

In the Matter of the

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

and the

INSURANCE COUNCIL OF BRITISH COLUMBIA
 (“Council”)

and

HONG (FORREST) LIN
(the “Licensee”)

ORDER

As Council made an intended decision on December 10, 2024, 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 January 9, 2025; and

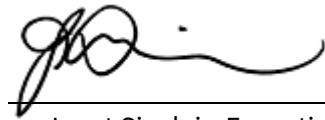
As the Licensee has not requested a hearing of Council’s intended decision within the time period provided by the Act;

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

- a. The Licensee’s general insurance licence is suspended for a period of one year commencing on February 6, 2025 and ending at midnight on February 5, 2026;
- b. The Licensee is fined \$10,000, to be paid by May 7, 2025, and which must be paid in full prior to the licence suspension being lifted;
- c. The Licensee is required to complete the following courses, or equivalent courses as acceptable to Council, by August 5, 2025, and prior to the licence suspension being lifted:
 - i. Insurance Council Rules Course for General Insurance Agents, Salespersons and Adjusters; and
 - ii. Ethics and the Insurance Professional course, available through the Insurance Institute of Canada;

- d. The Licensee is assessed Council's investigation costs of \$1,875, to be paid by May 7, 2025, and which must be paid in full prior to the licence suspension being lifted; and
- e. A condition is imposed on the Licensee's general insurance licence that the Licensee will not be permitted to complete the Licensee's 2027 annual licence renewal until such time as the Licensee has complied with the conditions listed herein.

This order takes effect on the **6th day of February, 2025.**



Janet Sinclair, Executive Director
Insurance Council of British Columbia

INTENDED DECISION

of the

INSURANCE COUNCIL OF BRITISH COLUMBIA (“Council”)

respecting

HONG (FORREST) LIN (the “Licensee”)

1. 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, Council Rules and Code of Conduct relating to allegations that the Licensee, as a supervisor, facilitated and/or permitted the issuing of Insurance Corporation of British Columbia (“ICBC”) Autoplan policies contrary to ICBC directives and failed to provide oversight and appropriate supervision as the supervisor of three Level 1 general insurance salespersons during the period of January 3, 2019, to September 12, 2019.
2. On October 24, 2024, as part of Council’s investigation, a Review Committee (the “Committee”) comprised of Council members met with the Licensee via video conference to discuss the investigation. An investigation report prepared by Council staff was distributed to the Committee and the Licensee before the meeting. A discussion of the investigation report took place at the meeting and the Licensee was given an opportunity to make submissions and provide further information. Having reviewed the investigation materials and after discussing the matter, the Committee prepared a report for Council.
3. The Committee’s report, along with the aforementioned investigation report were reviewed by Council at its December 10, 2024, meeting, where it was determined 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 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

5. The Licensee became licensed with Council as a Level 1 general insurance salesperson (“Level 1 Salesperson”) on November 18, 2008, and a Level 2 general insurance agent (“Level 2 Agent”) on February 4, 2010. The Licensee has maintained an authorization to represent (“ATR”) an agency (the “Agency”) since July 21, 2016, and he has also maintained an ATR with a second agency since June 22, 2015.

