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# Alberta Insurance Council

## Annual Report

2013

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# Table of Contents

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Table of Contents ..... 2

Alberta Insurance Council Report of the Chairman – 2013 ..... 3

Members of the Councils – 2013 ..... 4

Report of the Chief Executive Officer – 2013 ..... 6

Appendix A - Examination Statistics..... 8

Appendix B - Certificates Active at December 31, 2013 ..... 9

Appendix C – Complaint Statistics for all Councils - 2013..... 11

Appendix D - Life Insurance Council Complaints ..... 12

Appendix E - General Insurance Council Complaints..... 13

Appendix F - Insurance Adjusters’ Council Complaints..... 14

Appendix G - Company Complaints ..... 15

Appendix H - Appeals to the Appeal Board - 2013 ..... 16

Appendix I - Financial Statements - 2013 ..... 17

# Alberta Insurance Council

## Report of the Chairman – 2013

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The Alberta Insurance Council (AIC) plays an important role in the insurance industry in Alberta as it has a legislated mandate to protect the Alberta insurance consumer through the regulation of insurance intermediaries. The AIC fulfills this mandate through its efforts in three key areas: by working with government and industry to advocate for an effective and efficient regulatory framework; by ensuring that insurance intermediaries are properly certified, licensed and monitored; and, by providing educational standards and services to improve the capabilities of insurance intermediaries.

As is noted in our CEO's report, 2013 was a relatively busy year for the Council. The AIC had a range of important initiatives underway at the beginning of the year, and many of these were either successfully completed or substantially advanced during the course of the year. These ranged from the implementation of a common renewal date for license holders, to the publication of regulatory decisions, work with other provincial regulators on the introduction of a national harmonized entry level certification standard, and the launching of the Canadian Insurance Participants Registry (CIPR). For each of these initiatives, we are proud of the fact that the Council is considered to be a leader in Canada.

While there were important successes with new initiatives during the course of the year, the AIC Board of Directors believes that the organization as a whole also continued to perform at a high level during 2013. Virtually every key performance and financial metrics was either met or exceeded over the course of the fiscal year, and from that from a management, operational and financial standpoint, the Council exited the 2013 fiscal year in excellent shape.

As in past years, the strong operational performance of the Council has made it possible for the Board of Directors to devote more of its time and attention to more strategic issues. Three of these received significant Board attention in 2013. The first of these was the importance of establishing a strong relationship with the AIC's key stakeholders, and here significant progress was made during the year. In 2013 the Council began holding what are expected to be annual Stakeholder Information Sessions, and it continued the practise of holding Board-level meetings with senior members of the insurance industry and government. A second area of focus was a comprehensive Board-level review of the full spectrum of risks faced by the organization, and the implementation of a formalized approach to enterprise risk management.

The third area of focus centred on the changing nature of and continuing innovation in the insurance industry, and the impact this will have on consumers, insurance companies and intermediaries, regulators and government. Canada's insurance industry is dynamic and constantly evolving, and the Council believes that it is important that the industry's regulators be forwardly looking and proactive in their approach to regulation. In an effort to better understand the issues that the AIC may need to address in the future, the Council's Board has begun devoting a substantial amount of time talking to industry and government about what the future will look like, how this will impact consumers, and what this will mean for the regulatory environment and the protection of consumers.

The Council's Board of Directors is proud of the AIC and the leadership role that it has taken in the protection of insurance consumers in Alberta, and it is committed to responsible regulation and continued protection of consumer's interests into the future.

