

Annual Report 2014



CONTENTS

Letter of Transmittal.....	3
Mission and Mandate.....	4
Vision and Values	5
Organizational Profile	6
Members of the Councils 2013/2014.....	7
Chairperson's Message - Manitoba Council	8
Chairperson's Message - Life Council	9
Chairperson's Message - General Council	10
Chairperson's Message - Insurance Adjusters Council.....	11
Executive Directors Message.....	12
Active Licenses.....	14
Examination Statistics	15
Complaint Statistics	16
Disciplinary Actions	17
Audited Financial Statements	18



May 31, 2014

Mr. Jim Scalena, Superintendent
Financial Institutions Regulation Branch
Woodsworth Building
1115 - 405 Broadway
Winnipeg, Manitoba
R3C 3L6

Dear Mr. Scalena:

I have the honour to submit, pursuant to Regulation 227/91 of *The Insurance Act* of Manitoba, the Annual Report for the Insurance Council of Manitoba.

This report, which covers the period from April 1, 2013 until March 31, 2014, provides an account of our main activities and a summary of our operations for the year, and includes the audited Financial Statements of the Council.

Respectfully submitted,

A handwritten signature in blue ink, which appears to read "Erin Pearson". The signature is fluid and cursive, written over a light blue horizontal line.

Erin Pearson
Executive Director
Insurance Council of Manitoba

/bck

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What we do

Why we do it

MISSION

The INSURANCE COUNCIL OF MANITOBA is committed to serving and protecting the public by regulating insurance licensees under *The Insurance Act* of Manitoba and by ensuring that licensees act within a professional framework which promotes fair and ethical conduct, integrity and competence.

MANDATE

The mandate of the Council is to act in the public interest to protect Manitoba consumers of insurance products, and to regulate agents, brokers and adjusters to ensure adequate standards are maintained for public protection.

Who we are

What we stand for

VISION

The vision of the INSURANCE COUNCIL OF MANITOBA is to be recognized as an organization that provides superior consumer protection through proactive leadership within a regulatory framework and increased harmonization of insurance regulation.

VALUES

The INSURANCE COUNCIL OF MANITOBA has developed a set of core fundamental values which include:

- * Integrity
- * Accountability
- * Responsiveness
- * Cooperation
- * Accessibility
- * Respect
- * Professionalism
- * Education

ORGANIZATIONAL PROFILE

The INSURANCE COUNCIL OF MANITOBA (Council) is responsible for administering and enforcing *The Insurance Act* of Manitoba, the regulations under the *Act* and the licensing rules as they relate to agents, brokers and adjusters.

LEGISLATIVE AUTHORITY

Council was established by Regulation 227/91 through delegated authority of the Superintendent of Insurance. The Superintendent is authorized to delegate to Council all or any of the powers, functions and duties that the Superintendent has under the *Act* and the regulations.

The Insurance Act of Manitoba allows for Council through its delegation:

- * The power to issue or refuse a licence
- * The power to attach limitations or conditions to a licence
- * The power to cancel or suspend a licence
- * The power to fine or assess costs
- * The power to carry out investigations

In addition, each Council may make rules for its own procedure; may prescribe the educational and other standards for agents, brokers and adjusters; may initiate and engage in programs of consumer protection; may make recommendations to the Minister; may establish ethical, operational and trade practices for agents, brokers and adjusters.

At March 31, 2014 there were over 11,391 licenses in force in three (3) separate disciplines:

- * Life Insurance, including Accident & Sickness Insurance
- * General Insurance
- * Insurance Adjusters

Administration

The Insurance Council of Manitoba is the administrative arm of the Life Insurance Council, the General Insurance Council, and the Insurance Adjusters Council of Manitoba. The Council staff carries out the administrative function of the industry Councils, which includes administering examinations for application for a licence, the issuance of licenses, investigation of complaints and the implementation of disciplinary decisions of the Councils.

