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No. G-07/98

- General

Monitoring and enforcement report - including prosecution and hearing decisions - for second and third quarters 1998

The Financial Services Commission of Ontario (FSCO) publishes reports on its prosecution activities, the decisions arising out of its hearings, and other regulatory activities to help ensure consumer confidence in the financial services system in Ontario. It regulates pension plans, insurance, loan and trust companies, credit unions and caisses populaires, co-operatives and mortgage brokers.

This is FSCO's first Bulletin dealing with its monitoring and enforcement activities since it was established on July 1, 1998, under the Financial Services Commission of Ontario Act (Act). The Bulletin also includes a report on the April 1, 1998, to June 30, 1998, prosecution and hearing activities of the Ontario Insurance Commission (OIC) before the OIC was amalgamated, along with the Pension Commission of Ontario and the Deposit Institutions Division of the Ministry of Finance, into FSCO.

Under the Act, the functions and duties of the Superintendent of Insurance were taken over by the Superintendent of Financial Services, effective July 1, 1998.

INSURANCE

RESULTS OF MONITORING ACTIVITIES -- first step in the enforcement process

Re: Agents and Adjusters

FSCO undertakes a number of monitoring activities as part of its regulatory functions. It conducts police background checks on prospective agents, and also reviews complaints against agents made by other agents, insurers, policyholders, and members of the public. In addition, FSCO audits approximately 10 per cent of all life agent renewal applications to ensure they meet continuing education requirements. These checks, reviews and audits are the first step in the enforcement process. Most matters are resolved at this first step.

During the second and third quarters of 1998, FSCO undertook the following:

- **Police Checks**

  A total of 3,173 police checks on the background of prospective agents were made with the Canadian Police Information Centre -- 1,726 during the second quarter, and 1,447 during the third quarter.

- **Complaints and Reviews**

  FSCO received 84 complaints about the conduct of agents for the two quarters

  (April 1, 1998, to September 30, 1998) -- 46 during the second quarter; and 38 during the third quarter. The subjects of the complaints included fraud, forgeries, misrepresentation, misappropriation of funds, agent misconduct, engaging in a prohibited activity, policy replacements, tied selling and rebating.

  Overview of Complaints

Complaints in progress, from end of first quarter, 1998	33
Plus: *Complaints received* during second quarter, 1998	46
Plus: *Complaints received* during third quarter, 1998	38
Less: Complaints in progress at end of third quarter, 1998	60
Complaint reviews completed during second and third quarters, 1998	**57**

  Disposition of Complaint Reviews

Cases forwarded to Investigation	8

Letters of censure issued	12
Cases closed	37
Total	**57**

Cases may be closed for a variety of reasons. The most common ones are: the issue raised is outside FSCO's jurisdiction; there is insufficient evidence to substantiate a complaint; or the complaint is unfounded.

- **Audits**

The FSCO initiated 601 audits of life agents during the second and third quarters to ensure they met their continuing education requirements. There were 216 audits during the second quarter, and 385 during the third quarter. As a result of the audits, 11 cases required enforcement action to be initiated: five during the second quarter, and six during the third quarter.

RESULTS OF INVESTIGATIONS -- second step in the enforcement process

Re: Agents and Adjusters

As a follow-up to its regular monitoring activities -- police background checks on prospective agents, reviews of complaints against agents, and audits of agents' compliance with continuing education requirements -- FSCO may decide that some matters need to be investigated. An investigation is the second step in the enforcement process. It is used where prosecution or Advisory Board hearings (see Advisory Board hearings below) may be contemplated.

During the second and third quarters of 1998, FSCO undertook the following:

- **Investigations initiated**

A total of 69 cases were forwarded to Investigations.

Source of investigations

Complaints about agent conduct	8
Allegations of unsuitability of agents	5
Doing business without a licence in force	45

Continuing education audits	11
	69

Outcome of investigations

A total of 57 cases were completed:

Charges in Provincial Offences court	12
Advisory Board Hearings	16
Sponsorship of agent withdrawn	17
Licence surrendered by agent	1
Closed files (no enforcement action warranted)	11
	57

Cases may be closed if there is insufficient evidence to support the allegations, or if the allegations are unfounded.

- **Letters of Warning**

During the second quarter, 245 Letters of Warning were issued to life agents who were late in applying for licence renewal. There were 317 letters were issued during the third quarter.

- **Letters of Censure**

There were 17 Letters of Censure issued to life agents who did not provide full disclosure of information on their licence applications, eight during the second quarter and nine during the third quarter. An additional 12 Letters of Censure were issued as a result of complaints received against life agents.