Respectfully submitted,



Ronald Gilbertson  
Alberta Insurance Council Chairperson

# Members of the Councils – 2013

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## Life Insurance Council

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Kenneth Doll	Chair	Life Agents
Phyllis Kobasiuk	Vice Chair	Public
Robin Rankine	Secretary	Life Companies
Jim Brownlee	Member	Life Companies
Roy Jaques	Member	Life Agents
Dean Hunt	Term Expired	Life Agents
Doug Curtis	Resigned	Life Companies
Robert Evans	Member	Public

## General Insurance Council

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Amanda Sawatzky	Chair	Insurance Brokers
Lloyd Hickman	Vice Chair	Public
Louise Clare	Secretary	Insurance Brokers
Frank Corrick	Member	Direct Writers
Judy Mercer	Member	Direct Writers
Jean Gauvreau	Member	General Insurers
Thom Young	Member	Insurance Brokers
Jim Harris	Term Expired	Insurance Brokers
Deborah Ede-Neville	Term Expired	Insurance Brokers
Charlene Anderson	Resigned	Public

## **Insurance Adjusters' Council**

<u>Name</u>	<u>Position</u>	<u>Representing</u>
Robert Katzell	Chair	Adjusters
Ronald Schaller	Vice Chair	Public
Delores Thorbourne	Secretary	Adjusters
Nancy Toso	Member	Adjusters

## 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>
Ronald Gilbertson	Chair	Public
Kenneth Doll	Vice Chair	Life Insurance Council
Delores Thorbourne	Secretary	Insurance Adjusters' Council
Amanda Sawatzky	Member	General Insurance Council
Doug MacRae	Member	Public
Jim Harris	Term Expired	General Insurance Council
Doug Curtis	Resigned	Life Insurance Council

# Report of the Chief Executive Officer – 2013

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This past year has been a transitional year for the Alberta Insurance Council. Amendments to Regulations in 2012 brought into effect a common renewal date for all Alberta Certificates of Authority. Certificate fees were pro-rated in 2013 and all Certificates now expire on June 30<sup>th</sup> each year. Certificate fees for 2014 renewals will revert back to 2012 levels.

Effective April 1, 2013 the Alberta Insurance Council began publication of the decisions of the Life, General and Insurance Adjusters Councils. All decisions made on or after April 1, 2013 are available on the AIC website at [www.abcouncil.ab.ca](http://www.abcouncil.ab.ca).

In addition, the AIC, as a member of the Canadian Insurance Services Regulatory Organizations (CISRO) participated in a joint initiative with the Canadian Council of Insurance Regulators (CCIR) to create a repository of public actions taken by insurance regulators against insurance companies and insurance intermediaries. This database can be accessed at <http://decisions.cisro-ocra.com>.

The AIC held Stakeholder Information Sessions in both Edmonton and Calgary in 2013. The purpose of the sessions was to share 2012 year end results and future strategic initiatives. This provided an opportunity for stakeholders to meet the Board and Executives of the AIC. Attendance at both sessions was good and feedback has been positive. Future sessions will be held annually.

The AIC continues to work with other jurisdictional regulators on a national harmonized entry level educational standard for those individuals seeking Certificates of Authority to transact Life and Accident & Sickness insurance. This updated Life License Qualification Program is on target to come into effect on January 1, 2016.

In 2013 the AIC launched the Canadian Insurance Participants Registry (CIPR). This is an AIC initiative to provide a single, secure, self-serve system where insurance Certificate holders can maintain and control access to their personal information and to give those parties an identifier that uniquely distinguishes them across the Country. This will allow AIC to continue to provide and to expand on the services we currently offer to all industry participants.

In 2012 PricewaterhouseCoopers LLP were the auditors for the AIC. As a result of a request for proposal for Audit Services, the Board of Directors appointed KPMG LLP as auditors for the AIC for year ended December 31, 2013. A copy of the audited financial statements for the year ended December 31, 2013 has been included in the Annual Report.

The AIC appreciates and values all comments and feedback from our licensee stakeholders and I invite you to contact me with your comments, suggestions or concerns.

2014 will be the 25<sup>th</sup> Anniversary of the Alberta Insurance Council.

The success of the Councils and the positive results we have achieved would not have been possible without the assistance and support of the Government of Alberta and in particular Mark Prefontaine, Superintendent of Insurance and his staff.

