

**IN THE MATTER OF THE *FINANCIAL INSTITUTIONS ACT*,
RSBC 1996, c. 141**

- AND -

IN THE MATTER OF WORLDSTRIDES CANADA, INC.

NOTICE OF PENALTY

(Pursuant to section 253.1 of the *Financial Institutions Act*)

Contravention

1. The Superintendent of Financial Institutions (“Superintendent”) has the authority to issue administrative penalties to corporations up to \$50,000 and individuals up to \$25,000 under section 253.1 of the *Financial Institutions Act* (“FIA”).
2. Pursuant to section 253.1 of the FIA, the Superintendent has determined that Worldstrides Canada, Inc. (“Worldstrides”) acted in British Columbia as an insurance agent without being licensed as an insurance agent contrary to section 171(2) of the FIA.

Legislative Scheme

3. Section 171(2) of the FIA states:

Prohibition of unlicensed agents and salespersons

(2) A person must not act in British Columbia as an insurance agent or insurance salesperson unless the person is licensed as an insurance agent or salesperson, as the case may be.

4. The FIA *Administrative Penalties Regulation* item 100 provides for an administrative penalty not exceeding \$50,000 for a corporation in contravention of FIA section 171(2).

Background

5. Worldstrides was registered in British Columbia (“B.C.”) on February 20, 2020 as an extraprovincial company with a head office located in Toronto, Ontario.
6. Worldstrides was formed as a corporate entity when Educatours Ltd. (“Educatours”) amalgamated with Explorica Canada Inc. (“Explorica”).
7. Educatours held a travel insurance agent licence with the Insurance Council of BC (“Council”) from 2016 until the amalgamation in February 2020 when that licence was terminated.

8. Explorica never held a travel insurance licence in B.C.
9. As of February 20, 2020, Worldstrides was not licensed by Council to sell travel insurance policies in B.C.
10. In May 2020, Council informed Worldstrides that while Educatours had held a travel insurance agent licence from 2016, that licence was terminated with the amalgamation in February 2020 when Educatours ceased to be a corporate entity. As a result, Worldstrides could not sell insurance policies through the corporate entity, Educatours. Council informed Worldstrides that it needed to apply for a licence before it sold any further policies.
11. On September 22, 2021, Council approved a license application from Worldstrides; and, accordingly, Worldstrides is now licensed as a travel insurance agent in B.C.

Complaints About Travel Insurance Claims

12. Between January 25, 2021 and March 15, 2021, BC Financial Services Authority (“BCFSA”) received complaints regarding delays in processing travel insurance claims for secondary school trips that were cancelled in March 2020, as a result of the COVID-19 pandemic.
13. BCFSA’s investigation revealed that the travel insurance policies at issue in the complaints had been sold by Explorica, through a third-party distributor “TM”, until Explorica and Educatours amalgamated as Worldstrides in February 2020.
14. The policies were underwritten by Old Republic Insurance Company of Canada (“Old Republic”).
15. BCFSA identified that between February 2020 and March 2021, Worldstrides sold 87 travel insurance policies in B.C. without being licensed as an insurance agent.
16. In October 2020, policyholders brought a class action lawsuit against Old Republic and Explorica for their failure to settle claims.
17. Old Republic entered into judicial mediation with Explorica and Worldstrides, and it advised BCFSA on July 1, 2021 that the dispute had been resolved and it was processing payments to eligible policyholders.

Amount of Penalty

18. COVID-19 public health restrictions disrupted the travel plans of many British Columbians.
19. British Columbians were, and are, entitled to rely on the protections in their insurance policies in circumstances where travel is disrupted for reasons outside of the policyholder’s control.
20. The FIA regulatory framework protects the public by requiring, subject to exceptions, that insurers distribute their products through licensees who are subject to the approval and oversight of Council.
21. Worldstrides acted as an insurance agent without being licensed contrary to section 171(2) of the FIA.

22. The goal of administrative penalty orders is to protect the public by promoting compliance with the FIA.
23. In assessing an appropriate administrative penalty, I consider both mitigating and aggravating factors to arrive at an appropriate penalty to provide specific deterrence to Worldstrides and general deterrence to the industry against future similar conduct.
24. I find the following to be mitigating factors:
- a. BCFSa has not issued administrative orders against Worldstrides or its predecessors in the past;
 - b. Worldstrides has now become licensed with Council under section 171(2) of the FIA; and
 - c. Worldstrides has cooperated with BCFSa throughout the investigation.
25. I find the following aggravating factors:
- a. Worldstrides was not licensed until September 2021 despite being required to be licensed in February 2020 when Educatours' licence ceased with the amalgamation and despite being specifically advised by Council in May 2020 that they were required to be licensed;
 - b. Between May 2020 and March 2021, Worldstrides sold 87 travel insurance policies; and
 - c. Worldstrides' breaches of the FIA occurred in the context of challenges in the relationship between the insurer, Old Republic, and its distributors which resulted in significant claims delays for policyholders. The significant claims delays did not demonstrate a commitment to fair treatment of customers at all stages of the product life-cycle and did not meet regulatory expectations contained in the Canadian Council of Insurance Regulators and Canadian Insurance Services Regulatory Organizations "Conduct of Insurance Business and Fair Treatment of Customers" Guidance.
26. Due to the number of policies sold, the span of time over which the non-compliance took place, the delay in claims processing, the lack of demonstrated commitment to fair treatment of customer regulatory expectations, and in order to provide specific deterrence to Worldstrides as well as adequate general deterrence to the industry, I find that an appropriate penalty for Worldstrides' contravention of licensing and authorization requirements in the FIA is \$35,000.

Issued this 14 day of February, 2022, at the City of Vancouver, in the Province of British Columbia.



BLAIR MORRISON
Superintendent of Financial Institutions

NOTICE TO INSTITUTION

Penalty Calculation Information

You have been assessed an administrative penalty of **\$35,000**.

PAYMENT

Pursuant to section 253.1 of the FIA, you have 14 days after receipt of this Notice of Penalty (“Notice”) to either pay the penalty or deliver a written notice disputing the penalty and/or the amount of penalty. Please remit on receipt of this Notice. Accounts not paid within 30 days of this Notice date will be subject to interest charges. Cheques should be made payable to the ‘BC Financial Services Authority’ and sent to:

Accounting Department
BC Financial Services Authority
600 – 750 West Pender Street
Vancouver, B.C. V6C 2T8

Please note that administrative penalties are subject to the *Interest on Overdue Accounts Receivable Regulation*, under the FIA.

DISPUTE PROCESS

Pursuant to section 253.1 of the FIA, if you wish to dispute this administrative penalty and/or the amount of penalty, you must deliver a written notice of dispute to the BC Financial Services Authority within 14 days of receipt of this Notice. Your notice does not need to set out the particulars of the dispute; you have 30 days from receipt of this Notice to provide your full written submission. However, if you wish to include your submission with the notice you may do so.

WRITTEN DISPUTE

The written submission must clearly articulate the reason for the dispute and the facts that the Superintendent should take into consideration as part of their review, including any extenuating circumstances that prevented compliance from occurring. The complete submission must be received by the Superintendent no later than 30 days after receipt of this Notice. Upon receipt of your submission the Superintendent may decide to confirm the penalty or, by Order, reduce the penalty or order no penalty. The Superintendent cannot increase the penalty.

CONTACT INFORMATION

All correspondence, including payment and any request for dispute, should be addressed to:

BC Financial Services Authority
600 – 750 West Pender Street
Vancouver, B.C. V6C 2T8