- **Surrendered licences**

The details surrounding the surrendering of licences, indicated in the investigation statistics above, are as follows:

Reynaldo Olamit agreed to surrender his licence after a series of complaints that alleged he had been engaging in additional employment while he was licensed as a Level I insurance agent.

- **Minutes of Settlement and Consent Orders**

During the second and third quarters, 18 agents entered into Minutes of Settlement for non-compliance with legislated continuing education requirements, and four agents consented to orders against them for licensing offences. As of July 1, 1998, the Director of the Licensing and Enforcement Division (the Director) was delegated the authority by the Superintendent of Financial Services to render licensing decisions.

Non-continuing Education Offences

Stanley Kin Tak Chan	By an order, dated August 21, 1998, of the Director, this Level II agent's licence was revoked following an acknowledgement and consent signed by the agent to allow the matter to proceed without a hearing before an Advisory Board. The agent had been convicted of conspiracy to commit fraud over $5,000 contrary to the Criminal Code.
Leonardo Corrado	By an order, dated June 24, 1998, of the Superintendent of Insurance, this Level I life insurance agent's licence was suspended for a period of 60 days to commence July 9, 1998. The matter arose from Mr. Corrado's failure to disclose to the OIC and to his original sponsor the fact that he had been the an officer, director and shareholder of a business that had declared bankruptcy. Mr. Corrado waived his right to a hearing and filed an agreed statement of facts.
Jimmy Koi Fon Lau	By an order, dated August 21, 1998, of the Director, this Level I agent's licence was revoked following an acknowledgement and consent signed by the agent to allow the matter to proceed without a hearing before an Advisory Board. The agent had been convicted of conspiracy to commit fraud over $5,000

	contrary to the Criminal Code.
Stephen D. Ward	By an order, dated July 31, 1998, of the Director, this Level I life agent applicant's application for a licence was refused. Mr. Ward undertook not to apply for, or receive a life insurance agent's licence, general insurance agent's licence or an accident and disability insurance agent's licence for a period of five years. Mr. Ward also chose to waive his right for an Advisory Board hearing. The agent had been holding himself out and acting as an insurance agent without being licenced. Mr. Ward had also been paying premiums on behalf of client, signed forms for policyholders without their knowledge and consent, and between 1987 and 1993 failed to follow the proper procedure when replacing life insurance policies.

Continuing Education Offences

Ross Aicken	By an order, dated September 1, 1998, of the Director, this agent's licence would have expired November 26, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.
Elaine Blake	By an order, dated August 19, 1998, of the Director, this agent's licence will expire December 15, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.

Vickee S. Davis	By an order, dated September 25, 1998, of the Director, this agent's licence would have expired November 12, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.
Raimundo Favas	By an order, dated September 11, 1998, of the Director, this agent's licence would have expired October 15, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.
Warren S. Faulkner	By an order, dated July 31, 1998, of the Director, this agent's licence would have expired September 7, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were not met, and the agent's licence expired. He has since complied and been relicensed.
Mimma Gambardella	By an order, dated July 20, 1998, of the Director, this agent's licence would have expired on August 26, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.
Gisele M. Garrett	By an order, dated September 29, 1998, of the Director, this agent's licence would have expired November 10, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.

Virginia E.K. Glover	By an order, dated July 31, 1998, of the Director, this agent's licence would have expired August 7, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.
Allan D. Haigh	By an order, dated August 12, 1998, of the Director, this agent's licence would have expired October 31, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.
Peter Heitmann	By an order, dated August 28, 1998, of the Director, this agent's licence will expire January 15, 1999, unless conditions specified in Minutes of Settlement related to continuing education are met.
George Kerr	By an order, dated September 11, 1998, of the Director, this agent's licence would have expired December 11, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.
Ken H. Keuning	By an order, dated September 27, 1998, of the Director, this agent's licence would have expired December 14, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.

Mark A. Mendonca	By an order, dated June 25, 1998, of the Director, this agent's licence would have expired August 21, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.
Raymond Ough	By an order, dated September 9, 1998, of the Director, this agent's licence will expire January 14, 1999, unless conditions specified in Minutes of Settlement related to continuing education are met.
Ronald Pilling	By an order, dated July 17, 1998, of the Director, this agent's licence would have expired on November 12, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.
Joseph J. Sancroft	By an order, dated August 11, 1998, of the Director, this agent's licence would have expired November 30, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.
John Scherer	By an order, dated July 23, 1998, of the Director, this agent's licence would have expired September 23, 1998, unless conditions specified in Minutes of Settlement related to continuing education were met. Conditions were met.

Gordon Sowton	By an order, dated September 11, 1998, of the Director, this agent's licence would have expired November 25, 1998, unless conditions specified in Minutes of Settlement related to continuing education are met.

