

ALBERTA INSURANCE COUNCIL

**ANNUAL
REPORT
FOR
2010**

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ALBERTA INSURANCE COUNCIL

Chairman's Report

I am pleased to submit the following report on the activities of the Alberta Insurance Council for the 2010 calendar year.

We continued to follow our strategic plans which we had adopted for that period. The Board also participated in sessions on corporate governance.

In 2009, the AIC began to develop new Codes of Conduct with the Councils (Life, General, and Adjusters). Consultation with the stakeholder groups continued in 2010 and is near completion. It is the desire of the Councils to ensure approval and formally adopt these new Codes of Conduct by April 2011.

In 2010 we also began to develop and implement a succession management strategy. This encompasses training and staffing. This strategy is anticipated to be completed in 2011.

Alberta Finance and Enterprise has decided to take back the responsibility for handling complaints into the actions of insurance companies in Alberta. This will occur effective April 1, 2011 for all new complaints. The AIC will continue to investigate and to come to a resolution or disposition of insurance company complaints received prior to April 1, 2011. We will strive to make this transition very efficient.

On behalf of the AIC, I would like to thank the Honourable Lloyd Snelgrove, Minister of Finance and Enterprise; the Honourable Ted Morton, former Minister; Tim Wiles, Deputy Minister; Dennis Gartner, Assistant Deputy Minister, and his staff for their support of the Council's work during the year. We intend to continue to work very closely with the Office of the Superintendent of Insurance as we conduct the business of the AIC during the coming year.

I would like to add a special thank you for the commitment of the management and staff of the Alberta Insurance Council. They are a very conscientious and dedicated group.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'M. Niebrugge', written in black ink.

Mel Niebrugge, Alberta Insurance Council Chairperson
April 2011

MEMBERS OF THE COUNCILS 2010

LIFE INSURANCE COUNCIL

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Alex Thomson	Chair	Life Agents
Art Bonertz	Vice Chair	Public
Doug Curtis	Secretary	Life Companies
Dean Hunt	Member	Life Agents
Robin Rankine	Member	Life Companies
Phyllis Kobasiuk	Member	Public
Drew McNichol	Member	Life Companies Term Expired

GENERAL INSURANCE COUNCIL

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Lois Yanke	Chair	Insurance Brokers
Pat Herrera	Vice Chair	Direct Writers
Deborah Ede-Neville	Secretary	Insurance Brokers
Jim Harris	Member	Insurance Brokers
Jean Gauvreau	Member	General Insurers
Judy Mercer	Member	Direct Writers
Vacant (March 2009)	Member	Public
Vacant (December 2009)	Member	Public
Darcie Fred	Member	Direct Writers Term Expired
Lorrie King	Member	Insurance Brokers Term Expired

MEMBERS OF THE COUNCILS 2010 – (continued)

INSURANCE ADJUSTERS COUNCIL

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Jeff DeNeve	Chair	Adjusters
Robert Katzell	Vice Chair	Insurers
Delores Thorbourne	Secretary	Adjusters
Vacant (December 2009)	Member	Public
Jack Ross	Member	Public
		Term Expired

ALBERTA INSURANCE COUNCIL

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

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Mel Niebrugge	Chair	Public
Jim Harris	Vice Chair	General Insurance Council
Doug MacRae	Secretary	Public
Alex Thompson	Member	Life Insurance Council
Jeff DeNeve	Member	Insurance Adjusters Council
Drew McNichol	Member	Life Insurance Council
		Term Expired

REPORT OF THE CHIEF EXECUTIVE OFFICER – 2010

PROGRAMS AND SERVICES

During the course of its annual strategic planning session, the Alberta Insurance Council (AIC) established a number of objectives for 2010 – 2012 which included but were not limited to:

- a) Ensuring that clear and transparent Codes of Conduct and practice standards are in place,
- b) The continuing expansion of on line services to all stakeholders,
- c) Working with the Ministry of Finance and Enterprise to clarify respective roles and responsibilities relating to complaints and investigation management,
- d) Working with the Ministry of Finance and Enterprise to implement the recommendations of the General Insurance Agents Licensing Review project.

The Life (LIC), General (GIC) and Insurance Adjusters Councils (IAC) established committees to review and update existing Codes of Conduct. I am pleased to report that the redeveloped Codes of Conduct were sent out for stakeholder consultation in 2010 and subsequently adopted by the Life, General and Insurance Adjusters Councils. The Codes are available on the AIC website at www.abcouncil.ab.ca.

On-line services to all stakeholders continue to expand. Continuing education recording and tracking is now linked to the renewal process and Certificates are not eligible to be renewed without valid credits being recorded. In 2011 electronic renewal processing will be made available to holders of restricted certificates of authority. In addition, in 2011 an electronic application process will be in place for all prospective licenses.

AIC, in conjunction with the Office of the Superintendent of Insurance, has finalized processes to amend and clarify their respective roles and responsibilities relating to complaint investigation and management. Starting in April, 2011, issues, concerns or complaints regarding insurance companies will be handled by the Office of the Superintendent of Insurance. Prior to this, insurance company complaints were dealt with by the Alberta Insurance Council.

