In the Matter of

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

and

FS FINANCIAL STRATEGIES SERVICES INC.
(FORMERLY KNOWN AS 3 I CAPITAL G.P. LTD.)
(the "Agency")

and

HOOMAN ADJUDANI
(the "Nominee")

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 and the Nominee with written reasons and notice of the intended decision dated June 30, 2016; and

As the Agency and the Nominee 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:

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 it is registered or licensed, as required, to engage in that financial activity.
2. A condition is imposed on the Agency's life and accident and sickness insurance licence that requires the Agency to disclose the existence of these licence conditions, and Council's reasons for them, to all insurance companies and managing general agents the Agency is authorized to represent.

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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 Licensee is registered or licensed, as required, to engage in that financial activity.
4. A condition is imposed on the Nominee's life and accident and sickness insurance licence that requires the Nominee to disclose the existence of these licence conditions, and Council's reasons for them, to all insurance companies and managing general agents the Nominee is authorized to represent.

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 SERVICES INC.
(FORMERLY KNOWN AS 3 I CAPITAL G.P. LTD.)
(the "Agency")

and

HOOMAN ADJUDANI
(the "Nominee")

Pursuant to section 232 of the *Financial Institutions Act* (the "Act"), Council conducted an investigation to determine whether the Agency and the Nominee 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 affiliate agency ("Agency B"), and 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 and the Nominee for review. The Nominee was provided an opportunity to clarify the information contained therein and 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 and the Nominee of the action it intends to take under sections 231 and 236 of the Act before taking any such action. The Agency and the Nominee 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 and the Nominee.

FACTS

The Agency

The Agency has held a life insurance licence in British Columbia since January 2013. It also holds insurance licences in Alberta and Ontario. The Agency was known as 3 I Capital G.P. Ltd. until August 23, 2015.

Two of the Agency's officers/directors, and the principal shareholders, are Aik Guan Lim ("Lim") and Scott Thomas Low ("Low"). Lim and Low both hold life and accident and sickness insurance agent ("life agent") licences and are also the principals and owners of Agency B. Lim is the nominee of Agency B.

The Agency also has two other officers/directors, who are not licensed. There are only two life agents authorized to represent the Agency.

The Nominee has held a life agent licence in British Columbia since 1988 and has been the nominee of the Agency since January 2013. The Nominee is also authorized to represent Agency B.

Agency B

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

BACKGROUND

In June 2013, Council staff met with Lim and Low to discuss a complaint against Agency B. Lim and Low advised that they were the officers/directors and principal shareholders of the Agency and Agency B. They stated that the Agency was a general partnership that offered an investment opportunity ("Clearpath") that involved the purchase of books of insurance business from other life agents, which would then be administered by the Agency. The Clearpath investment was offered to family and friends, some of whom were insurance clients of Agency B and Lim.

Council staff sent a letter 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; whether 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 October 2015, after learning of other capital-raising activities by Low, Lim, and Agency B, Council sought additional information from the Agency and the Nominee. Low responded on behalf of the Agency and the Nominee in November 2015, and advised that the Agency had 27 investors who had invested $910,000.00, of which 10 were insurance clients who had invested a total of $350,000.00 between November 30, 2012 and July 3, 2013, with individual amounts ranging from $25,000.00 to $100,000.00. Low 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.

Information obtained from an insurer who had terminated the contracts of Low, Lim, the Agency, and Agency B in October 2015, showed that ten of its policyholders invested a total of $350,000.00 in the Agency, eight were insurance clients before they became investors, and two were insurance clients after they were investors.

The investment amounts and the information provided by Low in November 2015 as to the number of investors coincides with the figures obtained from the BCSC, which has been investigating matters pertaining to the Clearpath investment.

Of note, two investments in Clearpath were made the day Lim and Low met with Council staff in 2013, and they also continued to raise investments after that meeting. It also appears that some of the investors are, or were, life agents authorized to represent the Agency.

ANALYSIS

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

Council was concerned with the uncertainty surrounding the nature of the capital-raising activities of the Agency and the Nominee, and the fact that Council appears to have been misinformed in regard to the extent to which insurance clients invested in the Clearpath investment.

Council was also concerned that, as life agents, the Agency and the Nominee 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.

Council noted that it is not within its authority to determine whether the investment activities of the Agency and the Nominee 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 and the Nominee's life agent licences prohibiting them from engaging in any unregulated financial activities pending the outcome of the BCSC investigation. In addition, the Agency and the Nominee must disclose to all of their insurance companies and managing general agents the details of this decision and 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 Licensee is registered or licensed, as required, to engage in that financial activity.

2. Impose a condition on the Nominee's life and accident and sickness insurance licence that requires the Nominee to disclose the existence of these licence conditions, and Council's reasons for them, to all insurance companies and managing general agents that the Nominee is authorized to represent.

3. 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 it is registered or licensed, as required, to engage in that financial activity.

4. Impose a condition on the Agency's life and accident and sickness insurance licence that requires the Agency to disclose the existence of these licence conditions, and Council's reasons for them, to all insurance companies and managing general agents it is authorized to represent.

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

RIGHT TO A HEARING

If the Agency and/or the Nominee wish to dispute Council's findings or its intended decision, the Agency and/or the Nominee 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 and/or the Nominee 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 and/or the Nominee 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 and the Nominee, 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



Gerald Matier
Executive Director
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