DISPUTE RESOLUTION DECISIONS

Through various dispute resolution processes involving insurers and statutory accident benefits claimants, an arbitrator may decide to impose penalties under the Insurance Act. Under section 282(10), a special award may be made against an insurer where it has acted unreasonably. Under section 282(11.2), an assessment award may be made against an insured person if the arbitration is frivolous or vexatious, or an abuse of process.

Type of Decision	**Arbitration**
Applicants	**Bickramjit Dhaliwal and Narinder Dhaliwal**
Insurer	**Allstate Insurance Company of Canada**
Penalty	**Assessment**

On June 19, 1998, an arbitration decision was released concerning a claim for statutory accident benefits by Bickramjit Dhaliwal and Narinder Dhaliwal involving Allstate Insurance Company of Canada. Allstate Insurance had alleged that Bickramjit Dhaliwal had "staged" a motor vehicle accident in order to receive benefits. The arbitrator, in his decision, established that the injury-causing accident described by Mr. Dhaliwal did not occur. Mr. Dahliwal's application for arbitration was found to be an "abuse of process" and he was ordered to pay the insurer $2,000 as an assessment for its arbitration expenses.

Type of Decision	**Arbitration**
Applicant	**Charmaine Francis**
Insurer	**TTC Insurance Company Limited**
Penalty	**Assessment**

An arbitration decision was released on April 8, 1998, regarding a claim for statutory accident benefits by Charmaine

Francis involving the TTC Insurance Company Limited. The insurer stopped payments on her claim after it concluded that Ms Francis had "constructively" withdrawn her claim because she did not attend her arbitration pre-hearing or keep the Ontario Insurance Commission (now the Financial Services Commission of Ontario) informed of her whereabouts. The arbitrator ruled that Ms Francis' conduct was an "abuse of process" and ordered her to pay a special assessment of $2,000 to TTC Insurance by May 15, 1998.

Type of Decision	**Arbitration**
Applicant	**Jose Hernandez**
Insurer	**Zurich Insurance Company**
Penalty	**Special Award**

On August 28, 1998, an arbitration decision was released regarding a claim for statutory accident benefits by Jose Hernandez involving Zurich Insurance Company. Zurich Insurance claimed at the hearing that it terminated the payment of weekly benefits because Mr. Hernandez had recovered from his injuries and was thus able to return to the jobs he performed before the accident took place on November 5, 1994. Mr. Hernandez received a special award of $5,000 following the arbitrator's finding that Zurich acted unreasonably when it ignored certain medical evidence about Mr. Hernandez's condition. This decision is under appeal to the Director of Arbitrations.

Type of Decision	**Arbitration**
Applicant	**H.K. (Ms)**
Insurer	**Canadian Surety Company**
Penalty	**Special Award**

An arbitration decision was released on August 11, 1998, concerning a claim for statutory accident benefits by Ms H. K. involving the Canadian Surety Company. The parties disagreed on the start date for the payment of long-term disability benefits to Ms H.K. who had been receiving short-term income replacement benefits for injuries sustained in a motor vehicle accident on July 30, 1992. Canadian Surety terminated benefits from July 31, 1995, pending an arbitration decision. The arbitrator made a special award of $20,000 to Ms H.K. and ordered the insurer to pay the amount of weekly income benefits owing since payments were stopped. This decision is under appeal to the Director of Arbitrations.

Type of Decision	**Arbitration**
Applicant	**C. L. (Mrs.)**
Insurer	**Zurich Insurance Company**
Penalty	**Special Award**

On August 19, 1998, an arbitration decision was released regarding a claim for statutory accident benefits by Mrs. C. L. involving Zurich Insurance Company. The insurer terminated the payment to Mrs. C. L. of both care benefits and non-income benefits The arbitrator found the insurer's conduct to be unreasonable in withdrawing benefits and made a special award of $2,000 to Mrs. C. L. This decision is under appeal to the Director of Arbitrations.

Type of Decision	**Arbitration**
Applicant	**Amy Levey**
Insurer	**Traders General Insurance Company**
Penalty	**Special Award**

On June 30, 1998, an arbitration decision was released regarding a claim for statutory accident benefits by Amy Levey involving Traders General Insurance Company. The insurer terminated the payment of benefits and, according to the arbitrator's decision, acted unreasonably by not medically assessing Ms Levey properly in the spring of 1996. The accident took place on April 9, 1994. Traders General was ordered to pay a special award to the claimant in the amount of $7,500. This decision is under appeal to the Director of Arbitrations.