Issues, concerns or complaints regarding insurance agents or licensed independent insurance adjusters will still be handled by the AIC.

Both the Alberta Insurance Council and Alberta Finance and Enterprise continue to work together to ensure consumers are protected and companies and insurance agents operate at the highest standards.

The AIC continues to work with Alberta Finance and Enterprise to obtain the necessary regulatory amendments to implement the recommendations of the General Insurance Agents Licensing Review project and the AIC will be seeking additional stakeholder comments regarding these recommendations.

EDMONTON OFFICE RELOCATION

The Edmonton office of the AIC relocated in December 2010 to 600 Bell Tower 10104 103 Avenue. The new premises will allow for larger and more efficient examination and meeting facilities and will serve the Councils well in the upcoming years.

IN SUMMARY

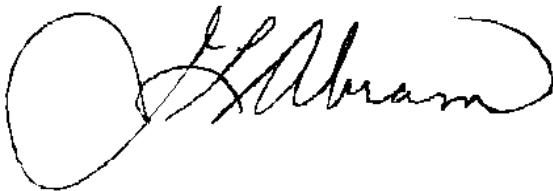
AIC has been successful in meeting key objectives for 2010. Revenues are sufficient to allow for effective delivery of service to all stakeholders.

AIC continues to work closely with the Office of the Superintendent of Insurance with regard to requests for regulatory amendments, the appointment of public members to Councils and to consult with Ministry officials on proposed regulation.

IN CLOSING

In closing, I would like to extend my appreciation to all Council Members, past and present for their continued effort and unparalleled support for the system of peer review, which is the foundation upon which the Councils are built. They provide extraordinary service to their industry.

I would also like to thank an exceptional staff for their commitment and dedication to excellence in serving all Albertans through the regulatory process.

A handwritten signature in black ink, appearing to read 'J. L. Abram'. The signature is fluid and cursive, with a large initial 'J' and 'L'.

J. L. Abram, (Mrs.)
Chief Executive Officer
April 2011

APPENDIX "A"

EXAMINATION STATISTICS - 2010

LIFE INSURANCE COUNCIL

Full LLQP	Given	2022	
	Passed	1237	61%
	Failed	785	39%
A & S	Given	203	
	Passed	172	85%
	Failed	31	15%

Total Life Council Examinations 2225

GENERAL INSURANCE COUNCIL

Level 1	Given	1442	
	Passed	708	49%
	Failed	734	51%
Level 2	Given	1291	
	Passed	697	54%
	Failed	594	46%

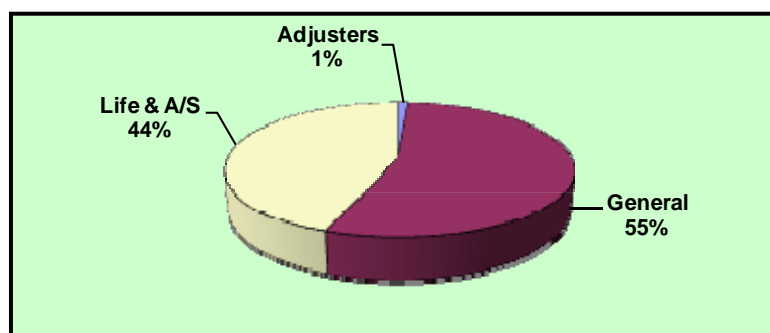
Total General Council Examinations 2733

INSURANCE ADJUSTERS COUNCIL

Basic	Given	55	
	Passed	36	65%
	Failed	19	35%
Oral	Given	1	
	Passed	1	100%
	Failed	0	0%

Total Insurance Adjusters Examinations 56

JAN. 1, 2010 THROUGH DEC. 31, 2010 – TOTAL EXAMINATIONS 5014



APPENDIX "B"

CERTIFICATES ACTIVE AT DECEMBER 31, 2010

LIFE INSURANCE COUNCIL

Life	D/R	1706
Life	Unrestricted	8547
Life	Corporate	1706
Accident & Sickness	D/R	1662
Accident & Sickness	Agent	7558
Accident & Sickness	Corporate	1662
Travel Agency	Agency	385
Automobile Dealership for Credit Related	Restricted	500
Deposit Taking Institution for Credit Related	Restricted	63
Deposit Taking Institution for Group Travel	Restricted	14
Sales Finance Company for Credit Related	Restricted	232
Marine Dealership for Credit Related	Restricted	18
Recreational Dealership for Credit Related	Restricted	158
Farm Implement Dealer for Credit Related	Restricted	8
Construction Equipment Dealer	Restricted	6
Personal Accident Type	Restricted	4
Total Life Insurance Council Certificates		<u>24,229</u>

