



REGARDING the *Insurance Act*, R.S.O. 1990, c. I.8, in particular sections 392.5 and 407.1.

AND REGARDING Ronald M. Schwartz

INTERIM ORDER TO SUSPEND LICENCE

Ronald M. Schwartz currently holds a Life Insurance and Accident & Sickness Insurance Agent licence (licence number 020700560), issued to him under the *Insurance Act*. (“Act”).

Section 392.5 of the Act provides that the Superintendent of Financial Services (“Superintendent”) may, in appropriate circumstances, revoke an agent licence. Section 407.1 of the Act provides that where the Superintendent proposes to revoke a licence, the Superintendent shall give written notice of the proposal to the agent, including reasons for the proposal.

Section 392.5(6) of the Act provides that if, in the Superintendent’s opinion, the interests of the public may be adversely affected by any delay in revocation as result of the steps required by section 407.1, the Superintendent may, without notice, make an Interim Order suspending the licence and may do so before or after giving the notice required by section 407.1.

The Superintendent is of the opinion that the interests of the public may be adversely affected by any delay in the revocation of Mr. Schwartz’s agent licence. The reasons are as follows:

1. Ronald M. Schwartz currently holds an agent licence under the *Insurance Act* that entitles him to act as an insurance agent with respect to life, accident and sickness insurance.
2. Until April, 2015, Mr. Schwartz was a financial advisor with Hub Financial Inc. (“Hub”), a company that provides financial services and products to its clients. Mr. Schwartz, under contract with Hub, promoted and sold insurance products to its clients.
3. On April 2, 2015, Mr. Schwartz informed a client via email that he had withdrawn \$55,000 from that client’s segregated fund two years earlier without the client’s knowledge and invested those funds in “Redstone”, described by Mr. Schwartz as a commercial real estate fund/developer. He also admitted in

that email that he falsified statements sent to the client in order conceal his misappropriation.

4. Mr. Schwartz's admission to the client was apparently forced by a Canada Revenue Agency audit that questioned why the client had not declared the withdrawn funds as income.
5. In a meeting held shortly afterwards with compliance staff of Hub and a life insurance company for whom Mr. Schwartz acted as a broker, Mr. Schwartz confirmed that he had misappropriated the funds. He also admitted that the funds were not invested in Redstone as he had told his clients. They were actually invested with a private individual whom Mr. Schwartz would not identify.
6. Shortly after learning of this misappropriation, both Hub and the insurance company severed their contracts with Mr. Schwartz and began examining other transactions involving Mr. Schwartz to determine whether he misappropriated funds from other clients.
7. Those examinations are still ongoing. However FSCO's own investigation into Mr. Schwartz's activities has established reasonable grounds for belief that Mr. Schwartz misappropriated client funds in three additional cases.
8. In the first case, clients provided 3 cheques to Mr. Schwartz totaling \$150,000. The cheques were intended to be deposited in the clients' chosen investment fund. In fact the funds were diverted into Mr. Schwartz's control and are still missing. Mr. Schwartz also provided those clients with a false statement to conceal the misappropriation. The statement contained the copied and pasted logo of a financial institution, a fictitious policy number, and investment names and numbers that did not exist.
9. In the second case, a client provided \$21,000 to Mr. Schwartz to invest in a specified fund. The client later confirmed that all of the funds were withdrawn by Mr. Schwartz in increments over time through the issuance of cheques payable to himself. Those funds are still missing.
10. In the third case, a client invested approximately \$52,000 in an investment fund through Mr. Schwartz. Between 2011 and 2015, Mr. Schwartz arranged for a series of redemptions from the fund which were deposited into an account controlled by him. A total of \$48,000 was misappropriated. Mr. Schwartz provided the client with forged fund statements to conceal the misappropriation.
11. In June, 2015, Mr. Schwartz sent that client emails purporting to still be her financial adviser on behalf of Hub. As stated, Hub severed its ties with Mr. Schwartz in April, 2015 and it appears likely that Mr. Schwartz misrepresented his status with Hub to the client in order to further conceal or continue his fraudulent activities.

12. The Act and regulations made under the Act provide that the Superintendent may revoke an agent's licence where it appears to the Superintendent that the agent has been guilty of a fraudulent act or practice, or has demonstrated untrustworthiness to transact insurance business (the Act, s. 392.5(2), Ontario Regulation 347/04, s. 8).
13. Based on the information outlined above, those ground for revocation exist in this case.
14. Where the Superintendent proposes to revoke a licence, the Act requires the Superintendent to give written notice of that proposal to the agent including notification that the agent has a right to request a hearing about the proposal before the Financial Services Tribunal. If a hearing is requested, the Tribunal shall hold a hearing and decide whether to direct the Superintendent to carry out the proposal.
15. The Act further provides that where, in the Superintendent's opinion, the public may be adversely affected by the delay involved in giving the notice and holding a hearing, the Superintendent may, without notice, make an interim order suspending the licence.
16. In this case the Superintendent is of the opinion that the public may be adversely affected by any delay. On his own admission, Mr. Schwartz misappropriated significant funds from a client and created fraudulent documentation to conceal his theft.
17. Subsequent investigation has revealed similar misappropriations and fraudulent documentation in three other cases. As late as June, 2015, Mr. Schwartz misrepresented himself to a client as still being employed by Hub as a financial adviser and it is a reasonable inference that he did so in order to further conceal or continue his fraudulent activity.
18. An agent licence allows Mr. Schwartz to provide insurance agent services to the public. However, Mr. Schwartz has conducted fraudulent acts and has demonstrated untrustworthiness to transact insurance business. In these circumstances, it is the Superintendent's opinion that the interests of the public may be adversely affected by any delay in the revocation of Mr. Schwartz's licence and that the licence should be suspended immediately.

ORDER

It is ordered that the life, accident and sickness insurance agent licence of Ronald M. Schwartz (licence number 020700560) is immediately suspended, pursuant to section 392.5(6) of the Act.

During the suspension Ronald M. Schwartz is prohibited from acting as an insurance agent in Ontario.

This Interim Order takes effect immediately and will remain in effect until the expiry of the period for requesting a hearing about the Superintendent's proposal to make a permanent order; or, if before the end of such period the Superintendent does not give a notice of the proposal to make a permanent order, the Interim Order expires at the end of 21 days after the date of this Interim Order.

Pursuant to section 447(3) of the Act, every person who fails to comply with an order made under this Act is guilty of an offence and is liable to a fine of not more than \$250,000 on a first conviction and a fine of not more than \$500,000 on each subsequent conviction.

DATED at Toronto, Ontario, September 9, 2015.

"Original signed by Brian Mills"

Brian Mills
Superintendent of Financial Services