6. On May 14, 2021, Council issued ICBC a Production Order requesting, among other things, records from July 4, 2018, to May 14, 2021, where an agency, or a licensee in the same agency office, placed more than 40 one-year policies on newer vehicles that were subsequently cancelled and transferred within 30 days.
7. On April 5, 2022, Council issued a follow-up Production Order to ICBC requesting investigative records involving the Agency.
8. On July 4, 2018, and February 16, 2020, ICBC issued Broker News Bulletins on Licensing Vehicles Appropriately and Some Important Reminders for Temporary Operation Permits. ICBC reminded licensees that when a vehicle is licensed, it must be for the purpose of operating on a British Columbia highway. If a licensee is aware that the only reason a policy is being sold is to facilitate the export of the vehicle, and the customer intends to cancel the policy within days of issuance, the customer should only be sold a Temporary Operation Permit (“TOP”).
9. Between January 3, 2019, and September 12, 2019, the Agency processed at least 27 transactions involving purchases and cancellations on the same policy within 48 hours.
10. On November 4, 2019, ICBC determined that the Agency was issuing full-coverage annual policies that were then cancelled on the same day or the next day. As a result of these transactions, ICBC paid a large amount of commissions to brokers and merchant fees for the credit card transactions.
11. Further, ICBC concluded that these transactions were not “*in the best interest of ICBC*” and “*elements of tax evasion and potential money laundering were also discovered during the investigation.*” The transactions had not been reported to ICBC, contravening the Autoplan Procedures Manual.
12. In the transactions conducted by the Agency, four main common policy owners were noted: Company EA, IH, Company WL and JW. The above owners accounted for 22 of the 27 transactions.
13. ICBC’s investigation suggested that ties existed between the two companies and IH. IH was the director of Company WL and was also the salesperson of Company EA. JW was identified by ICBC as being associated with IH.
14. The 27 ICBC Autoplan policies issued and cancelled by the Agency had combined total premiums of \$328,002. The average premium per policy was \$12,148, which was seven times higher than the 2019 average auto premium in BC (\$1,832), according to the Insurance Bureau of Canada.
15. ICBC’s data showed that an additional 59 policies were purchased through either Company EA, IH, Company WL or JW. The combined total premiums of the 86 policies issued by the Agency amounted to \$1,143,437. Eighty-five policies had premiums greater than BC’s 2019 average auto premium.

16. In addition, ICBC's investigation concluded that full policies were purchased and then cancelled on the same day or the next day for vehicles believed to be exported out of the country. IH stated that he was purchasing full-year policies to conceal that he was exporting the vehicles out of the country. Evidence obtained showed that a number of issued licence plates were not being placed on the vehicles and were located at the Agency still in their plastic shrink wrap. Primary drivers with high surcharges were being utilized to increase the amount of the premium. IH's group of companies purchased the policies primarily on a credit card and requested and obtained refunds for the cancelled policies by cheque. This provided the card carrier with cash flow for approximately 30 days before the credit card debt was due. The credit card company was impacted financially as it provided membership points to the card carrier. Additionally, ICBC was negatively impacted by the cost of merchant fees and commission fees for these same-day transactions.
17. Vehicle manufacturers/dealerships were financially impacted by vehicles being exported by IH, with a possibility of tax evasion.
18. The issuing of cheques to refund the policies instead of providing a credit on the credit card used to purchase the policy created an opportunity for money laundering.
19. On April 1, 2020, the Agency agreed to provide a payment of \$42,812 to ICBC to conclude the matter.
20. On July 4, 2024, Council's investigator interviewed the Licensee. The Licensee stated that in 2019, he worked full time in the Agency's office and supervised the team conducting/servicing the ICBC transactions as a Level 2 Agent. He was the only supervisor at the Agency looking after ICBC transactions business.
21. The Licensee stated that he oversaw the team selling ICBC products in the Agency by "*overhearing*" the conversations between the staff and the customers to check if there were any issues. The Licensee would also review reports from the Autolink system to identify policies being cancelled within a short period of time, and he did so in 2019. The Licensee mentioned that he began this review process after ICBC's representative, LM, met with the Agency.
22. The Licensee noted that some customers were involved in the vehicle export business. These customers requested that the Agency cancel the insurance policies soon after they were issued because the dealership required one-year auto insurance and did not accept temporary permits.
23. The Licensee was present at the meeting between LM and the Agency in 2018 and recalled that the meeting was about some ICBC transactions that had been cancelled within a couple of days of issuance, although the Licensee mistakenly thought that this meeting took place in August 2019.
24. The Licensee and his brother, who is the president of the Agency and at the time of Council's investigation had been the nominee of the Agency since January 1, 2022, had purchased the Agency from previous owners. The Licensee stated that IH had been a long-term customer of the Agency before he and his brother purchased it.

