

Peace
of mind,
ensured.

20
22

Annual Report of the
Alberta Insurance Council

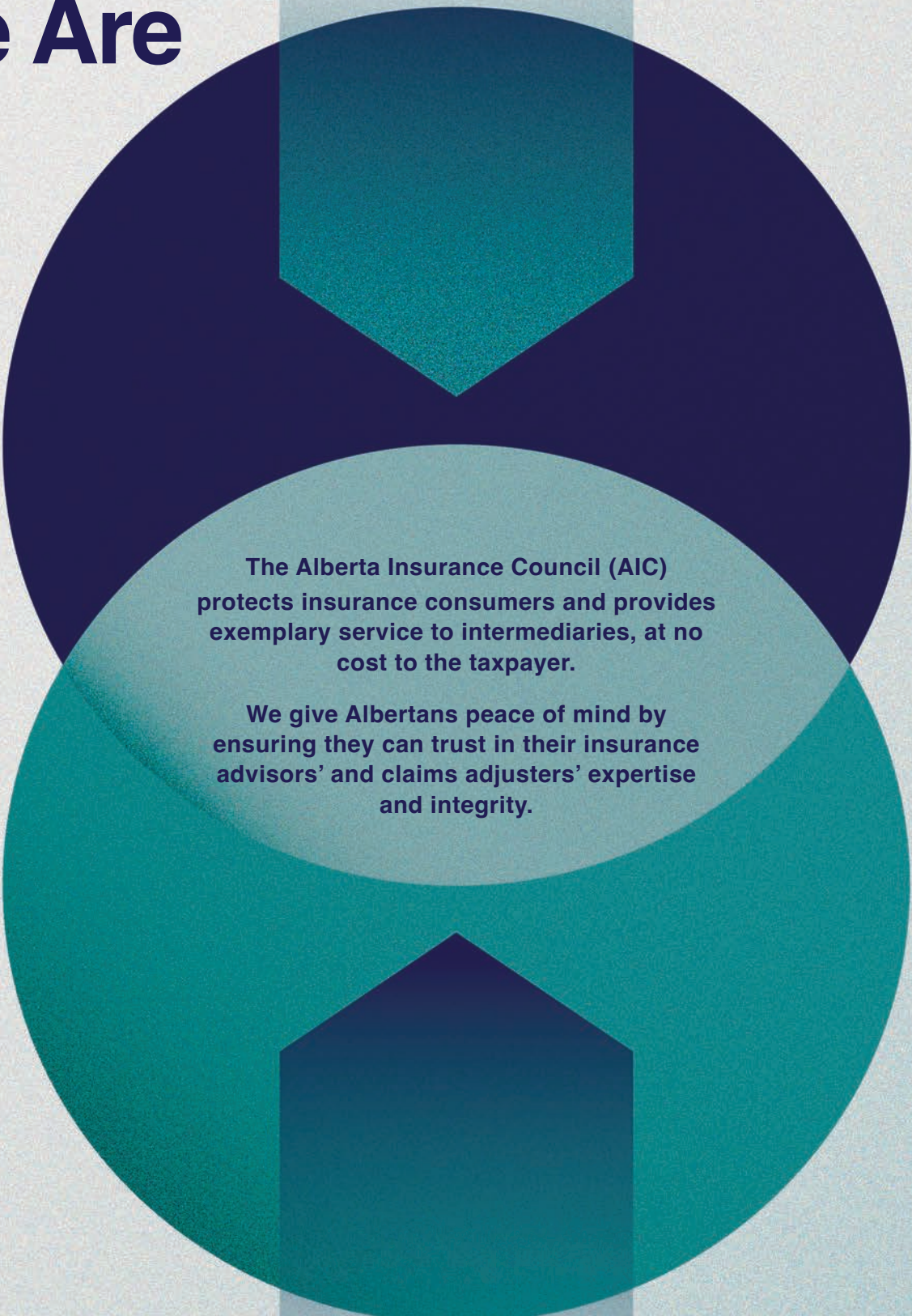




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Who We Are



**The Alberta Insurance Council (AIC)
protects insurance consumers and provides
exemplary service to intermediaries, at no
cost to the taxpayer.**

**We give Albertans peace of mind by
ensuring they can trust in their insurance
advisors' and claims adjusters' expertise
and integrity.**

Our Vision

We are the respected and trusted regulator of the insurance profession in Alberta.

Our Mission

To protect the Alberta insurance consumer through the professional qualification, licensing and regulation of:

- **Insurance agents**
- **Insurance brokers**
- **Independent insurance adjusters**

Our Values

Respectful

We value all people and treat them with dignity.

Objective

We apply and enforce legislation independently and objectively.

Responsible

We work to protect Albertans in an effective, fiscally responsible manner.

Strategic Priorities

- **Professionalism of the industry**
- **Governance renewal**
- **Resource management**
- **Knowledge foundation supporting evidence-based decisions**

2022 in review




■ AIC issued a record **74,487** certificates of authority in 2022.



■ We introduced *voluntary undertaking agreements* for would-be licensees with potential conflicts of interest, opening the profession to more applicants and reducing the number of costly appeals, while maintaining consumer protection.




■ AIC funded scholarships at two universities in support of *increased professionalism* in the insurance industry.



■ We adopted a hybrid working model post-COVID to continue offering *efficient online certificate renewals*.



■ We stood with Ukraine, *upholding our ethics and security standards*.



