



IN THE MATTER OF A DISCIPLINE HEARING
PURSUANT TO
THE GENERAL INSURANCE COUNCIL OF SASKATCHEWAN
BYLAW 7 SECTION 5 AND BYLAW 10

AND

AUTO GALLERY 1994 LTD.
also operating as SIGNATURE MOTORS

AMENDED
NOTICE OF HEARING

TAKE NOTICE that the Complaints and Investigation Committee (the Committee) of the General Insurance Council of Saskatchewan (the GIC) requires Auto Gallery 1994 Ltd. also operating as Signature Motors (Auto Gallery) to appear before a Discipline Committee of the GIC at Suite 10, 2631 28th Avenue, Regina, Saskatchewan from Tuesday, August 31, 2010 through Friday, September 3, 2010 beginning at 9:00 a.m.:

TO CONSIDER WHETHER:

Auto Gallery has violated Section 416 of The Saskatchewan Insurance Act (the Act) and the following sections of Bylaw 8 of the GIC:

- **Section 416 of the Act** states that no person shall act as an insurance agent unless he is the holder of a subsisting licence under this Act as an agent or as a salesman of a licensed agent.
- **Bylaw 8, Section (1)** For the purpose of the Act, regulations and bylaws, misconduct is a question of fact but includes any matter, conduct or thing, whether or not disgraceful or dishonorable, that is:
 - (a) contrary to the best interest of the consumer or licensees or Insurance companies.
- **Bylaw 8, Section (2)** Without restricting the generality of subsection (1), a licensee may be guilty of misconduct if the licensee:
 - (b) demonstrates an unsuitability or an untrustworthiness to act as a licensee;
 - (d) makes a material misstatement in an application for licence or report to continue a licence;

(g) violates any provision of the Act, the regulations or the bylaws;

(j) fails to ensure that a consumer or insurer is fully informed of all relevant information that will allow the consumer or the insurer to make an informed decision;

(n) fails to disclose to a consumer in writing any fees charged, the amount of the fees, and the reasons for the fees over and above the premium set in the policy by an insurer;

(p) fails to maintain proper records;

(q) fails to follow sound business practices;

(s) fails to reasonably respond to inquiries from council; and

- Pursuant to Section 439 of the Act it is in the public interest to suspend or cancel Auto Gallery's licenses to transact insurance in Saskatchewan.

BY REASON OF THE FOLLOWING:

1. Auto Gallery is a body corporate formed under *The Business Corporations Act* (Saskatchewan). The nature of business is "Car Lot and Mechanical Repair Shop".
2. Thomas Glen (Glen) is the President and has controlling interest in Auto Gallery. Glen has been identified to Council through licensing applications as the designated representative of Auto Gallery.
3. Auto Gallery was initially licensed March 9, 1990 to offer warranty insurance also known as Mechanical Breakdown Insurance (MBDI).
4. Auto Gallery is currently licensed as a Warranty Dealership holding four licenses sponsored by:
 - Millennium Insurance Corporation (Millennium) – cancelled effective March 20, 2010;
 - Lubrico Warranty Inc. (Lubrico);
 - Motors Warranty Corporation (Motors); and
 - CornerStone United Ltd.(CornerStone).
5. On July 22, 2008 the Committee received a complaint from B&P. During the investigation of the complaint concerns regarding the business practices of Auto Gallery were raised:
 - a. The insurance application provided with the complaint by B&P and completed by Auto Gallery was completely blank with respect to the

dollar value of the Insurance premium or the Guaranteed Premium Rebate (GPR) option;