I also extend my appreciation to all Council members past and present for their continued efforts 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.

Last, but certainly not least I would 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 "Joanne Abram". The signature is fluid and cursive, with a large initial "J" and "A".

Joanne Abram  
Chief Executive Officer  
April 2014

# Appendix A - Examination Statistics

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## Life Insurance Council

Full Life	Given	2215	
	Passed	1430	65%
	Failed	785	35%
A&S	Given	247	
	Passed	214	87%
	Failed	33	13%

Total Life Council Examinations: 2462

## General Insurance Council

Level 1	Given	1764	
	Passed	839	48%
	Failed	925	52%
Level 2	Given	592	
	Passed	157	27%
	Failed	435	73%
Level 3	Given	74	
	Passed	27	36%
	Failed	47	64%

Total General Council Examinations: 2430

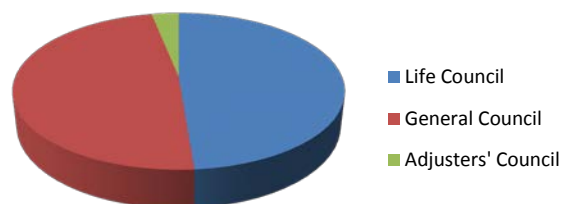
## Insurance Adjusters' Council

Basic	Given	159	
	Passed	86	54%
	Failed	73	46%
Oral	Given	0	
	Passed	0	0%
	Failed	0	0%

Total Adjusters' Council Examinations: 159

January 1, 2013 – December 31, 2013 – Total Examinations: 5051

### Examination Statistics





# Appendix B - Certificates Active at December 31, 2013

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## Life Insurance Council

Life	D/R	1886
Life	Unrestricted	10035
Life	Corporate	1886
Accident & Sickness	D/R	1844
Accident & Sickness	Agent	9509
Accident & Sickness	Corporate	1844
Travel Agency	Agency	392
Funeral Services Business	Restricted	33
Automobile Dealership for Credit Related	Restricted	517
Deposit Taking Institution for Credit Related	Restricted	59
Deposit Taking Institution for Group Travel	Restricted	11
Sales Finance Company for Credit Related	Restricted	256
Personal Accident Type	Restricted	5
Equipment Dealer for Credit Related	Restricted	197

**Total Life Insurance Council Certificates: 28474**

## General Insurance Council

General Insurance Agent	D/R	1023
General Insurance Agent	Probationary	37
General Insurance Agent	Level 1	2972
General Insurance Agent	Level 2	6781
General Insurance Agent	Corporate	1023
Automobile Dealership , Equipment Warranty	Restricted	555
Aircraft – Agent	Restricted	1
General Insurance Agent Restricted to Hail	Restricted	4
Equipment Dealers – Equipment Warranty	Restricted	176
Hail – Agent	Restricted	132
Hail – D/R	Restricted	15
Hail – Agency	Restricted	15
Livestock – Agent	Restricted	24
Livestock – D/R	Restricted	1
Livestock – Agency	Restricted	1