25. The Licensee confirmed that after he met with LM, the Agency told its staff that the Agency would no longer cancel policies within a couple of days after they had been issued. The Agency would also not provide a one-year auto insurance policy to a company or owner whose name was related to vehicle importing or exporting. The Licensee stated that he and his brother both provided these directives to Agency staff at a weekly staff meeting held shortly after the meeting with LM in August 2018. However, there were no documented minutes of this staff meeting.
26. Regarding the 27 short-term cancellations related to IH in 2019, the Licensee stated that IH had declared that he was driving these vehicles for his own use and was no longer exporting them. The Licensee considered these 27 short-term cancellations to be normal customer requests.
27. The Licensee confirmed that three different Level 1 Salespersons at the Agency had brought to his attention the short-term policy cancellation transactions related to IH and the Licensee had said it was okay to proceed: *“For my own knowledge, I think that is customer's right to ask for the service ... I think it's a normal transaction [sic].”*
28. The Licensee further stated that he saw the ICBC Broker News Bulletins relating to TOP, dated July 4, 2018, and February 16, 2020. Regarding the bulletin dated July 4, 2018, the Licensee stated he did not recognize it as a serious issue and did not bring it up with the Agency staff. He realized the significance later and mentioned it during a staff meeting around mid-2019.
29. The Licensee agreed that his lack of knowledge and supervisory skills allowed these transactions to occur. He also admitted that he did not properly fulfil his role as a supervisor.
30. The Agency's staff reported to the Licensee that they had noticed instances of the issuing and cancelling of the same licence plate. The Licensee stated that he had completely forgotten about the ICBC communication relating to TOP, and that he told the staff members it was okay to proceed with the transactions.
31. The Agency's staff had also informed the Licensee about the high premiums of the insurance policies, but he did not see this as a reason to stop the transactions and instructed Agency staff to continue processing them.
32. The Licensee stated that he did not review the transactions “one by one” and overlooked the issue as he had forgotten about the ICBC communication. He only realized the problem after meeting with ICBC and being provided with a list of transactions the Agency had conducted. The Licensee then instructed Agency staff to stop processing these types of transactions and said that they could only issue TOPs for companies with names like “auto,” “sale” or “leasing,” but could not help with issuing new licence plates.
33. There was no evidence suggesting that the Licensee knew that these transactions were taking place as part of the vehicle export grey market.

ANALYSIS

34. Council found that the Licensee failed to fulfil his supervisory duties competently. He lacked the competency and business judgment expected of a supervisor, as evidenced by his inability to address the suspicious transactions brought to his attention by the Agency's staff. The Licensee failed to notice and properly oversee the red flags arising from the ICBC transactions. Although he was aware of the July 4, 2018, ICBC bulletin relating to the issuing of TOPs, he did not acknowledge the content of this bulletin and relay instructions to Agency staff until after his meeting with ICBC. Council concluded that the Licensee demonstrated a lack of competence that was not in line with the usual practice. As the Licensee held a supervisory role, he should have made himself aware of ICBC procedures and announcements relating to insurance services and should have provided this information to the Level 1 Salespersons he was supervising. Council concluded that the Licensee did not have appropriate procedures, policies or training in place to support the licensees he supervised. This, in Council's view, calls into question the Licensee's competence.
35. Council also found that the Licensee breached the usual practice of dealing with insurers. He did not make reasonable inquiries into the risk of the ICBC transactions and did not question the appropriateness of the transactions. Although Level 1 Salespersons at the Agency voiced their concerns about the transactions with the Licensee, he did not make any inquiries as to whether the transactions were acceptable or adhered to ICBC policies. Instead, the Licensee advised the Level 1 Salespersons to continue conducting these types of transactions. After the initial meeting with ICBC in 2018, the Licensee stated that he and his brother jointly directed Agency staff to no longer cancel policies within a couple of days of the policies being issued. However, when many of the Level 1 Salespersons brought their concerns to the Licensee about the transactions in question in 2019, the Licensee did not make any reasonable inquiries about the risk and advised the Level 1 Salespersons to process the transactions. Council found the Licensee's lack of inquiry and his forgetfulness of the TOP procedures to demonstrate that he was not acting in a manner consistent with ICBC's best interest.
36. Given all of these factors, Council concluded that the Licensee did not conduct himself in a manner consistent with usual practice. Council considered the impact of Council Rule 7(8) and Council's Code of Conduct guidelines on the Licensee's conduct, including section 4 ("Good Faith"), section 5 ("Competence"), section 7 ("Usual Practice: Dealing with Clients") and section 8 ("Usual Practice: Dealing with Insurers"). Council concluded that the Licensee's conduct amounted to breaches of the above Council Rule and Code of Conduct sections, and the professional standards set by the Code of Conduct.