Name	Position
Erin Pearson	Executive Director
Heather Winters	Director, Licensing & Compliance
Lee Roth	Investigator
Stacey Aubrey	Supervisor, Licensing & Administration
Sandi Saluk	Licensing Officer
Brenda Knight	Administrative Assistant
Kristin Denkova	Licensing Clerk
Colleen Davey	Licensing Clerk
Penney Morris	Receptionist

MEMBERS OF THE COUNCIL 2013 / 2014

Life Insurance Council

Name	Position	Representing
Nelson Hoe	Chairperson	Life Agents
Nancy Streuber	Vice-Chairperson	Life Agents
Emmie Joaquin	Member	Life Agents
Donna Winstone	Member	Public
Paul Brett	Member	Public
Jim Wilson	Member	Life Agents
Sonja Doran	Member	Insurance Companies

General Insurance Council

Name	Position	Representing
Keith Jordan	Chairperson	General Agents
Jeffrey Coleman	Vice-Chairperson	General Agents
Wendy Gilroy	Member	General Agents
Donald Storjord	Member	Public
Treena Piasta	Member	Insurance Companies
Wendy Stumpf	Member	General Agents
Janine Oliver	Past Member	Public – resigned Nov 2013

Insurance Adjusters Council

Name	Position	Representing
Fred Dixon	Chairperson	Insurance Adjusters
Grant Rerie	Vice-Chairperson	Insurance Adjusters
Shelley Werner	Member	Public
Timothy Bromley	Member	Insurance Adjusters
James Magnan	Past Chairperson	Public – term expired Dec 2013
Ron Tardiff	Past Member	Public – term expired Dec 2013

Manitoba Council

Name	Position	Representing
Nancy Streuber	Chairperson	Life Council
Keith Jordan	Vice-Chairperson	General Council
Nelson Hoe	Member	Life Council
Fred Dixon	Member	Insurance Adjusters Council
Jeffrey Coleman	Member	General Council
Grant Rerie	Member	Insurance Adjusters Council

The Manitoba Council is composed of two (2) members appointed by each of the aforementioned industry Councils

MANITOBA COUNCIL - From the Chairperson



As the Chair of the Manitoba Council, it is my privilege to offer a review of the most recent fiscal year.

The 2013/2014 fiscal year for the Insurance Council of Manitoba was indeed a busy one. The Manitoba Council saw the expiry of Jim Magnan's term. It is with reluctance that we said goodbye to Jim. We offer our heartfelt thanks to Jim for his work, dedication and insight to this Council. With Jim's departure we would like to welcome Grant Rerie to the Manitoba Council from the Adjuster's Council.

Our Strategic Plan continues to set the direction for our action plans. The plan emphasizes the move towards electronic systems and procedures. The implementation of online renewal for all licensees during the May 2013 renewal period was a resounding success. For the renewal period ending May 2014, this program will continue to evolve as preferred method of license renewal. Efficiencies have been realized by our licensees and by ICM staff with respect to timely license renewals.

Other areas of activity for the Manitoba Council include increasing public awareness of ICM and our mandate. The continuation of our advertising strategy aimed at consumers saw the implementation of a busboard program. This program was aimed at increasing the awareness of ICM and our mandate. Further implementation of this strategy saw the completion of ICM consumer brochure and a Guide to the Complaint Investigation and Disciplinary Process.

Education programs to develop the knowledge and skill of our Council members saw members attend the Good and Better Decision Making workshop, as well as Manitoba Council members attending Board Performance Training seminars. Approval has been received to move forward with virtual document sharing for Council members – this is to reduce our paper consumption and increased security of information.

ICM continues to work cooperatively with other Insurance Regulators. The move towards a national database of disciplinary decisions has been started and ICM is an active participant.

We have been working with the Provincial Government to revise our investigation delegation and protocol as well as continued consultation on the Incidental Sale of Insurance (ISI).

Looking forward, the Manitoba Council will continue to implement the Strategic Plan keeping true to our mission to serve and protect Manitobans. Actions directed to increase consumer awareness, provision of a framework for licenses to work in a professional and ethical manner, and providing a safe and rewarding work environment for our employees remain the focus of Council. IT infrastructure is an ongoing priority for Council, as it is through it that we are able to serve all stakeholders efficiently.

We are committed to serving and protecting the public by regulating insurance licenses under *The Insurance Act* of Manitoba and by ensuring licensees act within a professional framework which promotes fair and ethical conduct, integrity and competence.

Respectfully submitted,

Nancy Streuber

Nancy Streuber, CFP, CLU, TEP, CPCA, CHS

LIFE COUNCIL - From the Chairperson



Once again, the Life Council has remained the busiest of the three councils in the area of investigating complaints and administering disciplinary actions. While in 2013, the number of complaints opened for investigations was similar in number to last year's complaints, disciplinary actions were enacted in 10 out of the 54 complaints registered. As well, 5 show cause hearings were held and decisions were appealed in two of the actions.