**Total General Insurance Council Certificates 12760**

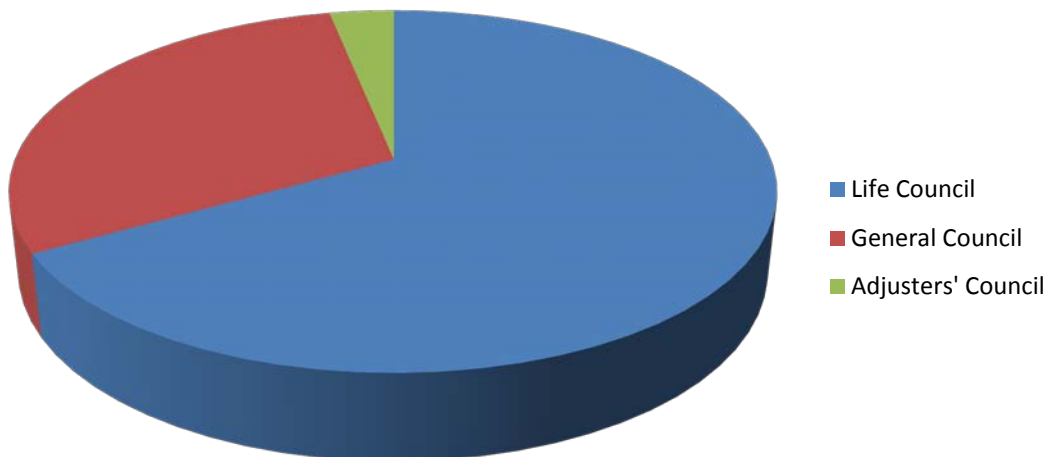
### Insurance Adjusters' Council

Adjusters – Level 3	D/R	80
Adjusters – Level 3	Independent	286
Adjusters – Level 2	Restricted	130
Adjusters – Level 1	Probationary	499
Adjusters – Corporate	Corporate	80
Restricted Hail Adjusters	D/R	4
Restricted Hail Adjusters	Corporate	4
Restricted Hail Adjusters	Adjuster	58
Restricted Equipment Warranty Adjuster	D/R	8
Restricted Equipment Warranty Adjuster	Corporate	8
Restricted Equipment Warranty Adjuster	Adjuster	33
Restricted Travel Adjuster	D/R	12
Restricted Travel Adjuster	Corporate	12
Restricted Travel Adjuster	Adjuster	152

**Total Insurance Adjusters' Council Certificates: 1366**

**Total Certificates: 42600**

### Certificate Distribution by Council



## Appendix C – Complaint Statistics for all Councils - 2013

TOTAL NUMBER OF COMPLAINTS OPENED IN 2013 – ALL COUNCILS	151
TOTAL NUMBER CARRIED FORWARD FROM 2012 TO 2013	102
TOTAL NUMBER OF COMPLAINTS DEALT WITH IN 2013	159
TOTAL NUMBER OUTSTANDING AT DECEMBER 31, 2013	94

### New Complaints per Council

	ADJUSTERS	GENERAL	LIFE	COMPANY
TOTAL COMPLAINTS	15	67	68	1

### Disciplinary Action Taken by Councils

ACTION	ADJUSTERS	GENERAL	LIFE
Refuse New Applications		4	2
Refuse Reinstatement			2
Refused Advance Level			
Fines		9	7
Suspension		2	4
Suspension and Fine		1	3
Revocation			
Revocation and Fine		1	
TOTAL	0	17	18

In addition to the investigations noted above and in the following pages, the Alberta Insurance Council conducted 145 Best Practise Reviews with holders of Restricted Certificates of Authority during 2013.

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

# Appendix D - Life Insurance Council Complaints

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<b>REPLACEMENT NOT COMPLETED</b>	<b>1*</b>	<b>UNLICENSED SOLICITATION</b>	<b>10*</b>
Fine by Council	1	Not Substantiated	3
		Fine by Statement of Fact	3
<b>CONDUCT/MISCONDUCT</b>	<b>33*</b>	Administrative Caution	3
Not Substantiated	22	Cancelled Failure to Advance	1
Fine by Council	2	Carried Forward to 2014	5
Suspension and Fine	3		
Administrative Caution	1	<b>LICENSE OR OTHER OCCUPATION</b>	<b>9*</b>
Reported to Other Authority	4	Not Substantiated	1
Stop Code	1	Report to Council No Action	4
Carried Forward to 2014	21	Refused New License Application	1
		Refuse Reinstatement	2
<b>PREMIUM OR DEPOSIT PROBLEMS</b>	<b>3*</b>	Suspension	1
Not Substantiated	2	Carried Forward to 2014	4
Closed by Negotiation	1		
		<b>NON-DISCLOSURE ISSUES (OTHER THAN REPLACEMENT)</b>	<b>7*</b>
<b>CLAIMS PROBLEMS</b>	<b>1*</b>	Fine by Statement of Fact	1
Not Substantiated	1	Close Multiple Files	1
		Administrative Caution	4
		Suspension by Statement of Fact	1
		Carried Forward to 2014	6