PRECEDENTS

37. Before making its determination, Council took into consideration the following precedent cases. While Council is not bound by precedent and each matter is decided on its own facts and merits, Council found that these decisions were instructive in providing a range of sanctions for similar types of misconduct.

38. [*Maxxam Insurance Services \(Burnaby\) Ltd. and John Alexander Dewar*](#) (June 2021) concerned an insurance agency and nominee who permitted improper insurance transactions regarding vehicle replacement insurance at motor vehicle dealerships, failed to provide adequate disclosure to clients, and failed to adequately supervise general insurance salespersons and agents with respect to the sale of the vehicle replacement insurance. The agency and nominee allowed general insurance salespersons to sell vehicle replacement insurance contrary to the Council Rules and applicable licence restrictions. Council did not find relevant mitigating factors for the agency; however, Council found that the nominee's lack of prior disciplinary history was a mitigating factor. The agency was fined \$20,000 and the nominee was fined \$5,000. Further, the agency was prohibited from appointing any nominee who concurrently acts for any other insurance agency, and the agency was required to only appoint nominees who have successfully completed the Duties and Responsibilities for Level 3 Agents and Nominees in BC course. The nominee had his general insurance licence downgraded from Level 3 to Level 2 for a two-year period and was required to complete the Council Rules Course and the Duties and Responsibilities for Level 3 Agents and Nominees in BC course. The agency was assessed investigation costs and the agency and nominee were assessed hearing costs on a joint and several basis.
39. [*InsureBC Underwriting Services Incorporated and Allison Rae Bergen*](#) (February 2018) concerned an insurance agency and nominee who failed to adequately supervise a licensee during the period they had authority to represent the agency. The licensee failed to remit insurance premiums to their managing general agency and subsequently had their licence suspended by Council. After the licensee's licence was suspended, the agency permitted the licensee to continue to work in an unlicensed capacity. The nominee acknowledged that they did not track the licensee's insurance activities while they had authority to represent the agency, and was unable to demonstrate that there were any procedures in place with regard to supervision. Council determined that both the agency and nominee failed to take adequate steps to ensure the licensee was properly supervised. Council further noted that the agency and nominee did not take specific steps to monitor the licensee's insurance activities, and failed to notify its insurers after Council suspended the licensee's licence. In addition, the agency and nominee allowed the licensee to work a significant distance from the agency's office with no oversight, which brought into question their competency and ability to carry on insurance in accordance with the usual practice of the business of insurance. The agency was fined \$10,000 and the nominee was fined \$5,000. Council also ordered the nominee to complete the Council's Level 3 seminar, prohibited the nominee from being designated as the nominee of more than two agencies, and required that if either agency has more than one branch office, each branch office must have a full-time Level 3 general insurance agent in regular attendance. The agency was assessed investigation costs.
40. [*The Whistler Shoppe LTD. dba The Whistler Insurance Shoppe and Peggy Kathleen Johannson*](#) (April 2016) concerned an error occurring at an agency that resulted in a client's insurance policy not being renewed upon expiration. Due to a change in a program, the agency had a list of policies that had to be re-marketed with a new insurer and manually renewed. The licensee responsible for processing the renewals failed to complete the renewal for a client who subsequently suffered a loss. Council concluded that the licensee's failure was an administrative error that did not reflect on their overall

