decision Overturned
2	Appeal Discontinued
12	Carried Forward
2	Rejected
0	Abandoned

Additionally, thirteen (13) 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
2	Appeals of the General Insurance Council's Decision with respect to the issuance, retention or the renewal of an insurance Certificate of Authority (which also includes Discontinued Appeals)
12	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 and Rejected Appeals)
1	Appeals of General Insurance Council Decisions in relation to disciplinary matters (which also includes Rejected Appeals)
0	Appeals of Life Insurance Council Decisions in relation to disciplinary matters
12	Carried forward from 2021 to 2022. Verdict of <i>Insurance Councils Appeal Board</i> yet to be received as of December 31, 2021.

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

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

Actions before the Court of Queen's Bench of Alberta

Action	Overview
Action 1	Filed in 2021 with the Court of Queen's Bench of Alberta. Decision was rendered on August 24, 2021.
Action 2	Filed in 2021 with the Court of Queen's Bench of Alberta and carried forward to 2022. Matter will be heard in 2022.

Appendix H

Errors & Omissions (E&O) Audits

2021 Errors & Omissions (E&O) Audit

Participating E&O Providers **10**

Agencies

 666

Sole Proprietors

 309

Total Audited **975**

Life Licenses

 1,854

Accident & Sickness (A&S) Licenses

 1,868

General Licenses

 4,740

Adjusters' Licenses

 693

Total Licenses Audited **9,155**

Agencies Not Confirmed by Provider

 51

Sole Proprietors Not Confirmed by Provider

 16

Total Not Confirmed by Provider **67**

Results from Not Confirmed:

Pass

 67

Fail

 —

Appendix I

Continuing Education (CE) Audits

2021 Continuing Education (CE) Audit

Life Licenses	345
Accident & Sickness (A&S) Licenses	337
General Licenses	342
Adjusters' Licenses	11
Total Licenses Audited	1,035
Total Licensees Audited	600
Pass	563
Fail	37





Appendix J
Financial
Statements
2021



Financial Statements of

**ALBERTA INSURANCE
COUNCIL**

Year ended December 31, 2021



KPMG LLP
2200, 10175-101 Street
Edmonton Alberta T5J 0H3
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Tel (780) 429-7300
Fax (780) 429-7379

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, 2021
- 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

(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, 2021, 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.

Responsibilities of Management 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.

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 13, 2022

Alberta Insurance Council

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,061,223	\$ 3,774,975
Accounts receivable	271,058	810,215
Investments (note 2)	5,250,000	7,135,199
Prepaid expenses	121,219	267,779
	<u>13,703,500</u>	<u>11,988,168</u>
Capital assets (note 3)	1,616,523	1,785,902
Other assets (note 4)	91,785	381,740
	<u>\$ 15,411,808</u>	<u>\$ 14,155,810</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 641,744	\$ 681,016
Deferred revenue (note 5)	3,391,304	3,235,206
Current portion deferred rent and tenant inducements (note 7)	93,513	184,112
	<u>4,126,561</u>	<u>4,100,334</u>
Asset retirement obligation (note 6)	77,438	170,803
Deferred rent and tenant inducements (note 7)	1,476,704	1,102,036
	<u>5,680,703</u>	<u>5,373,173</u>
Net assets:		
Invested in capital assets (note 8)	623,927	595,868
Internally restricted	-	-
Unrestricted	9,107,178	8,186,769
	<u>9,731,105</u>	<u>8,782,637</u>
	<u>\$ 15,411,808</u>	<u>\$ 14,155,810</u>

See accompanying notes to financial statements.

Wilma J. Slenders, PhD

Chair, Audit Committee

Larry Bohn

Chair, Alberta Insurance Council

Alberta Insurance Council

Statement of Operations

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget	2021	2020
Revenue:			
License, assessment, examination and continuing education fees (note 10)	\$ 8,124,000	\$ 8,099,223	\$ 7,686,077
Interest and other	34,000	115,816	157,262
	<u>8,158,000</u>	<u>8,215,039</u>	<u>7,843,339</u>
Expenses:			
Manpower	4,208,000	3,656,391	3,824,906
Occupancy and premises	1,297,000	1,252,120	1,070,747
Other operating costs (note 11)	431,700	390,246	351,560
Councils, boards and committees (note 12)	415,000	444,330	352,868
Software and computer	408,000	366,320	387,405
Amortization of capital assets	406,000	373,730	331,687
Professional fees	275,200	331,140	204,282
Office and administration	272,100	160,423	212,972
Communications	181,000	195,621	168,329
Travel	75,000	51,737	40,307
Loss on disposal of capital assets	-	44,513	6,102
	<u>7,969,000</u>	<u>7,266,571</u>	<u>6,951,165</u>
Excess of revenue over expenses	\$ 189,000	\$ 948,468	\$ 892,174