\*Denotes number of files concluded, not number of files opened in 2013

# Appendix E - General Insurance Council Complaints

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<b>CONDUCT/MISCONDUCT</b>	<b>25*</b>	<b>UNLICENSED SOLICITATION</b>	<b>17*</b>
Not Substantiated	14	Not Substantiated	8
Fine by Council	5	Fine by Statement of Fact	5
Fine by Statement of Fact	1	Complainant in Error	1
Administrative Caution	2	Administrative Caution	3
Warning Code	3	Carried Forward to 2014	13
Carried Forward to 2014	18		
		<b>HOLDING OUT ISSUES</b>	<b>2*</b>
<b>COVERAGE DIFFERENCES</b>	<b>4*</b>	Not Substantiated	1
Not Substantiated	3	Administrative Caution	1
Administrative Caution	1	Carried Forward to 2014	2
Carried Forward to 2014	3		
		<b>LICENSE OR OTHER OCCUPATION</b>	<b>18*</b>
<b>PREMIUM OR DEPOSIT PROBLEMS</b>	<b>9*</b>	Not Substantiated	1
Not Substantiated	4	Report to Council No Action	8
Fine by Council	1	Refused New License App	4
Complainant in Error	1	Suspension	1
Administrative Caution	1	Cancelled Failure to Advance	4
Closed by Negotiation	2	Carried Forward to 2014	2
Carried Forward to 2014	2		
		<b>NON-DISCLOSURE ISSUES (OTHER THAN REPLACEMENT)</b>	<b>1*</b>
<b>CLAIMS PROBLEMS</b>	<b>3*</b>	Not Substantiated	1
Not Substantiated	2		
Complainant in Error	1		
Carried Forward to 2014	1		

\*Denotes number of files concluded, not number of files opened in 2013

# Appendix F - Insurance Adjusters' Council Complaints

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<b>CONDUCT/MISCONDUCT</b>	<b>1*</b>
Not Substantiated	1
Carried Forward to 2014	3
<b>CLAIMS PROBLEMS</b>	<b>5*</b>
Not Substantiated	4
Reported to Other Authority	1
Carried Forward to 2014	2
<b>UNLICENSED SOLICITATION</b>	<b>0*</b>
Carried Forward to 2014	3
<b>LICENSE OR OTHER OCCUPATION</b>	<b>2*</b>
Report to Council No Action	2
<b>NON-DISCLOSURE ISSUES (OTHER THAN REPLACEMENT)</b>	<b>1*</b>
Not Substantiated	1

\*Denotes number of files concluded, not number of files opened in 2013

# Appendix G - Company Complaints

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<b>CONDUCT/MISCONDUCT</b>		<b>PREMIUM OR DEPOSIT</b>	
<b>PROPERTY/LIABILITY PERSONAL</b>	<b>1*</b>	<b>AUTOMOBILE GENERAL</b>	<b>0*</b>
Not Substantiated	1	Carried Forward to 2014	1
<b>INCIDENTAL TYPES</b>	<b>1*</b>	<b>LICENSED/UNLICENSED</b>	
Report to Superintendent	1	<b>CREDITOR LIFE</b>	<b>1*</b>
<b>ACCIDENT &amp; SICKNESS GROUP</b>	<b>1*</b>	Not Substantiated	1
Not Substantiated	1	<b>PROPERTY/LIABILITY PERSONAL</b>	<b>0*</b>
<b>LIFE PERSONAL</b>	<b>2*</b>	Carried Forward to 2014	1
Report to Superintendent	2	<b>WARRANTY</b>	<b>0*</b>
Carried Forward to 2014	1	Carried Forward to 2014	1
<b>LIFE GROUP</b>	<b>1*</b>	<b>INCIDENTAL TYPES</b>	<b>0*</b>
Report to Superintendent	1	Carried Forward to 2014	2
<b>CLAIMS</b>			
<b>TRAVEL ACCIDENT &amp; BAGGAGE</b>	<b>0*</b>		
Carried Forward to 2014	1		

