

IN THE MATTER OF the *Insurance Act*, R.S.O. 1990, c.l.8, as amended (the “Act”), in particular sections 392.4, 407.1, 441.2 and 441.3;

AND IN THE MATTER OF Stewart Edward Ranft.

**NOTICE OF PROPOSAL TO REFUSE TO RENEW LICENCE AND IMPOSE
ADMINISTRATIVE PENALTIES**

TO: Stewart Edward Ranft

TAKE NOTICE THAT pursuant to Sections 392.4 and 407.1 of the Act, by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (the “Chief Executive Officer”), **the Director, Litigation and Enforcement (the “Director”)** is proposing to refuse to renew the insurance agent licence issued to Stewart Edward Ranft (licence # 06090362).

AND TAKE NOTICE THAT pursuant to Section 441.3 of the Act, and by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (the “Chief Executive Officer”), **the Director, Litigation and Enforcement (the “Director”)** is proposing to impose two administrative penalties in the total amount of \$56,000 on Stewart Edward Ranft:

- i) An administrative penalty in the total amount of \$50,000, for contravening of 17(c) of Ontario Regulation 347/04 by making false statements and representations to an insurer during the solicitation or registration of insurance; and
- ii) an administrative penalty in the amount of \$6,000 for contravening section 447(2)(a) of the Act by providing false information to FSRA.

The reasons for this proposal are described below. This Notice of Proposal includes allegations that may be considered at a hearing.

SI VOUS DÉSIREZ RECEVOIR CET AVIS EN FRANÇAIS, veuillez nous envoyer votre demande par courriel immédiatement à: contactcentre@fsrao.ca.

YOU ARE ENTITLED TO A HEARING BY THE FINANCIAL SERVICES TRIBUNAL (THE “TRIBUNAL”) PURSUANT TO SECTIONS 407.1(2) AND 407.1(3), AND SECTIONS 441.3(2) AND 441.3(5) OF THE ACT. A hearing by the Tribunal about this Notice of Proposal may be requested by completing the enclosed Request for Hearing Form (Form 1) and delivering it to the Tribunal within fifteen (15) days after this Notice of

Proposal is received by you. The Request for Hearing Form (Form 1) must be mailed, delivered, faxed or emailed to:

Address: Financial Services Tribunal
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

Attention: Registrar

Fax: 416-226-7750

Email: contact@fstontario.ca

TAKE NOTICE THAT if you do not deliver a written request for a hearing to the Tribunal within fifteen (15) days after this Notice of Proposal is received by you, orders will be issued as described in this Notice of Proposal.

For additional copies of the Request for Hearing Form (Form 1), visit the Tribunal's website at www.fstontario.ca

The hearing before the Tribunal will proceed in accordance with the *Rules of Practice and Procedure for Proceedings before the Financial Services Tribunal* ("Rules") made under the authority of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended. The Rules are available at the website of the Tribunal: www.fstontario.ca. Alternatively, a copy can be obtained by telephoning the Registrar of the Tribunal at 416-590-7294, or toll free at 1-800-668-0128 extension 7294.

At a hearing, your character, conduct and/or competence may be in issue. You may be furnished with further and or other particulars, including further or other grounds, to support this proposal.

REASONS FOR PROPOSAL

I. INTRODUCTION

1. These are reasons for the proposal by the Director to:
 - i) Refuse to renew the Life Insurance and Accident & Sickness Insurance Agent licence issued by FSRA to Stewart Edward Ranft (“Ranft”);
 - ii) Impose an administrative monetary penalty in the amount \$50,000 on Ranft for contravening Section 17(c) of Ontario Regulation 347/04; and
 - iii) Impose an administrative penalty in the amount of \$6,000 for contravening Section 447(2)(a) of the Act.

II. BACKGROUND

A. Parties

2. Ranft was licensed as a Life Insurance and Accident & Sickness Insurance Agent (licence #06090362) under the Act since January 27, 2006. His license expired on January 26, 2022. Ranft is currently not licenced under the Act.
3. Ranft applied to FSRA for the renewal of his insurance agent licence on July 25, 2022.
4. Ranft was associated with Financial Horizons Group (“Financial Horizons”), a managing general agency (“MGA”), as an insurance agent from December 11, 2012, until May 19, 2021. Financial Horizons terminated its business relationship with Ranft for cause.
5. Ranft acted as an insurance agent for Assumption Mutual Life Insurance Company (“Assumption Life”), an insurance company licensed under the Act, from December 13, 2012, until July 29, 2021. Assumption Life terminated its business relationship with Ranft for cause.