Type of Decision	**Arbitration**
Applicant	**Carlos P. Lopez**
Insurer	**State Farm Mutual Automobile Insurance Company**
Penalty	**Special Award**

On June 16, 1998, an arbitration decision was released concerning a claim for statutory accident benefits by Carlos J. Lopez involving State Farm Mutual Automobile Insurance Company. State Farm claimed at the hearing that Mr. Lopez forfeited the "pay now dispute later" provisions of the law, under which his application for a special award was being made, because he did not provide the medical assessment information that the insurer needed to reassess the claim. The arbitrator found that the insurer should have sought clarifying information from Mr. Lopez's caregiver before requesting the medical assessment. Mr. Lopez was awarded $2,500 as a special award as the arbitrator found that the insurer unreasonably delayed or withheld payment of benefits. This decision is under appeal to the Director of Arbitrations.

Type of Decision	**Arbitration**
Applicant	**Louise Martin**
Insurer	**Liberty Mutual Insurance Company**
Penalty	**Special Award**

On April 15, 1998, an arbitration decision was released concerning a claim for statutory accident benefits by Louise Martin involving the Liberty Mutual Insurance Company. Ms Martin's benefits were terminated by the insurer. The arbitrator ruled that Liberty Mutual provided insufficient evidence to support its decision in stopping the payment of benefits. Ms Martin received a special award equivalent to 20 per cent of the amount of money owing her by Liberty Mutual for benefits she was entitled to from May 21, 1996, including housekeeping costs at the rate of $100 every second week since her accident on April 6, 1994. The insurer was also ordered to pay interest on the amount, as well as her expenses for the arbitration hearing.

Type of Decision	**Arbitration**
Applicant	**Josip Rudar**
Insurer	**Lombard General Insurance Company of Canada**
Penalty	**Special Award**

An arbitration decision was released on June 12, 1998, regarding a claim for statutory accident benefits submitted by Josip Rudar to the Lombard General Insurance Company of Canada. Lombard General had terminated the payment of weekly income replacement benefits to Mr. Rudar from April 5, 1996, following the results of a medical assessment. The arbitrator ruled, however, that Mr. Rudar was substantially unable to perform the essential tasks of his employment for 104 weeks from November 18, 1996. Mr. Rudar received a special award of $2,500, plus interest on the amount.

Type of Decision	**Arbitration**
Applicant	**Pamela Simpson**
Insurer	**Trafalgar Insurance Company of Canada**
Penalty	**Special Award**

On July 16, 1998, an arbitration decision was released concerning a claim for statutory accident benefits by Pamela Simpson involving Trafalgar Insurance Company of Canada. The insurer had stopped the payment of benefits to Ms Simpson on October 31, 1997. The arbitrator found that the insurer unreasonably withheld the claimant’s benefits and awarded a lump sum of 10 per cent of the amount which Ms Simpson was entitled to as of July 16, 1998 plus interest on all amounts, including unpaid interest owing her. An appeal from this decision to the Director of Arbitrations was dismissed on August 14, 1998.

PROSECUTIONS

Charge:	**Failing to Furnish Information**
Against:	**Francesco Albanese (Toronto) Level I Life Agent, not sponsored**
Verdict:	**Guilty**

On June 3, 1998, following a trial in provincial court, Francesco Albanese was found guilty and convicted of failing to provide information about continuing education credits when it was demanded by the Ontario Insurance Commission. The court did not impose a fine (see Advisory Board reports below).

Charge:	**Failing to Furnish Information**
Against:	**Harold M. Armstrong (Toronto) Level II Life Agent**
Verdict:	**Guilty**

On June 3, 1998, following a trial in provincial court, Harold Armstrong was found guilty and convicted of failing to provide information about continuing education credits when it was demanded by the Ontario Insurance Commission. The court did not impose a fine (see Advisory Board reports below).

Charge: **Failing to Furnish Information**

Against: **Antonio Bernardo-Ciddio (Thunder Bay), applicant formerly sponsored by Metropolitan Life Insurance Company**

Verdict: **Guilty**

On April 21, 1998, Antonio Bernardo-Ciddio was found guilty and convicted of furnishing false information in an application for a life insurance agent's licence. He did not attend the trial and in his absence, he was fined $800. The sponsor withdrew prior to the trial date.

Charge: **Acting as an Agent Without a Licence**

Against: **Bernard A. Cleary (Rockland) Level I Life Agent, sponsored by Royal & Sun Alliance Financial**

Verdict: **Guilty**

On August 6, 1998, following a trial in provincial court, Bernard Cleary was found guilty of acting as a life insurance agent while unlicensed, and fined $500. He is currently licensed.