■ An independent benchmarking study found that AIC is a *leader among its peers* in insurance regulation in Canada.



■ We published study materials for General Insurance Level 2 to *ensure standardized, high-quality* education.

Creating Confidence Through Excellence

National Benchmarking Study

AIC commissioned an independent management consulting firm to conduct a benchmarking review of comparable regulators across Canada. We did this to identify improvement opportunities, as part of our ongoing commitment to evidence-based decision making.

While the study uncovered some areas for future growth, it also found that AIC is a leader among its peers.

AIC:

- Manages the most licensees per FTE we employ.
- Manages the most licensees per leasing cost and number of sites.
- Operates the most efficiently with respect to the issuing and annual renewal of Certificates of Authority.
- Offers the easiest and most accessible complaints process of any regulator studied.

By constantly pushing ourselves to improve, we inspire licensees to do the same for all Albertans.

Looking Ahead

GOALS FOR 2023

The world we live and work in changes fast. We stay relevant and effective at enhancing industry performance by embracing new approaches and innovative thinking.

Exploring Benchmarking Study Recommendations

In addition to highlighting our strengths, the national benchmarking review identified several industry trends and leading practices to consider. It also uncovered areas in which the AIC could and should focus more resources, such as continuing to invest in innovative IT solutions. We will take those recommendations forward and implement as many as possible to ensure we remain an exemplar in our field.

Supporting Compliance

Enforcement is one of our roles and we are tasked with upholding high standards. We are exploring how we can take a more active role in helping licensees achieve compliance following a breach.

Expanding Scholarship Availability

Our current scholarships through MacEwan University and the University of Calgary are reserved for full-time students. We recognize that many deserving students—including those who are changing careers, balancing their studies with family responsibilities, or working to pay for their education—study part time to accommodate competing demands. We hope to create scholarship opportunities for those students as well, to support the entry of more qualified intermediaries to the profession.

Report of the Chair

2022



The Alberta Insurance Council (AIC) experienced another banner year in 2022, issuing a record number of licenses. This is due, in part, to the relative employment stability offered by the insurance industry. Issuing over 70,000 licenses in a given year is not an easy task and requires confirming Continuing Education credits for renewing licensees and providing an examination venue for new entrants or those pursuing a higher license. Moreover, almost 90 percent of licenses are renewed in a two-month timeframe.

The Board of Directors of AIC continues to ensure that Management's decisions are aligned to protect the insurance consumer in Alberta. To that end, the Board refreshed its strategic plan, with the vision of being the respected and trusted regulator of the insurance profession in Alberta. Reporting from Management has increased, providing greater line of sight into the organization, and our three sub-committees have established work plans. We continue to work with the Government of Alberta, recently being granted the ability to set fees. These fees will be reviewed in the coming months to not only ensure the future financial stability of the AIC, but also to ensure that the fees are fair for those paying them. In 2022, we established a Government Relations committee to continue the work of ensuring that the necessary tools required by the AIC are removed from regulation. In 2022, the AIC entered into voluntary undertaking agreements with various licensees to minimize the number of cases relating to undue influence being heard by the industry-specific Councils. The Board is pleased with the progress made with the IT strategy and the protection of the virtual and physical assets of the organization.

The AIC remains financially sound. The licensing and examination fees remain the lowest in the country among provincial insurance regulators. This achievement is conducted with a staff of 29 people, who are to be commended for the work that they do.

Respectfully submitted,

Michael Ilnycky, MBA, FCIP
Vice-Chair, Alberta Insurance Council

April 2023

**“The Board of Directors
continues to ensure
that the AIC’s decisions
protect the insurance
consumer in Alberta.”**

Michael Ilnycky, Vice-Chair, AIC

Members of the Councils 2022

| NAME | POSITION | REPRESENTING |
|------|----------|--------------|
|------|----------|--------------|

LIFE INSURANCE COUNCIL

| | | |
|-----------------|----------------------|----------------|
| Michael Bibby | Chair (Term Expired) | Life Agents |
| Andy Freeman | Chair | Life Companies |
| Wilma Slenders | Vice Chair | Public |
| Tammy Couillard | Secretary | Life Companies |
| C.J. Omoth | Member | Life Agents |
| Ken Doll | Member | Life Agents |
| Usman Mahmood | Member | Public |

GENERAL INSURANCE COUNCIL

| | | |
|------------------|-------------------|-------------------|
| 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 |
| Elizabeth Hak | Member | Public |
| Kathryn Oviatt | Member (Resigned) | Public |

INSURANCE ADJUSTERS' COUNCIL

| | | |
|---------------------|------------|------------------|
| Michael Ilnycky | Chair | General Insurers |
| Lisa Evren | Vice Chair | Public |
| Vince Marino | Member | Adjusters |
| Robert (Bob) Millis | Member | Adjusters |

ALBERTA INSURANCE COUNCIL

| | | |
|--------------------|---------------------------|------------------------------|
| Larry Bohn | Chair (Resigned) | Public |
| Michael Bibby | Vice Chair (Term Expired) | Life Insurance Council |
| Michael Ilnycky | Vice Chair | Insurance Adjusters' Council |
| Janice Sabourin | Member | General Insurance Council |
| David Weyant, K.C. | Member (Resigned) | Public |
| Andy Freeman | Member | Life Insurance Council |