GENERAL INSURANCE COUNCIL

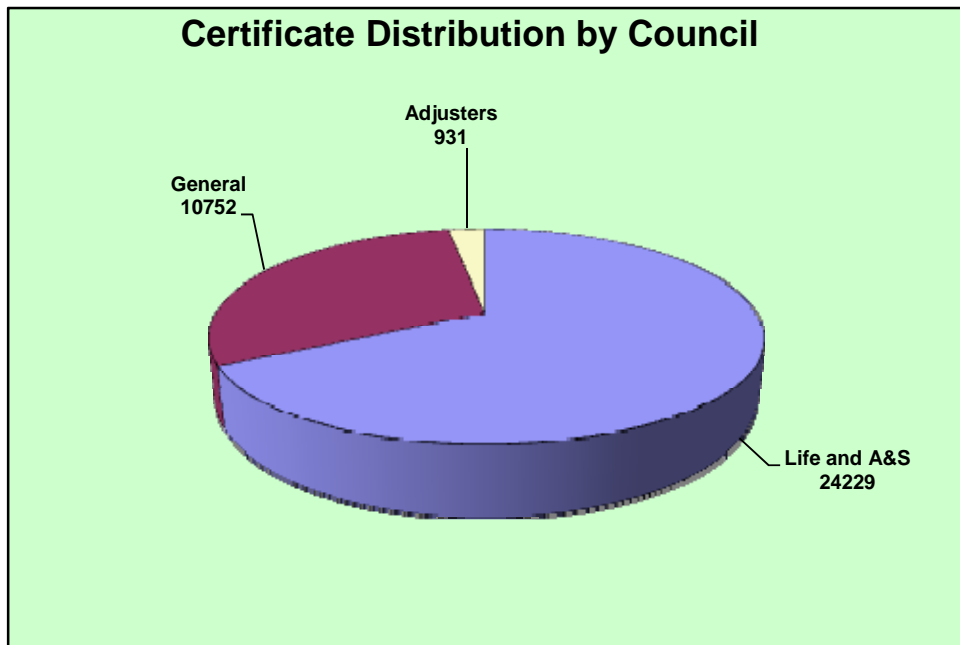
General Insurance Agent	D/R	949
General Insurance Agent	Level 1	1942
General Insurance Agent	Level 2	6012
General Insurance Agent	Corporate	949
Automobile Dealership , Equipment Warranty	Restricted	521
Aircraft - Agent	Restricted	1
General Insurance Agent Restricted to Hail	Restricted	5
Freight Forwarding Companies	Restricted	2
Marine Dealer	Restricted	21
Recreational Dealership	Restricted	142
Farm Implement Dealership	Restricted	6
Construction Equipment Dealership	Restricted	12
Hail – Agent	Restricted	144
Hail – D/R	Restricted	16
Hail - Agency	Restricted	16
Livestock – Agent	Restricted	12
Livestock – D/R	Restricted	1
Livestock - Agency	Restricted	1
Total General Insurance Council Certificates		<u>10,752</u>

(continued on next page)

APPENDIX "B"
(continued)

INSURANCE ADJUSTERS COUNCIL

Adjusters – Level 3	D/R	79
Adjusters – Level 3	Independent	237
Adjusters – Level 2	Restricted	81
Adjusters – Level 1	Probationary	246
Adjusters – Corporate	Corporate	79
Restricted Hail Adjusters	D/R	4
Restricted Hail Adjusters	Corporate	4
Restricted Hail Adjusters	Adjuster	42
Restricted Equipment Warranty Adjuster	D/R	4
Restricted Equipment Warranty Adjuster	Corporate	4
Restricted Equipment Warranty Adjuster	Adjuster	20
Restricted Travel Adjuster	D/R	9
Restricted Travel Adjuster	Corporate	9
Restricted Travel Adjuster	Adjuster	113
Total Insurance Adjusters Council Certificates		<u>931</u>
Total Certificates		<u>35,912</u>



APPENDIX "C"

COMPLAINT STATISTICS FOR ALL COUNCILS – 2010

TOTAL NUMBER OF COMPLAINTS OPENED IN 2010 – ALL COUNCILS	590
TOTAL NUMBER CARRIED FORWARD FROM 2009 TO 2010	209
TOTAL NUMBER OF COMPLAINTS DEALT WITH IN 2010	574
TOTAL NUMBER OUTSTANDING AT DECEMBER 31, 2010	225

NEW COMPLAINTS PER COUNCIL

	<u>ADJUSTERS</u>	<u>GENERAL</u>	<u>LIFE</u>	<u>COMPANY</u>
Total Complaints	24	198	296	72

DISCIPLINARY ACTION TAKEN BY COUNCILS

<u>ACTION</u>	<u>ADJUSTERS</u>	<u>GENERAL</u>	<u>LIFE</u>
Refuse New Applications		3	1
Refuse Reinstatement			
Refused Advance Level			
Fines	10	35	104
Suspension			
Suspension and Fine			
Revocation			
Revocation and Fine		1	
TOTAL	10	39	105

A complete breakdown by individual Council providing type of complaint, status and method of disposition is attached.

