

DECISION
of the
LIFE INSURANCE COUNCIL OF MANITOBA
(“Council”)
Respecting
DEBORAH HRAPPSTEAD
(“Licensee”)

INTRODUCTION

The Life Insurance Council of Manitoba (“Council”) derives its authority from *The Insurance Act* C.C.S.M. c. 140 (“Act”) and the *Insurance Councils Regulation 227/91*.

In response to disclosure of a compliance issue concerning the Licensee, an investigation was conducted pursuant to sections 375(1) and 396.1(7)(e) of the *Act*, and section 7(2)(e) of *Regulation 227/91*. Council undertook an investigation of the Licensee to determine whether she had violated the *Act*, its *Regulations*, and/or the Life Insurance and Accident and Sickness Agent’s Code of Conduct (“Code”). During the investigation the Licensee was given an opportunity to make submissions with respect to Council’s concerns.

On August 30, 2017, during a meeting of Council, the evidence compiled during the investigation was presented; upon review Council determined its Intended Decision. Pursuant to sections 375(1) and 375(1.1) of the *Act* and *Regulation 227/91*, Council hereby renders its Intended Decision and corresponding reasons.

ISSUES

1. Did the Licensee fail to satisfy professional ethical standards and fail to follow sound business practices by obtaining, maintaining and/or submitting to an insurer non-compliant forms for the business of insurance, in violation of the *Act*, its *Regulations*, and/or the *Code*?

FACTS

1. In completing her May 18, 2017 licensing renewal application, the Licensee disclosed to Council that she was under review by her sponsor (“Sponsor”) due to non-compliant signed blank forms.
2. An investigation revealed that the Licensee obtained, maintained and/or submitted to an insurer non-compliant forms (“Forms”) for the business of insurance.
3. The Sponsor provided to Council the following non-compliant Forms relating to the Licensee’s business of insurance:
 - a. A pre-signed blank Order Ticket.
 - b. A partially complete Pre-authorized chequing (PAC) authorization form that had been altered using white-out.
 - c. A pre-signed signature page obtained on May 29, 2012.
 - d. A Pre-Authorized chequing (PAC)/automatic withdrawal (AWD)/automatic financial exchange (AFE)/banking information (ETF) form that had been altered using white-out, and submitted to the Sponsor for intended use.
4. By email dated May 3, 2017, the Licensee advised the Sponsor that she was aware that the Forms were not compliant.
5. As a result of obtaining, maintaining, and/or submitting to the insurer non-compliant forms, by letter dated June 7, 2017, the Sponsor advised the Licensee that:

Advisors must never ask a client to sign blank or partially completed forms. Advisors must always ensure that all material parts of forms and applications are fully completed before they are presented to the client to be signed. Even in cases where there is no evidence of intent to use a pre-signed or altered form, the use of such forms is prohibited in part because their existence destroys the integrity of the audit trail for activity in the relevant client’s account.

It is also a violation to modify/alter an existing document and submit it to Head Office for execution. It is your obligation to ensure documents/forms are completed properly and accurately reflect client information. If any material change needs to be made on a

document after it has been signed and dated, you must ensure the change is acknowledged and initialed by the client.

6. The Sponsor's June 7, 2017 letter advised the Licensee that she was required to fulfill a number of actions to amend her business practices, and on June 12, 2017, the Licensee signed an acknowledgement attached to that letter that she understood the requirements set out in that letter and the ramifications of failing to adhere to them.
7. By email dated July 19, 2017, the Licensee advised Council:

In the end, none of it was useable because the account was closed to new purchases. All of the paper work was to be destroyed, but it appears that it was re-filed.

ANALYSIS

Pursuant to section 375(1)(e) of the *Act*, acting with incompetency and untrustworthiness is prohibited. Section 1, Interests of the Client, section 4 Professionalism – Business Operations, and section 7 General Information Disclosure and Documentation, of the *Code*, mandates agents to act with integrity, competence and the utmost good faith, to adhere to sound business practices, and to ensure that the client is fully informed of all relevant information before the client makes a decision.

Agents are responsible for maintaining appropriate business practices; this includes ensuring that any incomplete or non-compliant forms are appropriately destroyed to prevent their accidental use. Agents are also responsible for ensuring full disclosure to the client of what is being signed, and for full documentation to be completed; this includes not using forms that have been amended or changed without the client's specific and initialled consent to that change.

In determining a suitable level of disciplinary action, Council took into account that the Licensee disclosed the compliance matter on her 2017 licensing renewal application, and that while one the Forms was submitted for use, no transactions were processed.

Council also recognized that the Licensee explicitly acknowledged to her Sponsor that the above mentioned Forms were non-compliant, and advised Council that she understood that all of the paperwork was intended to have been destroyed.

Upon consideration of the facts and evidence before it, Council concluded that the Licensee failed to discharge her professional and ethical responsibilities by obtaining, maintaining on file, and/or submitting for use non-compliant Forms for the business of

insurance: it is not in a client's best interests to sign blank or altered forms, even if those forms are not acted upon.

The Licensee's conduct demonstrates a disregard for following sound business practices, and a certain degree of incompetence and untrustworthiness.

The Licensee knew, or ought to have known, that the pre-signed blank and altered Forms were non-compliant for full client disclosure and documentation.

Based on the information and evidence, Council concluded that the Licensee violated section 375(1)(e) of the *Act* and sections 1, 4, and 7 of the *Code* and that disciplinary action is warranted.

PENALTY AND FINAL DECISION

Council's Decision dated October 26, 2017 was delivered to the Licensee by registered mail on October 30, 2017. The Decision outlined the foregoing background, analysis, and conclusions. In consideration of the foregoing violations, Council imposed the following penalty and sanction pursuant to section 375(1.1)(c)&(d) of the *Act* and section 7(1) of *Regulation 227/91*:

1. The Licensee be fined \$500.00 and assessed partial investigation costs of \$500.00.

Pursuant to section 389.0.1(1) of the *Act*, the Licensee had the right to appeal this Decision within twenty-one (21) days of receipt. The Licensee was advised of this right in the Decision and was provided with the Notice of Appeal form, in accordance with section 389.0.1(2) of the *Act*. As an appeal was not requested in this matter, this Decision of Council is final.

In accordance with Council's determination that publication of its Decisions are in the public interest, this Decision is published, in accordance with sections 7.1(1)&(2) of *Regulation 227/91*.

Dated in Winnipeg, Manitoba on the 22nd day of November, 2017.