\*Denotes number of files concluded, not number of files opened in 2013

# Appendix H - Appeals to the Appeal Board - 2013

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During the 2013 year, two (2) appeals were before Appeal Board Panels. The disposition of those matters is as follows:

<b>Number of Appeals</b>	<b>Decision</b>
1	Dismissed
1	Abandoned

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

In the case that was dismissed the Panel upheld the decision of the Council and awarded the appeal fee to the Council.

In the case that was abandoned, a panel was appointed to hear the appeal and before the appeal was heard the appellant abandoned the appeal. The appeal fee was returned to the appellant.

Five further matters were under appeal and pending as at December 31, 2013.



# Appendix I - Financial Statements - 2013

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Financial Statements of

**ALBERTA INSURANCE  
COUNCIL**

Year ended December 31, 2013



**KPMG LLP**  
**Chartered Accountants**  
Commerce Place  
10125-102 Street  
Edmonton Alberta T5J 3V8  
Canada

Telephone (780) 429-7300  
Fax (780) 429-7379  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Alberta Insurance Council

We have audited the accompanying financial statements of Alberta Insurance Council, which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in net assets and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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 our 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, we consider 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 audit is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Insurance Council as at December 31, 2013, and its results of operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Other Matter*

The financial statements of Alberta Insurance Council as at and for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 18, 2013.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Accountants

April 24, 2014

Edmonton, Canada

# ALBERTA INSURANCE COUNCIL

## Statement of Financial Position

December 31, 2013, with comparative information for 2012

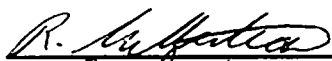
	2013	2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,844,722	\$ 5,688,251
Accounts receivable	21,916	42,684
Prepaid expenses	56,807	106,040
	<u>5,923,445</u>	<u>5,836,975</u>
Capital assets (note 3)	1,121,314	1,213,745
	<u>\$ 7,044,759</u>	<u>\$ 7,050,720</u>


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 425,059	\$ 365,223
Deferred license and assessment fee revenue	2,251,316	1,820,795
	<u>2,676,375</u>	<u>2,186,018</u>
Asset retirement obligation (note 4)	63,630	63,020
Deferred rent and tenant inducements (note 5)	496,020	568,358
	<u>559,650</u>	<u>631,378</u>
	3,236,025	2,817,396
Net assets:		
Invested in capital assets	625,294	645,387
Unrestricted	3,183,440	3,587,937
	<u>3,808,734</u>	<u>4,233,324</u>
	<u>\$ 7,044,759</u>	<u>\$ 7,050,720</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# ALBERTA INSURANCE COUNCIL

## Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013	2012
<b>Revenue:</b>			
License, assessment, examination and continuing education fees	\$ 4,701,000	\$ 5,030,713	\$ 4,829,984
Interest and other	60,000	68,802	67,941
	<u>4,761,000</u>	<u>5,099,515</u>	<u>4,897,925</u>
<b>Expenses:</b>			
Salaries and benefits (note 6)	3,200,000	2,900,198	2,815,275
Occupancy and premises	705,000	687,483	671,603
Amortization of capital assets	411,000	374,669	355,333
Councils, boards and committees (note 7)	384,000	405,913	296,284
Software and computer	360,000	453,552	343,466
Office and administration	274,000	211,967	279,111
Professional fees	223,000	206,938	229,175
Communications	167,000	165,868	197,034
Travel	130,000	117,551	127,088
(Gain) loss on disposal of capital assets	-	(34)	2,188
	<u>5,854,000</u>	<u>5,524,105</u>	<u>5,316,557</u>
<b>Deficiency of revenue over expenses</b>	<b>\$ (1,093,000)</b>	<b>\$ (424,590)</b>	<b>\$ (418,632)</b>

See accompanying notes to financial statements.