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Changes in Net Assets

Year ended December 31, 2021, with comparative information for 2020

	Invested in capital assets	Internally restricted	Unrestricted	2021
Net assets, beginning of year	\$ 595,868	\$ -	\$ 8,186,769	\$ 8,782,637
Excess of revenue over expenses	-	-	948,468	948,468
Net change in invested in capital assets (note 8)	28,059	-	(28,059)	-
Transfers to unrestricted	-	-	-	-
Net assets, end of year	\$ 623,927	\$ -	\$ 9,107,178	\$ 9,731,105

	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 8)	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

See accompanying notes to financial statements.

Alberta Insurance Council

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 948,468	\$ 892,174
Items not involving cash:		
Accretion of asset retirement obligation	1,635	1,645
Amortization of deferred tenant inducements	(105,192)	(71,832)
Recognition of deferred rent	388,140	192,895
Remeasurement of asset retirement obligation	(49,981)	(17,897)
Amortization of capital assets	373,730	331,687
Loss on disposal of capital assets	44,513	6,102
Decrease (increase) in accounts receivable	539,157	(759,005)
Increase in prepaid expenses	146,561	(88,956)
(Decrease) increase in accounts payable and accrued liabilities	(39,272)	192,657
(Increase) decrease in other assets	289,955	(371,724)
Increase in deferred revenue	156,099	58,506
	<u>2,693,813</u>	<u>366,252</u>
Capital activities:		
Purchase of investments	(13,000,000)	(5,086,199)
Redemptions of investments	14,885,199	3,999,996
Purchase of capital assets	(249,165)	(1,546,524)
Increase in asset retirement obligation	-	76,600
Tenant inducements receivable	1,120	1,025,469
Proceeds on sale of capital assets	300	725
Asset retirement costs incurred in year	(45,019)	(5,002)
	<u>1,592,435</u>	<u>(1,534,935)</u>
Decrease in cash and cash equivalents	4,286,248	(1,168,683)
Cash and cash equivalents, beginning of year	3,774,975	4,943,658
Cash and cash equivalents, end of year	<u>\$ 8,061,223</u>	<u>\$ 3,774,975</u>

See accompanying notes to financial statements.

Alberta Insurance Council

Notes to Financial Statements

Year ended December 31, 2021

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, 2021

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, 2021

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, 2021

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 2021, 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, 2022
PS3400 - Revenue	April 1, 2023
PS3160 - Public Private Partnerships	April 1, 2023
PSG-8 - Purchases Intangibles	April 1, 2023

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

2. Investments:

Investments consist of Guaranteed Investment Certificates with fixed annual interest rates ranging from 0.45% to 0.50% (2020 - 0.45% to 2.2%) and maturity dates ranging from January 31, 2022 to July 31, 2022 (2020 - March 2021 to June 2021).

3. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 1,126,049	\$ 122,703	\$ 1,003,346	\$ 1,163,409
Furniture and office equipment	645,627	312,229	333,398	290,826
Computer equipment	649,972	456,804	193,168	215,341
Computer software	930,923	856,034	74,889	107,517
Telephone equipment	31,392	19,670	11,722	8,809
	\$ 3,383,963	\$ 1,767,440	\$ 1,616,523	\$ 1,785,902

4. Other assets:

	2021	2020
Other assets, beginning of year	\$ 381,740	\$ 10,016
Security deposits for leased premises	-	91,295
(Decrease) increase in non-current portion tenant inducement receivable	(252,218)	252,218
(Decrease) increase in non-current portion of free rent due	(34,253)	34,253
(Decrease) in long-term portion of prepaids	(3,484)	(6,042)
Other assets, end of year	\$ 91,785	\$ 381,740

The \$91,295 (2020 - \$91,295) in other assets relates to security deposits on leased premises.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

5. Deferred revenue:

	2021	2020
License ^(a)	\$ 3,304,704	\$ 3,102,831
Assessment	78,750	78,375
Examination	1,000	47,000
Continuing education	6,850	7,000
	\$ 3,391,304	\$ 3,235,206

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

6. Asset retirement obligation:

	Edmonton		Calgary		Total 2021	Total 2020
	Bell Tower	Manulife Place	Touchstone Place	Jamieson Place		
Beginning of year	\$ 45,000	\$ 41,148	\$ 49,084	\$ 35,571	\$ 170,803	\$ 115,457
Incurred	-	-	-	-	-	76,600
Settled	(26,925)	-	(18,094)	-	(45,019)	(5,002)
Remeasured	(18,075)	-	(31,906)	-	(49,981)	(17,897)
Accretion	-	378	916	341	1,635	1,645
End of year	\$ -	\$ 41,526	\$ -	\$ 35,912	\$ 77,438	\$ 170,803

Under the terms of its various premises leases, the Council is required to remove certain leasehold improvements, upon termination of the leases. The premises leases in Bell Tower and Touchstone Place were terminated during the year. The premises leases in Manulife and Jamieson Place will terminate in 2031 and 2033, respectively.

