In the Matter of

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

and

The INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

and

FS FINANCIAL STRATEGIES INC.
(the "Agency")

and

AIK GUAN LIM
(the "Nominee")

and

SCOTT THOMAS LOW
("Low")

ORDER

As Council made an intended decision on April 12, 2016, pursuant to sections 231 and 236 of the Act; and

As Council, in accordance with section 237 of the Act, provided the Agency, the Nominee, and Low with written reasons and notice of the intended decision dated June 30, 2016; and

As the Agency, the Nominee, and Low have 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:

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1. A condition is imposed on the Agency's life and accident and sickness insurance licence that, pending the outcome of the British Columbia Securities Commission investigation, the Agency is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless the Agency is registered or licensed, as required, to engage in the financial activity.
2. A condition is imposed on the Agency's life and accident and sickness insurance licence that requires the Agency to disclose to all insurance companies and managing general agents that the Agency is authorized to represent, the existence of these licence conditions and Council's reasons for them.
3. A condition is imposed on the Nominee's life and accident and sickness insurance licence that, pending the outcome of the British Columbia Securities Commission investigation, the Nominee is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless the Nominee is registered or licensed, as required, to engage in the financial activity.
4. A condition is imposed on the Nominee's life and accident and sickness insurance licence that requires the Nominee to disclose to all insurance companies and managing general agents that the Nominee is authorized to represent, the existence of these licence conditions and Council's reasons for them.
5. A condition is imposed on Low's life and accident and sickness insurance licence that, pending the outcome of the British Columbia Securities Commission investigation, Low is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless Low is registered or licensed, as required, to engage in the financial activity.
6. A condition is imposed on Low's life and accident and sickness insurance licence that requires Low to disclose to all insurance companies and managing general agents that Low is authorized to represent, the existence of these licence conditions and Council's reasons for them.

This order takes effect on the **19th day of July 2016**.

Dr. Eric Yung
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

respecting

FS FINANCIAL STRATEGIES INC.
(the "Agency")

and

AIK GUAN LIM
(the "Nominee")

and

SCOTT THOMAS LOW
("Low")

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

As part of Council's investigation, on March 14, 2016, a Review Committee (the "Committee") met to discuss capital-raising activities at the Agency and another agency ("Agency B"), as well as a related investigation by the British Columbia Securities Commission ("BCSC").

The Committee was comprised of one voting member and three non-voting members of Council. Prior to the Committee's meeting, an investigation report was distributed to the Committee, the Nominee, and Low for review. The Nominee and Low were provided an opportunity to make further submissions, but declined to do so. Having reviewed the investigation materials, the Committee prepared a report of its meeting for Council.

The Committee's report and the aforementioned investigation report were reviewed by Council at its April 12, 2016 meeting, where it was determined the matter should be disposed of in the manner set out below.

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PROCESS

Pursuant to section 237 of the Act, Council must provide written notice to the Agency, the Nominee, and Low of the action it intends to take under sections 231 and 236 of the Act before taking any such action. The Agency, the Nominee, and Low 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, the Nominee, and Low.

FACTS

The Agency

The Agency has held a life insurance licence in British Columbia since March 15, 2011, and has eight branches in the Lower Mainland. It also holds insurance licences in Alberta and Ontario.

The Nominee was first licensed as a life and accident and sickness insurance agent ("life agent") in September 2001, and has been the nominee of the Agency since March 2011. The Nominee is also currently licensed as a life agent in the province of Alberta.

Low has been licensed as a life agent in British Columbia for more than 20 years and is authorized to represent the Agency. Low is also licensed as a life agent in Alberta.

The Nominee and Low are officers/directors of the Agency, and they are also the sole shareholders. The Agency has approximately 48 life agents authorized to represent it.

Agency B

Agency B has held a life insurance licence in British Columbia since January 21, 2013. It also holds insurance licences in Alberta and Ontario. The Nominee and Low are officers/directors and shareholders of Agency B.

BACKGROUND

In June 2013, Council staff met with the Nominee and Low to discuss a complaint that had arisen regarding the Agency. The Nominee and Low confirmed they were shareholders and officers of the Agency and Agency B. It was also disclosed that Agency B was a general partnership that offered an investment ("Clearpath") that involved the purchase of books of insurance business from insurance agents. The Clearpath investment was offered to family and friends, some of whom were also insurance clients of the Agency and the Nominee.

As a follow-up to this meeting, a letter was sent to Low on July 18, 2013, requesting the following information:

> The names of all Clearpath investors who, prior to investing in Clearpath, were insurance clients of [the Agency] or [Agency B], and/or authorized representatives of either insurance agency; the date of the Clearpath investment(s), the amount of the investment, the source of funds for the investment, the person who solicited the investment, and if insurance proceeds were used to facilitate their Clearpath investment.

Low responded to the July 18, 2013 letter, stating that only one insurance client was a Clearpath investor, and advised that she had not redeemed an insurance contract to help facilitate the investment.

In discussing the activities of Agency B and the Clearpath investment with the Nominee and Low, neither mentioned any similar or relevant capital-raising activities by the Agency. Council only subsequently became aware of the Agency's activities in this regard in 2015 as a result of an investigation by the BCSC.

On September 14, 2015, an insurer (the "Insurer") notified Council that the producer agreements of the Agency, the Nominee, and Low were terminated, effective October 10, 2015.

