

In the Matter of

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

and

The INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

and

AON REED STENHOUSE INC.
(the "Agency")

ORDER

As Council made an intended decision on December 10, 2013, 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 January 17, 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 **May 5, 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 **May 6, 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 **5th day of February, 2014**.



Rita Ager, CFP, CLU, CHS, CPCA, FEA
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

AON REED STENHOUSE INC.
(the “Agency”)

INTRODUCTION

A review of the Agency’s conduct was undertaken in response to its failure to meet the requirement of Council Rule 7(3)(b), to notify Council within five business days when a licensee ceases to have the authority to represent the Agency. As part of this review, on October 16, 2013, an Investigative Review Committee (the “Committee”) of Council met with the Agency and its nominee, Joseph Lawrence Hawk (the “Nominee”).

The Committee was comprised of one voting member and three non-voting members of Council. Prior to the Committee’s meeting with the Agency and the Nominee, a report detailing the Agency’s conduct was distributed to the Committee, the Agency, and the Nominee for review. A discussion of this report took place at the meeting and both the Agency and the Nominee were provided an opportunity to clarify the information contained therein and make further submissions. Having reviewed the report and after discussing this matter, the Committee made a recommendation to Council as to the manner in which this matter should be disposed.

Council considered the matter at its December 10, 2013 meeting. Council determined the matter should be disposed of in the manner set out below.

PROCESS

Pursuant to section 237 of the *Financial Institutions Act* (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 at least November 1981. The Agency's Nominee has been licensed with Council since February 10, 1999, and has been a nominee for the Agency since August 14, 2008. While he has been the sole nominee for the Agency since July 2012, prior to this date, there was at least one other nominee licensed to represent the Agency.

The Agency received five reminder letters from Council regarding its failure to notify Council within five business days when a licensee no longer had authority to represent the Agency. These reminder letters were sent between October 2006 and February 2009. Since these reminders were issued, the Agency failed to notify Council, within the required time frame, of an additional four licensees who ceased to represent the Agency.

The Agency advised that it could not find any documentation regarding the late notifications prior to 2010. It did find documentation for one of the cases, which was an intended internal transfer that was never finalized and, due to an extended time frame finalizing the termination, was improperly closed.

The Agency advised that historically, each province looked after its own licensing and compliance issues. In 2010, the Agency started the process of centralizing the licensing function and updating its systems resulting in a customized licensing system being rolled out between October 2012 and January 2013.

When the current cases were brought to light, the Agency reviewed its process, at which time it realized there was confusion as to how notifications were being handled. The Agency advised that procedures are now in place to ensure all parties are aware of the notification process when an individual leaves the Agency. The procedures include daily payroll reports which are reviewed by the licensing department for the prior day's terminations.

During the investigation, the Agency discovered an additional case, which was missed due to a system error. Although there are system logs in such cases, staff changes in the Agency's IT department had resulted in error logs not being reviewed for a period of three weeks, resulting in the non-disclosure.

ANALYSIS

Council found that on a minimum of nine occasions, the Agency failed to notify Council within five business days when a licensee ceased to represent the Agency.

The Agency is a large entity which was reminded on five occasions about its obligations under Council Rule 7(3)(b). Despite these reminders, Council found no evidence to suggest the Agency took any steps to implement procedural or system changes to ensure its compliance with this requirement. As a consequence, at least another four occurrences of non-compliance with Council Rule 7(3)(b) occurred after receiving five reminders. Council determined that the Agency's failure to address this matter represented a disregard for its obligations under Council Rules.

Based on the changes being implemented by the Agency, Council concluded the Agency was taking the appropriate steps toward implementing changes to prevent similar situations from arising in future. However, it did not find that this mitigated the Agency's past notification failures.

Council also considered the responsibility of the Nominee in this matter, but determined that disciplinary action was not warranted at this time. However, any subsequent breaches could bring into question the Nominee's ability to continue to act as a nominee.

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 **February 5, 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 **February 4, 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.

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If the Agency does not request a hearing by **February 4, 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 **17th day of January, 2014**.

For the Insurance Council of British Columbia



Gerald D. Matier
Executive Director

GM/tp