In the Matter of

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

and

The INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

and

I.G. INSURANCE SERVICES INC.
(the "Agency")

ORDER

As Council made an intended decision on August 12, 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 August 29, 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 life and accident and sickness insurance licence that requires it to pay the above-ordered fine no later than **December 17, 2014**. If the Agency does not pay the ordered fine in full by this date, the Agency's life and accident and sickness insurance licence is suspended as of **December 18, 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 **17th day of September, 2014**.

Ruth Hoyte
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

respecting

I.G. INSURANCE SERVICES INC.
(the "Agency")

and

BONNIE LYNN SIEMENS
(the "Nominee")

and

DESURATHAN BALA NAIDOO
(the "Former Nominee")

INTRODUCTION

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

As part of Council's investigation, on July 21, 2014, a Review Committee (the "Committee") met with the Nominee, the Former Nominee, as well as the Vice-President and Chief Compliance Officer, the Vice-President of Corporate Compliance, the Manager of Compliance Registration, and the Assistant Vice-President and Legal Counsel (collectively the "Agency Representatives") to discuss the results of the investigation into the Agency's compliance with 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, the Former Nominee, and the Agency Representatives, an investigation report was distributed to the Committee, the Agency, the Nominee, and the Former Nominee for review. A discussion of this report took place at the meeting and the Nominee, the Former Nominee, and the Agency Representatives were 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 Nominee, the Former Nominee, and the Agency Representatives, the Committee made a recommendation to Council as to the manner in which this matter should be disposed.

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A report setting out the Committee's findings and recommended disposition, along with the aforementioned investigation report, were reviewed by Council at its August 12, 2014 meeting, resulting in Council accepting the Committee's recommendation on how 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 continuously licensed with Council since August 1, 1995, and currently has over 700 licensees in British Columbia. The Former Nominee has been licensed with Council since March 31, 2000, and was nominee of the Agency from September 1, 2009 to August 13, 2013. He remains with the Agency. The current Nominee was first licensed with Council effective August 13, 2013.

Between 2005 and 2013, the Agency was issued 11 reminder letters regarding its responsibility to notify Council within five business days when a licensee no longer had authority to represent ("ATR") the Agency, in accordance with Council Rule 7(3)(b). In this timeframe, the Agency breached Council Rule 7(3)(b) on 15 occasions. The Agency accepted that the breaches had occurred but explained that the Agency's compliance office was unaware of many of the breaches.

Council accepted the Agency's explanation that the breaches occurred due to an internal administrative process that was not adequately tracking when licensees no longer had ATR the Agency. Prior to June 2013, the Agency's process for notifying Council when a licensee no longer had ATR was that branch level managers were responsible for informing head office when a licensee left the Agency. The Nominee was then notified by head office. Due to the high volume of branch level turnover, there were instances where the individual responsible for informing head office may not have been fully aware of the notification responsibility or its importance.

In June 2013, the Agency introduced new procedures which involved centralizing its operations, which included having its nominee located at the Agency's head office in Winnipeg. The new procedures require that a letter be sent to Council within one to two days of a licensee no longer having ATR the Agency. Council accepted that the Agency had put in place new procedures to avoid breaches of Council Rule 7(3)(b) and noted that there have been no further breaches.

ANALYSIS

Council considered the actions and submissions of the Agency, the Nominee, the Former Nominee, and the Agency Representatives.

Council found that the Agency failed to notify Council within five business days when licensees ceased to represent the Agency on 15 occasions.

Council noted that there have been no breaches since 2013. However, Council noted that the Agency had failed to establish an adequate system to keep track of its licensees until 2013. While acknowledging that the Agency has put in place a process to prevent similar breaches, it did not find that this mitigated the Agency's past breaches of Council Rules.

In determining an appropriate disposition, Council considered previous decisions where there was a breach of Council Rule 7(3)(b), including *BCAA Insurance Agency Ltd.*, and *Aon Reed Stenhouse Inc.* Council discussed relevant factors in reaching its decision, such as whether the breach was unintentional, the size of the Agency, the timeframe over which the violations occurred, and procedures in place to prevent a breach.

Council found that it was appropriate to issue a fine in the amount of $10,000.00 against the Agency for its breaches of Council Rule 7(3)(b).

In reaching this decision, Council noted that, similar to the previous decisions, the Agency was relatively large, was issued 11 reminder letters, and breached Council Rule 7(3)(b) on 15 occasions. Council noted that while the number of breaches was on the same order as in the prior cases, the Agency received more reminder letters. Council determined that the Agency did not take steps to prevent breaches of Council Rule 7(3)(b) until the most recent breach.

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. In addition, 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 **September 17, 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 **September 16, 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 **September 16, 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 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 **29th day of August, 2014**.

For the Insurance Council of British Columbia



Gerald D. Matier
Executive Director

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