

In the Matter of

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

and

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

and

**MEGA ALLIANCE FINANCIAL MANAGEMENT INC.
(the “Agency”)**

ORDER

Pursuant to section 237 of the Act, Council convened a hearing at the request of the Agency to dispute an intended decision, dated May 26, 2014, pursuant to section 236 of the Act.

The subject of the hearing was set out in a Notice of Hearing dated January 26, 2015.

A Hearing Committee heard the matter on February 18, 2015, and presented a Report of the Hearing Committee to Council at its April 14, 2015 meeting.

Council considered the Report of the Hearing Committee and ordered that:

1. Effective **April 28, 2015**, the following conditions be placed on the Agency’s life and accident and sickness insurance licence, pursuant to section 236 of the Act:
 - a) The Agency is prohibited from engaging in any insurance activities with clients, or their immediate families, of Sophia Cummings or Sophia Immigration Ltd. until such time as the immigration client has legally immigrated to Canada and is no longer relying, directly or indirectly, on Sophia Cummings’ or Sophia Immigration Ltd.’s services as they relate to the client’s immigration status in Canada.
 - b) The Agency is required to provide the following disclosure to the immigration client, once the client has legally immigrated to Canada and prior to conducting any insurance activities with the client or his or her immediate family, in a manner which is satisfactory to Council and ensures the full understanding of the client, including taking into consideration any language differences that may exist:

- i) The services provided by Sophia Cummings or Sophia Immigration Ltd. have no bearing on the role and responsibilities of the Agency (and its nominee) as an insurance agency.
 - ii) There is no obligation to purchase any insurance products from the Agency.
 - iii) The client is entitled to seek insurance advice from any licensed insurance agent in the province.
 - c) The Agency is required to have the client sign the above-mentioned disclosure acknowledging receipt and retain a copy of the signed disclosure on the client's insurance file.
 - d) The Agency is required to disclose in writing to the client that Sophia Cummings or Sophia Immigration Ltd. may receive direct or indirect compensation as a result of any insurance transaction undertaken on their behalf by the Agency.
2. The Agency is assessed Council's hearing costs of \$2,375.00.
 3. As a condition of this order, the Agency is required to pay the above-ordered hearing costs no later than **July 28, 2015**. If the Agency does not pay the above-ordered hearing costs in full by this date, the Agency's life and accident and sickness insurance licence is suspended as of **July 29, 2015** without further action from Council and the Agency will not be permitted to complete any annual filing until such time as the ordered hearing costs are paid in full.

This order takes effect on the **28th day of April, 2015**.



Ruth Hoyte
Chairperson, Insurance Council of British Columbia

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

REPORT OF THE HEARING COMMITTEE

IN THE MATTER OF THE *FINANCIAL INSTITUTIONS ACT*
(the “Act”)
(S.B.C. 1996, c. 141)

AND

MEGA ALLIANCE FINANCIAL MANAGEMENT INC.
(the “Agency”)

Date: February 18, 2015
9:30 a.m.

Before: Rita Ager Chair
Karl Krokosinski Member
Chamkaur Cheema Member

Location: Suite 300, 1040 West Georgia Street
Vancouver, British Columbia V6E 4H1

Present: David McKnight Counsel for Council
David Mitchell Counsel for the Agency
Hsueh-Jen Liao Nominee for the Agency
(the “Nominee”)

The matter before the Hearing Committee is an intended decision by Council to impose licence conditions on the Agency to address the potential for undue influence by the Agency, as it relates to its insurance activities with clients of one of the Agency’s principal shareholders, Sophia Cummings, who is also an officer and director of the Agency. Ms Cummings does not hold an insurance licence.

In May 2014, Council determined that the Agency’s insurance activities, as they related to non-insurance clients of Ms Cummings, created a potential for undue influence and/or a conflict of interest, and, as a consequence, recommended licence conditions be imposed, pursuant to section 236 of the Act.

The purpose of the hearing was to determine if the Agency is in a position of undue influence and, if so, if the Agency should be subject to licence conditions regarding its insurance activities with non-insurance clients of Ms Cummings. The Hearing Committee was tasked with determining if the Agency is able to carry on business in a trustworthy, competent, and financially reliable manner, in good faith, and in accordance with the usual practice of the business of insurance.

The Hearing Committee was constituted pursuant to section 232 of the Act. This is a report of the Hearing Committee, as required pursuant to section 223(4) of the Act.

EVIDENCE

The evidence reviewed by the Hearing Committee in consideration of this matter included:

- Exhibit 1 Council's Book of Documents
- Exhibit 2 Immigration Status – Insurance Underwriting Requirements

BACKGROUND AND ISSUES

The Agency holds a life and accident and sickness insurance agent licence and has been licensed in British Columbia since 2008. The Nominee has been the Agency's nominee since August 2008. The Nominee owns 50% of the Agency and is its president and treasurer. The other 50% is owned by Ms Cummings, who is also the Agency's secretary. Ms Cummings does not hold an insurance licence.

Ms Cummings' primary employment is as an immigration consultant, and she is the owner of an immigration consulting business named Sophia Immigration Ltd. The Agency and Sophia Immigration Ltd. both operate from the same premises. The Agency only engages in insurance activities with those persons referred to it by Ms Cummings. In all cases, the persons referred by Ms Cummings are clients of her immigration consulting business.

The Nominee is also licensed to represent another life insurance agency, Evertrust Financial Services Inc. ("Evertrust"). The Nominee is Evertrust's nominee, as well as one of its directors. The Nominee places most of his insurance business through Evertrust, and only acts on behalf of the Agency when Ms Cummings refers one of her clients for insurance. The Nominee confirmed that Evertrust is separate and distinct from Sophia Immigration Ltd. and they have no direct or indirect dealings.

