

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

**and**

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

**and**

**PATIE KAUR JOHL**  
**(the “Licensee”)**

**ORDER**

As Council made an intended decision on April 14, 2015, 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 May 5, 2015; and

As the Licensee requested a hearing of Council’s intended decision in accordance with the Act on May 22, 2015; and

As the Licensee subsequently withdrew her request for a hearing on February 22, 2017;

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

1. The Licensee is fined \$5,000.00.
2. A condition is imposed on the Licensee’s life and accident and sickness insurance licence that requires the Licensee to be supervised by a qualified life and accident and sickness insurance agent until such time as the Licensee accumulates an additional 24 months of active licensing, commencing from the effective date of this order.
3. A condition is imposed on the Licensee’s life and accident and sickness insurance licence that requires the Licensee to successfully complete Advocis’ Getting Established course on or before **March 2, 2018**.

4. A condition is imposed on the Licensee's life and accident and sickness insurance licence that if the Licensee does not successfully complete Advocis' Getting Established course on or before **March 2, 2018**, the Licensee's life and accident and sickness insurance licence is suspended as of **March 3, 2018**, without further action from Council and the Licensee will not be permitted to complete any subsequent annual filings until such time as the above-noted course is successfully completed.
5. The Licensee is assessed Council's investigative costs of \$5,587.50.
6. A condition is imposed on the Licensee's life and accident and sickness insurance licence that requires the Licensee to pay the above-ordered fine and investigative costs in monthly installments of \$1,000.00 each, commencing June 1, 2017, with the last installment of \$587.50 due on or before **April 1, 2018**. If the Licensee fails to make a monthly installment by the 1<sup>st</sup> of each month, the Licensee's life and accident and sickness insurance licence is suspended the day after the installment payment was due, without further action from Council and the Licensee will not be permitted to complete any subsequent annual filings until such time as the ordered fine and investigative costs are paid in full.

This order takes effect on the **2<sup>nd</sup> day of March, 2017**.

  
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Dr. Eric Yung  
Chairperson, Insurance Council of British Columbia

## **INTENDED DECISION**

of the

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

respecting

**PATIE KAUR JOHL**  
(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 February 23, 2015, a Review Committee (the “Committee”) met with the Licensee and her legal counsel, Christopher McHardy (“McHardy”), to discuss allegations that the Licensee failed to ensure that clients understood the investment risks and guarantees involved in universal life (“UL”) policies, and that the Licensee misled an insurer regarding the identity of the payor of premium payments.

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 and McHardy were provided an opportunity to make further submissions. After discussing this matter with the Licensee, the Committee prepared a report for Council’s consideration.

The Committee’s report, along with the aforementioned investigation report, were reviewed by Council at its April 14, 2015 meeting, where it was determined 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 1981. She was the nominee of Patie K. Johl Financial Services Ltd. (the “Agency”) from 2001 to July 31, 2012, when the Agency’s life agent licence was terminated for non-filing.

In October 2012, Transamerica Life Canada (the “Insurer”) notified Council that it had terminated its contract with the Licensee. The Insurer forwarded client complaint letters from two of the Licensee’s clients, (“P.S.”) and (“C.S.”), to Council for consideration.

In March 2013, Council received a further complaint directly from a client (“B.J.”) and his daughter.

In August 2013, the Insurer forwarded a complaint from another of the Licensee’s clients (“L.T.”) to Council.

Collectively, the complaints raise the following allegations:

- The Licensee took advantage of the clients’ inexperience and trust, and sold or replaced insurance policies that were not clearly explained to the clients.
- The Licensee knowingly prejudiced the interests of P.S. and C.S. for her own personal gain by writing new policies and cancelling existing coverage without the clients fully understanding the transactions.
- The Licensee intentionally misled P.S., C.S., and L.T. regarding the payment terms of their policies and did not ensure that the clients understood the investment risks and guarantees involved in UL policies.
- The Licensee obtained personal money orders from her corporate account and misled insurers regarding the identity of the person making the premium payments.
- The Licensee paid premiums on insurance policies for clients to prevent the policies from lapsing.

The Licensee works from her home. She submitted that she has 10 to 20 client files at her home office, which she is currently working on. The remainder of her client files are either at the home of her administrative assistant or with other licensees with whom she has a working relationship. The manner in which the Licensee maintained her client files raised questions respecting the safekeeping and confidentiality of client records.

It was further alleged that the Licensee made a material misstatement to Council staff regarding the purchase of personal money orders in October 2009. In particular, it was alleged that the Licensee had B.J. sign money orders as the “payor” in order to create the appearance that the client was paying his premiums, when in fact they were paid through the Licensee’s corporate account.

### **P.S., C.S., and L.T. Complaints**

In respect of these complaints, the Licensee submitted that P.S., C.S., and L.T. simply failed to recall the details of the products they had purchased, and were not misled by the Licensee.

All three complaints were similar in that the clients thought their policies would be paid up by a certain date, and when they weren’t, claimed the policies weren’t properly explained. Council noted that the Insurer undertook an investigation of these complaints and did not identify any specific concerns with the transactions.

### **Payment of B.J.’s Premiums**

B.J. alleged the Licensee purchased three money orders on October 27, 2009 from her HSBC Bank Canada (“HSBC”) account to pay \$1,310.00 to the Insurer for overdue premiums. B.J. advised that he did not bank with HSBC and the Licensee obtained the money orders and then had him sign the money orders. The Licensee was reimbursed by B.J. approximately one month later.