Charge: **Furnishing False Information**

Against: **Gordon H. Downey (Bobcaygeon) Level II Life Agent**

Verdict: **Guilty**

On December 7, 1997, in provincial court, Gordon Downey pleaded guilty to furnishing false information in his application for renewal of his life insurance agent's licence by declaring that he had completed 30 hours of continuing education. Mr. Downey had not completed any credits. A conviction was registered and a fine of $100 was imposed. Mr. Downey was also referred to an Advisory Board hearing which is reported below. (This item was inadvertently omitted from the OIC's Bulletin No. G-4/98, covering the period October 1, 1997 to March 31, 1998.)

Charge: **Acting as an Agent Without a Licence**

Against:	**Domenic Falcone (Toronto) Level I Life Agent, not sponsored**
Verdict:	**Guilty**

On June 23, 1998, following a trial in provincial court, Domenic Falcone was found guilty of acting as a life insurance agent while unlicensed, and fined $400. He has since been issued a Level II licence.

Charge:	**Acting as an Agent Without a Licence**
Against:	**DStephen D. Ward (Cobourg), applicant formerly sponsored by Norwich Union Life Insurance Company (Canada)**
Verdict:	**Guilty**

On August 12, 1998, following a trial in provincial court, Stephen Ward was found guilty of acting as a life insurance agent while unlicensed, and fined $500. He is currently unlicensed.

HEARINGS

Up to June 30, 1998, an Advisory Board assisted the Superintendent of Insurance in determining the granting or refusal of a new licence or the possible revocation or suspension of an existing licence for insurance agents and adjusters. The board considered evidence presented by the applicant or agent as well as that put forward by counsel for the OIC. From July 1, 1998, the Director of the Licensing and Enforcement Division (Director) was delegated authority from the Superintendent of Financial Services to render licensing decisions.

Life agent:	**Francesco Albanese (Toronto) Level I Life Agent, not sponsored at time of hearing**
Advisory Board Hearing:	**April 23, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on April 23, 1998, to consider the suspension or revocation of Mr. Albanese's licence because of his failure to comply with continuing education requirements for agents and his failure to furnish information to the OIC. Mr. Albanese did not attend the hearing although he had been served with the Notice of Hearing. In its report of May 12, 1998, the panel recommended that the agent's licence be revoked as Mr. Albanese had repeatedly ignored the demands of the OIC for information. By decision dated June 10, 1998, the Superintendent of Insurance accepted the finding of facts and the recommended penalty and revoked the life agent's licence of Mr. Albanese.

Life agent:	**Kenneth J. Armes (Hamilton) Level I Life Agent, sponsored by Colonia Life Insurance Company**
Advisory Board Hearing:	**March 26, 1998**
Decision:	**Licence Suspended**

An Advisory Board hearing was conducted on March 26, 1998, to consider the suspension or revocation of Mr. Armes' licence because of his failure to comply with the continuing education requirements for agents. In its report of April 2, 1998, the panel accepted an agreed statement of facts and noted that Mr. Armes had made arrangements to make up the shortfall in his 30 hours of continuing education. The panel recommended no penalty but recommended that the licence be revoked if Mr. Armes did not complete the courses by the end of August, 1998. By decision dated April 28, 1998, the Superintendent of Insurance accepted the finding of facts but rejected the recommendations as to penalty and imposed a 30-day suspension because it would be otherwise unfair to agents who had diligently completed their continuing education requirements. Mr. Armes has since met the continuing education requirements.

Life agent:	**Harold M. Armstrong (Toronto) Level II Life Agent**
Advisory Board Hearing:	**April 23, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on April 23, 1998, to consider the suspension or revocation of Mr. Armstrong's licence because he was not complying with continuing education requirements for agents and his failure to furnish information to the OIC. In its report of May 13, 1998, the panel recommended that his licence be revoked. By decision dated June 10, 1998, the Superintendent of Insurance accepted the finding of facts and the recommended penalty and revoked the life agent's licence of Mr. Armstrong.

Life agent:	**Singhavara Bounta (Cambridge) Level I Life Agent, sponsored by Norwich Union Life Insurance Company**
Advisory Board Hearing:	**March 26, 1998**
Decision:	**Licence Suspended**

An Advisory Board hearing was conducted on March 26, 1998, to consider the suspension or revocation of Mr. Bounta's licence because of his failure to comply with continuing education requirements for agents. In its report of April 2, 1998, the panel recommended no penalty but recommended that the licence be revoked if Mr. Bounta did not complete the required courses by the end of August, 1998. By decision dated April 28, 1998, the Superintendent of Insurance accepted the finding of facts but rejected the recommendations as to penalty and imposed a 30-day suspension because it would be otherwise unfair to agents who had diligently completed their continuing education requirements. Mr. Bounta has since met the continuing education requirements.