As at December 31, 2021, the Council estimated its total undiscounted expenditures to be \$85,000 (2020 - \$180,000). The present value of the asset retirement obligations has been calculated using a discount rate of 0.9% (2020 - 0.9%).

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

7. Deferred rent and tenant inducements:

	2021	2020
Deferred rent and tenant inducements, beginning of year	\$ 1,286,148	\$ 139,616
Leasehold improvement allowance received in the year	1,120	1,025,468
Rent free period	438,565	233,812
Amortization of deferred rent and tenant inducements	(155,616)	(112,748)
Deferred rent and tenant inducements	1,570,217	1,286,148
Less: current portion deferred rent and tenant inducements	(93,513)	(184,112)
	\$ 1,476,704	\$ 1,102,036

8. Invested in capital assets:

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

	2021	2020
Capital assets	\$ 1,616,523	\$ 1,785,902
Asset retirement obligation	(77,438)	(170,803)
Deferred tenant inducements	(915,158)	(1,019,231)
	\$ 623,927	\$ 595,868

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

8. Invested in capital assets (continued):

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

	2021	2020
Net change in investment in capital assets:		
Amortization of capital assets	\$ (373,730)	\$ (331,687)
Purchase of capital assets	249,165	1,546,524
Increase in tenant inducements	(1,120)	(1,025,469)
Amortization of deferred tenant inducements	105,192	71,832
Increase in asset retirement obligation, net (note 7)	93,365	(55,346)
Proceeds on sale of capital assets	(300)	(725)
Loss from disposal of capital assets	(44,513)	(6,102)
	\$ 28,059	\$ 199,027

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 five years and thereafter are as follows:

2022	\$ 409,515
2023	409,515
2024	438,168
2025	438,168
2026	471,313
Thereafter	2,742,768

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 is committed to the purchase of computer hardware in the amount of \$119,286 which was ordered in 2021. Estimated time of delivery is sometime in March 2022. No deposits have been made for this purchase.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

9. Commitments and contingencies (continued):

The Council has been named as a defendant in four 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 three former employees seeking damages in the amount of \$390,000 plus costs. The Council has adequate insurance to cover these legal proceedings and a provision of \$76,500 (2020 - \$51,500) has been included in these financial statements to cover costs including the insurance deductibles related to these actions. Consequently, any settlements reached are not expected to have a material adverse effect on the financial position of the Council.

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

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

	2021	2020
License fees	\$ 6,918,823	\$ 6,525,452
Assessment fees	159,000	162,375
Examination fees	726,250	779,650
Continuing education fees	295,150	218,600
	\$ 8,099,223	\$ 7,686,077

11. Other operating costs:

	2021	2020
Merchant fees	\$ 198,030	\$ 195,487
Examination invigilators	192,216	156,073
	\$ 390,246	\$ 351,560

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

12. Councils, boards and committees:

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

	2021	2020
Councils and Council Committees	\$ 243,258	\$ 226,422
Appeal Boards	117,105	55,162
Accreditation Committee	83,967	71,284
	\$ 444,330	\$ 352,868

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.

(b) Per diem payments of Council Members:

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

	Number of members	2021 ⁽ⁱⁱ⁾ \$	Number of members	2020 ⁽ⁱⁱ⁾ \$
Councils ⁽ⁱ⁾				
Chairs	25	124,757	9	101,141
Members	64	194,778	42	188,007
Total	89	319,535	51	289,148

(i) These amounts include the following: 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, examinations, 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, 2021

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, 2021 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2020.

(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 2020.

(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 certain short-term fixed rate investments. Details of these investments are included in notes 2 of the financial statements.

There have been no significant changes to the interest rate risk exposure from 2020.

Alberta Insurance Council

Notes to Financial Statements (continued)

Year ended December 31, 2021

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 were encouraged to work from home. Provincial rules around social distancing are being enforced for all staff;
- Personal protective equipment has been provided to all staff and to individuals in exam rooms; and
- Additional cleaning protocols have been implemented in the public areas of both AIC offices.

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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