

In the Matter of
The *FINANCIAL INSTITUTIONS ACT*
(RSBC 1996, c.141)
(the “Act”)

and

The INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

and

MICHAEL GORDON PRUETER
(the “Licensee”)

ORDER

As Council made an intended decision on September 13, 2016, pursuant to sections 231 and 236 of the Act; and

As Council, in accordance with section 237 of the Act, provided the Licensee with written reasons and notice of the intended decision dated September 27, 2016; and

As the Licensee 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. A condition is imposed on the Licensee’s life and accident and sickness insurance licence that requires the Licensee to successfully complete the Council Rules Course on or before **January 18, 2017**. If the Licensee does not successfully complete the Council Rules Course by this date, the Licensee will not be permitted to complete any subsequent annual filings until such time as the ordered Council Rules Course is successfully completed.
2. The Licensee is fined \$7,500.00.
3. A condition is imposed on the Licensee’s life and accident and sickness insurance licence that requires the Licensee to pay the above-ordered fine no later than **January 18, 2017**. If the Licensee does not pay the ordered fine in full by this date, the Licensee will not be permitted to complete any subsequent annual filings until such time as the ordered fine is paid in full.

Order
Michael Gordon Prueter
LIC-54819C66971R1
October 18, 2016
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This order takes effect on the **18th day of October, 2016.**



Dr. Eric Yung
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

MICHAEL GORDON PRUETER
(the “Licensee”)

Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation into allegations that the Licensee breached Council Rule 7(3)(a)(i).

As part of Council’s investigation, on May 16, 2016, a Review Committee (the “Committee”) met with the Licensee to discuss allegations against the Licensee. 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 make further submissions. Having reviewed the investigation materials, and after discussing this matter with the Licensee, the Committee prepared a report of its meeting for Council.

The Committee’s report, along with the aforementioned investigation report, were initially reviewed by Council at its June 27, 2016 meeting. Before an intended decision was communicated, the matter was brought back before Council at its September 13, 2016 meeting, where it was 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 of the action it intends to take under sections 231 and 236 of the Act before taking any such action. The Licensee 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.

FACTS

The Licensee was licensed as a life and accident and sickness insurance agent between 1989 and 1997, and has held a licence continuously since 2003. The Licensee is also the nominee of Prueter Management Ltd.

In July 2015, the Licensee entered into a settlement agreement (“Settlement Agreement”) with the Mutual Fund Dealers Association of Canada (“MFDA”) relating to allegations that the Licensee was engaging in other business activities that were not disclosed to, or approved by, the MFDA. The other business activities included acting as a sole director, secretary, and operator of a financial corporation; acting as a sole director, president, secretary, treasurer, and controlling shareholder of a corporation intending to develop a hotel in Québec; and acting as a director and operator of a corporation intending to develop an aquaculture plant in British Columbia.

Pursuant to the Settlement Agreement, the Licensee was prohibited from holding a mutual fund registration for a period of two years; fined \$10,000.00; assessed costs of \$2,500.00; and must comply with all MFDA rules in the future.

As a result of the MFDA’s decision, the Licensee was required, pursuant to Rule 7(3)(a)(i), to provide disclosure to Council within five business days of this disciplinary action. The Licensee failed to provide the required disclosure, explaining that he had advised his insurer and his managing general agent of the decision and had assumed that Council would ultimately learn of the decision as well.

Prior to this event, in 1996, the Licensee received a reminder from Council when he failed to notify it that he had been disciplined by the Real Estate Council of British Columbia, reminding the Licensee of his responsibility to provide Council with timely disclosure with regard to disciplinary action.

ANALYSIS

Council determined that the Licensee breached Council Rule 7(3)(a)(i) by failing to notify Council within five business days of disciplinary action taken by the MFDA.

Council considered the Licensee’s explanation for failing to make a timely disclosure to Council and determined that the Licensee knew or ought to have known of his responsibility to provide proper disclosure to Council once he was disciplined by the MFDA. In reaching this conclusion, Council took into consideration that the Licensee was previously reminded of this specific requirement in 1996 and could not be excused for failing to do so a second time.

In reviewing this matter, Council considered what effect the MFDA disciplinary decision has on the Licensee's suitability to continue to hold an insurance licence. Council noted that the Licensee was disciplined for breaching MFDA rules, but there were no findings that the Licensee's actions had harmed the public.

Council determined that the issue of allowing an individual who has been banned from a segment of the financial services sector by another Canadian financial services regulator to continue to hold an insurance licence, raises a number of concerns. In this case, the Licensee has been banned from holding a mutual fund registration for two years.

Council concluded that, in order to ensure the public maintains confidence in the insurance industry and to maintain consistency between financial services sectors, licensees should not be permitted to continue to engage in insurance activities while banned from another regulated financial services sector.

INTENDED DECISION UNDER SECTIONS 231 AND 236 OF THE ACT

Pursuant to sections 231 and 236 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 the Licensee to successfully complete the Council Rules Course within 90 days of Council's order.
2. Fine the Licensee \$7,500.00 for failing to comply with Council Rule 7(3)(a)(i).

The Licensee is advised that, should the intended decision become final, the fine will be due and payable within 90 days of the date of the order. In addition, failure to pay the fine or successfully complete the Council Rules Course within the 90 days will result in the Licensee not being permitted to complete any annual filing until such time as the fine is paid in full and the Council Rules Course is successfully completed.

The intended decision will take effect on **October 18, 2016**, subject to the Licensee's right to request a hearing before Council pursuant to section 237 of the Act.

ORDER UNDER SECTION 238 OF THE ACT

Based on the MFDA decision, Council concluded that the Licensee is not suitable to hold an insurance licence and should have his life and accident and sickness insurance licence suspended for as long as he is the subject of an outstanding disciplinary decision by another financial services regulator. Council determined that, to avoid any further delay and to ensure the public is properly protected, the suspension of the Licensee's insurance licence is effective the date of the accompanying order, made pursuant to section 238 of the Act.

RIGHT TO A HEARING – COUNCIL'S INTENDED DECISION

If the Licensee wishes to dispute Council's findings or its intended decision, the Licensee 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 must give notice to Council by delivering to its office written notice of this intention by **October 17, 2016**. 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 Licensee does not request a hearing by **October 17, 2016**, the intended decision of Council will take effect.

Even if this decision is accepted by the Licensee, 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 fst.gov.bc.ca or contact them directly at:

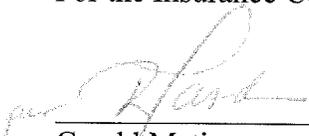
Financial Services Tribunal
PO Box 9425 Stn Prov Govt
Victoria, British Columbia
V8W 9V1

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

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Dated in Vancouver, British Columbia, on the **27th day of September, 2016.**

For the Insurance Council of British Columbia



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