Life agent:	**Herbert A.F. Brown (Cantley P.Q.) Level II Life Agent**
Advisory Board Hearing:	**April 2, 1998**
Decision:	**Licence Suspended**

An Advisory Board hearing was conducted on April 2, 1998, to consider the suspension or revocation of Mr. Brown's licence because of his failure to comply with continuing education requirements for agents. In its report of April 2, 1998, the panel recommended no penalty but recommended that the licence be revoked if Mr. Brown did not complete the courses by February 1999. By decision dated April 29, 1998, the Superintendent of Insurance accepted the finding of facts but rejected the recommendations as to penalty and imposed a 30- day suspension because it would be otherwise unfair to agents who had diligently completed their continuing education requirements.

Life agent:	**Scott Corbett (Hamilton) Level II Life Agent**

Advisory Board Hearing:	**April 27, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on April 27, 1998, to consider the suspension and revocation of Scott Corbett's licence arising from his participation in a rebating scheme. It was determined that, between 1994 and 1996, and then again in 1998, Mr. Corbett wrote insurance policies either through his own agency or through the use of other agents "fronting" on his behalf, by promising policyholders "free insurance." The scheme had Mr. Corbett, or his accomplices, paying the premiums for policyholders for a period of time in order to have the commissions paid out by the insurers. Mr. Corbett or his accomplices submitted applications to various insurers, often using the same policyholders' names. When the scheme collapsed, the insurers involved accumulated large charge backs against Mr. Corbett and the other agents. Most of these charge- backs have not been paid back by Mr. Corbett or the other agents.

It was also determined that Mr. Corbett lied to the OIC investigator regarding his recent activity in the insurance business. The Superintendent of Insurance found that his "course of conduct was fundamentally dishonest and was designed to enrich Mr. Corbett at the expense of others."

(See also in this Bulletin the decisions on Abdi C. Dirshe, Alexander Dumas, Satwant Gill and Edward J. Loughlin. These are the other agents who have also had their licences revoked as part of the same rebating scheme involving Mr. Corbett.)

Life agent:	**Stephen H. Crocker (Burlington) Level I Life Agent, sponsored by Canada Life Insurance Assurance Company**
Advisory Board Hearing:	**July 9, 1998**
Decision:	**Licence Suspended**

An Advisory Board hearing was conducted on July 9, 1998, to consider the suspension or revocation of Mr. Crocker's licence because of his failure to comply with the continuing education requirements for agents; for furnishing false information on his renewal application; and for his failure to furnish information to the OIC when so requested. In its report the panel recommended that even though Mr. Crocker had completed the required continuing education credits, his licence be suspended for a period of one week, because it was necessary to convene a hearing in order to get the agent to respond to the OIC's request for information. By decision dated September 28, 1998, the Director accepted the findings of fact and accepted the recommended penalty of suspension of the life agent's licence for a period of one week, commencing October 19, 1998.

Life agent:	**Abdi C. Dirshe (Toronto), Level I Life Agent, formerly sponsored by NN Life Insurance Company of Canada**
Advisory Board Hearing:	**July 9, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on July 9, 1998, to consider the suspension or revocation of Mr. Dirshe’s licence arising from his participation in a fronting/rebating scheme; bearing false witness to client signatures; and working as a bookkeeper and a general labourer while being licensed as a Level I agent. Despite having notice of the hearing, Mr. Dirshe did not attend. In its report the panel recommended that Mr. Dirshe's licence be revoked given the severity of the misconduct. By decision dated July 31, 1998, the Director accepted the findings of fact and the recommended penalty and revoked the life agent's licence of Mr. Dirshe.

(See also in this Bulletin the decisions on Scott Corbett, Alexander Dumas, Satwant Gill and Edward J. Loughlin. These are the other agents who have also had their licences revoked as part of the same rebating scheme involving Mr. Dirshe.)

Life agent:	**Gordon H. Downey (Bobcaygeon) Level II Life Agent**
Advisory Board Hearing:	**May 14, 1998**
Decision:	**Agent allowed extension of time**

An Advisory Board hearing was conducted on May 14, 1998, to consider the suspension or revocation of Mr. Downey's licence because of his failure to comply with continuing education requirements for agents. In its report of May 28, 1998, the panel recommended no penalty because of the extenuating circumstances put forward by Mr. Downey. By decision, dated July 23, 1998, the Director accepted the finding of facts and agreed that this was not a case that warranted a suspension. It was also noted that Mr. Downey had already been fined in provincial court. The Superintendent ordered Mr. Downey to submit proof of completion of his continuing education requirements by December 31, 1998.