B. Life Insurance Policies based on False or Deceptive Information

6. Between August 2019 and February 2021 Ranft prepared and submitted 49 life insurance policy applications to Assumption Life using fictitious information to arrange for the issuance of 49 life insurance policies by Assumption Life (the “49 Life Insurance Policies”). Ranft collected commissions and other incentive payments on the issuance of such policies. In particular:
 - i) Ranft completed 49 life insurance policy applications for non-existent persons by entering false information, including names, addresses, phone numbers, and signatures in the forms and other documents relating to the applications. Ranft admitted to using the names of some of his former

clients. The addresses and phone numbers were chosen randomly and had no connection with the names.

- ii) Ranft completed and submitted the 49 life insurance policy applications using Assumption Life's online sales platforms. He avoided escalated approval processes by keeping the fictitious applicants' ages between 35 and 55 and with a good health record. This allowed him to avoid the examination of the applications by underwriters and to submit applications online.
 - iii) All of the 49 Life Insurance Policies were whole life policies which allowed Ranft to maximize the commissions earned on the issuance of each policy.
 - iv) Ranft entered the same banking information on all 49 life insurance policy applications. The information was of a National Bank of Canada account controlled and operated by Ranft (the "NBC Bank Account").
 - v) Commissions earned by Ranft on the 49 Life Insurance Policies were deposited into the NBC Bank Account. Ranft made regular premium payments on the 49 Life Insurance Policies from the NBC Bank Account using the aforesaid commissions.
 - vi) Ranft paid approximately \$140,248.48 as premiums on the 49 Life Insurance Policies, through the NBC Bank Account.
 - vii) Ranft intended to cancel the 49 Life Insurance Policies after 16 – 20 months so as to mitigate Assumption Life's charge-back of payments and incentives paid to Ranft for the policies.
 - viii) Ranft admitted to the above in separate interviews with Financial Horizons and FSRA.
7. Ranft cancelled five of the 49 Life Insurance Policies. The other 44 policies were cancelled by Assumption Life. Overall, Assumption Life paid commissions, bonuses and other incentives amounting to \$287,208.58 to Ranft for the 49 Life Insurance Policies.
8. After the discovery of Ranft's misconduct by Assumption Life, Ranft repaid \$130,612.53, in addition to the premiums already paid.
9. Furthermore, Ranft admitted to creating 21 Assumption Life life insurance policies (the "21 Life Insurance Policies") in 2018 using a similar scheme as described above. The policies were cancelled by him in 2018 and he was required to pay chargebacks of commissions and other incentives to Assumption Life on account of the cancellations.
10. Ranft admitted to FSRA that he arranged for the underwriting of the 49 Life Insurance Policies so as to increase his income, gain professional recognition, and

pay the chargeback amounts owed by him to Assumption Life on account of the cancellation of the 21 Life Insurance Policies.

C. False Information in Renewal Application

11. Ranft provided false information relating to the ongoing investigation into his misconduct and to the termination of his business relationships to FSRA in his insurance agent licence renewal application dated July 25, 2022 (the “Renewal Application”).
12. In the Renewal Application Ranft falsely declared,
 - i) that no complaint had ever been made against him to a regulatory body based on fraud, theft, deceit, misrepresentation, or based on professional misconduct; and
 - ii) that he was not currently the subject of an investigation by a regulatory authority in Ontario
13. During the course of FSRA’s investigation into Ranft’s misconduct Ranft was made aware that Assumption Life had reported Ranft’s misconduct to FSRA in 2021. Ranft corresponded with FSRA and provided information and documents to FSRA in relation to the complaint in 2021 and 2022. Ranft also attended an interview at FSRA on March 9, 2022 and admitted to arranging for the issuance of 49 Life Insurance Policies based on false information
14. Ranft also falsely declared that he had not had an employment or business relationship terminated for fraud. In fact, Assumption Life terminated its business relationship with Ranft effective February 23, 2021 on account of Ranft’s fraudulent conduct relating to the 49 Life Insurance Policies. Financial Horizons also terminated its business relationship with Ranft on May 19, 2021 on account of fraud, gross negligence, or wilful misconduct.

III. CONTRAVENTIONS OR FAILURES TO COMPLY WITH THE ACT

A. False and Misleading Statements or Representations in the Registration of Insurance

15. Section 17(c) of Ontario Regulation 347/04 prohibits insurance agents from making false or misleading statements or representations in the solicitation or registration of insurance.
16. As described above, Ranft made numerous false statements and representations to Assumption Life while arranging for the issuance and registration of the 49 Life Insurance Policies in the name of fictitious persons. Ranft admitted that he fabricated all applicant details in the policy applications for the 49 Life Insurance Policies.