The silver lining to this year was that the majority of investigations (80%+) did not result in any disciplinary actions and that there were less complaints related to negative market conduct by individuals. Rather, there seemed to be a greater amount of administrative issues such as and not limited to: continuing education/ unlicensed activity/ E&O insurance lapses and the inaccurate completion of forms (e.g. licence renewal) that triggered investigations.

It is of the utmost importance that should an administrative error arise, one should report it to the Insurance Council immediately and take the necessary actions to have the error remedied. By so doing, it would assist the Life Council to be able to arrive at a more favourable conclusion for all involved.

As always, this past year Council's work was more than ably assisted by Erin Pearson, our Executive Director, Lee Roth, our Investigator, and Michael Richards our outside Legal Counsel. They were most supportive with the practical aspects of the Life Council and their advice was invaluable.

I would like to close my comments this year with a "big" thank you to my fellow Life Council Members. Our council is comprised of industry members: Nancy Streuber (Vice-Chair), Emmie Joaquin, Jim Wilson and general public members: Paul Brett, Sonja Doran and Donna Winstone. It has been especially gratifying to be working with people who are extremely dedicated and offer much in the way of wisdom and insight to the sometimes difficult "gray area" cases that the Life Council is charged to deal with. I know that all the Life Council members join me in wanting to make our industry the best that it can be and that conscientious oversight is necessary to that end.

I would like to extend an invitation to any of the life insurance community who has an interest in giving back to our industry, to consider letting their name stand for appointment to the Life Council. We need you to help to achieve the goals of protecting the public interest uppermost and keeping our industry properly and fairly regulated.

Respectfully submitted,

Nelson Hoe

Nelson Hoe, CLU, CHFC, CFP

GENERAL COUNCIL - From the Chairperson



Another year has gone by, and it has been a terrific year for the General Council. We had one member retire from the board this year, Janine Oliver. I would like to thank Janine for her dedication and contribution to the board. We have not had any new appointments this year, but expect to next year. I would like to thank Jeff Coleman, Vice-Chair, Wendy Gilroy, Donald Storjord, Treena Piasta and Wendy Stumpf for their continued service and dedication to the Council.

Our membership continues to grow, as of March 31st we had 4,573 active general licenses compared to 4,344 the year before. This is a 5.2% increase in the number of licensees.

There were 26 complaints against General Brokers. This is down from 41 the year before, a 36% decrease. The complaints concerned unlicensed activity, improper access and use of client personal information, failure to observe proper business practices and to have proper procedures and protocols in place, failure to provide proper coverage, failure to communicate essential elements of coverage, and failure to provide E & O insurance. There were 6 fines with costs, 3 findings unsuitable to hold a license, and the balance resulted in a letter of caution or were dismissed as unsubstantiated.

Last May was the first year of the online renewal. Due to the great work of the Council's staff that renewal proceeded very smoothly. Distributed for the first time this year was the Guiding Principles Handbook for Operating Agents. As well, the Code of Conduct quiz is now operational. If you haven't seen the handbook or tried out the Code of Conduct quiz yet, make sure you do this year. Another item that kept the staff busy was the first time implementation of sales tax on the sale of insurance products.

Council forwarded recommendations to the Government for the transfer of Hail Agents to become licensed by the General Council. During the year there have also been meetings with representatives of Credit Unions regarding the sale of insurance.

There are still a number of licensing issues being reviewed. Currently under review is the alternate requirements for Auto Broker only licensing. Ongoing is the review of continuing education requirements for U.S. residents, and the review of licensed members that engage in other occupations concurrent to holding a general license. As well, there is the constant review of continuing education guidelines for license holders and course providers.

Council has made recommendations to Government with respect to the regulation of intermediaries involved in the sale of Incidental Insurance products. Council is waiting for further development on this item.

Erin Pearson, the Council's Executive Director and her team do a terrific job for the Council boards and management of ICM. Thank you for your assistance, knowledge and dedication to the Insurance Council of Manitoba.

