

IN THE MATTER OF THE *FINANCIAL INSTITUTIONS ACT*
(RSBC 1996, c.141)
(the "Act")

and the

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

and

LORETTA LAI
(the "Licensee")

ORDER

As Council made an intended decision on December 10, 2019, pursuant to sections 231 and 236 of the Act, to remove a condition from the Licensee's life and accident and sickness insurance agent ("Life Agent") licence and impose new conditions; and

As Council, in accordance with section 237 of the Act, provided the Licensee with written reasons and notice of the intended decision dated January 2, 2020; and

As the Licensee did not request a hearing of Council's intended decision within the time period provided by the Act;

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

1. the supervision condition imposed on the Licensee's Life Agent licence by Council's October 26, 2016 order is removed;
2. a condition is imposed on the Licensee's Life Agent licence prohibiting the Licensee from acting as a supervisor for a period of two years, commencing January 24, 2020 and ending at midnight on January 23, 2022; and
3. a condition is imposed on the Licensee's Life Agent licence permanently prohibiting her from being or acting as:
 - a) a nominee of any agency; and/or
 - b) an officer, director, or shareholder of any corporation licensed with Council.

Order
Loretta Lai
LIC-138218C82399R1/COM-2018-00222
January 24, 2020
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This order takes effect on the **24th day of January, 2020.**

A handwritten signature in black ink, appearing to read "Lesley Maddison", written over a horizontal line.

Lesley Maddison, Chairperson
Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

respecting

LORETTA LAI
(the “Licensee”)

On October 26, 2016, pursuant to sections 231 and 238 of the *Financial Institutions Act* (the “Act”), Council ordered a condition attached to the Licensee’s life and accident and sickness insurance agent (“Life Agent”) licence requiring her to only conduct insurance activities under the direct supervision of a qualified Life Agent until such time as certain proceedings by the British Columbia Securities Commission (the “BCSC”) were complete and had been subsequently considered by Council.

As the BCSC matters are now concluded, the Licensee has asked Council to lift the supervision requirement presently attached to her Life Agent licence. Accordingly, on November 14, 2019, a Review Committee (the “Committee”) comprised of Council members met with the Licensee. A copy of a report prepared by Council staff had been forwarded to the Licensee in advance of the meeting. A discussion of the staff report took place at the meeting and the Licensee was provided an opportunity to make further submissions. Having reviewed the staff report, and after discussing this matter with the Licensee, the Committee prepared a report for Council.

The Committee’s report, along with the aforementioned staff report, were reviewed by Council at its December 10, 2019 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 and 236 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 first obtained her Life Agent licence with Council in 1999. In 2009, she became a director of a then-corporate licensee called Canadian Manu Immigration & Financial Services Inc. (the “Former Agency”). She was the Former Agency’s sole director from March 2010 to April

2015. The Licensee became the Former Agency's nominee on May 11, 2012 and maintained that position until May 26, 2014 when the Former Agency's licence was terminated by Council for failing to maintain errors and omissions coverage as required by Council's Rules.

The Licensee's spouse (the "Spouse") was also a licensed Life Agent and was the Former Agency's nominee from May 17, 2006 until May 10, 2012. The Spouse's licence was suspended by Council on October 26, 2016 as a result of the BCSC matter and terminated on August 2, 2017 for non-filing.

In 2014, the BCSC commenced an investigation into the Former Agency and the Spouse for allegedly perpetrating a fraudulent scheme in relation to securities of a private company. The Licensee was also investigated by the BCSC in relation to the scheme but no findings were made against her. As the matter involved securities activities and no connection to insurance business was identified by Council, other than the role of the Former Agency in facilitating the investments in question, Council directed staff to monitor the BCSC's investigation and to bring the matter forward once the BCSC completed its review.

On September 26, 2016, the BCSC issued a Notice of Hearing naming the Former Agency and the Spouse as respondents. Council reviewed the Notice of Hearing and found that, while the Licensee was not named, the allegations against the Former Agency raised concerns about her suitability in light of her position as nominee and sole director. As such, Council determined that it was in the public's interest to require supervision of the Licensee's insurance activities by a qualified Life Agent until such time as the BCSC's consideration of the allegations was complete. Therefore, on October 26, 2016, Council issued an order under sections 231 and 238 of the Act to impose the said condition on the Licensee's Life Agent licence. At the same time, Council issued the order suspending the Spouse's licence.

On December 12, 2017, a panel of the BCSC held that the Former Agency and the Spouse had committed 63 contraventions of section 57(b) of the British Columbia *Securities Act* in the aggregate amount of \$5,003,088 between July 2009 and August 2013. Section 57(b) of the *Securities Act* states:

57 A person must not, directly or indirectly, engage in or participate in conduct relating to securities or exchange contracts if the person knows, or reasonably should know, that the conduct

...

(b) perpetrates a fraud on any person.