# ALBERTA INSURANCE COUNCIL

## Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	Invested in capital assets	Unrestricted	2013	2012
Net assets, beginning of year	\$ 645,387	\$ 3,587,937	\$ 4,233,324	\$ 4,651,956
Deficiency of revenue over expenses	-	(424,590)	(424,590)	(418,632)
Amortization of capital assets	(374,669)	374,669	-	-
Amortization of deferred tenant inducements	70,208	(70,208)	-	-
Deferred rent adjustment	2,130	(2,130)	-	-
Gain on disposal of capital assets	34	(34)	-	-
Purchase of capital assets	283,109	(283,109)	-	-
Proceeds on sale of capital assets	(905)	905	-	-
<b>Net assets, end of year</b>	<b>\$ 625,294</b>	<b>\$ 3,183,440</b>	<b>\$ 3,808,734</b>	<b>\$ 4,233,324</b>

Invested in capital assets consists of the following:

	2013	2012
Capital assets	\$ 1,121,314	\$ 1,213,745
Deferred rent and tenant inducements	(496,020)	(568,358)
<b>Invested in capital assets</b>	<b>\$ 625,294</b>	<b>\$ 645,387</b>

See accompanying notes to financial statements.

# ALBERTA INSURANCE COUNCIL

## Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (424,590)	\$ (418,632)
Items not involving cash:		
Accretion of asset retirement obligation	610	610
Amortization of deferred tenant inducements	(70,208)	(70,207)
Deferred rent adjustment	(2,130)	6,605
Amortization of capital assets	374,669	355,333
(Gain) loss on disposal of capital assets	(34)	2,188
Decrease in accounts receivable	20,768	24,786
Decrease in prepaid expenses	49,233	4,648
Increase in accounts payable and accrued liabilities	59,836	54,526
Increase in deferred license and assessment fee revenue	430,521	334,856
	<u>438,675</u>	<u>294,713</u>
Capital activities:		
Purchase of capital assets	(283,109)	(224,650)
Proceeds on sale of capital assets	905	-
	<u>(282,204)</u>	<u>(224,650)</u>
Increase in cash and cash equivalents	156,471	70,063
Cash and cash equivalents, beginning of year	5,688,251	5,618,188
Cash and cash equivalents, end of year	<u>\$ 5,844,722</u>	<u>\$ 5,688,251</u>

See accompanying notes to financial statements.



# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements

Year ended December 31, 2013

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## **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 known amounts of cash and are subject to an insignificant risk of changes in value.

### **(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 Continuing Education Accreditation Committee. CE provider fees are recognized on a calendar year basis. License and assessment fees received but not yet recognized as revenue are recorded as deferred licence and assessment fee revenue.

# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2013

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## 1. Significant accounting policies (continued):

### (c) Capital assets and amortization:

Capital assets consisting of hardware, various equipment, leasehold improvements and computer software are recorded at cost, less accumulated amortization. Amortization is provided using the straight-line method over their estimated useful lives as follows:

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

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### (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, 2013

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## 1. Significant accounting policies (continued):

### (f) 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.

### (g) 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.

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.

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.

# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2013

## 1. Significant accounting policies (continued):

### (h) 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 item subject to such estimates and assumptions include the carrying amounts of capital assets and asset retirement obligations. Actual results could differ from those estimates.

## 2. Cash and cash equivalents:

Included in cash and cash equivalents is an amount of \$4,954,795 (2012 - \$4,694,427) invested in the Consolidated 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. The average interest rate during the year ended December 31, 2013 was 1.21% (2012 - 1.23%).