ability to act competently and in accordance with the usual practice of the business of insurance. Council was more concerned by a lack of proper administrative and financial procedures being in place at the agency and with the nominee's failure to provide appropriate oversight. Council fined the nominee \$2,500, required them to complete the Level 3 seminar, and put a condition on their licence limiting them to being the nominee for a maximum of two agencies unless there is a full-time Level 3 Agent in regular attendance at every agency for which they are a nominee. Finally, Council fined the agency \$5,000, assessed investigation costs, and required the agency to have a full-time Level 3 Agent in regular attendance.

MITIGATING AND AGGRAVATING FACTORS

41. Council considered relevant mitigating and aggravating factors in this matter. Council determined the Licensee's experience in the insurance industry to be an aggravating factor, as the Licensee was a supervisor of the Agency's ICBC department and allowed this conduct to occur over a period of time. Further, Council determined that, whether directly or indirectly, the Licensee's actions caused harm to the public as a whole.
42. As for mitigating factors, Council accepted that the Licensee acknowledged and took responsibility for his misconduct. Additionally, Council found that the Licensee co-operated with Council's investigation and found the Licensee to be genuine in his interactions with Council.

CONCLUSIONS

43. After weighing all of the relevant considerations, Council found the Licensee to be in breach of the Council's Rules and the Code of Conduct.
44. Council concluded that the Licensee's licence should be suspended for one year. In addition, Council determined that it was appropriate to fine the Licensee \$10,000. Council also requires that the Licensee take the Council Rules Course and an ethics course. Although Council considered whether a downgrade of the Licensee's licence was appropriate, Council noted that the Licensee has acknowledged his misconduct and appears to have taken steps to improve processes at the Agency. For this reason, Council concluded that a downgrade of the Licensee's licence is not needed in these circumstances.
45. With respect to investigation costs, Council has concluded 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 costs of their discipline proceedings so that those costs are not otherwise borne by British Columbia's licensees in general. Council has not identified any reason for not applying this principle in the circumstances.

INTENDED DECISION

46. Pursuant to sections 231, 236 and 241.1(1) of the Act, Council made an intended decision that:
- a. The Licensee's general insurance licence be suspended for a period of one year from the date of Council's Order;
 - b. The Licensee be fined \$10,000, to be paid within 90 days of Council's Order, and which must be paid in full prior to the licence suspension being lifted;
 - c. The Licensee be required to complete the following courses, or equivalent courses as acceptable to Council, within 180 days of Council's Order, and prior to the licence suspension being lifted:
 - i. Insurance Council Rules Course for General Insurance Agents, Salespersons and Adjusters; and
 - ii. Ethics and the Insurance Professional course, available through the Insurance Institute of Canada(collectively, the "Courses");
 - d. The Licensee be assessed Council's investigation costs of \$1,875, to be paid within 90 days of Council's Order, and which must be paid in full prior to the licence suspension being lifted; and
 - e. A condition be imposed on the Licensee's general insurance licence that the Licensee will not be permitted to complete the Licensee's 2027 annual licence renewal until such time as the Licensee has complied with the conditions listed herein.
47. 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.

ADDITIONAL INFORMATION REGARDING FINES/COSTS

48. Council may take action or seek legal remedies against the Licensee to collect outstanding fines and/or costs, should these not be paid by the 90-day deadline.

RIGHT TO A HEARING

49. If the Licensee wishes to dispute Council's findings or its intended decision, the Licensee may have legal representation and present a case in 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**

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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.

50. 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 thirty (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.bcfst.ca or visit the guide to appeals published on their website at <https://www.bcfst.ca/app/uploads/sites/832/2021/06/guidelines.pdf>.

Dated in Vancouver, British Columbia, on the **9th day of January 2025.**

For the Insurance Council of British Columbia

A handwritten signature in black ink, appearing to read 'J. Sinclair', is written over a horizontal line.

For Janet Sinclair
Executive Director