APPENDIX "D"

LIFE INSURANCE COUNCIL COMPLAINTS

<u>REPLACEMENT LATE OR POORLY COMPLETED</u>	<u>15*</u>	<u>UNLICENSED SOLICITATION</u>	<u>27*</u>
Not Substantiated	2	Not Substantiated	10
Administrative Caution	13	Fine by Council	4
Carried Forward to 2011	4	Fine by Statement of Fact	3
		Complainant in Error	1
<u>REPLACEMENT NOT COMPLETED</u>	<u>9*</u>	Administrative Caution	9
Not Substantiated	4	Carried Forward to 2011	6
Fine by Council	1	<u>HOLDING OUT ISSUES</u>	<u>25*</u>
Administrative Caution	4	Administrative Caution	25
Carried Forward to 2011	6		
<u>INCORRECT BDS FORM USED</u>	<u>0*</u>	<u>LICENSE OR OTHER OCCUPATION</u>	<u>13*</u>
Carried Forward to 2011	1	Administrative Caution	1
		Report to Council No Action	9
<u>CONDUCT/MISCONDUCT</u>	<u>36*</u>	Refused New License App	3
Not Substantiated	21	<u>NON-DISCLOSURE ISSUES (OTHER THAN REPLACEMENT)</u>	<u>2*</u>
Fine by Council	1	Not Substantiated	1
Fine by Statement of Fact	1	Fine by Council	1
Suspension and Fine	3	Carried Forward to 2011	2
Administrative Caution	6		
Revocation	4	<u>NON- COMPLIANCE WITH CE</u>	<u>138*</u>
Carried Forward to 2011	33	Not Substantiated	28
<u>COVERAGE DIFFERENCES</u>	<u>0*</u>	Fine by Council	36
Carried Forward to 2011	1	Fine by Statement of Fact	35
		Guilty No Penalty	4
<u>PREMIUM OR DEPOSIT PROBLEMS</u>	<u>1*</u>	Complainant in Error	1
Not Substantiated	1	Administrative Caution	33
		Report to Council No Action	1
<u>CLAIMS PROBLEMS</u>	<u>3*</u>	Carried Forward to 2011	90
Not Substantiated	2		
Closed by Negotiation	1		
Carried Forward to 2011	1		

* Denotes number of files concluded not new files opened in the year 2010.

APPENDIX "E"

GENERAL INSURANCE COUNCIL COMPLAINTS

<u>CONDUCT/MISCONDUCT</u>	<u>37*</u>	<u>HOLDING OUT ISSUES</u>	<u>1*</u>
Not Substantiated	20	Administrative Caution	1
Fine by Council	4	Carried Forward to 2011	1
Fine by Statement of Fact	6		
Revocation and Fine	1		
Administrative Caution	3	<u>LICENSE OR OTHER OCCUPATION</u>	<u>95*</u>
Closed by Negotiation	3	Not Substantiated	1
Carried Forward to 2011	19	Report to Council No Action	4
		Refused New License App	4
<u>COVERAGE DIFFERENCES</u>	<u>1*</u>	Cancelled Failure to Advance	86
Not Substantiated	1	Carried Forward to 2011	4
Carried Forward to 2011	1		
		<u>NON-DISCLOSURE ISSUES (OTHER THAN REPLACEMENT)</u>	<u>1*</u>
<u>PREMIUM OR DEPOSIT PROBLEMS</u>	<u>13*</u>	Fine by Statement of Fact	1
Not Substantiated	8	Carried Forward to 2011	1
Closed by Negotiation	5		
Carried Forward to 2011	2		
		<u>NON- COMPLIANCE WITH CE</u>	<u>24*</u>
<u>CLAIMS PROBLEMS</u>	<u>3*</u>	Not Substantiated	2
Not Substantiated	3	Fine by Council	12
Carried Forward to 2011	1	Fine by Statement of Fact	8
		Administrative Caution	1
<u>UNLICENSED SOLICITATION</u>	<u>26*</u>	Stop Code	1
Not Substantiated	11	Carried Forward to 2011	4
Fine by Council	2		
Fine by Statement of Fact	3	<u>CONTRACT RE: AUTOMOBILE GENERAL</u>	<u>0*</u>
Guilty No Penalty	1	Carried Forward to 2011	1
Complainant in Error	1		
Administrative Caution	6		
Closed by Negotiation	1		
Report to Other Authority	1		
Carried Forward to 2011	10		

* Denotes number of files concluded not new files opened in the year 2010.

APPENDIX "F"

INSURANCE ADJUSTERS COUNCIL COMPLAINTS

CONDUCT/MISCONDUCT **3***

Not Substantiated	2
Fine by Statement of Fact	1
Carried Forward to 2011	6

CLAIMS PROBLEMS **7***

Not Substantiated	5
Complainant in Error	1
Administrative Caution	1
Carried Forward to 2011	1

UNLICENSED SOLICITATION **10***

Not Substantiated	1
Fine by Council	3
Fine by Statement of Fact	4
Administrative Caution	2
Carried Forward to 2011	3

LICENSE OR OTHER OCCUPATION **1***

Refused New License App	1
Carried Forward to 2011	1

NON- COMPLIANCE WITH CE **14***

Not Substantiated	1
Fine by Council	6
Fine by Statement of Fact	4
Guilty No Penalty	1
Administrative Caution	2
Carried Forward to 2011	5

* Denotes number of files concluded not new files opened in the year 2010.

APPENDIX "G"

COMPANY COMPLAINTS

The Council's delegation deals only with investigative functions. Disciplinary action remains the jurisdiction of the Minister of Finance/Superintendent of Insurance.