Life agent:	**Alexander Dumas (Brampton), Level I Life Agent, formerly sponsored by NN Life Insurance Company of Canada**
Advisory Board Hearing:	**July 9, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on July 9, 1998, to consider the suspension or revocation of Mr. Dumas' licence arising from his participation in a fronting/rebating scheme; bearing false witness to client signatures; and also working full-time as an electrician while being licensed as a Level 1 agent. Mr. Dumas did not attend the hearing but did sign an agreed statement of facts which also contained the agent's agreement that his life insurance agent's licence be revoked. In its report, the panel recommended that Mr. Dumas' licence be revoked given the severity of the misconduct. By decision dated July 31, 1998, the Director accepted the findings of fact and accepted the recommended penalty and revoked the life agent's licence of Mr. Dumas.

(See also in this Bulletin the decisions on Scott Corbett, Abdi C. Dirshe, Satwant Gill and Edward J. Loughlin. These are the other agents who have also had their licences revoked as part of the same rebating scheme involving Mr. Dumas.)

Life agent:	**Satwant Gill (Brampton) Level I Life Agent, formerly sponsored by NN Life Insurance Company of Canada**
Advisory Board Hearing:	**July 9, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on July 9, 1998, to consider the suspension or revocation of Mr. Gill's licence arising from his participation in a fronting/rebating scheme, and bearing false witness to client signatures. Mr. Gill did not attend the hearing but did sign an agreed statement of facts which also contained the agent's agreement that his life insurance agent's licence be revoked. In its report, the panel recommended that Mr. Gill's licence be revoked given the severity of the misconduct. By decision dated July 31, 1998, the Director accepted the findings of fact and accepted the recommended penalty and revoked the life agent's licence of Mr. Gill. Mr. Gill's licence had been previously been suspended by order of the Superintendent of Insurance.

(See also in this Bulletin the decisions on Scott Corbett, Abdi C. Dirshe, Alexander Dumas and Edward J. Loughlin. These are the other agents who have also had their licences revoked as part of the same rebating scheme involving Mr. Gill.)

Life agent:	**Masoud Khoshgoo, (Toronto) Level II Life Agent**
Advisory Board Hearing:	**Agent did not request hearing**
Decision:	**Licence Revoked**

A Notice of Proposed Hearing was sent to Masoud Khoshgoo to consider suspending or revoking his life insurance agent's licence following allegations that he defrauded various life insurance companies by submitting life insurance applications on fictitious individuals. The insurance policies were cancelled after the first premium payment. Mr. Khoshgoo received commission payments for these insurance policies. There were 27 applications for insurance submitted to seven insurance companies. Although Mr. Khoshgoo signed the receipt for the registered mail containing the Notice of Proposed Hearing, he did not attend the hearing. By decision dated September 30, 1998, the Director revoked the life insurance agent's licence of Mr. Khoshgoo on the grounds that he engaged in a fraudulent practice, and contravened Ontario Regulation 663 by not being of good character, or not being a suitable person to receive a licence. Accordingly, a decision was made based on the evidence obtained and made available to the Superintendent.

Life agent:	**Edward J. Loughlin (North York), Level II Life Agent**
Advisory Board Hearing:	**July 9, 1998**
Decision:	**Licence Revoked**

An Advisory Board hearing was conducted on July 9, 1998, to consider the suspension or revocation of Mr. Loughlin's licence arising from his participation in a fronting/rebating scheme, and bearing false witness to client signatures. Mr. Loughlin did not attend the hearing but did sign an agreed statement of facts which also contained the agent's agreement that his life insurance agent's licence be revoked. In its report, the panel recommended that Mr. Loughlin's licence be revoked given the severity of the misconduct. By decision, dated July 31, 1998, the Director accepted the findings of fact and the recommended penalty and revoked the life agent’s licence of Mr. Loughlin.

(See also in this Bulletin the decisions on Scott Corbett, Abdi C. Dirshe, Alexander Dumas and Satwant Gill. These are the other agents who have also had their licences revoked as part of the same rebating scheme involving Mr. Loughlin.)

Life agent:	**Thomas H. Rhoden (Brampton) Level II Life Agent**
Advisory Board Hearing:	**August 12, 1998**
Decision:	**Licence Suspended**

An Advisory Board hearing was conducted on August 12, 1998, to consider the suspension or revocation of Mr. Rhoden's licence because of his failure to comply with continuing education requirements for agents, for furnishing false information on his renewal application, and for his failure to furnish information to the OIC when so requested. In its report, the panel recommended: that Mr. Rhoden's licence be suspended for three months, during which time he was required to attain 30 hours of continuing education credits, that the agent's licence be revoked if he does not satisfy the continuing education requirement within the allotted time, that Mr. Rhoden's licence be reinstated at Level I after he has satisfied the continuing education requirements, and that he be required to be a member of a professional association. By decision dated September 29, 1998, the Director accepted the findings of fact and suspended Mr. Rhoden's life agent licence for three months, commencing October 15, 1998, with the further penalty of revocation of the agent's licence should he fail to meet the continuing education requirements.