Members of the Standing Committees 2022

| NAME | POSITION |
|------|----------|
|------|----------|

FINANCE AND AUDIT COMMITTEE

| | |
|-----------------|------------------------------|
| Wilma Slenders | Chair (Resigned) |
| Larry Bohn | Ex Officio Member (Resigned) |
| Andy Freeman | Chair |
| Michael Ilnycky | Ex Officio Member |
| Michael Bibby | Member (Term Expired) |
| Ken Doll | Member |
| Charlotte Fizer | Member |
| Ashley Ziprick | Member |

GOVERNANCE AND HUMAN RESOURCES COMMITTEE

| | |
|-----------------|------------------------------|
| Janice Sabourin | Chair |
| Larry Bohn | Ex Officio Member (Resigned) |
| Ken Doll | Member |
| Wilma Slenders | Member |
| Ashley Ziprick | Member |
| Michael Ilnycky | Ex Officio Member |



Andy Freeman
Life Insurance Council



Janice Sabourin
General Insurance Council



Michael Ilnycky
Insurance Adjusters' Council

Report of the Chief Executive Officer

2022



It is my pleasure to present the Annual Report of the Alberta Insurance Council (AIC) for the year ending December 31, 2022.

With several new members joining the Board, directors and senior management undertook a review and refresh of our strategic plan and reaffirmed the mission of the AIC.

The mission of the AIC is to protect the Alberta insurance consumer through the professional qualification, licensing and regulation of insurance agents, brokers and independent insurance adjusters.

Projects and activities undertaken during 2022 serve to fulfill this mission.

The General Insurance Council (GIC) completed the development and release of Level 2 study materials and new examinations came into effect in early January 2023. Initial indications are that this initiative has had a very positive impact on success rates for General Insurance agents.

The AIC initiated two important studies in 2022. The first study undertook to benchmark AIC's performance and operations with those of similar regulatory organizations in other jurisdictions. Over a six-month period, work was conducted in which both quantitative and qualitative benchmarks were derived. Thirty-two benchmarks demonstrated the success AIC has achieved in all cases relating to revenue, cost management, sales, general and administrative expenses (SG&A) and asset management.

The second study was designed to research and develop a strategic communication framework to both increase and improve communications with key stakeholders.

The results of both of these studies will assist in the development of priorities and future initiatives for 2023-2025.

The industry-specific insurance councils have no authority to place terms and conditions on Certificates of Authority. Faced with an increasing number of applicants who are seeking to enter the industry while also holding another occupation, AIC felt it was essential to our public protection mandate to examine alternative solutions to facilitate licensing while ensuring consumer protection. Commencing in May 2022, the industry Councils approved the offering to Applicants the option of entering into Voluntary Undertaking Agreements. The Agreements are only offered to eligible Applicants seeking to obtain, renew, reinstate or retain Certificates of Authority who hold another occupation which may place the Applicant in a position to exercise coercion or undue influence. This will serve to restrict an Applicant's insurance activities when acting in another capacity for another employer. Statistics relating to the use of voluntary undertaking agreements are included in this annual report. In July 2022, the Government of Alberta (GoA) mandated that AIC deposit

all of its surplus cash into the Province's Cash Pooling Structure/ Consolidated Liquidity Solution (CLS), which allows the GoA to use the surplus cash held by enumerated provincial corporations, regulated funds and other consolidated entities to reduce government debt and debt servicing costs. Alberta Treasury Board and Finance defined "surplus cash" as all liquid financial assets in excess of thirty calendar days of operating funds.

The GoA explained its rationale as follows:

- Most provincial agencies and regulated funds had their surplus cash invested in the Consolidated Cash Investment Trust Fund (CCITF).
- The government decided to replace the CCITF with a more flexible, efficient, modernized cash-pooling structure known as the CLS.
- The CLS is part of the government's overall strategy to manage provincial finances and reduce debt, and ensure the long-term fiscal sustainability of the Province of Alberta.

AIC did not have funds in the CCITF. AIC has concerns about CLS's potential limitations on accessing its working capital and asked the government for an exemption from mandatory CLS participation. This request was denied.

AIC is working with the government on the terms of a CLS cash pooling structure agreement under which AIC would deposit any surplus cash with the government's financial institution. We will provide more information as this process is finalized.

In 2022, the fees charged by the AIC were removed from regulation and the AIC and Accreditation Committee were given the authority to set fees subject to Ministerial Approval. AIC will undertake a full review of all fees in 2023 with a view to cost recovery and fee equity.

The Board and Management are committed to continuing to provide efficient and cost-effective regulatory services to all stakeholders while acting to fulfill the mission, vision and values of the AIC.

Respectfully submitted,

Joanne Abram, ICD.D, GPC.D
Chief Executive Officer, Alberta Insurance Council

April 2023

"Thirty-two benchmarks demonstrated the success AIC has achieved in all cases relating to revenue, cost management, sales, general and administrative expenses (SG&A) and asset management."

