

ALBERTA INSURANCE COUNCIL  
(the "AIC")

In the Matter of the *Insurance Act*, R.S.A. 2000 Chapter I-3  
(the "Act")

And

In the Matter of Bruce Schultz  
(the "Agent")

DECISION  
OF  
The Life Insurance Council  
(the "Council")

This case involved an alleged violation of s. 481(2) of the Act. Specifically, that the Agent failed or refused to provide information requested by the Minister, through the AIC, by way of a formal demand for information (the "Demand"). In so doing, it is alleged that the Agent subsequently violated s. 480(1)(b) of the Act.

**Facts and Evidence**

This matter proceeded by way of a written Report to Council dated January 23, 2023 (the "Report"). The Report was forwarded to the Agent for review, and to allow the Agent an opportunity to provide the Council with any further evidence or submissions by way of Addendum.

The AIC conducted an Errors and Omissions ("E&O") audit in November 2022, which sought to verify that E&O coverage was in place, following the expiration date noted in the licensees' 2021/2022 renewal application. The auditees were selected at random and asked to provide proof of current E&O coverage, in compliance with s. 465 of the Act and s. 33 and s. 35 of the *Insurance Agents and Adjusters Regulation*, AR 122/01 (the "Regulation"). The Agent was selected as an auditee and, in this instance, was asked to provide proof of current E&O coverage.

The Agent held Life and Accident and Sickness ("A&S") certificates of authority during the period of February 12, 1996, to January 12, 2023 when the Agent's certificates of authority were suspended due to the Agent's failure to provide current E&O coverage in accordance with s. 478(2) of the Act.

On November 10, 2022, the AIC sent the Demand to the Agent via registered mail and email which provided a deadline of December 12, 2022, to produce the required proof of E&O coverage.

On November 24, 2022, the Agent provided the AIC with the first page of a Policy Summary Letter from the Agent's E&O Provider, dated March 29, 2022.

In the same email, the Agent responded to the AIC with the following information:

Please advise if this sufficed as to what you are asking for?  
[...]

On November 28, 2022, the AIC informed the Agent of the following, by way of email:

[...]  
A letter will not suffice. We will need to see the actual policy documents or issued certificate.  
[...]

On November 30, 2022, the AIC was provided with the following documentation:

1. A copy of a Policy Summary Letter, dated March 29, 2022; and
2. A copy of a Policy Summary Letter from the Agent's E&O Provider, dated September 14, 2021;  
and
3. A copy of an *Insurance Certificate*.

By way of email dated the same, the AIC sent an email to the Agent providing clarification that what was submitted was not sufficient to satisfy the Demand.

On December 5, 2022, the Agent emailed the AIC requesting the following information:

Please advise if request had been completed ? [sic]  
[...]

By way of email dated the same, the AIC informed the Agent of the following:

[...]  
The documents covering you for E&O from April 2022 to current have not been received.  
[...]

By way of email dated the same, the Agent provided the AIC Compliance Department with a Policy Summary Letter.

### **Discussion**

The Minister of Treasury Board and Finance has delegated its authority to the AIC to investigate complaints

against holders, and former holders, of certificates of authority. Pursuant to Ministerial Directive 01/11 to the AIC “[t]he Minister may direct the holder or former holder of a certificate of authority to provide to the Minister within a reasonable period of time specified in the direction any information specified by the Minister relating to the matters in s. 480(1).” Subsection 2 states that “... A person served with a direction ... who has the information **must** provide the information in accordance with the direction” (emphasis added).

The Demand itself is formed under s. 481(2) of the Act.

Section 481 of the Act provides, in part;

**Demand for information**

481(1) The Minister may direct the holder or former holder of a certificate of authority to provide to the Minister within a reasonable period of time specified in the direction **any information specified by the Minister relating to the matters in section 480(1).**

**(2) A person served with a direction under subsection (1) who has the information must provide the information in accordance with the direction.**

Section 480 of the Act provides:

**Sanctions affecting certificates**

480(1) If the Minister is satisfied that the holder or a former holder of a certificate of authority [...]

(b) **has contravened any provision** of this Act **or the regulations** or similar legislation in another jurisdiction or legislation that is a predecessor of this Act or the regulations, [...]

[...] the Minister may revoke, **suspend** or refuse to renew or reinstate **one or more of the certificates of authority** held by the holder, impose terms and conditions provided for in the regulations on one or more of the certificates of authority held by the holder and impose a penalty on the holder or former holder.