17. Ranft entered the above-described false statements and representations into insurance policy applications for the 49 Life Insurance Policies and submitted to Assumption Life.
18. Ranft's false representations allowed him to deceive Assumption Life into issuing the 49 Life Insurance Policies and paying Ranft commissions and other monetary incentives in the amount of \$287,208.58 for acting as the "agent" for fictitious persons.
19. Ranft also made premium payments on the 49 Life Insurance Policies in order to maintain the deception that the 49 Life Insurance Policies were owned by genuine persons.
20. In view of the above the Director is satisfied that Ranft intentionally and repeatedly made false statements and representations to Assumption Life with respect to the 49 Life Insurance Policies and thereby contravened Section 17(c) of Ontario Regulation 347/04.

B. False Information to FSRA

21. As per Section 447(2)(a) of the Act, any person who directly or indirectly furnishes false, misleading, or incomplete information to FSRA, whether the information is required under the Act or is volunteered, is guilty of an offence.
22. As described above, Ranft made false declarations in the Renewal Application in order to mislead FSRA into renewing his licence. Specifically:
 - i) Ranft falsely declared in the Renewal Application that no complaint had ever been made against him to a regulatory body;
 - ii) Ranft falsely declared that he was not currently the subject of an investigation by a regulatory authority; and
 - iii) Ranft falsely declared that he had not had an employment or business relationship terminated for fraud.
23. In view of the above, the Director is satisfied that Ranft provided false information to FSRA and thereby contravened Section 447(2)(a) of the Act.

IV. GROUNDS FOR REFUSAL TO RENEW LICENCE

24. Section 392.4(1) of the Act states that the Chief Executive Officer shall issue a licence to act as an insurance agent in Ontario to an applicant who applies in accordance with Section 392.3 and who satisfies the prescribed requirements for the licence unless the Chief Executive Officer believes, on reasonable grounds, that the applicant is not suitable to be licensed having regard to such circumstances as may be prescribed and such other matters as the Chief Executive Officer considers appropriate.

25. Section 392.5(1) of the Act states that the Chief Executive Officer may revoke or suspend an agent's licence to act as an insurance agent if the agent has failed to comply with this Act, the regulations, the Authority rules or a condition of the licence.
26. Section 392.5(2) of the Act states that the Chief Executive Officer may revoke or suspend an agent's licence if any prescribed grounds for revoking or suspending a licence, or for refusing to issue a licence, exist.
27. Section 7(4) of the Ontario Regulation states that the application for renewal of a licence may be refused on any grounds on which the Chief Executive Officer is authorized to suspend or revoke the licence.
28. Section 8 of Ontario Regulation 347/04 prescribes circumstances when a licensee is not suitable to be licensed. These circumstances occur when a licensee:
 - i) has violated any provision of the licence in the licensee's operations as an agent;
 - ii) has made a material misstatement or omission in the application for the licence;
 - iii) has been guilty of a fraudulent act or practice; or
 - iv) has demonstrated incompetence or untrustworthiness to transact the insurance agency business for which the licence has been granted.
29. Clause (a) of Section 4(1) of Ontario Regulation 347/04 requires that an insurance agent be of good character and reputation.
30. Clause (i) of Section 4(1) of Ontario Regulation 347/04 requires that an insurance agent is otherwise suitable to hold a licence.
31. The Director has determined that Ranft's renewal application for his insurance agent licence should be refused.
32. Ranft intentionally and repeatedly contravened Section 17(c) of Ontario Regulation 347/04 by making made false statements and representations to Assumption Life with respect to the 49 Life Insurance Policies.
33. Ranft also contravened Section 447(2)(a) of the Act by making several false declarations in the Renewal Application.
34. The Director has therefore determined that the Renewal Application should be refused on account of his failure to comply with the Act and Ontario Regulation 347/04.

35. Furthermore, the Director has reasonable grounds to believe that Ranft is not suitable to hold a licence under the Act in that his repeated contraventions demonstrate incompetence or untrustworthiness to transact the insurance agency business, as contemplated in section 8 of Ontario Regulation 347/04.
36. Also, Ranft undermined the FSRA licensing process and public confidence in the insurance sector by making material misstatements in the Renewal Application. FSRA requires truthful and complete disclosure by applicants and licensees to effectively regulate the life insurance agent sector. To assess licensing applications, FSRA relies upon the information provided by applicants.
37. Finally, the Director has determined that Ranft is not of good character and is otherwise not suitable to hold an insurance agent licence pursuant to Section 4(1) of Ontario Regulation 347/04. This is based on:
 - i) Ranft's contraventions, which were intentional and numerous and were committed only for the purpose of monetary gain and professional recognition;
 - ii) Ranft's misconduct occurred relatively recently and over a prolonged period of time between August 2019 and February 2021. The contraventions ceased only when Ranft was confronted by Financial Horizons and with the termination of his contracts with Assumption and Financial Horizons; and
 - iii) Ranft's misconduct was wholly related to his activities as an insurance agent licenced under the Act and would not have been possible without such a licence.