Joanne Abram, CEO, AIC



Appendix A

Examination Statistics

LIFE AND ACCIDENT & SICKNESS INSURANCE

ETHICS AND PROFESSIONAL PRACTICE

| | | |
|--------|-------|-----|
| Given | 3,556 | |
| Passed | 2,933 | 82% |
| Failed | 623 | 18% |

ETHICS AND PROFESSIONAL PRACTICE – QUEBEC

| | | |
|--------|----|-----|
| Given | 58 | |
| Passed | 38 | 66% |
| Failed | 20 | 34% |

LIFE INSURANCE

| | | |
|--------|-------|-----|
| Given | 3,368 | |
| Passed | 2,575 | 76% |
| Failed | 793 | 24% |

ACCIDENT AND SICKNESS INSURANCE

| | | |
|--------|-------|-----|
| Given | 3,664 | |
| Passed | 2,831 | 77% |
| Failed | 833 | 23% |

***Total Life Council Examination Modules: 13,838**

*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 | 1,589 | |
| Passed | 947 | 60% |
| Failed | 642 | 40% |

LEVEL 2

| | | |
|--------|-----|-----|
| Given | 784 | |
| Passed | 263 | 34% |
| Failed | 521 | 66% |

LEVEL 3

| | | |
|--------|----|-----|
| Given | 22 | |
| Passed | 11 | 50% |
| Failed | 11 | 50% |

Total General Council Examinations: 2,395

INSURANCE ADJUSTERS

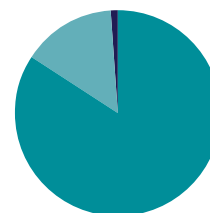
LEVEL 1

| | | |
|--------|----|-----|
| Given | 90 | |
| Passed | 39 | 43% |
| Failed | 51 | 57% |

Total Adjusters' Council Examinations: 90

JAN. 1 – DEC. 31, 2022

Total Module/Examinations: 16,323



- Life Council
- General Council
- Adjusters' Council

Appendix B

Certificates Active at December 31, 2022

LIFE INSURANCE COUNCIL

| | | |
|---|------------|--------|
| Life | D/R | 2,685 |
| Life | Agent | 19,796 |
| Life | Corporate | 2,685 |
| Accident & Sickness | D/R | 2,665 |
| Accident & Sickness | Agent | 19,323 |
| Accident & Sickness | Corporate | 2,665 |
| Travel Agency | Restricted | 439 |
| Funeral Services Business | Restricted | 72 |
| Automobile Dealership for Credit Related | Restricted | 521 |
| Deposit Taking Institution for Credit Related | Restricted | 45 |
| Deposit Taking Institution for Group Travel | Restricted | 9 |
| Deposit Taking Institution for Personal Accident | Restricted | 4 |
| Sales Finance Company for Credit Related | Restricted | 211 |
| Vehicle Rental Agency (Personal Accident Insurance) | Restricted | 5 |
| Equipment Dealer for Credit Related | Restricted | 193 |

Total Life Insurance Council Certificates: 51,318

GENERAL INSURANCE COUNCIL

| | | |
|---|---------------|-------|
| General Insurance Agent | Level 3 (D/R) | 1,075 |
| General Insurance | Probationary | 51 |
| General Insurance (Insurer Employee) | Level 1 | 1,499 |
| General Insurance Agent (Agency) | Level 1 | 8,961 |
| General Insurance (Insurer Employee) | Level 2 | 351 |
| General Insurance Agent (Agency) | Level 2 | 7,092 |
| General Insurance Agent | Corporate | 1,075 |
| Automobile Dealership (Equipment Warranty) | Restricted | 671 |
| Equipment Dealer (Equipment Warranty) | Restricted | 204 |
| Equipment Dealer (GAP) | Restricted | 82 |
| Freight Forwarding Company (Cargo) | Restricted | 2 |
| Hail – Agent | Restricted | 110 |
| Hail – D/R | Restricted | 22 |
| Hail – Agency | Restricted | 22 |
| Livestock – Agent | Restricted | 16 |
| Livestock – D/R | Restricted | 2 |
| Livestock – Agency | Restricted | 2 |
| Automobile Dealership (GAP) | Restricted | 419 |
| Vehicle Rental Agency (Personal Effects Coverage) | Restricted | 5 |

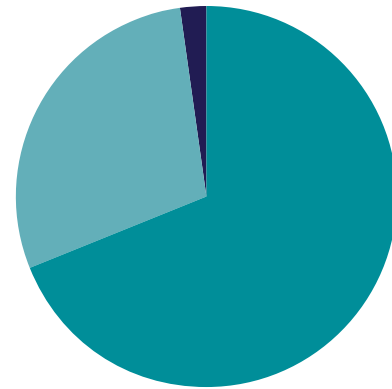
Total General Insurance Council Certificates: 21,661

INSURANCE ADJUSTERS COUNCIL

| | | |
|---|---------------|--------------|
| Adjusters | Level 3 (D/R) | 77 |
| Adjusters | Level 3 | 281 |
| Adjusters | Level 2 | 124 |
| Adjusters | Level 1 | 510 |
| Adjusters — Corporate | Corporate | 77 |
| Restricted Hall Adjusters | D/R | 2 |
| Restricted Hall Adjusters | Corporate | 2 |
| Restricted Hall Adjusters | Adjuster | 82 |
| Restricted Equipment Warranty Adjuster | D/R | 12 |
| Restricted Equipment Warranty Adjuster | Corporate | 12 |
| Restricted Equipment Warranty Adjuster | Adjuster | 59 |
| Restricted Travel Adjuster | D/R | 12 |
| Restricted Travel Adjuster | Corporate | 12 |
| Restricted Travel Adjuster | Adjuster | 246 |
| Total Insurance Adjusters' Council Certificates: | | 1,508 |

