

In the Matter of the

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

and the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

and

JEREMY YUAN WONG
(the “Licensee”)

ORDER

As Council made an intended decision on October 19, 2021, 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 6, 2021; 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 that:

1. The Licensee’s life and accident and sickness insurance agent licence is cancelled with no opportunity to apply for an insurance licence for three years, commencing on January 13, 2022 and ending at midnight on January 13, 2025;
2. The Licensee is fined \$10,000, to be paid by April 13, 2022, and which must be paid prior to the Licensee being licensed in the future;
3. The Licensee is assessed investigation costs in the amount of \$875, to be paid by April 13, 2022, and which must be paid prior to the Licensee being licensed in the future; and
4. The Licensee is prohibited from acting as a shareholder, partner, officer, director or employee of any licensed insurance agency for a period of three years, commencing on January 13, 2022 and ending at midnight on January 13, 2025.

Order

Jeremy Yuan Wong

LIC-117752C75182R1, COM-2020-00211

January 13, 2022

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This order takes effect on the **13th day of January, 2022.**



Janet Sinclair, Executive Director
Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

JEREMY YUAN WONG
(the “Licensee”)

1. Pursuant to section 232 of the *Financial Institutions Act* (the “Act”), Council conducted an investigation to determine whether the Licensee and his agency (the “Agency”) acted in compliance with the requirements of the Act, Council Rules, and the Code of Conduct (the “Code”) when the Licensee amended the mailing addresses of several clients to his own business and personal addresses and cashed cheques issued to two clients through his personal bank account.
2. On August 24, 2021 and September 24, 2021, as part of Council’s investigation, a Review Committee (the “Committee”) comprised of Council members met virtually to discuss the investigation. An investigation report was sent to the Licensee and the Agency in advance of the Committee meeting and the Licensee and the Agency were given an opportunity to make submissions and provide further information. Despite being given advance notice, the Licensee or a representative of the Agency did not attend the meeting.
3. Having reviewed the investigation materials and having discussed the matter at the August 24, 2021 and September 24, 2021 meetings, the Committee prepared a report for Council which was reviewed by Council at its October 19, 2021 meeting. Council determined that the matter should be disposed of in the manner set out below.

PROCESS

4. Pursuant to section 237 of the Act, Council must provide written notice 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

Background

5. The Licensee has been licensed with Council as a life and accident and sickness insurance agent (“Life Agent”) since April 1995. The Licensee holds a certified financial planner (“CFP”) designation and is the nominee for the Agency, which has been licensed with Council since March 2008. The Licensee writes business through a managing general agency.
6. On December 17, 2020, Council received a Life Agent Reporting Form (“LARF”) from an insurer (the “Insurer”), along with a copy of a termination letter sent to the Licensee. The LARF and accompanying letter indicated the Insurer had terminated the Licensee’s contract after it determined that the Licensee requested various address changes for clients, using addresses attributed to the Licensee, and endorsed and cashed cheques for two clients following the address changes.
7. The Insurer’s report stated that a client (“Client One”) requested the Insurer investigate fraudulent activity on Registered Education Savings Plan (“RESP”) contracts he had purchased through the Licensee. Client One stated that withdrawals were made from his RESP accounts without his request, cheques were cashed at a bank not belonging to him, and that he suspected he was a victim of fraudulent activity.
8. Evidence presented in the Insurer’s report indicated the Licensee had requested address changes for five clients and used his business and personal home addresses. Further, the report indicated that the Licensee endorsed cheques issued to Client One totaling \$6,958.76 following requests made to cancel two RESP accounts.
9. The Licensee requested address changes on life and critical illness policies for another client (“Client Two”) to the Licensee’s home address and endorsed cheques issued to Client Two on five separate occasions totaling \$107,556.72.
10. On January 11, 2021, the Insurer provided additional information to Council which included a request from the Licensee to the Insurer *“not to report his suspension to ICBC (Council) nor other insurance companies as everything is just a misunderstanding.”*

11. The Insurer provided copies of email fund transfers from the Licensee to Client One for amounts totaling \$6,958.76, and a bank deposit slip evidencing a deposit of \$50,000 which was purported to be for Client Two.