<u>CONDUCT/MISCONDUCT</u>	<u>9*</u>	<u>CLAIMS</u>	<u>44*</u>
PROPERTY/LIABILITY PERSONAL	<u>2</u>	ACCIDENT & SICKNESS PERSONAL	<u>2</u>
Not Substantiated	1	Not Substantiated	2
Report to Superintendent	1		
Carried Forward to 2011	1	PROPERTY/LIABILITY PERSONAL	<u>19</u>
INCIDENTAL TYPES	<u>0</u>	Not Substantiated	15
Carried Forward to 2011	1	Reported to Other Authority	1
		Complaint Resolved by Negotiation	3
		Carried Forward to 2011	1
ACCIDENT AND SICKNESS GROUP	<u>2</u>	PROPERTY/LIABILITY COMMERCIAL	<u>2</u>
Report to Superintendent	1	Not Substantiated	2
Complaint Resolved by Negotiation	1	Carried Forward to 2011	1
Carried Forward to 2011	1		
AUTOMOBILE GENERAL	<u>2</u>	TRAVEL ACCIDENT & BAGGAGE	<u>1</u>
Not Substantiated	1	Not Substantiated	1
Complaint Resolved by Negotiation	1	Carried Forward to 2011	1
Carried Forward to 2011	1		
		ACCIDENT & SICKNESS GROUP	<u>1</u>
CREDITOR LIFE	<u>2</u>	Complaint Resolved by Negotiation	1
Report to Superintendent	1	Carried Forward to 2011	1
Complaint Resolved by Negotiation	1		
Carried Forward to 2011		AUTOMOBILE GENERAL	<u>9</u>
LIFE PERSONAL	<u>1</u>	Not Substantiated	7
Not Substantiated	1	Complainant in Error	1
Carried Forward to 2011	3	Complaint Resolved by Negotiation	1
		Carried Forward to 2011	1
LIFE GROUP	<u>0</u>	AUTOMOBILE SECTION B	<u>1</u>
Carried Forward to 2011	1	Not Substantiated	1
		AUTOMOBILE SECTION C	<u>2</u>
		Not Substantiated	2

* Denotes number of files concluded not new files opened in the year 2010

APPENDIX "G" – Continued

<u>CLAIMS (continued)</u>		<u>CONTRACTS</u>	<u>9*</u>
AUTOMOBILE COMMERCIAL GENERAL	<u>1</u>	PROPERTY/LIABILITY PERSONAL	<u>3</u>
Not Substantiated	1	Not Substantiated	1
		Complainant in Error	1
AUTOMOBILE COMMERCIAL SECTION C	<u>1</u>	Complaint Resolved by Negotiation	1
Not Substantiated	1	PROPERTY/LIABILITY COMMERCIAL	<u>1</u>
CREDITOR LIFE	<u>1</u>	Not Substantiated	1
Not Substantiated	1	AUTOMOBILE GENERAL	<u>3</u>
CREDITOR ACCIDENT & SICKNESS	<u>2</u>	Report to Superintendent	1
		Complaint Resolved by Negotiation	2
Not Substantiated	2	Carried Forward to 2011	1
LIFE PERSONAL	<u>2</u>	CREDITOR LIFE	<u>1</u>
Not Substantiated	1	Complainant in Error	1
Report to Superintendent	1		
Carried Forward to 2011	1	LIFE PERSONAL	<u>1</u>
<u>PREMIUM or DEPOSIT</u>	<u>6*</u>	Not Substantiated	1
AUTOMOBILE GENERAL	<u>5</u>		
Not Substantiated	2	<u>LICENSED/UNLICENSED</u>	<u>1*</u>
Complainant in Error	1	AUTOMOBILE GENERAL	<u>1</u>
Complaint Resolved by Negotiation	2	Caution to Company re: Procedures	1
Carried Forward to 2011	2		
LIFE PERSONAL	<u>1</u>	PROPERTY/LIABILITY PERSONAL	<u>0</u>
Complainant in Error	1	Carried Forward to 2011	1
LIFE GROUP	<u>0</u>	WARRANTY	<u>0</u>
Carried Forward to 2011	1	Carried Forward to 2011	1
		CREDITOR LIFE	<u>0</u>
		Carried Forward to 2011	<u>1</u>
		LIFE PERSONAL	<u>0</u>
		Carried Forward to 2011	1

* Denotes number of files concluded not new files opened in the year 2010

APPENDIX "H"

APPEALS TO THE APPEAL BOARD – 2010

During the 2010 year, eight (8) appeals were before Appeal Board Panels. The disposition of those matters is as follows:

Number of Appeals	Decision
2	Allowed
1	Abandoned
3	Varied
3	Pending (Includes 1 from 2009)

The appeals that were varied by the Appeal Panel produced the following result:

The cases where the decisions of Councils were varied involved one agent and two separate decisions. One decision each from the Life Insurance and the General Insurance Councils. The matters were heard as separate appeals.

