



IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141, AS AMENDED

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IN THE MATTER OF CENTENNIAL INSURANCE COMPANY A.V.V. S.A.
dba CIC INSURANCE COMPANY A.V.V.,
SPECIAL RISK INSURANCE BROKERS Ltd., AND
RAY WILLIE

AMENDED ORDER UNDER SECTIONS 244(2) AND 238, AND

NOTICE OF RIGHT OF HEARING OR APPEAL
UNDER SECTIONS 238(2) AND 242

WHEREAS it appears to the Superintendent of Financial Institutions (the "Superintendent") that:

Centennial Insurance Company A.V.V. S.A. ("Centennial") dba CIC Insurance Company A.V.V. ("CIC") is carrying on insurance business in British Columbia without being authorized to do so, contrary to section 75 of the Financial Institutions Act (the "Act").

2. A search of the records of the British Columbia Companies Branch failed to show a listing for Centennial Insurance Company A.V.V. S.A. or CIC Insurance Company A.V.V. as being incorporated in the Province of British Columbia.
3. The records of the Superintendent failed to show a business authorization for CIC in the Province of British Columbia.
4. The records of the Superintendent of Financial Institutions Canada failed to show that CIC has a federal business authorization to conduct insurance business in Canada, or an order permitting the insurance of risks for a foreign company.
5. There is no evidence to indicate that CIC has authorization to conduct insurance business anywhere in the world.

**Financial
Institutions
Commission**

• Superintendent of Financial Institutions
• Superintendent of Pensions
• Superintendent of Real Estate
• Registrar of Mortgage Brokers
• Credit Union Deposit Insurance
Corporation of British Columbia

Mailing Address:
1900 -1050 West Pender Street
Vancouver BC V6E 3S7
Telephone: 604 660-2947
Facsimile: 604 660-3170

Web Address:
www.fic.gov.bc.ca

6. The records of the British Columbia Insurance Council show that Special Risk Insurance Brokers Ltd. ("Special Risk") holds an active insurance licence (#9022669B693156R7). Special Risk maintains an office at 15573 Marine Drive, White Rock, British Columbia.
7. Special Risk has been licensed continuously since September 21, 1992, and its sponsor is Lloyd's Underwriters.
8. The records of the British Columbia Companies Branch show that Special Risk has been incorporated in British Columbia since July 27, 1992, under incorporation number BC0429657. The records show that the registered and records office is located at 7929 120 Street, Delta, British Columbia.
9. The records further show that the directors of Special Risk are:

Raymond Willie, President and Secretary
2142 – 152 Street, Surrey, British Columbia.

Thomas Leonard Willie, Vice President
#102 – 388 Drake Street, Vancouver, British Columbia.

10. An information package provided to Special Risk by CIC as well as a review of CIC's website (cic@cic.co.cr) Discloses the following corporate information about CIC.

Home Office:
Apartado 6500 – 1000,
San Jose, Costa Rica.

International Office:
PO Box 850264,
Amman 11185, Jordan.

(c) United Kingdom Contact Office:
PO Box 7678 Brentwood,
Essex, United Kingdom.

(d) United States Contact Office:
PO Box 6 Brittany,
Louisiana, USA, 70718.

Spanish Contact Office:
Avenida Torreblanca 9, Bajos 1, Sant Cugat del Valles,
Barcelona, Spain 08190.

- (f) Greek Contact Office:
10 Kalvou Street
Keratsini 18757, Piraeus,
Athens, Greece.
- 11 These sources show the following corporate structure:
- (a) President: David King
Brentwood, Essex County, United Kingdom.
 - (b) Vice President: Afif Najia
Amman, Jordan.
 - (c) Treasurer: Richard Whitney
Brittany, Louisiana, USA.
 - (d) Secretary: Richard Bell
San Jose, Costa Rica.
 - (e) Legal Counsel: Melvin Rudelman (a.k.a. Melvin Rudelman Wohlstein)
San Jose, Costa Rica.
12. The company website shows that CIC offers insurance for a wide range of businesses. For example, Fire & Allied Perils, Property Owner's Liability, Tenant's Liability, Pubs & Clubs, Contractors All Perils, Farm Packages, Directors and Officers, etc.
13. CIC's information package states, "The corporation was originally formed to fill a niche in the insurance market for clients who had difficulty obtaining coverage from mainstream insurers,..."
14. A review of CIC's Balance Statement found in the information package shows the company's assets consist of the following:
- (a) \$12,000,000 in corporate bonds "collateralized" against 2,863.55 hectares of land in Costa Rica.
 - (b) \$30,024,068 in gemstones (sapphires and rubies) "irrevocably assigned" to the company.
 - (c) A \$2,000,000 note receivable that a note indicates is \$2,000,000 in share capital that has never been paid into the company.