Respectfully submitted,

Keith Jordan

Keith Jordan, CA

INSURANCE ADJUSTERS COUNCIL - From the Chairperson



Well, I'm sad to say my six years on Council expires August, 2014. It is just amazing how fast that time flew. It has been a very enlightening and rewarding experience to serve as a Council member.

We had two Council members terms expire this year, Ron Tardiff and Jim Magnan. I would like to thank and acknowledge them both for their contributions during their tenure.

The Adjusters Council is currently short two members. Recommendations have been made and we are awaiting Ministerial approval and appointments.

One of our major initiatives this year was to review the Insurance Adjuster licensing levels. A committee consisting of Grant Rerie, Tim Bromley and myself was assembled to compare the licensing structure for Insurance Adjusters in Manitoba with that of other jurisdictions, consider whether the licensing levels were appropriate, and determine educational and experience required for each level of licensing. The existing five levels were re-organized into three which brings us in line with other jurisdictions. The recommendations of the Committee were accepted by the Insurance Adjusters Council and a proposal to move forward with these changes is in process.

A Code of Conduct quiz was developed which I feel will be beneficial to both new and existing licensees.

For the year licenses were up 10% from 187 to 207. This increase was mostly due to non-residents. Non-resident licence holders now make up 58% of our licensees.

We had a grand total of 6 complaints up from 5 the previous year. This resulted in no disciplinary actions and one appeal is pending.

The Executive Director and all the Staff at the Insurance Council of Manitoba are a valuable asset in administering our mandate of consumer protection.

I would like to thank them all for their guidance and assistance during my term.

Respectfully submitted,

Fred Dixon

Fred Dixon

EXECUTIVE DIRECTORS MESSAGE



It is my pleasure to offer my report for the 2013/2014 fiscal year. We have seen another year of growth and development as we move toward our goals and the objectives identified in the 2012-2015 Strategic Plan.

The Insurance Council of Manitoba has made significant progress in the Strategic Plan of 2012-2015. The strategic priorities identified were to increase the profile of the ICM with consumers, increase/strengthen regulatory oversight, increase/strengthen efficiencies and stability of the organization, and increase/strengthen licensee awareness of ICM and knowledge of regulatory requirements and best practices. As outlined in the Chairpersons' reports, many of the action plans have been accomplished, and the Councils will soon begin the process of re-examining our strategic priorities and goal setting.

The Council has continued its participation in the development of a regulatory framework for the incidental sale of insurance products (ISI). The Council has provided its comments with respect to the draft regulations, and has begun the considerable work required to prepare an administrative framework. The ICM is also working with the Office of Financial Institutions to consider the transfer of hail licenses, update the delegation and protocol agreements with respect to investigation, and allow the charging of fees for approval of accredited course providers and individual courses.

The Insurance Council of Manitoba has purchased a virtual document sharing system which allows Council members to view information required for Council meetings without receiving paper documents. This process will drastically reduce the paper required and ensure the security and confidentiality of the information. It is expected that this system will be implemented in late 2014.

The second and final terms of two Council members expired this year. The Insurance Adjusters Council bid farewell to Jim Magnan and Ron Tardiff. Jim served as the Chairperson of the Insurance Adjusters Council, and was a member of the Manitoba Council. His many years as an insurance adjuster committed to his industry brought invaluable experience, insight and wisdom to the Council. Ron, as a consumer representative, showed consistently thoughtful and thorough consideration of the matters considered by Council. The General Council was also sorry to receive the resignation of Janine Oliver, whose life path led her to move away from Manitoba. Janine, as a consumer representative, consistently demonstrated insight, compassion, commitment and integrity in her work with the Council. We thank all of these members for their commitment and service to Council.

As of March 31, 2014 these vacancies have not been filled. The matter of timely appointment of Council members is an important operational concern for the Insurance Council of Manitoba, and we anticipate that this will be addressed by the government very soon.

The Insurance Council of Manitoba welcomes Jennifer Howard as the Minister of Finance, and looks forward to working with the Minister and her office in the future.

Compliance and Investigation

The number of complaints received by the Insurance Council of Manitoba declined by 13% this year however the number of disciplinary actions increased by 18%. The show cause hearings requested increased substantially, and the number of appeals to the Insurance Agents' and Adjusters' Licensing Appeal Board was unusually high at 3. The Councils have continued to be proactive through the development of the Code of Conduct quizzes and the Operating Agent Handbook, publication of case studies, audits, and agency presentations. These initiatives are intended to inform and ultimately reduce the numbers of disciplinary actions.