In the case of the Life Insurance Council decision, Council found the Agent guilty under Count 1 of an offence pursuant to s. 480(1)(a) and with respect to Count 2 guilty of an offence under 480(1)(b) surrounding the agent's failure to complete sufficient CE hours. Penalties of \$500.00 regarding Count 1 and \$300.00 regarding Count 2 were levied. The Appeal Panel altered the LIC decision with respect to Count 1 and found the agent guilty under 480(1)(b) rather than 480(1)(a) and reduced the penalty levied in respect to Count 1 to \$300. Count 2 was confirmed and a total penalty of \$600.00 was ordered.

In the case of the General Insurance Council decision, Council found the Agent guilty under Count 1 of an offence pursuant to s. 480(1)(a) and with respect to Count 2 guilty of an offence under 480(1)(b) surrounding the agent's failure to complete sufficient CE hours. Penalties of \$500.00 regarding Count 1 and \$300.00 regarding Count 2 were levied. The Appeal Panel altered the GIC decision with respect to Count 1 and found the agent guilty under 480(1)(b) rather than 480(1)(a) and reduced the penalty levied in respect to Count 1 to \$250.00. Count 2 was confirmed with regard to the finding of guilt, however, the penalty was altered to \$250.00 and a total penalty of \$500.00 was ordered.

There were also six (6) appeals pending from 2009, five of those were resolved in 2010 as they were abandoned and one (1) remains outstanding. The outstanding appeal last reported in 2009 is also included in the count outstanding as at December 31, 2010.

APPENDIX "I"

ALBERTA INSURANCE COUNCIL

FINANCIAL STATEMENTS

2010

Alberta Insurance Council

Financial Statements
December 31, 2010 and 2009

April 21, 2011

Independent Auditor's Report

**To the Members of
Alberta Insurance Council**

We have audited the accompanying financial statements of Alberta Insurance Council, which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations, changes in net assets and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Insurance Council as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Alberta Insurance Council

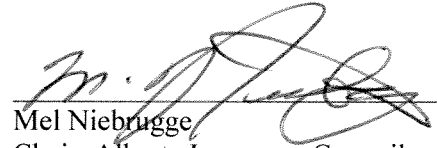
Statement of Financial Position

As at December 31, 2010 and 2009

	2010 \$	2009 \$
Assets		
Current assets		
Cash (note 3)	5,937,146	5,997,290
Accounts receivable	34,319	33,888
Prepaid expenses	67,408	60,148
	<hr/>	<hr/>
	6,038,873	6,091,326
Capital assets (note 4)	<hr/>	<hr/>
	1,177,625	634,138
	<hr/>	<hr/>
	7,216,498	6,725,464
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	229,142	220,393
Deferred license and assessment fee revenue	1,473,223	1,456,505
	<hr/>	<hr/>
	1,702,365	1,676,898
Deferred tenant inducement (note 5)	<hr/>	<hr/>
	547,938	121,748
	<hr/>	<hr/>
	2,250,303	1,798,646
Commitments (note 9)		
Net Assets		
Net assets		
Invested in capital assets (internally restricted)	629,688	512,390
Unrestricted	4,336,507	4,414,428
	<hr/>	<hr/>
	4,966,195	4,926,818
	<hr/>	<hr/>
	7,216,498	6,725,464
	<hr/>	<hr/>

**Recommended by the Audit Committee and
Approved by the Alberta Insurance Council**


Art Bonertz
Chair, Audit Committee


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Chair, Alberta Insurance Council

Alberta Insurance Council

Statements of Changes in Net Assets

For the years ended December 31, 2010 and 2009

	Invested in capital assets \$	Unrestricted \$	Total \$
Balance – December 31, 2008, as originally stated	736,105	4,073,943	4,810,048
Reclassification of deferred tenant inducements (note 12)	(156,638)	156,638	-
Balance – December 31, 2008, as restated	579,467	4,230,581	4,810,048
Excess of revenue over expenditures	(177,799)	294,569	116,770
Investment in property and equipment	110,722	(110,722)	-
Balance – December 31, 2009	512,390	4,414,428	4,926,818
Excess of revenue over expenditures	-	39,377	39,377
Amortization of capital assets	(225,621)	225,621	-
Amortization of deferred tenant inducement	50,559	(50,559)	-
Deferred rent	(18,748)	18,748	-
Loss on disposal of capital assets	(20,367)	20,367	-
	(214,177)	253,554	39,377
Investment in property and equipment			
Purchase of capital assets	789,475	(789,475)	-
Tenant inducement received (note 5)	(458,000)	458,000	-
	331,475	(331,475)	-
Balance – December 31, 2010	629,688	4,336,507	4,966,195
Invested in capital assets consists of			
Capital assets	1,177,625		
Deferred tenant inducement	(547,937)		
	629,688		