15. Willie advised that CIC is a non-admitted carrier, meaning that it is not authorized to conduct insurance business in Canada or British Columbia. Willie also advised that Special Risk uses CIC as an insurer of last resort, providing insurance coverage for high-risk occupations and businesses. Special Risk does not place the client's business with CIC until it has exhausted all attempts to place the client's business with an authorized insurer.
16. Willie further stated that the client signs a disclosure statement acknowledging the following:
 - (a) That neither CIC nor Special Risk have solicited clients.
 - (b) That the client voluntarily requests a quote for insurance coverage from them.
 - (c) The client has full knowledge that CIC is not licensed or registered anywhere in Canada.
 - (d) That the client's business is not covered by any government insurance pool.
 - (e) The client releases and indemnifies the broker, wholesaler, sub-broker, officers, directors and employees from present or future liability arising from the placement of the client's insurance with a non –admitted insurer.
17. Special Risk has had an underwriting agreement with CIC since January 1, 2004. Willie provided a list of 257 British Columbia clients whose insurance business had been placed with CIC as of October 29, 2004.
18. A review by a Financial Institutions Commission ("FICOM") investigator of 35 of the files from the list of client's whose insurance business was placed with CIC, discloses that only one file shows evidence where Special Risk attempted to obtain insurance coverage from another authorized insurance carrier in Canada.
19. One of the clients from the list is a submortgage broker, who represented a property owner, owning rural property outside of Quesnel, British Columbia. The client states that he contacted Willie at Special Risk because he knew Willie could obtain insurance from Lloyd's. However, in his discussions with Willie and one of Willie's employees, they only spoke of placing the insurance with an offshore company.
20. Another of the clients is a building envelope restoration and general contracting company. On November 22, 2004, an investigator with FICOM spoke with the president of this company and was told the following:

- (a) He used to have general liability insurance through another insurance carrier, however, as a result of a substantial increase in premiums he sought other sources for his company's insurance.
 - (b) In September, 2004, he contacted Special Risk directly who he was told could get the type of insurance he was looking for at significantly reduced premiums.
 - (c) He was told by Special Risk that there would not be a problem in getting the insurance he wanted and that the premiums would be less than what he was currently paying. Special Risk stated that they had an offshore insurer called CIC which they used, and that CIC would be able to provide the insurance. He was told that CIC was non-admitted however, he was never told that CIC was not authorized to do insurance business in Canada.
 - (d) Around the middle of October he received a binder from Special Risk showing that he had insurance coverage with CIC. His only reason for placing his insurance with CIC was due to the reduced premiums. He had never heard of CIC prior to contacting Special Risk.
 - (e) Throughout his discussions with Special Risk there was no mention of obtaining insurance from an admitted insurer in Canada. All discussions related to CIC. To his knowledge Special Risk made no effort to obtain insurance coverage through any other source other than CIC.
- 21 On November 3, 2004, while a FICOM investigator was on the premises of Special Risk, one of the agents was overheard to say in a telephone conversation, "I have a non-admitted carrier who could cover you in the short term." The conversation was not in a manner that would have indicated to the client that an insurer had declined the client's business and the client would have to place its business offshore. Nor did the conversation indicate that the client had prior knowledge of an offshore insurer and had asked questions of Special Risk about the insurer, its coverage, or rates.
- 22 On November 19, 2004, an Investigation Order pursuant to Section 215 of the Act was executed on the offices of Special Risk. Special Risk provided photocopies of documents relating to their business with CIC, which included Bank of Montreal account statements titled "In Trust For CIC."
- 23 An examination of the Bank of Montreal bank statements shows that the account was opened on March 11, 2004. On March 17, 2004, \$500,000 was transferred into the account from the account of Special Risk. Since then the account has increased each month by the amount of interest earned. The only transaction occurred on March 24, 2004, where there was a pre-authorized payment of \$105.94 followed by a transfer into the account of \$106.

24 As of October 29, 2004, the account balance stood at \$505,335.43.

On November 15, 2004, the Superintendent issued a Warning Bulletin advising that Centennial Insurance Company, operating under the name CIC Insurance Company, may be an unauthorized Costa Rican entity doing insurance business in Canada.

