

In the Matter of

The *FINANCIAL INSTITUTIONS ACT*

(the "Act")

(RSBC 1996, c.141)

and

The *INSURANCE COUNCIL OF BRITISH COLUMBIA*

("Council")

and

WORLD FINANCIAL GROUP INSURANCE AGENCY OF CANADA INC.

(the "Agency")

ORDER

As Council made an intended decision on February 14, 2012, pursuant to sections 231 and 236 of the Act; and

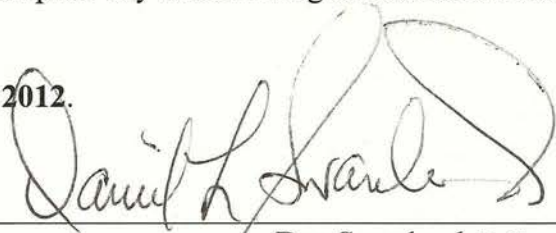
As Council, in accordance with section 237 of the Act, provided the Agency with written reasons and notice of the intended decision dated March 12, 2012; and

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

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

1. The Agency is fined \$5,000.00 for breaching Council Rule 7(3).
2. The Agency is fined \$15,000.00 for breaching Council Rule 7(10).
3. As a condition of this Order, the Agency is required to pay the above-ordered fines in full no later than **July 11, 2012**. If the Agency does not pay the ordered fines by this date, the Agency's life and accident and sickness insurance licence is suspended as of **July 12, 2012**, without further action from Council and the Agency will not be permitted to complete any annual filing until such time as the ordered fines are paid.

This Order takes effect on the **11th day of April, 2012**.



Dan Swanlund, B.Comm, CFP
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

WORLD FINANCIAL GROUP INSURANCE AGENCY OF CANADA INC.
(the “Agency”)

INTRODUCTION

Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation to determine whether there had been compliance by the Agency with the requirements of the Act.

The Agency’s President, Richard John Williams (“Williams”); the current nominee, Paul Quentin Bullock Spalding (“Spalding”); and the Agency’s legal counsel attended an Investigative Review Committee (the “Committee”) meeting on December 19, 2011. The Committee meeting was held to review incidents of non-compliance with Council Rules that occurred at the Agency. Specifically, the allegations were:

1. The Agency failed to comply with Council Rule 7(3)(b) by not notifying Council within five business days that the former nominee had ceased to represent the Agency on April 18, 2011.
2. The Agency failed to comply with Council Rule 7(10) by continuing to engage in insurance activities after its licence was suspended when it ceased to have a licensed nominee on April 18, 2011.

INTENDED DECISION PROCESS

Pursuant to section 237 of the Act, Council must provide written notice to 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 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 Agency.

FACTS

Based on the information contained in the investigation report, Council made the following findings of fact:

1. The former nominee of the Agency ceased employment with the Agency on April 18, 2011.
2. Neither the former nominee nor the Agency notified Council of the termination of the former nominee's authority to represent the Agency as required under Council Rule 7(3)(b).
3. The Agency did not appoint a new nominee after the former nominee ceased to represent the Agency.
4. The Agency continued to conduct insurance activities in breach of Council Rule 7(10) for more than 90 days, until a new nominee was appointed on July 26, 2011.
5. Council Rule 7(3)(b) states:

"A licensee must notify Council within 5 business days:

(b) when a licensee's authorization to represent an insurance agency, adjusting firm or general insurance direct writer is withdrawn."

6. Council Rule 7(10) states:

"Where an insurance agency, adjusting firm or an authorized representative of a general insurance direct writer no longer has a licensed nominee, the licence of the insurance agency, adjusting firm and/or the authorized representatives is automatically suspended, unless otherwise approved by Council."

7. In 2007, the Agency received a written reminder of its duties and responsibilities under Council Rules after it was found to have breached Council Rule 7(3)(b) on at least five occasions. At that time, the Agency assured Council it would take appropriate action to ensure compliance going forward.
8. The Agency advised the situation surrounding the former nominee leaving the Agency came about as a result of business restructuring. The former nominee's role as a Regional Compliance Officer was eliminated, resulting in prolonged negotiations with the former nominee regarding various employment options. In the end, the former nominee ceased to represent the Agency.

9. Williams acknowledged that during the reorganization, both the notification regarding the former nominee's departure and the appointment of a new nominee were overlooked.
10. Williams advised that upon his return to Toronto, he will be taking action to ensure that the Agency will not again find itself without a nominee.

ANALYSIS

Council found the above-mentioned facts constituted a breach of Council Rule 7(3)(b) and Council Rule 7(3)(10) by the Agency.

Although the Committee found the lack of notification to Council to be serious, given the previous reminder to the Agency about this particular obligation, it found the Agency's failure to cease operations and continue to engage in insurance activities for three months when its licence was suspended, to be even more egregious. The fact that the Agency is one of the largest agencies in British Columbia with more than 700 licensed life and accident and sickness insurance agents authorized to represent it, makes the breach even more serious.

In reaching an intended decision, Council determined, even though this was the second significant breach of Council Rules, the Agency is still suitable to hold a life and accident and sickness licence. However, should the Agency be found to be in breach of Council Rules or the Act again, the suitability of the Agency, and by extension its officers and directors, will be given serious consideration.

INTENDED DECISION

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

1. fine the Agency \$5,000.00 for breaching Council Rule 7(3); and
2. fine the Agency \$15,000.00 for breaching Council Rule 7(10).

The Agency is advised that should the intended decision become final, an Order will be issued and the fines will be due and payable within 90 days of the date of the Order.

The intended decision will take effect on **April 11, 2012**, subject to the Agency's right to request a hearing before Council pursuant to section 237 of the Act.

RIGHT TO A HEARING

If the Agency wishes to dispute Council's findings or its intended decision, 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 Agency must give notice to Council by delivering to its office written notice of this intention by **April 10, 2012**. 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.

If the Agency does not request a hearing by **April 10, 2012**, the intended decision of Council will take effect.

Even if this decision is accepted by 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 **12th day of March, 2012**.

For the Insurance Council of British Columbia



Gerald D. Matier
Executive Director

GM/cc