

To Each Member of the CLHIA Compliance Section

We have just been informed by the Winnipeg Commercial Crime Division of the Royal Canadian Mounted Police (RCMP), of a clever scam being perpetrated by several people across Canada against life and health insurers, mutual fund companies, banks and possibly other types of financial institutions.

In this case, the company receives a well crafted 19-page contract entitled an "Agreement for the restoration of the equities including Promissory Note and Security Agreement" together with a \$10 Postal Money Order representing the contract's monetary consideration. The action of any employee or agent of the company on the money order would become forensic evidence of the acceptance of the agreement which amounts to accepting liability for a debt of \$2,604,810 plus all sorts of costs, including legal costs.

One of the terms of the agreement, a typical clause, reads as follows:

"Debtor (i.e., the company) acknowledges and agrees that Debtor did commit the aforesaid tort or torts of deceit against Creditor upon the actions and advice of management, officers, directors and/or counsel of Debtor, contrary to charter, by-law, and genuine interest of Debtor, and that such management, officers, directors and/or counsel, of Debtor did so act in manifest malfeasance to the execution of their duties to Debtor, to equity, and to the public generally, and that they did do so for reasons of, *inter alia*, personal pecuniary or other personal gain, benefit, or advantage".

According to the RCMP, once the agreement is "deemed" accepted there is not much the police can do to help, except to advise the company that next time it should read the contract before acting on the money order.

A contractual clause specifically provides that the company shall direct all disputes under the agreement to a Referee to be selected from a list maintained by United Financial Consumers (UFC) of Nanaimo, British Columbia. On its website UFC describes itself as follows:

"United Financial Consumers (UFC) is a citizen-based consumer organization formed by Borrowers' Advocate Larry Whaley and author Timothy Madden. UFC's mandate is to act as a countervailing power to the Canadian Bankers' Association (CBA) and other credit/finance business lobby organizations".

The RCMP believes this is an attempt to fraudulently engage CLHIA members.