The BCSC noted that the Licensee was a director of the Former Agency during the material time but identified the Spouse as having been the sole mind and management of the Former Agency and solely in control of its bank accounts.

On August 8, 2018, a panel of the BCSC issued its decision with regard to sanction against the Former Agency and the Spouse. Each were each ordered to pay an administrative penalty and the Former Agency was prohibited from any future involvement with the securities market. The BCSC concluded that the Former Agency's contribution to the misconduct was significantly less than the Spouse's.

On July 25, 2019, Council staff interviewed the Licensee with regard to the BCSC's findings. She advised that she did not have any signing authority or access to the Former Agency's bank statements and that the Spouse controlled all the financial aspects of the Former Agency's bank accounts. When asked why she was not more involved with the financial aspects of the Former Agency, the Licensee stated that, based on legal advice that had been received at the time, she did not think anything was improper. She further advised she was not aware of any fraudulent activity.

Of note, in 1996, the Licensee was the subject of a BCSC investigation into trust account improprieties involving a company called Continental Futures Inc. ("Continental"), a commodity contract dealer. At that time, the Licensee's legal name was Wai-Winnie Lai and she was the sole shareholder, a director, and the corporate secretary of Continental. In an Agreed Statement of Facts and Undertaking made pursuant to the *Securities Act*, the Licensee agreed to never seek registration with the BCSC and to pay \$15,000.

The Licensee advised she is currently not a director or an officer of any active corporation but she expressed interest in creating a new corporation to use for her insurance business. She has been conducting business under the supervision of a Life Agent approved by Council since Council's October 2016 order requiring such. The condition remains on the Licensee's licence to date.

During her November 14, 2019 meeting with the Committee, the Licensee advised that neither the Spouse nor anyone else will be involved in the ownership or running of any new corporate entity she creates for the insurance business. She advised that the company's revenue will be strictly limited to insurance. The Licensee further advised the Committee that she is aware of and understands her regulatory obligations. She also submitted she has learned from mistakes and intends to do better. She also wanted the Committee to know that in all her years as an insurance professional, she received no complaints with regard to her insurance practice.

LEGAL FRAMEWORK

Council Rule 7 – Licence Conditions

Applicable to All Classes of Licences

...

(6) A licensee that is a nominee of...an insurance agency...is responsible to Council for all activities of the insurance agency....

...

(8) A licensee must comply with the Council's Code of Conduct, as amended from time to time.

Code of Conduct

5. COMPETENCE

...

5.2 Requirement

You must conduct all insurance activities in a competent manner. Competent conduct is characterized by the application of knowledge and skill in a manner consistent with the usual practice of the business of insurance in the circumstances.

5.3 Guidelines

...

5.3.3 Nominees are responsible to Council for all activities of the insurance agency or adjusting firm and must ensure the agency or firm and its employees are properly supervised and operate in accordance with the conditions and restrictions on their licences....

DISPOSITION

Council considered the staff report, the Licensee's submissions, and the Committee's report. Given that the Licensee has been under supervision since 2016 without any regulatory issues, Council held that it is appropriate to remove the supervision requirement from her Life Agent licence. However, Council was troubled by the Licensee's involvement with two previous companies, one of them a licenced insurance agency, that were found to have breached their regulatory obligations. With regard to the Former Agency, Council held that, although the BCSC made no findings against the Licensee, she was the nominee at the material times and so ought to have known what was happening or was willfully blind to it. As such, Council held that the Licensee is permanently prohibited from being a nominee or an officer, director, or shareholder of any corporation licenced with Council. Council also held that the Licensee may not act as a supervisor for a period of two years.

INTENDED DECISION

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

1. remove the supervision condition from the Licensee's Life Agent licence;
2. impose a condition on the Licensee's Life Agent licence prohibiting her from acting as a supervisor for a period of two years, commencing from the date of Council's order; and

3. impose a condition on the Licensee's Life Agent licence permanently prohibiting her from being or acting as:
 - a) a nominee of any agency; and/or
 - b) an officer, director, or shareholder of any corporation licensed with Council.

RIGHT TO A HEARING

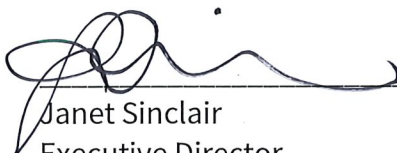
If the Licensee wishes to dispute Council's findings or its intended decision, the Licensee may have legal representation and present a case at a hearing before Council. Pursuant to section 237(3) of the Act, to require Council to hold a hearing, the Licensee must give notice to Council by delivering to its office written notice of this intention within fourteen (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 fourteen (14) days of receiving this intended decision, 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 British Columbia Financial Services Authority ("BSFSA") still has a right to appeal this decision of Council 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 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

Dated in Vancouver, British Columbia, on the **2nd day of January, 2020.**

For the Insurance Council of British Columbia



Janet Sinclair
Executive Director