## 3. Capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 426,103	\$ 232,016	\$ 194,087	\$ 206,626
Computer equipment	490,415	305,164	185,251	196,554
Computer software	1,260,255	1,012,093	248,162	198,536
Leasehold improvements	1,040,972	548,634	492,338	610,460
Telephone equipment	2,263	787	1,476	1,569
	\$ 3,220,008	\$ 2,098,694	\$ 1,121,314	\$ 1,213,745

# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2013

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#### 4. Asset retirement obligation:

The Council is required by the terms of its leases for premises in Edmonton and Calgary to remove improvements made to these premises upon termination of the leases. It is the opinion of management that it is highly probable that the Council will be required to remove improvements made to its Edmonton premises, and has recorded an asset retirement obligation and leasehold improvements for the discounted value of the estimated removal costs, using the discount rate of 0.94%. Amortization of \$6,079 is included in amortization of capital assets, and the accretion expense in the amount of \$610 has been included with occupancy costs. The undiscounted asset retirement obligation is \$68,000 as at December 31, 2013.

Management has estimated the cost to remove improvements to its Calgary premises would not be material and believes the probability of incurring these costs is low. Accordingly, management has not recorded either an asset retirement cost or asset retirement obligation for the Calgary location.

The estimated carrying value of the Edmonton leasehold improvement is \$424,007 at December 31, 2013 (2012 - \$483,195).

#### 5. Deferred rent and tenant inducements:

Deferred rent and tenant inducements consist of the following:

	2013	2012
Deferred rent	\$ 102,618	\$ 104,749
Deferred tenant inducement	393,402	463,609
	\$ 496,020	\$ 568,358

# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2013

## 6. Salaries and benefits:

				2013
	Full Time Employees	Salary <sup>(a)</sup>	Benefits <sup>(b)</sup>	Total
Chief Executive Officer	1	\$ 268,299	\$ 46,503	\$ 314,802
Chief Operating Officer	1	221,799	46,759	268,558
Other staff	22	1,961,374	355,464	2,316,838
	<b>24</b>	<b>\$ 2,451,472</b>	<b>\$ 448,726</b>	<b>\$ 2,900,198</b>
				2012
	Full Time Employees	Salary <sup>(a)</sup>	Benefits <sup>(b)</sup>	Total
Chief Executive Officer	1	\$ 237,429	\$ 41,889	\$ 279,318
Chief Operating Officer	1	211,576	52,651	264,227
Other staff	21.5	1,904,796	366,934	2,271,730
	<b>23.5</b>	<b>\$ 2,353,801</b>	<b>\$ 461,474</b>	<b>\$ 2,815,275</b>

(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 \$226,243 (2012 - \$226,390).

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 (continued)

Year ended December 31, 2013

## 7. Councils, Boards and Committees:

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

	2013	2012
Councils and Council Committees	\$ 241,273	\$ 241,100
Appeal Boards	100,205	10,999
Continuing Education Accreditation Committee	64,435	44,185
	<b>\$ 405,913</b>	<b>\$ 296,284</b>

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

(b) Per diem payments of Council Members:

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

	Members #	2013 <sup>(c)</sup> \$	Members #	2012 <sup>(c)</sup> \$
Councils <sup>(a)</sup>				
Alberta Insurance Council - Chair <sup>(b)</sup>	1	21,675	1	21,677
Other - Chairs	14	105,363	6	43,317
Members	37	131,366	33	118,122
<b>Total</b>		<b>258,404</b>		<b>183,116</b>

(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 Continuing Education Accreditation Committee.

(b) This includes per diem payments made for attendance at Alberta Insurance Council, Audit Committee, and the Council 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 Continuing Education 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, 2013

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## 8. Commitments:

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

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2014	\$	381,211
2015		389,104
2016		412,188
2017		423,626
2018		432,152
Thereafter		1,143,795

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## 9. 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, 2013 is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2012.

### (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 2012.



# ALBERTA INSURANCE COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2013

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## 9. Financial risks and concentration of credit risk (continued):

### (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 to its interest bearing deposit in the CCITF.

There have been no significant changes to the interest rate risk exposure from 2012.