The Licensee's Submissions

12. Regarding Client One, the Licensee stated that sometime in 2014, Client One advised him that he was moving with his family back to China. The Licensee alleged that at that time, Client One asked him to handle his insurance and investment statements. Later, in 2015, the Licensee claimed that Client One requested cancellation of two RESP accounts because Client One's children would remain in China for a long time.
13. With respect to Client Two, the Licensee stated that Client Two is the wife of his cousin and that he has been helping Client Two's family since they landed in Canada, by allowing them to use his address. The Licensee claimed that Client Two did not want to alert her husband, who was working in China and sending monies for the family's care in Canada, to the family's financial troubles by cashing cheques for withdrawals from her policies through a joint bank account. According to the Licensee, Client Two requested that he cash cheques for her several times.
14. The Licensee acknowledged that his conduct was wrong but stated he did not know he could not help his clients in this way, that any mistakes were unintentional, and that he would not do so again in the future.
15. The Licensee submitted a list of the clients who made requests to use his address and confirmed one business address and two personal addresses that were used. The Licensee advised that, at that time, he did not obtain written requests from his clients and did not keep records of when and who requested mailing address changes. The Licensee advised that requests to cash cheques for Client One and Client Two were made in face-to-face interactions and he did not request written instructions from the clients.
16. The Licensee also provided an unsigned typed note which he stated he had obtained from Client Two to confirm that she had requested the mailing address changes and cashing of the cheques issued to her. Council's investigators noted no contact telephone information was present on the letter and conducted a Google Maps search of the address which revealed the location appears to be a UPS Store in Surrey, B.C. which offers mailbox services.

17. On March 2, 2021, Council's investigator spoke with the Licensee who maintained he had only made address changes and cashed cheques at the request of his clients. Specifically, the Licensee insisted that he met Client One and Client Two in person to deliver the cheques issued to them by the Insurer, that Client One and Client Two requested the Licensee to cash the cheques for them, and that Client One and Client Two endorsed the cheques in the Licensee's presence. The Licensee stated he deposited the cheques in his personal bank account on all occasions, and a few days later, withdrew funds from his personal account and delivered cash to Client One and Client Two in person. The Licensee confirmed that none of his current clients are using his addresses.
18. The Licensee confirmed that he does not keep records of his interactions with his clients and retains only a copy of their original application forms and contact information. After policies have lapsed, or have been cancelled, the Licensee disposes of the policies. The Licensee confirmed that he does not have any client files that would contain information such as written requests, notes of conversations or communications with clients, and records of address or bank account changes.
19. On March 4, 2021, the Licensee stated that he had sent Client One funds through electronic funds transfers; however, he cancelled the transfers soon after as he felt that he did not owe the money to Client One, as he had already given him cash previously.

ANALYSIS

20. Council considered the investigation report, the Committee's report to Council, and the Licensee's submissions and determined that the Licensee's conduct regarding the address changes and cashing of the cheques amounted to clear breaches of section 3 ("Trustworthiness"), section 4 ("Good Faith"), section 5 ("Competence"), section 6 ("Financial Reliability"), section 7 ("Usual Practice: Dealing with Clients"), section 8 ("Usual Practice: Dealing with Insurers"), and section 13 ("Compliance with Governing Legislation and Council Rules") of the Code.
21. In respect of the Council Rules, Council found that the Licensee's conduct as a whole was in clear breach of Rule 7(9), and that Rules 7(6) and 7(8) were also relevant. Rule 7(9) requires licensees to keep books, records, and other documents necessary for the proper recording of insurance transactions and related financial affairs. Rule 7(6) mandates the nominee of each insurance agency to be held responsible to Council for all activities of the insurance agency. Licensees are required by Council Rule 7(8) to comply with the Code.