When contacted about the circumstances relating to the cancellation of the Insurer contracts, Low advised that the Insurer terminated his contract, along with those of the Agency and the Nominee, but stated he did not know the reason for the Insurer's action.

In October 2015, the BCSC advised that the Agency had raised approximately $18,000,000.00 from investors. On October 22, 2015, Council sent a letter to the Nominee requesting details of the Agency's capital-raising activities and the involvement of insurance clients.

Low responded on behalf of the Agency and the Nominee on November 21, 2015, and provided a list of "lenders" in the Agency. He stated that the Agency had 191 investments from 105 lenders that totaled $14,358,000.00. The amounts per investor ranged from $20,000.00 to $550,000.00 and were made between July 2010 and October 2014. Low and the Nominee were responsible for the capital-raising activities.

Low reported that 12 insurance clients invested $1,215,000.00 after they were insurance clients, and 93 clients invested before they were insurance clients. Some of the investors are believed to be insurance clients of other life agents authorized to represent the Agency. Low confirmed that none of the insurance clients had redeemed funds from insurance contracts to invest in the Agency, no commissions were paid, and the Agency was current on interest payments relating to these investments.

Low also advised Council that Agency B had 27 investors who had invested $910,000.00, of which 10 were insurance clients who had invested $350,000.00 in total between November 30, 2012 and July 3, 2013, with individual amounts ranging from $25,000.00 to $100,000.00. He stated that based on a potential misconception that a conflict of interest may exist regarding the Clearpath investment, all Clearpath investment holders would be repaid 100% of their investment.

Council noted that information obtained from the Insurer and the BCSC regarding the amount of capital raised by the Agency, the Nominee, and Low differs from what was provided by the Nominee and Low.

When Council staff met with the Nominee in June 2013 to obtain information regarding the investment opportunity offered by the Agency, they did not disclose that the Agency had raised capital, but instead advised that Agency B had raised capital by offering the Clearpath limited partnership. The capital-raising activities of the Agency were disclosed only after Council sent a letter to the Agency on October 22, 2015.

ANALYSIS

Council considered the actions and submissions of the Agency, the Nominee, and Low.

Council was concerned with the uncertainty surrounding the nature of the capital-raising activities by the licensees and the involvement of insurance clients, as well as the fact that the investment amounts reported by the Nominee and Low differed from the information provided by the Insurer and the BCSC.

Council also had concerns that as life agents, the Agency, the Nominee, and Low could influence the decisions of insurance clients or members of the public in general, to become potential investors in the capital-raising activities of the Agency and Agency B.

Council noted that it is not within its authority to determine whether the investment activities of the Agency, the Nominee, Low, or Agency B were appropriate and in compliance with securities legislation and would have to await the outcome of the BCSC investigation.

However, in the interim, Council determined that licence conditions should be placed on the Agency's, the Nominee's, and Low's life agent licences prohibiting them from engaging in any unregulated financial activity pending the outcome of the BCSC investigation. In addition, the Agency, the Nominee, and Low must disclose to all of their insurance companies and managing general agents the details of this decision and of the resulting licence conditions.

INTENDED DECISION

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

1. Impose a condition on the Nominee's life and accident and sickness insurance licence that, pending the outcome of the BCSC investigation, the Nominee is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless the Nominee is registered or licensed, as required, to engage in the financial activity.
2. Impose a condition on the Nominee's life and accident and sickness insurance licence that requires the Nominee to disclose to all insurance companies and managing general agents that the Nominee is authorized to represent, the existence of these licence conditions and Council's reasons for them.
3. Impose a condition on Low's life and accident and sickness insurance licence that, pending the outcome of the BCSC investigation, Low is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless he is registered or licensed, as required, to engage in the financial activity.
4. Impose a condition on Low's life and accident and sickness insurance licence that requires Low to disclose to all insurance companies and managing general agents that he is authorized to represent, the existence of these licence conditions and Council's reasons for them.
5. Impose a condition on the Agency's life and accident and sickness insurance licence that, pending the outcome of the BCSC investigation, the Agency is prohibited from engaging in any financial activity that requires registration or licensing with a regulating authority, unless the Agency is registered or licensed, as required, to engage in the financial activity.
6. Impose a condition on the Agency's life and accident and sickness insurance licence that requires the Agency to disclose to all insurance companies and managing general agents that it is authorized to represent, the existence of these licence conditions and Council's reasons for them.

The intended decision will take effect on **July 19, 2016**, subject to the Agency's, the Nominee's, and Low's right to request a hearing before Council pursuant to section 237 of the Act.

RIGHT TO A HEARING

If the Agency, the Nominee, and/or Low wish to dispute Council's findings or its intended decision, the Agency, the Nominee, and/or Low 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, the Nominee, and/or Low must give notice to Council by delivering to its office written notice of this intention by **July 18, 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 Agency, the Nominee, and/or Low do not request a hearing by **July 18, 2016**, the intended decision of Council will take effect.

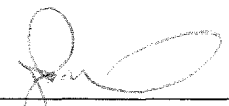
Even if this decision is accepted by the Agency, the Nominee, and Low, pursuant to section 242(3) of the Act, the Financial Institutions Commission still has a right to appeal this decision of Council to the Financial Services Tribunal ("FST"). The Financial Institutions Commission has 30 days to file 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

Dated in Vancouver, British Columbia, on the **30th day of June, 2016**.

For the Insurance Council of British Columbia



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