- b. The Bill of Sale (BOS) provided by Auto Gallery to B&P indicates a charge of \$2017.00; the BOS does not define what the \$2,017.00 charge is for. According to B&P this is the cost of the Insurance;
 - c. First Canadian Protection Plan (FCPP) is a trade name of Millennium which underwrote the insurance and GPR that B&P purchased;
 - d. FCPP when asked provided current retail and wholesale insurance premium rates to the Committee; and
 - e. The retail price of the Insurance purchased by B&P was \$1,517.00. The GPR purchased was \$200.00 for a total cost of insurance of \$1,717.00. According to the BOS from Auto Gallery, B&P were charged an extra \$300.00 for insurance.
6. The Superintendent of Insurance issued a Delegation Order (the Order) on January 13, 2009 authorizing the GIC to exercise the specific powers of investigation as set forth in the Order.
 7. On February 5, 2009 the Committee under the Order demanded information from Auto Gallery.
 8. On March 20, 2010 Auto Gallery's licence to transact MIC Warranty Insurance was cancelled when Auto Gallery failed to file their annual report to continue their licence.
 9. Enquires to Lubrico, Motors and CornerStone revealed further concerns respecting the completion of MBDI insurance applications and the manner in which insurance premiums were being charged to consumers.

Allegations

10. Auto Gallery violated Bylaw 8(1)(a) when:
 - a. it failed to properly and/or accurately complete numerous MBDI insurance applications;
 - b. it combined insurance premiums with non insurance premiums on numerous BOS; and
 - c. it charged to numerous consumers higher MBDI insurance premiums than the MBDI insurance premiums set by the insurer.

11. Auto Gallery violated Bylaw 8(2)(d) when:
 - a. it made a material misstatement in an application for licensing when it knew or ought to have known that it was under investigation for a regulatory or disciplinary offence and failed to make the required disclosure; and
 - b. Glen then signed the declaration section of the application for licence and solemnly declared that all statements and answers were true and correct when he knew Auto Gallery was under investigation and had been served with a Notice of Hearing.
12. Auto Gallery violated Bylaw 8(2)(g) when:
 - a. it failed to maintain its Millennium warranty insurance licence yet continued to sell Millennium's MBDI to at least 4 consumers in contravention of Section 416 of the Act.
13. Auto Gallery violated Bylaw 8(2)(j) when:
 - a. it failed to inform numerous consumers of the costs of the MBDI insurance;
 - b. it did not properly complete numerous applications for MBDI; and
 - c. it combined MBDI insurance premiums with other non-insurance items that were separate and apart from the MBDI insurance on numerous BOS.
14. Auto Gallery violated Bylaw 8(2)(n) when:
 - a. it failed to disclose to numerous consumers in writing the amount of any fee and the reason for the fee that were charged over and above the MBDI insurance premium set by the Insurer
15. Auto Gallery violated Bylaw 8(2)(p) when:
 - a. it was unable to provide at least sixty six MBDI insurance transactions demanded of it under the Order
16. Auto Gallery violated Bylaw 8(2)(q) when:
 - a. it failed to follow sound business practices by not properly and/or accurately completing insurance applications and or other sale documents related to MBDI insurance.

17. Auto Gallery violated Bylaw 8(2)(s) when:
- a. it failed to provide information to the Committee under the Order in a timely manner, or at all;
 - b. it failed to respond to a May 7, 2009 letter requesting confirmation that all information requested under the Order had been provided;
 - c. it failed to respond to the Committee on confirmation that they have discontinued charging Provincial Sales Tax (PST) on MBDI Insurance; and
 - d. it failed to file in the years 2003, 2007, 2008 and 2010 the required annual reporting form to continue their warranty dealer licencing.
18. Auto Gallery violated Bylaw 8(2)(b) when:
- a. it through numerous contraventions of Bylaw 8 has demonstrated an unsuitability to hold a licence.

AND TAKE FURTHER NOTICE THAT Auto Gallery may be represented by counsel at the Discipline Hearing and may make representations and lead evidence;

AND FURTHER TAKE NOTICE THAT upon failure of Auto Gallery to attend at the time and place as aforesaid, the Discipline Hearing may proceed in their absence and no further notice of the proceeding will be given to them.

AMENDED at Saskatoon, Saskatchewan May 11, 2010



Bill Schwandt, Chair
Complaints and Investigations Committee