22. Council concluded the Licensee failed to engage in the usual practice of the business of insurance by amending the mailing address of several of his clients to his own business and personal addresses, and cashing cheques issued to Client One and Client Two through his personal bank account. In addition, Council concluded that the Licensee did not keep proper and adequate records of communications, instructions, or amendments to clients' policies.
23. Council rejected the Licensee's assertion that he did not know that he could not help his clients in this manner and that any mistakes of his part were unintentional. Council noted that the Licensee was the nominee of the Agency with more than 25 years of experience in the industry. The Licensee knew or ought to have known that his conduct was improper and ought to have had an additional level of knowledge because of his experience and position as a nominee.
24. Council felt that the insurance transactions were "suspicious in nature" and spoke to the Licensee's credibility generally. In addition, Council noted that during the Insurer's investigation the Licensee asked the Insurer not to disclose his "breaches" to Council or to other insurers which spoke to the Licensee's credibility and whether he acted in good faith.
25. In respect of the Code, Council found that the Licensee's conduct illustrated a breach of sections 3 and 4 of the Code because he wrote policies with false addresses and collected cash from clients, and did not keep proper records of the clients' transactions. Council determined that the Licensee took advantage of the clients' level of sophistication and did not act in their best interests. In particular, by putting the clients' money into his own account, the Licensee placed his clients at risk in the event that something happened to him before the money could be paid out to the clients. In this regard, Council found that the Licensee also breached section 7 of the Code.
26. In addition, Council determined that the Licensee acted without proper authorization from the Insurer. In respect to section 8 of the Code, Council noted that as a general tenet of the insurance industry, insurance carriers rely on licensees to ensure that they are acting in compliance with the guidelines. In this regard, Council felt that the Licensee had ample opportunity to advise the Insurer that the applications were incomplete and that the addresses were incorrect.
27. Council further found that the Licensee breached the requirement of section 6 of the Code and noted that it is never acceptable for a licensee, particularly one who is an experienced

nominee, to complete insurance documents with improper information and to accept and/or pay cash to clients.

28. Council concluded that there were no mitigating factors to consider. In terms of aggravating factors, as a CFP and a nominee with over 25 years' experience in the industry, Council determined that the Licensee ought to have known that he could not act in the way he did and that his conduct was in violation of the Council Rules and the Code. In addition, Council believed that the Licensee's lack of record keeping and lack of ability to self-correct are aggravating factors as the Insurer brought this matter to Council's attention.
29. Prior to making its determination, Council considered five precedent decisions. While Council recognizes that it is not bound by precedent and that each matter is decided on its own merits, Council found that these decisions were instructive in terms of providing a range of sanctions for similar misconduct.
30. *Lisa Anne Allan* (January 2020) concerned a former level 1 general salesperson licensee who misappropriated over \$16,000 in Insurance Corporation of British Columbia funds from her agency. The former licensee admitted to the theft, which had been carried out by way of a "lapping scheme" whereby she used funds collected for current transactions to account for previously batched transactions. The former licensee entered a restorative justice program that included three years of probation, 50 hours of community service, and a requirement that she pay back the agency \$6,000. Council determined that it would not consider an application for an insurance licence from the former licensee for a three-year period. Council also required that the former licensee complete an ethics course, as approved by Council, prior to being considered for a licence in the future, and assessed her \$1,562.50 in investigative costs.
31. *Mark Daniel Norris* (March 2019) concerned a level 2 general insurance agent licensee who misappropriated nearly \$7,000 in funds by retaining cash paid to him by some clients for their insurance premiums, and by cashing cheques made payable to him by other clients and keeping the money for his own use. Council suspended the licensee's licence for one year, downgraded him to a level 1 salesperson for the two years following his suspension, and assessed him investigative costs.
32. *Elaine Draney* (February 2014) concerned a former level 2 general insurance agent licensee who misdirected premium payments intended for insurers and premium refunds intended for clients to her own accounts and failed to place insurance coverage on five

different occasions. Council ordered that the former licensee be prohibited from holding an insurance licence for a minimum period of two years. She was also ordered to pay a \$10,000 fine and investigative costs of \$2,937.50.