Alberta Insurance Council

Statements of Operations

For the years ended December 31, 2010 and 2009

	Budget 2010 \$ (Unaudited)	2010 \$	2009 \$
Revenue			
License, assessment, examination and continuing education fees	4,335,000	4,383,355	4,440,672
Interest and other	60,000	58,023	75,696
	<hr/> 4,395,000	<hr/> 4,441,378	<hr/> 4,516,368
Expenditures			
Salaries and benefits (note 6)	2,811,000	2,537,400	2,499,122
Occupancy and premises	525,000	514,237	430,821
Councils, Boards and Committees (note 7)	370,000	286,058	355,217
Amortization	225,000	245,373	212,689
Office and administration	215,000	222,622	219,068
Professional fees	200,000	197,253	234,682
Communications (note 11)	205,000	175,808	253,972
Software and computer	130,000	127,987	98,278
Travel	110,000	95,263	95,749
	<hr/> 4,791,000	<hr/> 4,402,001	<hr/> 4,399,598
Total expenditures for the year			
Excess of revenue over expenditures	<hr/> (396,000)	<hr/> 39,377	<hr/> 116,770

Alberta Insurance Council

Statements of Cash Flows

For the years ended December 31, 2010 and 2009

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	39,377	116,770
Items not affecting cash		
Amortization of capital assets	225,621	212,689
Amortization of deferred tenant inducement	(50,559)	(34,890)
Deferred adjustment	18,748	-
Loss on disposal of capital assets	20,367	-
	<hr/>	<hr/>
	253,554	294,569
Net changes in non-cash working capital items		
(Increase) decrease in accounts receivable	(431)	8,972
(Increase) decrease in prepaid expenses	(7,261)	21,932
Increase (decrease) in accounts payable and accrued liabilities	8,750	(101,580)
Increase in deferred license and assessment fee revenue	16,717	8,531
	<hr/>	<hr/>
	271,329	232,424
Investing activities		
Purchase of capital assets	<hr/>	<hr/>
	(331,475)	(110,722)
(Decrease) increase in cash	(60,146)	121,702
Cash – Beginning of year	<hr/>	<hr/>
	5,997,290	5,875,588
Cash – End of year	<hr/>	<hr/>
	5,937,144	5,997,290
Supplementary information		
Interest received	<hr/>	<hr/>
	54,754	84,489

During the year, the Council received a non-cash tenant inducement of \$458,000 (note 5).

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

1 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.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue recognition

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

Capital assets and amortization

Capital assets consisting of property, equipment and computer software are recorded at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Term of the lease
Furniture and office equipment	3 – 10 years
Computer equipment	3 years
Computer software	3 years
Telephone equipment	5 years

Examination development costs

Costs of development of examination questions are expensed as incurred.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

Deferred tenant inducement and operating leases

The related tenant inducement associated with leased premises is amortized on a straight-line basis over the term of the related lease and recognized as a reduction of rent recorded in occupancy costs.

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

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.

Financial instruments

The Council's financial assets include cash and accounts receivable. Cash is classified as held-for-trading and is recorded at fair value with realized and unrealized gains and losses reported in the statement of operations for the period in which they arise. Accounts receivable is classified as loans and receivables and is accounted for at amortized cost using the effective interest rate method. Loans and receivables are initially recorded at fair value.

The Council's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are classified as other liabilities and are accounted for at amortized cost using the effective interest rate method. Financial liabilities are initially measured at fair value.

The Council determined that it does not have any derivatives and has not entered into any hedge transactions.

The Council applies Canadian Institute of Chartered Accountants ("CICA") Section 3861 – *Financial Instruments Disclosure and Presentation* in place of the optional standards CICA 3862 – *Financial Instruments – Disclosures* and ICA 3863 – *Financial Instruments – Presentation*, effective for financial years beginning on or after October 31, 2007.

Future change in basis of accounting

Accounting standards for not-for-profit organizations

In December 2010, the Canadian Accounting Standards Board issued a comprehensive set of accounting standards applicable to not-for-profit organizations and changes for government not-for-profit organizations ("GNPO"). The standards are effective for fiscal years beginning on or after January 1, 2012 and require retrospective application, except for certain exemptions and exceptions contained within the standards. Early adoption of the standards is permitted. The Government of Alberta has provided direction to the Council to adopt the accounting standards applicable for GNPO effective January 1, 2011. The Council is currently considering the impact of adopting these standards.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

3 Cash

Included in cash is an amount of \$5,607,191 (2009 – \$5,622,801) invested in the Consolidated Cash Investment Trust Fund (the “CCITF”). The CCITF is managed by the Government of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors’ capital.

4 Capital assets

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	\$
Leasehold improvements	884,800	208,728	676,072
Furniture and office equipment	396,895	127,543	269,352
Computer equipment	289,255	201,069	88,186
Computer software	794,188	664,499	129,689
Telephone equipment	51,277	39,139	12,138
Asset held for resale	2,188	-	2,188
	2,418,603	1,240,978	1,177,625
			2009
			Net
	Cost	Accumulated	\$
		amortization	
	\$	\$	\$
Leasehold improvements	614,669	313,720	300,949
Furniture and office equipment	296,068	140,968	155,100
Computer equipment	213,612	167,610	46,002
Computer software	691,072	580,612	110,460
Telephone equipment	50,346	28,719	21,627
	1,865,767	1,231,629	634,138

The asset held for resale is valued at the net recoverable amount.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

5 Deferred tenant inducement

In 2007, tenant inducement in the amount of \$142,375 was received from the landlord with respect to leasehold improvements in the Council's Calgary office. The tenant inducement was deferred and is being recognized as a reduction of rent during the eight-year term of the lease.