[...]

[Emphasis added]

Section 780 of the Act stipulates:

**Offences**

780 A person who contravenes any of the following provisions is guilty of an offence:

[...] (c) in Part 3, sections [...] 481(2)

In this regard, the act of failing to provide information in accordance with s. 481(2) of the Regulation, and the potential violation of s. 481(2) of the Act regarding the Demand prompted the AIC to commence an investigation.

Regulatory offences such as these are strict liability offences. As such, the AIC has the onus to prove that the Demand was properly made upon the Agent, proper in the sense that they meet all the requirements

under the Act, and that the Agent did not comply. Once this occurs, the responsibility then shifts to the Agent to establish that due diligence was exercised in meeting the statutory requirement to respond. To substantiate this due diligence defence, the Agent must prove that all reasonable means were taken to avoid making the offence. There is nothing that requires the AIC to prove that the Agent's failure to respond was intentional.

In consideration of the evidence before it, and the appropriateness of the request to provide information under the Regulation, the Council is satisfied that the Demand met the requirements of s. 481(2) of the Act. The Agent has not met the burden of proof to establish the due diligence defence. The Council finds the Agent guilty of violating s. 481(2) of the Act, and also finds that the Agent has subsequently violated s. 480(1)(b) of the Act.

In terms of the applicable sanction, the Act requires that all holders, and former holders, of certificates of authority produce information when called upon. The Council is of the view that the public is not well-served when agents fail to comply with demands, like the Demand made in this case. Pursuant to s. 13(1)(b) of the *Certificate Expiry, Penalties and Fees Regulation*, A.R. 125/2001, the Council has the discretion to levy a civil penalty in an amount up to \$1,000.00. In consideration of all of the evidence, the Council orders that a penalty in the amount of \$500.00 be levied against the Agent.

The civil penalty of \$500.00 must be paid within thirty (30) days of the mailing of this Decision. In the event that the civil penalty is not paid within thirty (30) days interest will begin to accrue at the prescribed rate. If the Agent has active certificates of authority at the time that the civil penalty becomes due, and that civil penalty has not been duly satisfied, the Agent's active certificates of authority will be suspended in accordance with s. 480(4) of the Act. Pursuant to s. 482 of the Act (excerpt enclosed), the Agent has thirty (30) days in which to appeal this decision by filing a Notice of Appeal with the Office of the Superintendent of Insurance.

This Decision was made by way of a motion made and carried at a properly conducted meeting of the Life Insurance Council. The motion was duly recorded in the minutes of that meeting.

Dated: March 22, 2023

[Original Signed By]  
Andy Freeman, Chair  
Life Insurance Council

**Extract from the *Insurance Act, Chapter I-3*****Appeal**

482 A decision of the Minister under this Part to refuse to issue, renew or reinstate a certificate of authority, to impose terms and conditions on a certificate of authority, to revoke or suspend a certificate of authority or to impose a penalty on the holder or former holder of a certificate of authority may be appealed in accordance with the regulations.

**Extract from the *Insurance Councils Regulation, Alberta Regulation 126/2001*****Notice of appeal**

16(1) A person who is adversely affected by a decision of a council may appeal the decision by submitting a notice of appeal to the Superintendent within 30 days after the council has mailed the written notice of the decision to the person.

(2) The notice of appeal must contain the following:

- a) a copy of the written notice of the decision being appealed;
- b) a description of the relief requested by the appellant;
- c) the signature of the appellant or the appellant's lawyer;
- d) an address for service in Alberta for the appellant;
- e) an appeal fee of \$200 payable to the Provincial Treasurer.

(3) The Superintendent must notify the Minister and provide a copy of the notice of appeal to the council whose decision is being appealed when a notice of appeal has been submitted.

(4) If the appeal involves a suspension or revocation of a certificate of authority or a levy of a penalty, the council's decision is suspended until after the disposition of the appeal by a panel of the Appeal Board.

**Contact Information and Useful Links for Appeal:**

Email: [tbf.insurance@gov.ab.ca](mailto:tbf.insurance@gov.ab.ca)

Phone: 780-643-2237

Fax: 780-420-0752

Toll-free in Alberta: Dial 310-0000, then the number

Mailing Address: 402 Terrace Building, 9515 – 107 Street Edmonton, AB T5K 2C3

Link: [Bulletins, notices, enforcement activities | Alberta.ca](#) – *Interpretation Bulletin 02-2021 – Submitting Notices of Appeal of Insurance Council Decisions*