When initially interviewed by Council about this allegation, the Licensee stated that she could not recall if she banked with HSBC. A few days later, she advised Council that she banked with HSBC at that time and that her corporate account with HSBC was, in fact, debited for the money orders.

When the Licensee appeared before the Committee, her legal counsel explained that B.J. had provided a personal cheque to the Licensee for the premiums, instead of making a cheque payable to the Insurer. The Licensee was only facilitating his overdue payment, after having first received the funds from B.J. According to the submissions of the Licensee’s legal counsel, the Licensee and B.J. met at the Licensee’s bank after she had been paid by him for the premiums, and the Licensee purchased the money orders and had B.J. sign them.

Throughout McHardy’s submission to the Committee, the Licensee did not correct his explanation of events.

In fact, the evidence demonstrates that the cheque from B.J. to the Licensee was written at least 30 days after the above-mentioned money orders were purchased by the Licensee. The Licensee provided no comment as to why she did not correct or comment on her legal counsel’s submissions.

In fact, the Licensee was less than forthright regarding the purchase of money orders in October 2009. In particular, based on the evidence, it appears the Licensee had B.J. sign the money orders as the “payor” in order to create the appearance that the client was paying his premiums, when in fact they were paid by the Licensee through funds taken from the Agency’s account.

### **Letter to L.T.**

On May 24, 2006, L.T. and her spouse completed an application for a joint first-to-die policy. The illustration presented to L.T. showed a premium of \$120.00 per month with planned premium payments for 20 years. The policy was issued on July 25, 2006.

On September 12, 2006, the policy premium was changed to \$90.00 per month for 20 years. The Licensee sent a letter to L.T., dated September 12, 2006, that stated, “*Effective immediately, your monthly withdrawals will be \$90.00, for 20 years. At that time, the policy will be fully paid.*”

L.T. complained that she understood that her policy would be paid up in 20 years, which was supported by the Licensee’s September 12, 2006 letter. L.T. still has the policy, but according to the statements received from the Insurer, she will have to continue to pay premiums for more than 20 years.

### **Practice Management**

The Licensee stated that she was computer illiterate throughout the period at issue. She stated she relied heavily on office staff to prepare her correspondence, and to monitor and respond to emails. The Licensee admitted she was unable to run policy illustrations using a computer. In discussions with her office staff, it was not possible to obtain statements that corroborated the Licensee’s explanation.

### **ANALYSIS**

With the exception of the L.T. matter, Council determined that there was insufficient evidence to establish that the Licensee misled clients regarding the payment terms of their policies or that she failed to ensure that the clients understood the investment risks and guarantees involved in their policies.

With respect to L.T., Council accepted that the Licensee provided an illustration to L.T. that reflected her policy could be paid up in 20 years based on certain projections. However, Council determined the Licensee’s letter to L.T. which stated her policy “*will be fully paid*” in 20 years, without any qualification, was misleading and incorrect.

### **Payment of B.J.'s Premiums**

With regard to the money orders, Council determined the Licensee had B.J. sign money orders as the "payor" in order to create the appearance that he was paying his premiums, when in fact they were paid by the Licensee. Council was particularly troubled by the fact that the Licensee made no effort to correct her legal counsel's explanation of the matter, even though she knew or ought to have known it was not correct.

Council was also concerned with the Licensee's file management and storage practices. Based on the Licensee's explanation of her file management system, which was not supported by Agency staff, Council did not believe the Licensee was properly managing her client files.

Council also determined that the Licensee, who has more than 30 years of experience, did not have even a basic understanding of how to use industry tools. This was demonstrated by the fact that the Licensee did not know how to generate a policy illustration.

Based on these findings, Council concluded that the Licensee's actions brought into question her ability to act in a competent manner, in good faith, or in accordance with the usual practice of the business of insurance.

To address its concerns with the Licensee's competence and ability to act in accordance with the usual practice of the business of insurance, Council determined the Licensee should complete Advocis' Getting Established course (the "Course") and be placed under supervision for a period of two years. Council noted that although the Licensee has been licensed for over 30 years, she would benefit from the guidance afforded through the Course and supervision.

With regard to the good faith concerns, Council considered the precedent *C. Canavan*. Council determined the Licensee's conduct was more egregious than that of *C. Canavan*, in that she intentionally misstated the payor of premiums for B.J.'s coverage, and failed to be forthright with Council when explaining the incident.

Council took into consideration the principles of general and specific deterrence when considering a penalty for these concerns, and determined that a fine of \$5,000.00 was 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 her to be supervised by a qualified life and accident and sickness insurance agent until such time as she accumulates an additional 24 months of active licensing.
2. Impose a condition on the Licensee's life and accident and sickness insurance licence that requires her to successfully complete Advocis' Getting Established course within 12 months of the date of Council's order.
3. Fine the Licensee \$5,000.00.
4. Assess the Licensee Council's investigative costs of \$5,587.50.

The Licensee is advised that should the intended decision become final, the fine and investigative costs will be due and payable within 90 days of the date of the order. In addition, failure to pay the fine and investigative costs within the 90 days, or failure to successfully complete the Course within 12 months 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 fine and investigative costs are paid in full.

The intended decision will take effect on **May 26, 2015**, 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 **May 25, 2015**. 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 **May 25, 2015**, the intended decision of Council will take effect.



Intended Decision  
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23023-I1298  
May 5, 2015  
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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](http://fst.gov.bc.ca) or contact them directly at:

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](mailto:FinancialServicesTribunal@gov.bc.ca)

Dated in Vancouver, British Columbia, on the **5<sup>th</sup> day of May, 2015.**

For the Insurance Council of British Columbia

*per R. J. J. J.*

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