On January 12, 2004, the Financial Services Authority ("FSA") in the United Kingdom ("UK") issued a consumer bulletin stating that:

- (a) "CIC has been carrying on insurance business in the UK, through UK agents, without authorization to do so.
- (b) Consumers who hold a policy with CIC may not have effective or enforceable insurance cover."

Section 1 of the Act defines insurance business as:

- (a) "Undertaking or offering to undertake to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed;
- (b) Soliciting or accepting any risk;
- (c) Soliciting an application for a contract of insurance;
- (d) Issuing or delivering a
 - i. Receipt for any contract of insurance;
 - ii. Contract of insurance;
- (e) In consideration of any premium or payment, granting an annuity on a life or lives;
- (f) Collecting or receiving any payment for a contract of insurance;
- (g) Adjusting any loss covered by a contract of insurance; or
- (h) Advertising for any business described in paragraph's (a) to (g)."

28. Section 75 of the Act states:

"A person must not carry on insurance business in British Columbia unless the person is:

an insurance company or extra-provincial insurance corporation that has a business authorization to carry on insurance business,

a company registered under the Insurance (Captive Company) Act,

a member of a reciprocal exchange as defined by Section 186 for which a permit under Section 187 has been issued and is in effect,

licensed under Division 2 of Part 6 as an insurance agent, insurance salesperson, insurance adjuster, or an employed insurance adjuster, and is carrying on the insurance business only in that capacity,

the Deposit Insurance Corporation, the Canada Deposit Insurance Corporation, or the Insurance Corporation of British Columbia.”

29. Section 76(c) of the Act states:

“An insurance agent licensed under Division 2 of Part 6 who

does not, directly or indirectly, solicit the resident for the insurance contract, and

ii is authorized by the resident to effect the insurance contract, may negotiate or procure an insurance contract between a resident of British Columbia and an insurer prohibited by Section 75 from carrying on business in British Columbia.”

30. CIC is conducting unauthorized insurance activity in British Columbia by:

- (a) Soliciting in British Columbia through its agent Special Risk.
- (b) Delivering contracts of insurance to British Columbians through its agent Special Risk.
- (c) Collecting premiums paid by British Columbia residents for insurance coverage.
- (d) It appears from their information package that they contract local agents to adjust any claims.

31. Special Risk is conducting unauthorized insurance activity by:

- (a) Soliciting insurance contracts for British Columbia residents to purchase insurance coverage from CIC.

- (b) Delivering insurance contracts to British Columbia residents from CIC
- (c) Collecting premiums paid by British Columbia residents for insurance coverage with CIC.

AND WHEREAS the Superintendent is of the opinion that by the above acts or conduct, Centennial Insurance Company A.V.V. S.A, Special Risk Insurance Brokers Ltd., and Ray Willie, are committing an act or pursuing a course of conduct that does not comply with the Act and the actions and conduct of Centennial Insurance Company A.V.V. S.A. might reasonably be expected to harm the interests of insureds.

AND WHEREAS the Superintendent considers, pursuant to Section 238(1)(b) of the Act that the length of time that would be required to hold a hearing would be detrimental to the due administration of the Act.

NOW THEREFORE the Superintendent orders pursuant to Sections 244(2) and 238 that:

- 1 Centennial Insurance Company A.V.V. S.A., CIC Insurance Company A.V.V. Cease from either directly or indirectly carrying on insurance business in British Columbia, and that.
2. Special Risk Insurance Brokers Ltd. and Ray Willie cease from either directly or indirectly soliciting residents of British Columbia for insurance contracts on behalf of unauthorized businesses including Centennial Insurance Company A.V.V. S.A. dba CIC Insurance Company A.V.V.

TAKE NOTICE THAT Centennial Insurance Company A.V.V. S.A. dba CIC Insurance Company A.V.V., Special Risk Insurance Brokers, and Ray Willie, have a right to a hearing before the Superintendent or an appeal to the Financial Services Tribunal under Sections 238(2) and 242 of the Act.

Dated at the City of Vancouver,
Province of British Columbia
this 21st day of December, 2004.



W. Alan Clark
Superintendent of Financial Institutions
Province of British Columbia

TO: Centennial Insurance Company A.V.V. S.A.
Apartado 6500 – 1000,
San Jose,
Costa Rica

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By fax (225) 612 – 4816

Special Risk Insurance Brokers
15573 Marine Drive,
White Rock, British Columbia
V4B 1C9

Ray Willie
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15573 Marine Drive,
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Insurance Council of British Columbia

ADVISORY

Please note that "Richard Bell" in regards to CIC Insurance Company A.V.V. and Centennial Insurance Company A.V.V. S.A. refers to "Richard Locke Bell".