The Insurance Council of Manitoba participated in the newly established Canadian Insurance Regulators Disciplinary Actions (CIRDA) data base. CIRDA is a result of a joint effort of the Canadian Insurance Services Regulatory Organizations (CISRO) and the Canadian Council of Insurance Regulators (CCIR). This data base enables the public and industry to better make

EXECUTIVE DIRECTORS MESSAGE

informed decisions, and improves the ability of regulators to communicate regulatory action across jurisdictions. Council is currently awaiting changes to Regulations which expand its powers to allow publication of full decisions.

Licensing

There has been continued growth in overall licenses issued in all industries, with an overall increase in active licenses of 6%.

The first year of on-line renewal exceeded our goals, and was an unqualified success. 93.3% of all licenses eligible for renewal were issued, and almost 99% of the renewals were completed on-line. The average time to review and resolve licensing issues was less than 22 hours, in real time. Following this success, on-line renewal will be mandatory for the 2014/2015 licensing year.

The Licensing Department continues to focus on consistency, fairness, and harmonization where possible.

Administrative Matters

The ICM currently has nine full time employees, and is fully staffed as of March 31, 2014. Heather Winters has taken on an oversight role as the Director of Licensing and Compliance, in addition to her investigative work.

Public Interest Disclosure

Regulation 173/2008 which took effect December 1, 2008 designated the Insurance Council of Manitoba as a body subject to the Public Interest Disclosure Act. The Insurance Council of Manitoba has been granted an exemption from the obligation to develop procedures to manage disclosures and designate an officer under Sections 5 and 6, however is obligated to report on any disclosures of wrongdoing that are received. As of March 31, 2014, no disclosures of wrongdoing were received by the Insurance Council of Manitoba.

Financial Report

The Insurance Council of Manitoba continues to remit 44% of all licence and miscellaneous fees and 15% of all examinations fees to the Minister of Finance. 100% of the fines assessed in disciplinary matters are also remitted to the Minister of Finance. In the 2014 fiscal year, fees in the amount of \$825,627 and fines in the amount of \$18,000 were remitted to the Minister of Finance.

A copy of the audited Financial Statements for the year ending March 31, 2014 is included in this report.

Statistical information with respect to licenses, examinations, complaints and disciplinary actions follows this report.

In closing, I wish to take this opportunity to thank the Financial Institutions Regulations Branch, in particular Jim Scalena and J. Scott Moore, for their continued support and the ability to work together in a cooperative manner. Thank you also to industry members and associations for their cooperation, comments, and feedback. My thanks are extended to each and every member of the Insurance Councils of Manitoba, present and past, for their extraordinary dedication and conduct in regular meetings, special meetings and committee work, and hearings. Finally, the exceptional ICM team must be commended for their professionalism, commitment to excellence and responsiveness in an ever changing environment.

Respectfully submitted,

Erin Pearson

Erin Pearson
Executive Director

LICENSES ACTIVE At March 31, 2014

Life Insurance Council	
Life	3,403
Accident & Sickness	3,208

TOTAL LIFE INSURANCE COUNCIL LICENSES: 6,611

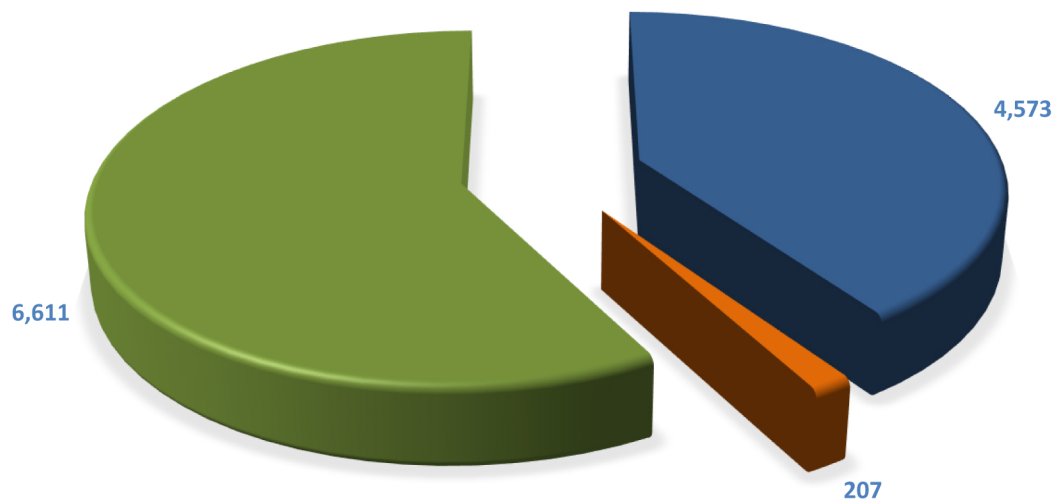
General Insurance Council			
General	Operating Agent	462	
Auto Only Broker		62	
General Insurance Agent	Level 1	2,035	
General Insurance Agent	Level 2	1,167	
General Insurance Agent	Level 3	846	
Automobile	Agent	1	