33. *Chunpreet Singh Hayre* (March 2011) concerned a former life and accident and sickness insurance agent licensee who stole cheques belonging to a co-worker, forged the co-worker's signature on stolen cheques, and made these cheques payable to himself in a total amount of \$5,040, which he then cashed for his own financial benefit. Council determined that the former licensee was not suitable to hold an insurance licence for a minimum period of two years. He was also ordered to pay Council's investigative costs of \$562.
34. *Kristy Lee Wagenaar* (January 2010) concerned a former level 1 general salesperson licensee who misappropriated over \$28,000 from her agency. Most of the misappropriations involved the former licensee taking cash payments made by clients for her own purposes, and either substituting those payments with cheques drawn from her agency's operating account or creating journal entries for owed amounts on other accounts. The former licensee entered a restorative justice initiative, under which she agreed to repay the full amount to the agency, write an apology letter to agency staff, and complete 100 hours of community service. Council determined that the former licensee was not suitable to hold an insurance licence for a minimum period of two years from the date she completes her restorative justice conditions. The former licensee was also ordered to pay Council's investigative costs of \$706.25.
35. Council views the Licensee's conduct to be a serious breach of the Council Rules and the Code, and concludes that in keeping with the precedents it is appropriate for the Licensee's licence to be cancelled and for the Licensee to be fined. In addition, Council has determined that it is in the public's interest to prohibit the Licensee from acting as a shareholder, partner, officer, director, or employee of any licensed insurance agency during the period his licence is cancelled. Council believes the misconduct, which is unacceptable for any individual in the Licensee's position, is made more egregious because of the Licensee's experience and position as nominee of the Agency.
36. As an experienced insurance agent and the nominee of the Agency, the Licensee is required to provide an additional level of responsibility and oversight. Council's sanctions will communicate to the Licensee, the insurance industry, and the public that nominees who have accepted heightened responsibilities and authority by the nature of their position, are expected by Council to perform their roles ethically and competently.

37. With respect to the investigation costs, Council finds that these costs should be assessed to the Licensee. As a self-funded regulatory body, Council looks to licensees who have engaged in misconduct to bear the investigation costs of their discipline proceedings, so that the costs are not otherwise borne by British Columbia's licensees in general.

INTENDED DECISION

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

- (a) Cancel the Licensee's licence with no opportunity to apply for an insurance licence for three years, commencing on the date of Council's order;
- (b) Fine the Licensee \$10,000, to be paid within 90 days of the date of Council's order, and which must be paid prior to the Licensee being licensed in the future;
- (c) Assess the Licensee Council's investigation costs in the amount of \$875, to be paid within 90 days of the date of Council's order, and which must be paid prior to the Licensee being licensed in the future; and
- (d) Prohibit the Licensee from acting as a shareholder, partner, officer, director or employee of any licensed insurance agency for a period of three years from the date of Council's order.

39. Subject to the Licensee's right to request a hearing before Council pursuant to section 237 of the Act, the intended decision will take effect after the expiry of the hearing period.

RIGHT TO A HEARING

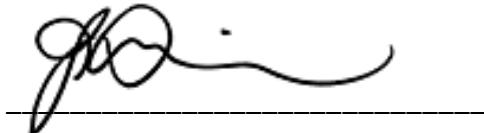
40. If the Licensee wishes to dispute Council's findings or its intended decision, the Licensee may have legal representation and present a case at a hearing before Council. Pursuant to section 237(3) of the Act, to require Council to hold a hearing, the Licensee **must give notice to Council by delivering to its office written notice of this intention within 14 days of receiving this intended decision**. 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 within 14 days of receiving this intended decision, the intended decision of Council will take effect.**

Intended Decision
Jeremy Yuan Wong
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December 6, 2021
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41. Even if this decision is accepted by the Licensee, pursuant to section 242(3) of the Act, the British Columbia Financial Services Authority (“BCFSA”) still has a right of appeal to the Financial Services Tribunal (“FST”). The BCFSA 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 www.fst.gov.bc.ca or visit the guide to appeals published on their website at www.fst.gov.bc.ca/pdf/guides/ICGuide.pdf.

Dated in Vancouver, British Columbia on the 6th day of December, 2021.

For the Insurance Council of British Columbia

A handwritten signature in black ink, appearing to read "jSinclair", is placed above a solid horizontal line.

Janet Sinclair
Executive Director