Total Certificates: 74,487

CERTIFICATE DISTRIBUTION BY CLASS OF INSURANCE



- Life and Accident & Sickness (A&S) Insurance
- General Council
- Insurance Adjusters

Appendix C

Statistics for all Councils

COMPLIANCE FILES

| | General | Life | Adjusters | Total |
|---|-----------|-----------|-----------|-----------|
| Total Number of Case Files Carried Forward From 2021 | 32 | 23 | 1 | 56 |
| Total Number of Case Files Opened in 2022 | 183 | 755 | 14 | 952 |
| Total Number of Case Files | 215 | 778 | 15 | 1,008 |
| Total Number of Case Files Closed in 2022 | 197 | 752 | 14 | 963 |
| Total Number of Case Files Carried Forward to 2023 | 18 | 26 | 1 | 45 |

INQUIRIES

| | General | Life | Adjusters | Total |
|------------------|------------|-----------|-----------|------------|
| Inquiries | 160 | 33 | 4 | 197 |

DISCIPLINARY ACTION TAKEN BY COUNCIL

| Action | General | Life | Adjusters |
|------------------------------|----------|-----------|-----------|
| Guilty—No sanction imposed | 1 | 1 | 0 |
| Guilty—Additional Education | 0 | 0 | 0 |
| Civil Penalty | 8 | 22 | 0 |
| Suspension and Civil Penalty | 0 | 0 | 0 |
| Revocation and Civil Penalty | 0 | 0 | 0 |
| Total | 9 | 23 | 0 |

Appendix D

Life Insurance Council Investigations and Inquiries

| | |
|-----------------------------------|------------|
| CE AUDIT | 78 |
| Administrative Caution | 11 |
| Fine by Council | 12 |
| Not Substantiated | 55 |
| CONDUCT / MISCONDUCT | 101 |
| Administrative Caution | 5 |
| Combined file to another case | 3 |
| Fine by Council | 4 |
| Guilty by No Penalty | 1 |
| Information Request | 10 |
| Not Substantiated | 64 |
| Outside Jurisdiction | 14 |
| E&O AUDIT | 533 |
| Administrative Caution | 47 |
| Fine by Council | 5 |
| Not Substantiated | 481 |
| HOLDING OUT | 1 |
| Information Request | 1 |
| LIFE INSURANCE REPLACEMENT | 1 |
| Outside Jurisdiction | 1 |
| NON-DISCLOSURE | 15 |
| Administrative Caution | 13 |
| Not Substantiated | 2 |
| ONLINE EXAMINATION | 39 |
| Referred to Licensing | 39 |
| OTHER | 5 |
| Information Request | 4 |
| Not Substantiated | 1 |
| UNLICENSED ACTIVITY | 12 |
| Administrative Caution | 2 |
| Fine by Agreed Statement of Fact | 2 |
| Fine by Council | 1 |
| Information Request | 2 |
| Not Substantiated | 4 |
| Outside Jurisdiction | 1 |

Total Closed: **785**

Appendix E

General Insurance Council Closed Files

| | |
|----------------------------------|------------|
| CE AUDIT | 38 |
| Administrative Caution | 7 |
| Fine by Agreed Statement of Fact | 1 |
| Fine by Council | 4 |
| Guilty by No Penalty | 1 |
| Not Substantiated | 25 |
| CONDUCT / MISCONDUCT | 287 |
| Administrative Caution | 23 |
| Fine by Council | 3 |
| Information Request | 12 |
| Not Substantiated | 107 |
| Outside Jurisdiction | 142 |
| E&O AUDIT | 11 |
| Administrative Caution | 8 |
| Not Substantiated | 3 |
| NON-DISCLOSURE | 1 |
| Not Substantiated | 1 |
| ONLINE EXAMINATION | 11 |
| Referred to Licensing | 11 |
| OTHER | 6 |
| Information Request | 4 |
| Outside Jurisdiction | 2 |
| UNLICENSED ACTIVITY | 3 |
| Fine by Agreed Statement of Fact | 1 |
| Fine by Council | 1 |
| Not Substantiated | 1 |

Total Closed: **357**

Appendix F

Insurance Adjusters' Council Investigations and Inquiries

CE AUDIT 1

Not Substantiated 1

CONDUCT / MISCONDUCT 6

Not Substantiated 2

Outside Jurisdiction 4

E&O AUDIT 6

Administrative Caution 3

Not Substantiated 3

ONLINE EXAMINATION 3

Referred to Licensing 3

UNLICENSED ACTIVITY 2

Not Substantiated 2

Total Closed: 18

Appendix G

Errors and Omissions (E&O) Audits

2022 E&O SOLE PROPRIETORS AUDIT

Total Sole Proprietors Audited 435

Life Licenses 435

Accident & Sickness (A&S) Licenses 369

General Licenses 0

Adjusters' Licenses 0

Total Licenses Audited: 804

Pass 429

Fail 6

2022 E&O CARRIER AUDIT

Participating E&O Providers 25

Agencies 488

Sole Proprietors 515

Total Audited 1,003

Life Licenses 749

Accident & Sickness (A&S) Licenses 764

General Licenses 194

Adjusters' Licenses 33

Total Licenses Audited: 1,740

Agencies Not Confirmed by Provider 63

Sole Proprietors Not Confirmed by Provider 52

Total Not Confirmed by Provider 115

Results from *Not Confirmed*:

Pass 111

Fail 4

Appendix H

Continuing Education (CE) Audits

| | |
|------------------------------------|------------|
| Life Licenses | 72 |
| Accident & Sickness (A&S) Licenses | 70 |
| General Licenses | 40 |
| Adjusters' Licenses | 1 |
| Total Licenses Audited: | 183 |
| | |
| Total Licenses Audited | 100 |
| Pass | 80 |
| Fail | 20 |

Appendix I

Appeals to the Insurance Councils' Appeal Board (ICAB) and the Superior Courts of Alberta

ACTIONS BEFORE THE INSURANCE COUNCILS' APPEAL BOARD OF ALBERTA

In 2022, 31 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 | Decisions |
|-------------------|-----------------------------|
| 11 | Council Decision Upheld |
| 1 | Council Decision Varied |
| 4 | Council Decision Overturned |
| 6 | Appeal Discontinued |
| 3 | Carried Forward |
| 5 | Rejected |
| 1 | Abandoned |

Additionally, eight (8) 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 Abandoned Appeals) |
| 19 | 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) |

| | |
|---|--|
| 2 | Appeals of General Insurance Council Decisions in relation to disciplinary matters (which also includes Discontinued Appeals) |
| 3 | Appeals of Life Insurance Council Decisions in relation to disciplinary matters (which also includes Discontinued Appeals) |
| 2 | Appeals of the Insurance Adjuster's Council Decisions in relation to disciplinary matters (which also includes Discontinued Appeals) |
| 3 | Carried forward from 2022 to 2023. Yet to be heard by the <i>Insurance Councils' Appeal Board</i> as of December 31, 2022. |

APPEALS

| 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 |
| Overturned | 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 was rejected by the Superintendent of Insurance |
| Abandoned | The Appeal was abandoned by the Appellant |

VOLUNTARY UNDERTAKING AGREEMENTS

In order to provide relief to the Industry Councils for the increasing number of matters being brought before them, the Industry Councils provided a number of delegations to the Chief Executive Officer and the Director of Legal and Regulatory Affairs to enter into Voluntary Undertaking Agreements.

Since the introduction of the Voluntary Undertaking Agreements, five (5) appeals have been averted prior to the appointment of the appeal panel as the appellants were eligible and elected to enter into a Voluntary Undertaking Agreement with the Alberta Insurance Council. One (1) appeal was discontinued following the Appellant understanding the eligibility requirements for an Agreement and agreed to enter into an Agreement.

ACTIONS BEFORE THE SUPERIOR COURTS OF ALBERTA

| Action | Overview |
|----------|---|
| Action 1 | Filed in 2021 with the Court of Queen's Bench of Alberta. Matter completed in Q2 2022. |
| Action 2 | Filed in 2022 with the Court of King's Bench of Alberta. Matter to be heard in Q2 2023. |





Appendix J

2022 Financial Statements

Financial Statements of

**ALBERTA INSURANCE
COUNCIL**

Year ended December 31, 2022



KPMG LLP
2200, 10175-101 Street
Edmonton Alberta T5J 0H3
Canada
Tel (780) 429-7300
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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

April 14, 2023

ALBERTA INSURANCE COUNCIL

Statement of Financial Position

December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---------------------------|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 6,424,011 | \$ 8,061,223 |
| Accounts receivable | 131,390 | 271,058 |
| Investments (note 2) | 8,750,000 | 5,250,000 |
| Prepaid expenses | 215,555 | 121,219 |
| | 15,520,956 | 13,703,500 |
| Capital assets (note 3) | 1,469,961 | 1,616,523 |
| Other assets (note 4) | 94,348 | 91,785 |
| | \$ 17,085,265 | \$ 15,411,808 |

Liabilities and Net Assets

| | | |
|---|---------------|---------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 734,922 | \$ 641,744 |
| Deferred revenue (note 5) | 3,538,448 | 3,391,304 |
| Current portion deferred rent and tenant inducements (note 7) | 94,951 | 93,513 |
| | 4,368,321 | 4,126,561 |
| Asset retirement obligation (note 6) | 112,158 | 77,438 |
| Deferred rent and tenant inducements (note 7) | 1,380,315 | 1,476,704 |
| | 5,860,794 | 5,680,703 |
| Net assets: | | |
| Invested in capital assets (note 8) | 536,876 | 623,927 |
| Unrestricted | 10,687,595 | 9,107,178 |
| | 11,224,471 | 9,731,105 |
| | \$ 17,085,265 | \$ 15,411,808 |

See accompanying notes to financial statements.

Andrew Freeman

Chair, Finance and Audit Committee

Michael Ilnycky

Vice Chair, Alberta Insurance Council

ALBERTA INSURANCE COUNCIL

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

| | 2022 Budget | 2022 | 2021 |
|--|------------------|---------------------|-------------------|
| Revenue: | | | |
| License, assessment, examination and continuing education fees (note 10) | \$ 8,273,000 | \$ 8,372,227 | \$ 8,099,223 |
| Interest and other | 153,000 | 195,136 | 115,816 |
| | 8,426,000 | 8,567,363 | 8,215,039 |
| Expenses: | | | |
| Manpower | 4,504,000 | 3,641,752 | 3,656,391 |
| Occupancy and premises | 879,000 | 861,289 | 1,252,120 |
| Other operating costs (note 12) | 437,500 | 329,859 | 390,246 |
| Councils, boards and committees (note 13) | 543,000 | 420,045 | 444,330 |
| Software and computer | 677,000 | 673,818 | 366,320 |
| Amortization of capital assets | 527,000 | 307,912 | 373,729 |
| Professional fees | 269,100 | 358,968 | 331,140 |
| Office and administration | 271,000 | 201,659 | 160,424 |
| Communications | 201,000 | 187,992 | 195,621 |
| Travel | 114,000 | 89,200 | 51,737 |
| Loss on disposal of capital assets | - | 1,503 | 44,513 |
| | 8,422,600 | 7,073,997 | 7,266,571 |
| Excess of revenue over expenses | \$ 3,400 | \$ 1,493,366 | \$ 948,468 |

