

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

AND IN THE MATTER OF Derek Chapman.

AMENDED NOTICE OF PROPOSAL TO REFUSE TO RENEW LICENCE

TO: Derek Chapman

TAKE NOTICE THAT pursuant to sections 392.4 and 407.1 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, Licensing (A) (the “Director”) is proposing to refuse to renew the insurance agent licence issued to Derek Chapman.

Details of these contraventions and 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) 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, 7th Floor
Toronto, Ontario
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 refuse to renew the insurance agent licence issued to Derek Chapman (the "Applicant").
2. The Applicant is not suitable to be licensed as an insurance agent. ~~The Applicant provided false information to the Chief Executive Officer on his 2023 licence renewal application. Furthermore, T~~ the Applicant was disciplined for conduct as a mutual fund salesperson that resulted in significant disciplinary findings, a prohibition, and a fine and costs that he has not paid.

II. BACKGROUND

A. Financial Services Commission of Ontario ("FSCO") and FSRA Licensing History

3. The Applicant held a licence to sell life insurance and accident and sickness insurance under the Act (licence # 94023348) between April 1, 1994, and June 21, 2022, when his licence expired.
4. On November 2, 2023, the Applicant applied to renew his licence.

B. Mutual Fund Dealer's Association ("MFDA") Discipline

5. The Applicant was registered as a mutual fund salesperson in Ontario from August 2, 2002, to November 1, 2016, with an MFDA member.
6. The MFDA issued a notice of hearing on April 25, 2019, alleging misconduct by the Applicant. Following a hearing, on December 2, 2020, the hearing panel found the Applicant engaged in conduct that gave rise to an actual or potential conflict of interest which he failed to address by the exercise of responsible business judgment influenced only by the best interests of the client. Further, the Applicant failed to cooperate with an investigation into his conduct by MFDA staff.
7. On June 22, 2021, the hearing panel issued its penalty decision finding that the Applicant was “ungovernable” and ordered that he be permanently prohibited from conducting securities related business in any capacity while in the employ of, or in association with, any MFDA member. The hearing panel also ordered the Applicant to pay a fine of \$300,000 and costs of \$15,000.
8. The Applicant has not paid the fine or the costs to date.

~~C. FSCO/FSRA Licensing Renewal Application~~

- ~~9. On his 2023 licence renewal application, the Applicant falsely answered “no” when asked if he had ever had a licence or registration to deal with the public revoked, cancelled, or subjected to any restrictions or conditions. The Applicant declared he had truthfully answered all application questions, and certified he understood that “providing false, misleading or incomplete information may be sufficient grounds to reject the application”.~~

III. GROUNDS FOR LICENCE REFUSAL

10. Section 392.4(1) 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.
11. Section 4(1) of O Reg 347/04 states that an applicant for a licence shall be granted a licence if the Chief Executive Officer is satisfied that the applicant, among other things, (a) is of good character and reputation, and (i) is otherwise a suitable person to receive a licence.
12. Section 7(4) of Ontario Regulation 347/04 states that an application for renewal of an insurance agent licence may be refused on any grounds on which the Chief Executive Officer is authorized to suspend or revoke the licence.

13. 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 the Act, the regulations or a condition of the licence.
14. 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.
15. Section 8 of O Reg 347/04 provides that the Chief Executive Officer may suspend or revoke a licence on any grounds on which an application for a licence may be refused or if, after due investigation, it appears to the Chief Executive Officer that the licensee has among other things, ~~(b) made a material misstatement or omission in the application for the licence, or (d)~~ has demonstrated incompetence or untrustworthiness to transact the insurance agency business for which the licence has been granted.
16. FSRA must assess suitability keeping in mind that the purpose of licensing is to ensure that consumers receive competent and ethical insurance brokering services from those licensed to participate in the industry. When FSRA issues or renews a licence, it is considered a public endorsement that the licensee can serve as a trusted advisor to their clients who often rely on their insurance agents when making important financial decisions that can have a significant impact on their lives and well-being. ~~When applicants fail to disclose information related to suitability, they prevent FSRA from performing its gatekeeping function to assess who is eligible for a licence.~~
17. The Director believes, on reasonable grounds, that the Applicant is not suitable to be licensed as an insurance agent. His past and ongoing conduct demonstrates a disregard for rules intended to protect investors and consumers, a lack of trustworthiness, and an unwillingness to cooperate with his regulator, including not paying a fine and costs. The Applicant is ungovernable and poses a risk to consumers that cannot be adequately mitigated by attaching terms and conditions to the licence.
18. Such further and other reasons as may come to my attention.

DATED at Toronto, Ontario, , 2024.

Yovanka McBean
Director, Licensing (A)

By delegated Authority from the Chief Executive Officer