When Ms Cummings refers one of her clients for insurance, the Nominee meets the client at the Agency's office, which operates from the same office as Sofia Immigration Ltd.

The Nominee advised that all commissions earned by the Agency had been retained by it, and that its intent is to use the revenue for charitable purposes only. The Agency provided no evidence to suggest that any charitable giving had occurred.

The Nominee advised that there is no compensation arrangement between the Agency and Sophia Immigration Ltd.

The Agency provides no written disclosure to its clients regarding its relationship with Ms Cummings. The Nominee advised that when he meets with Agency clients, all of whom have been referred to the Agency by Ms Cummings, he provides a verbal disclosure about the Agency, including Ms Cummings' ownership interest.

The Hearing Committee heard that, in the past, Council has considered licence applications from immigration consultants seeking to also hold an insurance licence. In such cases, Council has determined that the activities of an immigration consultant are in conflict with the duties and responsibilities of a licensee, or could give rise to the reasonable possibility of undue influence. In approving all such licence applications, Council has imposed licence restrictions limiting the insurance activities that could occur between the immigration consultant licensee and their immigration clients (and the clients' immediate families).

EVIDENCE OF THE AGENCY

The Nominee confirmed that the Agency's primary purpose is to service the insurance requirements of Ms Cummings' immigration clients. The Nominee explained that the type of immigration services being sought by Ms Cummings' clients varies from persons seeking temporary visas to enter Canada to persons seeking to reside in Canada on a permanent basis.

The Nominee expressed concerns with the proposed licence conditions, as there was a lack of clarity involved. As an example, the Nominee explained that many of Ms Cummings' clients are not necessarily seeking immigration status for themselves, but are seeking to bring family members to Canada.

The Agency's concern related to the wording of the licence conditions, such that there is clarity in who the Agency can, or cannot, deal with as far as referrals from Ms Cummings.

ANALYSIS

The Hearing Committee found that the Agency's sole purpose is to service clients referred by Ms Cummings. While specific information was not provided as to which clients have been referred to date, it is clear that all the clients have some relationship with Ms Cummings' immigration consulting business at the time of the referral.

The Hearing Committee noted that the Agency's location inside Sophia Immigration Ltd.'s office presented concerns. The Hearing Committee believed it would be difficult for consumers to distinguish between the immigration consulting business and the insurance agency. The Hearing Committee acknowledged that there were differences in the business names of the two entities, but concluded that a referral by Ms Cummings to the Agency, which is located in the same office, is likely to create confusion, or worse, lead to the possibility of undue influence.

The Hearing Committee had no issues with the Nominee as an insurance agent, but concluded that the relationship that exists between the Agency, the Nominee, and Ms Cummings was not being properly addressed or disclosed to the clients. It concluded that the relationship represented a potential conflict of interest, or has the possibility for undue influence, resulting in the possibility of a client making an insurance decision he or she might not normally have done, but for the fact that the client was also seeking immigration services from Ms Cummings.

The Hearing Committee determined that potential clients represented vulnerable members of society, and the relationship between the Agency and Ms Cummings had the potential to increase that vulnerability.

The Hearing Committee noted that if Ms Cummings were to refer clients to the Nominee in his capacity as an insurance agent with Evertrust, many of its concerns could be addressed by the arm's-length nature of the relationship that would exist. However, under the current structure, Ms Cummings' clients are being referred to an agency that is located in the same location as the immigration consultant. In addition, whatever disclosure is being provided to the clients, it is not in writing, making it hard to determine if clients are in a position to make an informed decision as to whom and where they can obtain insurance from.

The Hearing Committee determined that the Agency is operating in a conflict of interest and that its relationship with Ms Cummings presents a level of undue influence that represents a risk to the public. The Hearing Committee determined that the relationship of the Agency with Ms Cummings is no different to similar cases where Council has had licence applications from persons who are also employed as immigration consultants, and that similar licence conditions are appropriate in these circumstances.

RECOMMENDATIONS OF THE HEARING COMMITTEE

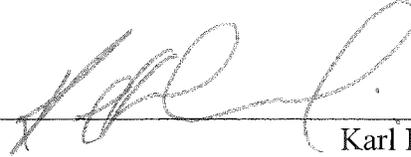
The Hearing Committee recommends that the following licence conditions be imposed on the Agency:

1. The Agency is prohibited from engaging in any insurance activities with clients, or their immediate families, of Ms Cummings or Sophia Immigration Ltd. until such time as the immigration client has legally immigrated to Canada and is no longer relying, directly or indirectly, on Ms Cummings' or Sophia Immigration Ltd.'s services as they relate to their immigration status in Canada.
2. Once the immigration client has legally immigrated to Canada, and prior to conducting any insurance activities with the client, or his or her immediate family, the Agency must provide the following disclosure in a manner which is satisfactory to Council and ensures the full understanding of the client, including taking into consideration any language differences that may exist:
 - a) The services provided by the immigration consultant have no bearing on the role and responsibilities of the Agency (and its nominee) as an insurance agency.
 - b) There is no obligation to rely on the Agency for insurance services.
 - c) The client is entitled to seek insurance advice from any licensed insurance agent in the province.
3. The Agency must have the client sign the above-mentioned disclosure acknowledging receipt and retain a copy of the signed disclosure on the client's insurance file.
4. The Agency must disclose in writing to the client that Ms Cummings or Sophia Immigration Ltd. may receive direct or indirect compensation as a result of any insurance transaction undertaken on their behalf by the Agency.

Report of the Hearing Committee
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The Hearing Committee did not believe that any costs should be assessed against the Agency in this matter.

Dated in Vancouver, British Columbia, on the 9 day of APRIL, 2015.



Karl Krokosinski
Member of Hearing Committee