Life agent:	**Julius Suraski (Toronto), Level I Life Agent, formerly sponsored by Aetna Life Advisory Board Hearing: June 25, 1998, adjourned to July 23, 1998, and concluded**
Advisory Board Hearing:	**August 19, 1998.**
Decision:	**Licence Suspended**

An Advisory Board hearing was scheduled June 25, 1998, adjourned to July 23, 1998, and concluded on August 19, 1998, to consider the suspension or revocation of Mr. Suraski's licence. It was alleged Mr. Suraski failed to comply with continuing education requirements; provided false information on his renewal application, and failed to furnish information to the Commission when so requested. In its report, the panel recommended that Mr. Suraski's licence be suspended for a period of two weeks. By decision dated September 28, 1998, the Director accepted the findings of fact and the recommended penalty and suspended the life agent's licence of Mr. Suraski for a period of two weeks, commencing October 19, 1998.

- **Breach of Licence Conditions**

Life agent:	**David A. Blow (Mt. Albert) Level I Life Agent, formerly sponsored by Industrial-Alliance Life Insurance Co.**
Advisory Board Hearing:	**January 28, 1998**
Decision:	**Conditional Licence Issued**

An Advisory Board was convened on January 28, 1998, to consider the application for a life insurance agent's licence for Mr. Blow. He had been previously licensed as an agent but his licence was terminated, he was convicted in September, 1990, and sentenced to six months imprisonment for misappropriating client funds. The panel recommended that Mr. Blow be issued a conditional licence and the Superintendent accepted the recommendation, in his March 20, 1998, decision. The Superintendent included a condition that this licence would expire should his agent's contract with Industrial-Alliance end. On July 29, 1998, Industrial-Alliance ended sponsorship for Mr. Blow, thereby causing his licence to expire. Mr. Blow remains unlicensed.

Update On Superintendent's Cease-and-desist Order Against Armada Assurance

As previously reported, the then Acting Superintendent of Insurance, on June 28, 1996, issued a cease and desist order against a number of companies and individuals. In particular, Armada Assurance Limited, Tri-Continental Exchange Ltd. and Robert L. Brown (State of St. Vincent and the Grenadines) were ordered to cease carrying on the business of insurance, directly or indirectly, in the Province of Ontario. The two companies and Mr. Brown are not licensed under the *Insurance Act* to transact any form of insurance in Ontario.

Charges have since been laid in the provincial offences court against Armada Assurance Limited, Tri-Continental Exchange Ltd. and Robert L. Brown for alleged contraventions of this order. These proceedings are still pending but are subject to an appeal by the defendants of the Justice of the Peace's decision to dismiss the motion to quash the charges. The appeal is set to be heard in January, 1999.

Owners of automobiles registered and plated in Ontario must be insured under a policy of automobile insurance issued by an insurer licensed in the province of Ontario. Failure to do so is an offence under the Compulsory Automobile *Insurance Act* and subject to a minimum $5,000 fine upon a first conviction.

Lastly, it has come to the attention of FSCO that Tri-Continental Exchange Ltd. was convicted on November 3, 1998, in the provincial offences court in Windsor for knowingly selling, giving, delivering or distributing a false or invalid insurance card contrary to section 13.1(1)(c) of the *Compulsory Automobile Insurance Act*. The charge was laid by officials from the Ministry of Transportation as a result of a vehicle inspection. After a trial, in which Tri-Continental did not appear nor defend, it was fined $25,000.

MORTGAGE BROKERS

- **Surrendered licences**

Suzana Milovanovic and Realty Lynks Ltd. voluntarily surrendered her and her company’s real estate broker registration before a hearing was convened to consider revoking the registrations. The hearing was to look at whether investors in mortgage syndications arranged by Ms. Milovanovic had been misled about the values of the properties involved.

- **Prosecutions**

Charge: **Late Filing of Financial Statements**

Against: **Peter Goring (Toronto), Mortgage Broker**

Verdict: **Guilty**

In provincial court, on August 18, 1998, Peter Goring was found guilty and convicted of late filing of audited financial statements as required under the Mortgage Brokers Act. He was fined $300.

Charge: **Late Filing of Financial Statements**

Against: **Allan Shona (Mississauga), Mortgage Broker**

Verdict: **Guilty**

In provincial court, on August 18, 1998, Allan Shona was found guilty and convicted of late filing of audited financial statements as required under the Mortgage Brokers Act. He was fined $100.

Dina Palozzi

Chief Executive Officer and Superintendent of Financial Services

December 29, 1998

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