

In the Matter of

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

and

**The *INSURANCE COUNCIL OF BRITISH COLUMBIA*
 (“Council”)**

and

**WEI KAI LIAO
(the “Licensee”)**

ORDER

As Council made an intended decision on November 18, 2014, pursuant to sections 231, 236, and 241.1 of the Act; and

As Council, in accordance with section 237 of the Act, provided the Licensee with written reasons and notice of the intended decision dated December 9, 2014; and

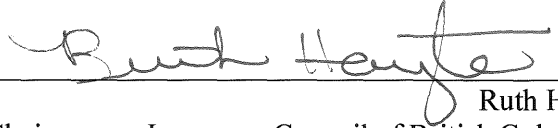
As the Licensee has not requested a hearing of Council’s intended decision within the time period provided by the Act;

Under authority of sections 231, 236, and 241.1 of the Act, Council orders:

1. A condition is imposed on the Licensee’s life and accident and sickness insurance licence that requires him to successfully complete one of the following courses (the “Courses”) during each of the next four licence periods commencing with the current licence period:
 - a) Certified Financial Planner (“CFP”) 231 – Financial Planning Fundamentals
 - b) CFP 232 – Contemporary Practices in Financial Planning
 - c) CFP 233 – Comprehensive Practices in Risk & Retirement Planning
 - d) CFP 234 – Wealth Management & Estate Planning

2. A condition is imposed on the Licensee's life and accident and sickness insurance licence that requires him to be supervised by a qualified life and accident and sickness insurance agent until the later of the Licensee's accumulation of an additional 12 months of active licensing from the effective date of this order, or until he has fully met the requirements of number 1 above.
3. The Licensee is assessed Council's investigative costs of \$1,750.00.
4. A condition is imposed on the Licensee's life and accident and sickness insurance licence that requires him to pay the above-ordered investigative costs no later than **March 30, 2015**. If the Licensee does not pay the ordered investigative costs in full by this date, the Licensee's life and accident and sickness insurance licence is suspended as of **March 31, 2015**, without further action from Council, and the Licensee will not be permitted to complete any annual filing until such time as the ordered investigative costs are paid in full.

This order takes effect on the **30th day of December, 2014**.



Ruth Hoyte
Chairperson, Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

WEI KAI LIAO
(the “Licensee”)

INTRODUCTION

Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation to determine whether the Licensee acted in compliance with the requirements of the Act.

As part of Council’s investigation, on September 22, 2014, a Review Committee (the “Committee”) met with the Licensee to discuss allegations that the Licensee recommended insurance products and leveraging strategies that were not appropriate for the needs of two clients.

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

A report setting out the Committee’s findings and recommended disposition, along with the aforementioned investigation report, were reviewed by Council at its November 18, 2014 meeting, resulting in a determination that the matter should be disposed of in the manner set out below.

PROCESS

Pursuant to section 237 of the Act, Council must provide written notice to the Licensee of the action it intends to take under sections 231, 236, and 241.1 of the Act before taking any such action. The Licensee 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 Licensee.

FACTS

The Licensee has been licensed in British Columbia as a life and accident and sickness insurance agent (“life agent”) since April 2009.

Client 1

On November 15, 2010, the Licensee met with a client (“Client 1”) and took applications for a \$126,922.00 whole life insurance policy (the “Whole Life Policy”), a \$175,000.00 critical illness insurance policy (the “CI Policy”), and a \$100,000.00 investment loan. The Licensee also had Client 1 complete a Disclosure on Borrowing Money to Buy Securities form, a Guaranteed Investment Funds (“GIF”) Select application, and a client profile and client asset allocation profile form.

The annual premium for the Whole Life Policy was \$2,777.88 (agreed payment amount was \$250.00 per month) and the estimated monthly payment on the investment loan was \$333.33. The loan was approved and invested in GIF Select funds.

The Whole Life Policy was issued in December 2010, but was not delivered until February 2011, as the Licensee was out of the country until the end of January 2011. Client 1 ultimately declined the CI policy that was approved and issued.

The Whole Life policy lapsed in April 2012 because of non-payment of premiums. Client 1 redeemed her GIF funds in February 2013 with a gross redemption value of \$100,852.49.

Complaint by Client 1

Client 1 stated that when she met the Licensee, prior to signing the applications, the Licensee was aware that she was thinking of quitting her full-time job. She alleges that he should have taken this into consideration and not recommended leveraging. She also alleges the Licensee advised that leveraging was a safe way of making a lot of money with a little money; that she was particularly vulnerable to his “*pressure selling tactics*”; and that she didn’t understand the risks.

Client 1 quit her job on December 16, 2010, and advised the Licensee to put a hold on the leveraging and asked if there were penalties if she cancelled.

In February 2012, Client 1 advised the Licensee to cancel the Whole Life Policy and thereafter made three more requests. Instead of acting on her requests to cancel the insurance policy, the Licensee offered to loan her money to pay the premiums for the whole year.

The Licensee submitted that Client 1 fully understood the products she purchased, and was aware of the risks associated with leveraging. He noted that Client 1 had completed Level 1 of the Chartered Financial Analyst program course of study and demonstrated an interest in and understanding of financial matters throughout their extensive written correspondence. The Licensee advised that Client 1 changed her mind frequently, and he was at times unsure of how to deal with her requests. The Licensee was unaware of any particular vulnerability that would have compromised Client 1's ability to make informed choices regarding her insurance and investment needs.