TOTAL GENERAL INSURANCE COUNCIL LICENSES: 4,573

Insurance Adjusters Council		
Adjuster	D/R	27
Adjuster	Independent	128
Adjuster	Assistant	52

TOTAL INSURANCE ADJUSTER LICENSES: 207

TOTAL LICENSES - 11,391



Active Licenses at March 31, 2014

Description	2013/2014	2012/2013
Life Agents	3,403	3,248
Accident & Sickness Agents	3,208	2,951
General Agents	4,573	4,344
Agents Total	11,184	10,543
Adjusters	207	187
Grand Total	11,391	10,730

EXAMINATION STATISTICS

April 1, 2013 - March 31, 2014

Life Insurance Council

Full LLQP

Written	586	
Passed	384	66%
Failed	202	34%

General Insurance Council

All Classes

Written	41	
Passed	13	32%
Failed	28	68%

Insurance Adjusters Council

All Levels

Written	10	
Passed	4	40%
Failed	6	60%

TOTAL GENERAL COUNCIL EXAMINATIONS: 41

TOTAL ADJUSTERS COUNCIL EXAMINATIONS: 10

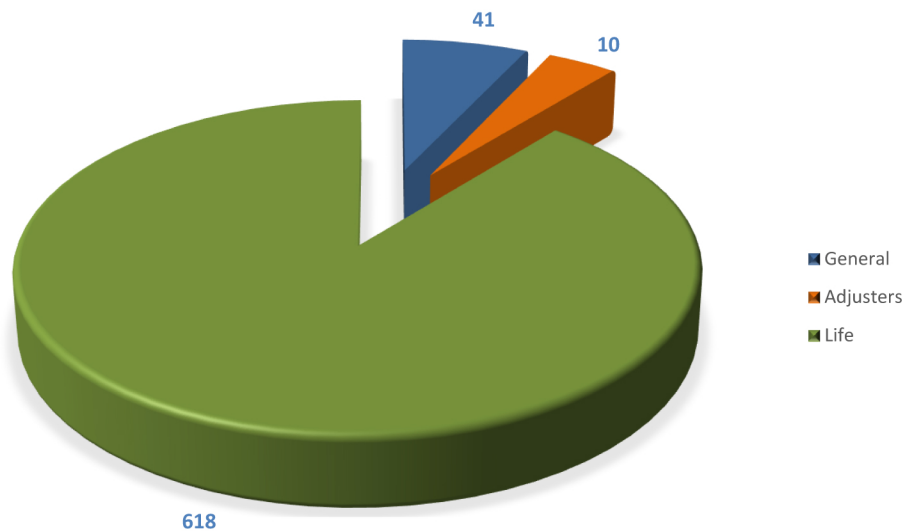
Life Insurance Council

A&S Portion

Written	32	
Passed	32	100%
Failed	0	0%

TOTAL LIFE COUNCIL EXAMINATIONS: 618

TOTAL EXAMINATIONS - 669



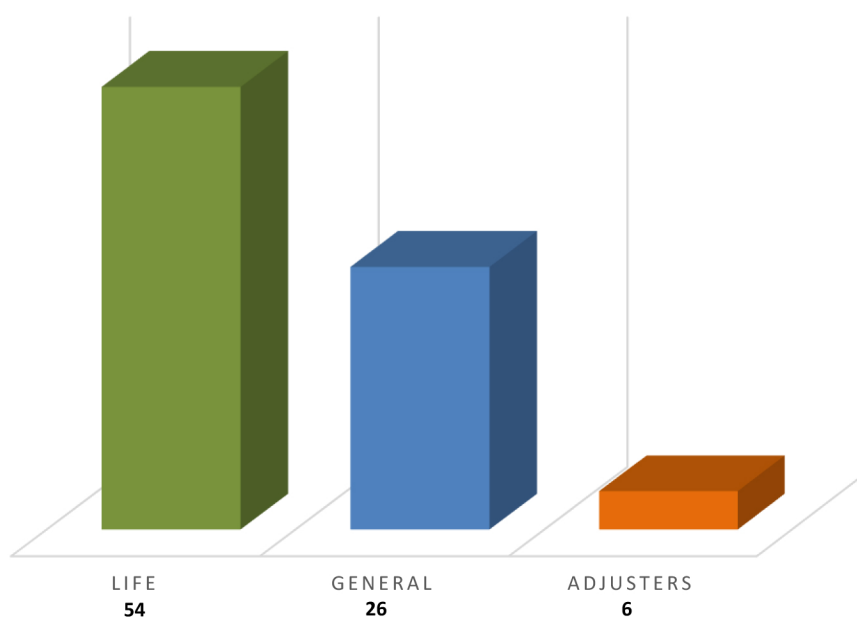
Insurance Agent and Adjuster Licensing Examinations

	Written		Passed		Failed	
	2013/2014	2012/2013	2013/2014	2012/2013	2013/2014	2012/2013
Life	586	522	384	361	202	161
Accident & Sickness	32	53	32	50	0	3
General	41	41	13	9	28	32
Agents Total	659	616	429	420	230	196
Adjusters Total	10	17	4	8	6	9
Grand Total	669	633	433	428	236	205

COMPLAINT STATISTICS - April 1, 2013 - March 31, 2014

Total number carried forward from previous year	34
Total number of complaints opened between April 1, 2013 and March 31, 2014	86
Total number of complaints dealt with in 2013/2014	99
Total number of complaints outstanding at March 31, 2014	21

New Complaints Per Council	2014	2013
Life	54	53
General	26	41
Adjusters	6	5
Total	86	99



Disciplinary Action Taken

Action	Life	General	Adjusters	Total
