

**In the Matter of**

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

**and**

**The INSURANCE COUNCIL OF BRITISH COLUMBIA**  
**("Council")**

**and**

**THE INSURANCE SERVICES DEPARTMENT OF LONDON DRUGS LIMITED**  
**(the "Agency")**

**ORDER**

As Council made an intended decision on July 15, 2014, pursuant to sections 231 and 236 of the Act; and

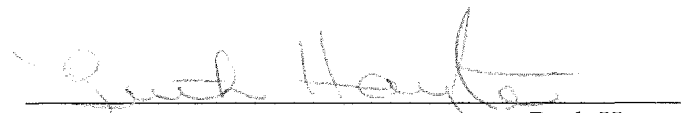
As Council, in accordance with section 237 of the Act, provided the Agency with written reasons and notice of the intended decision dated July 30, 2014; and

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 \$10,000.00.
2. A condition is imposed on the Agency's general insurance licence that requires it to pay the above-ordered fine no later than **November 19, 2014**. If the Agency does not pay the ordered fine in full by this date, the Agency's general insurance licence is suspended as of **November 20, 2014**, without further action from Council and the Agency will not be permitted to complete any annual filing until such time as the ordered fine is paid in full.

This order takes effect on the **19<sup>th</sup> day of August, 2014**.

  
\_\_\_\_\_  
Ruth Hoyte  
Chairperson, Insurance Council of British Columbia

## **INTENDED DECISION**

of the

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

**respecting**

**THE INSURANCE SERVICES DEPARTMENT OF LONDON DRUGS LIMITED**  
(the “Agency”)

### **INTRODUCTION**

Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation into allegations the Agency acted in breach of Council Rule 7(3)(b).

As part of Council’s investigation, a Review Committee (the “Committee”) met with the Agency’s current nominee, Shannon Lynne Frew (the “Nominee”), and the Agency’s general manager (the “General Manager”) on June 9, 2014, to discuss allegations that the Agency failed to notify Council within five business days of a licensee’s authorization to represent the Agency being withdrawn, contrary to Council Rule 7(3)(b).

The Committee was comprised of one voting member and three non-voting members of Council. Prior to the Committee’s meeting with the Nominee and the General Manager, an investigation report was distributed to the Committee and the Nominee for review. A discussion of this report took place at the meeting, and the Agency was provided an opportunity to clarify the information contained therein and make further submissions. Having reviewed the investigation materials, and after discussing the matter with the Nominee, 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, were reviewed by Council at its July 15, 2014 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 Agency of the action it intends to take under sections 231 and 236 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

The Agency has been continually licensed with Council since August 1, 1995 and has approximately 80 licensees. Prior to September 5, 2001, the Agency operated under the name London Drugs Insurance Services Limited. Between 2007 and 2013, the Agency failed to notify Council within five business days on seven different occasions when a licensee no longer had authority to represent it, contrary to Council Rule 7(3)(b). The Agency was provided with six reminder letters regarding its obligations to Council. The latest breach occurred after the last reminder letter was sent by Council to the Agency.

Between 2007 and 2013, the Agency had four different nominees. Approximately two weeks prior to the Committee meeting, the Nominee had just replaced the previous nominee.

The Nominee accepted that there had been breaches of Council Rule 7(3)(b). The Nominee advised that several of the reminder letters sent by Council could not be located and it is believed the letters may have been sent to individual branch locations, or to a call center, and do not appear to have been received by the former nominee(s).

The Agency has now implemented new policies and procedures to ensure compliance with Council Rule 7(3)(b).

## ANALYSIS

Council found that on seven occasions the Agency failed to notify Council within five business days that a licensee was no longer authorized to represent the Agency.

Council acknowledged that its reminder letters may not have been received by the Agency's nominee, but noted that it is the Agency's responsibility to ensure that Council has an accurate address for service. Council was satisfied that the reminder letters were sent to the address on file at that time.

Council accepted that the Agency has implemented changes to prevent further breaches of Council Rule 7(3)(b), but did not find that this mitigated the Agency's past breaches of Council Rule 7(3)(b).

In determining an appropriate disposition, Council considered the previous cases *World Financial Group Insurance Agency of Canada Inc.*, *BCAA Insurance Agency Ltd.*, *Aon Reed Stenhouse Inc.*, and *Elite Wealth Management Inc.*, which all involved an agency's failure to comply with Council Rule 7(3)(b).

In *World Financial Group Insurance Agency of Canada Inc.*, the agency was fined \$5,000.00 when it failed on five occasions to notify Council within five business days that a licensee no longer had authorization to represent the agency. Council considered that the agency had 700 licensed agents authorized to represent it, and that the agency was provided with a reminder of its responsibilities under Council Rule 7(3)(b). Council determined that the size of the agency, one of the province's largest at the time with over 700 licensed agents authorized to represent it, made its breach of Council Rule 7(3)(b) more serious.

In *BCAA Insurance Agency Ltd.*, Council noted that the agency had more than 400 licensed agents authorized to represent it. Between December 2011 and May 13, 2012, there were 12 instances where the agency failed to notify Council within five business days when a licensee no longer had authorization to represent it. The agency's failure to meet the notification requirement and absence of corrective measures were a concern for Council, particularly given the size of the agency, which had more than 400 insurance licensees and approximately 600 employees at the time. The agency was fined \$10,000.00.

In *Aon Reed Stenhouse Inc.*, the agency failed to notify Council within five business days when a licensee ceased to represent the agency on a minimum of nine occasions. The agency had received five prior written reminders about its duties and responsibilities under Council Rule 7(3)(b). Four occurrences of non-compliance with Council Rule 7(3)(b) arose following the agency's receipt of five reminders of its obligations under Council Rules. The agency began to implement changes following the four most recent occurrences of non-compliance, but Council determined the changes did not mitigate the agency's past notification failures. Council fined the agency \$10,000.00.

In *Elite Wealth Management Inc.*, the agency was fined \$3,000.00. Council found that the agency breached Council Rule 7(3)(b) on four occasions. Council noted that the agency had 26 licensees, and had gone through multiple nominees when the breaches occurred.

In reaching its decision, Council considered relevant factors such as the number of breaches, the size of the Agency, and the timeframe over which the breaches occurred.

Council determined a fine of \$10,000.00 was appropriate in the circumstances. In reaching this decision, Council noted that the Agency has fewer licensees than those in prior decisions, with the exception of *Elite Wealth Management Inc.*, but that it was still a large agency. Council also noted that there were seven breaches, which is similar to the number of breaches in previous cases.

## **INTENDED DECISION**

Pursuant to sections 231 and 236 of the Act, Council made an intended decision to fine the Agency \$10,000.00.

The Agency 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. Failure to pay the fine within the 90 days will result in the automatic suspension of the Agency's general insurance licence and the Agency will not be permitted to complete any annual filing until such time as the fine is paid in full.

The intended decision will take effect on **August 19, 2014**, 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 **August 18, 2014**. 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 **August 18, 2014**, 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 [fst.gov.bc.ca](http://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](mailto:FinancialServicesTribunal@gov.bc.ca)

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Dated in Vancouver, British Columbia, on the **30<sup>th</sup> day of July, 2014.**

For the Insurance Council of British Columbia



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Gerald D. Matier  
Executive Director

GM/tp