With respect to the Licensee's offer to loan Client 1 money to pay her premiums, the Licensee explained that he did this as he did not want Client 1 to lose the money she had already put into the policy. He confirmed that he was charged back commissions when the policy was eventually cancelled.

Complaint by Client 2

A second client ("Client 2") complained, alleging that the Licensee introduced her to leveraged investments and failed to explain the associated risks and withdrawal penalties. Client 2 was referred to the Licensee by Client 1.

On March 10, 2011, the Licensee met with Client 2 and they completed and signed applications for a similar group of insurance products and investments to those purchased by Client 1. Client 2 initially applied for a \$100,000.00 investment loan, which was not approved, but she was subsequently approved for a \$50,000.00 investment loan.

At the time of these transactions, Client 2 was 26 years old and entering the work force at an annual salary of approximately \$35,000.00. She was subsequently unable to meet her leveraged investment loan payments.

A random inspection of the Licensee's client files did not reveal any other issues or concerns with respect to his insurance practice.

ANALYSIS

Council considered the actions of the Licensee and the Licensee's submissions.

In the case of Client 1, Council accepted that Client 1 was adequately informed of the risks associated with the leveraged investment, particularly in light of her own knowledge and training with respect to financial matters. Council's determination was supported by the extensive written correspondence between the Licensee and Client 1.

Council determined that the Licensee acted inappropriately, however, by offering to provide Client 1 money to pay for her insurance premiums when she indicated that she wanted to cancel her Whole Life policy, and that the Licensee did not adequately respond to Client 1's requests to cancel the policy. Council concluded that these actions by the Licensee were motivated by his desire to keep Client 1's policy in place and avoid a commission chargeback. Council further determined that the Licensee's actions were contrary to the requirement to carry on business as an insurance agent in good faith and in accordance with the usual practice of the business of insurance.

With respect to Client 2's leveraged investment, Council determined that the Licensee's recommendation was objectively unsuitable in light of Client 2's limited financial circumstances. Council concluded that the inappropriate leveraging recommendation to Client 2 was a by-product of the Licensee's boiler-plate sales approach, which is to discuss certain products and financial strategies with potential clients before he has even conducted an assessment of their needs.

Council found the Licensee kept good records, and an inspection of his files did not reveal any other concerns with his insurance practice. Council noted that the Licensee had a sincere interest in the insurance industry, and in improving his practice.

Council determined that the Licensee would benefit from education to address a broad range of insurance and financial concepts. In addition, Council determined that a period of supervision while the Licensee completes further education and gains experience in the industry would be appropriate.

INTENDED DECISION

Pursuant to sections 231, 236, and 241.1 of the Act, Council made an intended decision to:

1. Impose a condition on the Licensee's life and accident and sickness insurance licence that requires him to successfully complete one of the following courses during each of the next four licence years commencing with the licence period ending May 31, 2015:
 - a) Certified Financial Planner ("CFP") 231 – Financial Planning Fundamentals
 - b) CFP 232 – Contemporary Practices in Financial Planning
 - c) CFP 233 – Comprehensive Practices in Risk & Retirement Planning
 - d) CFP 234 – Wealth Management & Estate Planning

2. Impose a condition on the Licensee's life and accident and sickness insurance licence that requires him to be supervised by a qualified life and accident and sickness insurance agent until such time as he accumulates an additional 12 months of active licensing, or completes the above education, whichever is longer.
3. Assess the Licensee Council's investigative costs of \$1,750.00.

The Licensee is advised that should the intended decision become final, the costs will be due and payable within 90 days of the date of the order. In addition, failure to pay the costs within the 90 days of the date of Council's order, will result in the automatic suspension of the Licensee's life and accident and sickness insurance licence and the Licensee will not be permitted to complete any annual filing until such time as the costs are paid in full. Further, failure to complete the courses as required, will result in the automatic suspension of the Licensee's life and accident and sickness insurance licence and the Licensee will not be permitted to complete any annual filing until such time as the missing courses are completed as required.

The intended decision will take effect on **December 30, 2014**, subject to the Licensee's right to request a hearing before Council pursuant to section 237 of the Act.

RIGHT TO A HEARING

If the Licensee wishes to dispute Council's findings or its intended decision, the Licensee 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 Licensee must give notice to Council by delivering to its office written notice of this intention by **December 29, 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.

If the Licensee does not request a hearing by **December 29, 2014**, the intended decision of Council will take effect.

Even if this decision is accepted by the Licensee, 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 fst.gov.bc.ca or contact them directly at:

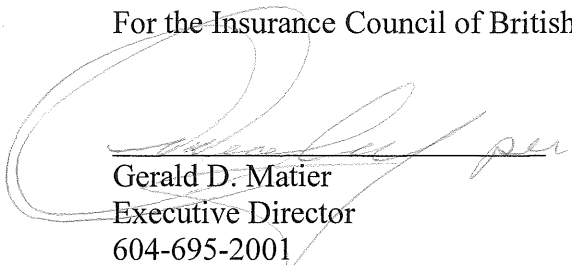
Intended Decision
Wei Kai Liao
176731-11354 and 11594
December 9, 2014
Page 6 of 6

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 **9th day of December, 2014.**

For the Insurance Council of British Columbia



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Executive Director
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