Unsuitable for licensing	2	3	0	5
Fines and costs	7	4	0	11
Suspension, fine and costs	0	2	0	2
Licence condition imposed	1	0	0	1
Grand Total	10	9	0	19

DISCIPLINARY ACTIONS - April 1, 2013 - March 31, 2014

Unsuitable to Hold a Licence

(3) General Insurance Agents	Found unsuitable to hold a licence
(2) Life Insurance Agent	Found unsuitable to hold a licence

Suspension, Fine and/or Costs

General Insurance Agent	Suspended for 1 week, fined \$500.00, assessed costs of \$250.00
General Insurance Agent	Suspended for 1 week, fined \$500.00, assessed costs of \$250.00

Condition Imposed

Life Insurance Agent	Supervision condition imposed
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Fines and Costs

Life Insurance Agent	Fined \$500.00, assessed costs of \$1,000.00
Life Insurance Agent	Fined \$750.00, assessed costs of \$750.00
Life Insurance Agent	Fined \$250.00, assessed costs of \$250.00
Life Insurance Agent	Fined \$500.00, assessed costs of \$500.00
Life Insurance Agent	Fined \$1000.00, assessed costs of \$1000.00
Life Insurance Agent	Fined \$1500.00, assessed costs of \$1500.00
Life Insurance Agent	Fined \$3000.00, assessed costs of \$1500.00
General Insurance Agent/Broker	Fined \$2000.00, assessed costs of \$1000.00
General Insurance Agent/Broker	Fined \$1500.00, assessed costs of \$750.00
General Insurance Agent/Broker	Fined \$4000.00, assessed costs of \$1000.00
General Insurance Agent/Broker	Fined \$2000.00, assessed costs of \$2000.00

- All fines imposed are payable to the Minister of Finance and are not retained by Council
- All or part of investigations costs may be assessed and are retained by Council

Total Fines - \$18,000.00

Total Costs - \$11,750.00

Appeals to the Provincial Insurance Agents' and Adjusters' Licensing Appeal Board

Total Appeals Filed – 3



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