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

| | Invested in capital assets | Unrestricted | 2022 |
|--|-------------------------------|----------------------|----------------------|
| Net assets, beginning of year | \$ 623,927 | \$ 9,107,178 | \$ 9,731,105 |
| Excess of revenue over expenses | - | 1,493,366 | 1,493,366 |
| Net change in invested in capital assets (note 8) | (87,051) | 87,051 | - |
| Net assets, end of year | \$ 536,876 | \$ 10,687,595 | \$ 11,224,471 |

| | Invested in capital assets | 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) | - |
| Net assets, end of year | \$ 623,927 | \$ 9,107,178 | \$ 9,731,105 |

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 1,493,366 | \$ 948,468 |
| Items not involving cash: | | |
| Accretion of asset retirement obligation | 720 | 1,635 |
| Amortization of deferred tenant inducements | (94,232) | (105,192) |
| Recognition of deferred rent | (719) | 388,140 |
| Remeasurement of asset retirement obligation | 34,000 | (49,981) |
| Amortization of capital assets | 307,912 | 373,730 |
| Loss on disposal of capital assets | 1,503 | 44,513 |
| Decrease in accounts receivable | 139,668 | 539,157 |
| (Increase) decrease in prepaid expenses | (94,336) | 146,561 |
| Increase (decrease) in accounts payable and accrued liabilities | 93,178 | (39,272) |
| (Increase) decrease in other assets | (2,563) | 289,955 |
| Increase in deferred revenue | 147,144 | 156,099 |
| Other | (1) | - |
| | 2,025,640 | 2,693,813 |
| Capital activities: | | |
| Purchase of investments | (22,000,000) | (13,000,000) |
| Redemptions of investments | 18,500,000 | 14,885,199 |
| Purchase of capital assets | (133,544) | (249,165) |
| Increase in asset retirement obligation | (34,000) | - |
| Tenant inducements receivable | - | 1,120 |
| Proceeds on sale of capital assets | 4,692 | 300 |
| Asset retirement costs incurred in year | - | (45,019) |
| | (3,662,852) | 1,592,435 |
| (Decrease) increase in cash and cash equivalents | (1,637,212) | 4,286,248 |
| Cash and cash equivalents, beginning of year | 8,061,223 | 3,774,975 |
| Cash and cash equivalents, end of year | \$ 6,424,011 | \$ 8,061,223 |

See accompanying notes to financial statements.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements

Year ended December 31, 2022

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, 2022

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:

| <u>Asset</u> | <u>Rate</u> |
|--------------------------------|---------------|
| 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, 2022

1. Significant accounting policies (continued):

(f) Internally restricted net assets:

From time to time the Board may choose to internally restrict net assets to fund certain procurements or costs.

(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, 2022

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 |
| PS3260 - Public Private Partnerships | April 1, 2023 |
| PSG-8 - Purchased Intangibles | April 1, 2023 |

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

2. Investments:

Investments consist of Guaranteed Investment Certificates with fixed annual interest rates ranging from 0.25% to 4.65% (2021 - 0.45% to 0.50%) and maturity dates ranging from January 31, 2023 to December 13, 2023 (2021 - January 31, 2022 to July 31, 2022).

3. Capital assets:

| | | | 2022 | 2021 |
|--------------------------------|---------------------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Leasehold improvements | \$ 1,165,477 | \$ 227,571 | \$ 937,906 | \$ 1,003,346 |
| Furniture and office equipment | 664,586 | 354,158 | 310,428 | 333,398 |
| Computer equipment | 618,144 | 488,719 | 129,425 | 193,168 |
| Computer software | 845,448 | 761,515 | 83,933 | 74,889 |
| Telephone equipment | 26,782 | 18,513 | 8,269 | 11,722 |
| | <u>\$ 3,320,437</u> | <u>\$ 1,850,476</u> | <u>\$ 1,469,961</u> | <u>\$ 1,616,523</u> |

4. Other assets:

The balance of \$91,295 (2021 - \$91,295) in other assets relates to security deposits on leased premises.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

5. Deferred revenue:

| | 2022 | 2021 |
|--------------------------------------|---------------------|---------------------|
| License ^(a) | \$ 3,451,248 | \$ 3,304,704 |
| Assessment | 79,500 | 78,750 |
| Examination and continuing education | 7,700 | 7,850 |
| | \$ 3,538,448 | \$ 3,391,304 |

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

6. Asset retirement obligation:

| | Edmonton | Calgary | 2022 | 2021 |
|-------------------|-------------------|-------------------|-------------------|------------------|
| | Manulife Place | Jamieson Place | Total | Total |
| Beginning of year | \$ 41,526 | \$ 35,912 | \$ 77,438 | \$ 170,803 |
| Settled | - | - | - | (45,019) |
| Remeasured | 17,000 | 17,000 | 34,000 | (49,981) |
| Accretion | 379 | 341 | 720 | 1,635 |
| End of year | \$ 58,905 | \$ 53,253 | \$ 112,158 | \$ 77,438 |

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 Manulife and Jamieson Place will terminate in 2031 and 2033, respectively.