V. GROUNDS FOR IMPOSING ADMINISTRATIVE PENALTIES

38. The Director is satisfied that imposing administrative penalties on Ranft under section 441.3(1) of the Act will satisfy one or both of the following purposes under section 441.2(1) of the Act:
 1. To promote compliance with the requirements established under the Act.
 2. To prevent a person from deriving, directly or indirectly, any economic benefit as a result of contravening or failing to comply with a requirement established under this Act.
39. The Director is satisfied that an administrative penalty of \$50,000, should be imposed on Ranft under s. 441.3 of the Act for contravening or failing to comply with the Section 17(c) of Ontario Regulation 347/04 by making false statements and representations to Assumption Life with respect to the issuance of the 49 Life Insurance Policies.

40. The Director is also satisfied that an administrative penalty of \$6,000, should be imposed on Ranft under s. 441.3 of the Act for contravening or failing to comply with the Section 447(2)(a) of the Act by providing false information to FSRA in the Renewal Application.
41. In determining the amount of the administrative penalty, the Director has considered the following criteria as required by section 4(2) of Ontario Regulation 408/12:
 1. The degree to which the contravention or failure was intentional, reckless, or negligent.
 2. The extent of the harm or potential harm to others resulting from the contravention or failure.
 3. The extent to which the person or entity tried to mitigate any loss or take other remedial action.
 4. The extent to which the person or entity derived or reasonably might have expected to derive, directly or indirectly, any economic benefit from the contravention or failure.
 5. Any other contraventions or failures to comply with a requirement established under the Act or with any other financial services legislation of Ontario or of any jurisdiction during the preceding five years by the person or entity.
42. In respect of the **first criterion**, the Director is satisfied that Ranft's misconduct was intentional. In both his statement and interviews with Financial Horizons and FSRA, Ranft admitted to arranging for the issuance of the 49 Life Insurance Policies by Assumption Life and paying the premiums on the said policies.
43. Ranft's misconduct was sophisticated and specifically tailored to avoid detection by Assumption Life's policy issuance and underwriting systems.
44. All of the 49 Life Insurance Policies were whole life policies which allowed Ranft to maximize the amount of commissions payable on each policy.
45. Ranft admitted that he arranged for the issuance policies so as to earn commissions and other financial incentives from Assumption Life and for professional recognition and accolades.
46. Ranft also intentionally provided false information to FSRA to in the Renewal Application in an attempt to conceal the fact that he was he was subject of an investigation and that complaints were made against him in relation to his conduct as an insurance agent. Furthermore, he did not disclose that his business relationships with Financial Horizons and Assumption Life were terminated on account of fraud.

47. In respect of the **second criterion**, the Director is satisfied that Ranft's misconduct had caused harm to Assumption Life and FSRA. Ranft was paid \$287,208.58 in commissions and other incentives by Assumption Life.
48. Ranft's provision of false information to FSRA in the Renewal Application had to potential to harm FSRA's ability to correctly process the application, thereby causing risk to consumers and other industry participants.
49. Furthermore, Ranft's misconduct as an insurance agent, licensed and regulated under the Act, has the potential to harm public confidence in the regulatory regime established by the Act and its regulations.
50. In respect of the **third criterion**, the Director is aware that Ranft entered into a settlement with Assumption Life and Financial Horizons dated March 25, 2021 pursuant to which Ranft repaid \$270,861.01 to Assumption Life pursuant to the settlement. However,
 - i) Ranft's made the payments only after Assumption Life and Financial Horizons discovered Ranft's misconduct.
 - ii) The total repayment also includes premium payments made by Ranft on the 49 Life Insurance Policies amounting to \$140,248.48, which Ranft made in furtherance of his misconduct and to deceive Assumption Life.
51. In respect of the **fourth criterion**, the Director is satisfied that Ranft's conduct was intended to incur an economic benefit and to project a growth in clientele. Ranft accrued financial gain amounting to \$287,208.58 in commissions and other incentive payments on the issuance and registration of the 49 Life Insurance Policies.
52. In respect of the **fifth criterion**, the Director is unaware of any further contraventions or failures to comply in the preceding five years by Ranft, other than those identified in this Notice of Proposal.
53. Such further and other reasons as may come to the Director's attention.

DATED at Toronto, Ontario, April 11, 2023

Elissa Sinha
Director, Litigation and Enforcement

By delegated Authority from the Chief Executive Officer