In December 2010, the Council moved its Edmonton office from 901 Toronto-Dominion Tower ("TD Tower") to Suite 600, Bell Tower. Both properties are under common ownership.

At the time of the Edmonton move, the Council was in year 4 of a 5-year lease. The lease for the premises in TD Tower was amended to provide for early termination of the lease effective December 3, 2010. In 2007, a tenant inducement of \$84,043 had been received from the landlord with respect to leasehold improvements undertaken by the Council on the space in TD Tower. This tenant inducement was deferred and was being recognized as a reduction of rent expense over the 5-year term of the lease. In 2010, the remaining portion of this leasehold inducement in the amount of \$15,669 was recognized as a reduction of the current year's rent.

In 2010, a tenant inducement in the amount of \$524,100 was provided for by the landlord with respect to the leasehold improvements for the new Edmonton premises. As at December 31, 2010, \$458,000 of improvements have been completed. This amount has been deferred, and will be amortized as a reduction of rent during the 10-year term of the lease.

6 Salaries and benefits

	2010			2009		
	FTE's #	Salary ^(a) \$	Benefits ^(b) \$	Total \$	FTE's #	Total \$
Chief Executive Officer	1	221,738	52,630	274,368	1	244,578
Chief Operating Officer	1	192,339	44,435	236,774	1	238,144
Other staff ^(c)	21	1,749,804	276,454	2,026,258	19	2,016,400
Total	23	2,163,881	373,519	2,537,400	21	2,499,122

^(a) Salary includes regular base pay, bonuses and overtime.

^(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, group life insurance, long and short-term disability plans and vacation pay. Accrued vacation pay was \$28,257 (2009 – \$44,805).

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 not included in any of the Province of Alberta's employee benefits plans.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

7 Councils, Boards and Committees

a) The following amounts are included in Councils, Boards and Committees expenditures:

	2010 \$	2009 \$
Councils and Council Committees	212,545	272,691
Appeal Boards	37,161	36,551
Accreditation Committee	36,352	45,975
	286,058	355,217

b) Per diem payments of Council Members

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

	2010 ^(c)		2009	
	#	\$	#	\$
Councils ^(a)				
Chair – AIC ^(b)	1	23,149	1	33,893
Other – Chairs	8	63,513	9	43,160
Members	33	104,556	46	170,838
		191,218		247,891
Total	42	191,218	56	247,891

^(a) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council, the Insurance Adjusters Council, the Audit Committee, the Appeal Boards and the Accreditation Committee.

^(b) This includes per diem payments made for attendance at Alberta Insurance Council Audit Committee, Accreditation Committee and the AIC chair annual stipend.

^(c) All per diem payments made to members of Councils, Committees and Boards are paid by the Council out of fees received from Insurance licenses. This includes public members appointed by the Lieutenant Governor in Council, as well as Accreditation Committee members appointed by the Minister of Finance pursuant to the Government Organization Act. For the period January 1 to December 31, 2010, the public member positions for the General Insurance Council and the Insurance Adjusters Council were vacant.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

8 Capital disclosures

The Council's objective in managing capital is to ensure a sufficient liquidity position to finance its expenses, working capital and overall capital expenditures.

The Council defines capital as net assets comprised of investment in property and equipment and unrestricted funds.

Since inception, the Council has primarily financed its liquidity through fees from licenses, assessments, examinations and continuing education and interest income on cash invested in the CCITF. The Council expects to continue to meet future requirements through these sources.

The Council is not subject to any externally imposed capital requirements. There have been no changes to the Council's objectives and what it manages as capital since the prior fiscal period.

9 Commitments

The Council is committed to operating lease payments for business premises in accordance with existing lease agreements and contracted services, as follows:

	\$
2011	297,177
2012	369,969
2013	378,493
2014	352,735
2015	227,110
Thereafter	1,260,752

10 Financial instruments

The Council's financial instruments comprise of cash, accounts receivable and accounts payable and accrued liabilities. The carrying value of these accounts approximate fair value. The Council is potentially subject to concentrations of interest rate risk principally with its investment in the Consolidated Cash Investment Trust Fund. Credit risk is negligible as the majority of revenue is from licence and assessment fees, which are billed in advance. There are no unrecorded financial instruments.

Alberta Insurance Council

Notes to Financial Statements

December 31, 2010 and 2009

11 Communications

In recognition of its 20th anniversary, the Council established the Alberta Insurance Council Leadership Award for the promotion and advancement of insurance education and ethics. Donations of \$25,000 each were given during 2009 to the University of Calgary and Grant MacEwan University to endow these awards for future years. The Council also provided initial funding of \$4,000 per institution for a total of \$8,000 to allow for the granting of awards over the next two years. The funding provided during 2009 was sufficient to cover the awards for 2009 and 2010. Future contributions of \$2,000 per year may be required in the event that the investment growth of the endowed funds is not sufficient to fund the annual awards.

12 Comparative figures

Certain comparative figures for tenant inducements have been reclassified to conform with the current year presentation format in the Statement of Changes in Net Assets.