Given the rise in interest rates near the end of 2022, the Council revised its estimated total undiscounted obligation related to the removal of leasehold improvements to \$172,000 (2021 - \$85,000). The revised present value of the asset retirement obligations as at December 31, 2022 has been calculated using a discount rate of 4.5% (2021 - 0.9%).

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Deferred rent and tenant inducements:

| | | | 2022 | 2021 |
|--|------------------|----------------------|--------------|--------------|
| | Deferred rent | Tenant inducement | Total | Total |
| Beginning of year | \$ 655,058 | \$ 915,159 | \$ 1,570,217 | \$ 1,286,148 |
| Leasehold improvement allowance received in the year | - | - | - | 1,120 |
| Rent free period | - | - | - | 438,565 |
| Amortization of deferred rent and tenant inducements | (719) | (94,232) | (94,951) | (155,616) |
| Deferred rent and tenant inducements | 654,339 | 820,927 | 1,475,266 | 1,570,217 |
| Less: current portion deferred rent and tenant inducements | (719) | (94,232) | (94,951) | (93,513) |
| | \$ 653,620 | \$ 726,695 | \$ 1,380,315 | \$ 1,476,704 |

8. Invested in capital assets:

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

| | 2022 | 2021 |
|-----------------------------|--------------|--------------|
| Capital assets | \$ 1,469,961 | \$ 1,616,523 |
| Asset retirement obligation | (112,158) | (77,438) |
| Deferred tenant inducements | (820,927) | (915,158) |
| | \$ 536,876 | \$ 623,927 |

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Invested in capital assets (continued):

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

| | 2022 | 2021 |
|--|--------------------|------------------|
| Net change in investment in capital assets: | | |
| Amortization of capital assets | \$ (307,912) | \$ (373,730) |
| Purchase of capital assets | 167,544 | 249,165 |
| Increase in tenant inducements | - | (1,120) |
| Amortization of deferred tenant inducements | 94,232 | 105,192 |
| (Increase) decrease in asset retirement obligation, net (note 6) | (34,720) | 93,365 |
| Proceeds on sale of capital assets | (4,692) | (300) |
| Loss from disposal of capital assets | (1,503) | (44,513) |
| | <u>\$ (87,051)</u> | <u>\$ 28,059</u> |

9. Commitments and contingencies:

The Council is committed under annual lease payments and software licensing agreements as follows:

| | |
|------------|------------|
| 2023 | \$ 558,096 |
| 2024 | 532,795 |
| 2025 | 521,012 |
| 2026 | 473,463 |
| 2027 | 474,121 |
| Thereafter | 2,268,647 |

In addition to the commitments outline above, the Council is also responsible for operating costs related to leases for office premises. These costs are not fixed within the lease and change yearly.

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. 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 \$346,000 plus costs. The Council has adequate insurance to cover these legal proceedings and a provision of \$75,000 (2021 - \$76,500) 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:

| | 2022 | 2021 |
|---------------------------|---------------------|---------------------|
| License fees | \$ 7,271,518 | \$ 7,021,219 |
| Assessment fees | 158,625 | 159,000 |
| Examination fees | 670,359 | 623,854 |
| Continuing education fees | 271,725 | 295,150 |
| | <u>\$ 8,372,227</u> | <u>\$ 8,099,223</u> |

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

11. Manpower:

| | 2022 | 2021 |
|-------------------|---------------------|---------------------|
| Senior Executives | \$ 946,859 | \$ 909,207 |
| Other staff | 2,694,893 | 2,747,184 |
| | <u>\$ 3,641,752</u> | <u>\$ 3,656,391</u> |

- (a) Manpower expense includes staff salaries and benefits. Staff salaries includes regular base pay bonuses, overtime and severance. Staff benefits includes employer's share of employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, group life insurance, long-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.

12. Other operating costs:

| | 2022 | 2021 |
|--------------------------|-------------------|-------------------|
| Merchant fees | \$ 213,759 | \$ 198,030 |
| Examination invigilators | 116,100 | 192,216 |
| | <u>\$ 329,859</u> | <u>\$ 390,246</u> |

ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2022

13. Councils, boards and committees:

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

| | 2022 | 2021 |
|---------------------------------|-------------------|-------------------|
| Councils and Council Committees | \$ 221,244 | \$ 243,258 |
| Appeal Boards | 103,629 | 117,105 |
| Accreditation Committee | 95,172 | 83,967 |
| | \$ 420,045 | \$ 444,330 |

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 | 2022 ⁽ⁱⁱ⁾ \$ | Number of members | 2021 ⁽ⁱⁱ⁾ \$ |
|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
| Councils ⁽ⁱ⁾ | | | | |
| Chairs | 18 | 87,640 | 25 | 124,757 |
| Members | 51 | 165,920 | 64 | 194,778 |
| Total | 69 | 253,560 | 89 | 319,535 |

(i) These amounts include the following: the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council, the Finance and Audit Committee, the Governance and 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, 2022

14. 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, 2022 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2021.

(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 2021.

(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 2021.

15. Comparative information:

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







Alberta
Insurance
Council

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