

In the Matter of

**The *FINANCIAL INSTITUTIONS ACT*
(RSBC 1996, c.141)
(the "Act")**

and

**The *INSURANCE COUNCIL OF BRITISH COLUMBIA*
(“Council”)**

and

**ANGELINA MAGSARILI ARANTON
(the "Licensee")**

and

**A. ARANTON FINANCIAL SERVICES INC.
(the "Agency")**

ORDER

As Council made an intended decision on November 13, 2012, pursuant to sections 231, 236, and 241.1 of the Act; and

As Council, in accordance with section 237 of the Act, provided the Licensee and the Agency with written reasons and notice of the intended decision dated January 16, 2013; and

As the Licensee and the Agency have not requested a hearing of Council's intended decision within the time period provided by the Act;

Under authority of sections 231, 236, and 241.1 of the Act, Council orders:

1. A condition is imposed on the Licensee's life and accident and sickness insurance licence that she must only conduct insurance activities under the supervision of a qualified life and accident and sickness insurance agent approved by Council until such time as she has accumulated an additional 24 months of active licensing.
2. A condition is imposed on the Agency's life and accident and sickness insurance licence which prohibits it from having any authorized representatives other than the Licensee until such time as supervision of the Licensee is no longer required.
3. The Licensee is assessed Council's investigative costs of \$1,375.00.

Order

Angelina Magsarili Aranton and A. Aranton Financial Services Inc.

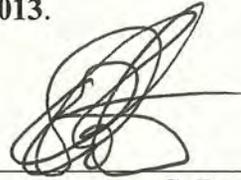
137190-I1063 and 160879-I1063

February 5, 2013

Page 2 of 2

4. A condition is imposed on the Licensee's life and accident and sickness insurance licence requiring that she pay the above-ordered investigative costs no later than **May 5, 2013**. If the Licensee does not pay the ordered investigative costs in full by this date, the Licensee's life and accident and sickness insurance licence is suspended as of **May 6, 2013**, without further action from Council and the Licensee will not be permitted to complete any annual filing until such time as the ordered investigative costs are paid in full.

This order takes effect on the **5th day of February, 2013**.



C. David Porter, LL.B., FCIP, CRM
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

ANGELINA MAGSARILI ARANTON
(the “Licensee”)

and

A. ARANTON FINANCIAL SERVICES INC.
(the “Agency”)

INTRODUCTION

Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation to determine whether the Licensee acted in compliance with the requirements of the Act.

As part of Council’s investigation, on October 22, 2012, an Investigative Review Committee (the “Committee”) met with the Licensee to discuss allegations that the Licensee facilitated Registered Retirement Savings Plan (“RRSP”) loans for clients for a purpose other than what was permitted by the financial institution who offered the loans.

The Committee was comprised of one voting member and three non-voting members of Council. Prior to the Committee’s meeting with the Licensee, an investigation report was distributed to the Committee and the Licensee for review. A discussion of this report took place at the meeting and the Licensee was provided an opportunity to clarify the information contained therein and make further submissions. Having reviewed the investigation materials and after discussing this matter with the Licensee, the Committee made a recommendation to Council as to the manner in which this matter should be disposed.

A report setting out the Committee’s findings and recommended disposition, along with the aforementioned investigation report and a written submission from the Licensee, were reviewed by Council at its November 13, 2012 meeting. At the conclusion of its meeting, Council accepted the Committee’s recommended disposition and determined the matter should be disposed of in the manner set out below.

PROCESS

Pursuant to section 237 of the Act, Council must provide written notice to the Licensee and the Agency of the action it intends to take under sections 231, 236 and/or 241.1 of the Act before taking any such action. The Licensee and the Agency may then accept Council's decision or request a formal hearing. This intended decision operates as written notice of the action Council intends to take against the Licensee and the Agency.

FACTS

Licensee and Agency's Background

The Licensee has been licensed with Council as a life and accident and sickness insurance agent since 1998. She immigrated to Canada from the Philippines in 1998. Prior to coming to Canada, she worked for six years as an underwriter for an American life insurance company based in the Philippines. The Licensee operates her life insurance business from her residence in Surrey, British Columbia under her own life and accident and sickness insurance agency, the Agency. The Agency has been licensed with Council since 2004, and the Licensee is its nominee as well as its only authorized representative.

The Licensee had been registered as a mutual fund salesperson since 2000. This registration was terminated in February 2011 by her mutual fund dealer as a result of the conduct described in this report. The life insurance company affiliated with the mutual fund dealer (the "Life Company") terminated its agent agreement with the Licensee around the same time, also because of its concerns with her conduct.

The Licensee continues to receive residual commissions from the life insurance business generated under the Life Company. She currently represents a different life insurance company through a life insurance managing general agent.

The Licensee has approximately 1,000 clients, mainly consisting of new or past immigrants from the Philippines met through church, the Philippine community, referrals, and local advertising. Most of her clients have two or three jobs.

Misuse of Bank RRSP Loans

The Life Company identified a trend where nine of the Licensee's clients deposited the proceeds of RRSP loans, arranged through a corporate partnership program with a national bank (the "Bank"), into newly implemented Life Company RRSP accumulation annuity contracts. However, within a few days of the loan proceeds being deposited into the client RRSPs and invested into daily-interest cash accounts, all nine clients began withdrawing funds from their RRSPs until approximately \$250.00 remained in each account. With the exception of one client, this occurred within a one-month timeframe. It was established that, in some cases, the funds were used by clients to pay bills or debts. In one instance, the funds were used to pay for a trip to the Philippines.

The loan agreement entered into by each client required that the loan proceeds be used to invest in an RRSP purchased through the Life Company until the loan was repaid. The agreement also prohibited the clients from redeeming, liquidating, selling, or otherwise transferring funds out of the RRSP without the Bank's prior consent. These loan terms were expressed in writing in both the Life Company Advisor Guide that was given to the Licensee as part of her training on the loan opportunity and in the loan applications signed by the clients and the Licensee. The Licensee indicated that she did not review these particular terms.

The Licensee acknowledged that she suggested the financial strategy of obtaining the RRSP loans to the clients in order to assist them in paying off high-interest debts, as opposed to establishing RRSP savings. She hoped it would help the clients become financially independent, which in turn may enable them to purchase other products from her in the future.

ANALYSIS

Council found this to be a case in which the Licensee genuinely believed she had found a way for her clients to legitimately access borrowed money at terms which were much more favourable than borrowing money through a credit card. However, regardless of her motivation, the Licensee facilitated RRSP loans for clients for a purpose other than what was intended by the financial institution who offered the loans as well as the insurance company who provided the RRSP accounts.

The Licensee's failure to fully understand the terms of the loans and RRSPs, which she facilitated for the nine clients, was concerning to Council, particularly given her level of experience in the financial services industry. Further, considering the fact she was provided with information on the terms of the loans in the training material from the Life Company and in the loan applications, the Licensee should have known that her clients could not access the loan proceeds in the manner she suggested.

Council determined that the Licensee's oversight in this matter reflected on her competence and ability to carry on the business of insurance in accordance with the usual practice. Council also noted that her oversight created the potential for harm to the lender and the Life Company had the clients defaulted on their loan obligations.

In determining an appropriate disposition, Council considered it was not the Licensee's intention to harm any party, she derived little financial benefit from her actions, and she had not been the subject of any previous review by Council. However, because concerns arose with her level of competency, Council concluded it was appropriate to have her insurance activities supervised for a period of time. Given these concerns, Council also concluded it would be appropriate to preclude the Licensee, who is the nominee of the Agency, from overseeing the activities of another insurance licensee.

INTENDED DECISION

Pursuant to sections 231, 236 and 241.1 of the Act, Council made an intended decision to:

1. Impose a condition on the Licensee's life and accident and sickness insurance licence that requires her to be supervised by a qualified life and accident and sickness insurance agent approved by Council until such a time as she has accumulated 24 additional months of active licensing.
2. Impose a condition on the Agency's life and accident and sickness insurance licence which prohibits it from having any authorized representatives other than the Licensee, until such time as supervision of the Licensee is no longer required.
3. Assess the Licensee Council's investigative costs of \$1,375.00.

The intended decision will take effect on **February 5, 2013**, subject to the Licensee and the Agency's right to request a hearing before Council pursuant to section 237 of the Act.

RIGHT TO A HEARING

If the Licensee or the Agency wishes to dispute Council's findings or its intended decision, the Licensee or the Agency may have legal representation and present a case at a hearing before Council. Pursuant to section 237(3) of the Act, to require Council to hold a hearing, the Licensee or the Agency must give notice to Council by delivering to its office written notice of this intention by **February 4, 2013**. A hearing will then be scheduled for a date within a reasonable period of time from receipt of the notice. Please direct written notice to the attention of the Executive Director.

Intended Decision
Angelina Magsarili Aranton and A. Aranton Financial Services Inc.
137190-11063 and 160879-11063
January 16, 2013
Page 5 of 5

If the Licensee or the Agency does not request a hearing by **February 4, 2013**, the intended decision of Council will take effect.

Even if this decision is accepted by the Licensee and the Agency, pursuant to section 242(3) of the Act, the Financial Institutions Commission still has a right to appeal this decision of Council to the Financial Services Tribunal ("FST"). The Financial Institutions Commission has 30 days to file a Notice of Appeal, once Council's decision takes effect. For more information respecting appeals to the FST, please visit their website at www.fst.gov.bc.ca or contact them directly at:

Financial Services Tribunal
PO Box 9425 Stn Prov Govt
Victoria, British Columbia
V8W 9V1

Reception: 250-387-3464
Fax: 250-356-9923
Email: FinancialServicesTribunal@gov.bc.ca

Dated in Vancouver, British Columbia, on the **16th day of January, 2013**.

For the Insurance Council of British Columbia



Per _____
Gerald D. Matier
Executive Director

GM/cc