

## **Superintendent of Financial Services**

**Regarding** the life insurance agent licence of  
Laura Scheffel

**AND** the Insurance Act, R.S.O. 1990, c.1.8, as amended,  
particularly subsections 393(9) – 393(11)

### **DECISION**

#### Introduction:

A Notice of Opportunity for Hearing dated July 16, 2008 (the Notice) informed Laura Scheffel of allegations against her and the opportunity to a hearing before an Advisory Board. The Notice advised Ms. Scheffel that if a hearing was not requested the Superintendent would make a decision based on information in possession of the Financial Services Commission of Ontario (the Commission). Ms. Scheffel was also advised that such decision could include suspension or revocation of her licence as a life insurance agent.

I have received an affidavit (the Affidavit) of Kenneth Mang, an investigator at the Commission. Among other things this affidavit stated that a copy of the Notice was served on Ms Scheffel by registered mail at the last known address for Ms. Scheffel on file at the Commission and that Ms. Scheffel acknowledged receipt of the Notice by letter dated July 31, 2008.

The Affidavit also stated that inquiries were made of the Registrar named in the Notice whether there had been a request for a hearing and the Registrar confirmed that there had been no such request.

I am satisfied that the Notice of Opportunity for Hearing has been properly served, and that Ms. Scheffel did not avail herself of the opportunity for a hearing.

A copy of the allegations is attached to this Decision.

#### The Evidence:

Since Ms. Scheffel has not requested a hearing, the evidence of Commission staff in the particulars attached to the Notice is uncontroverted.

The evidence can be summarized as follows. Ms. Scheffel is a life insurance agent. During a period of nine months in 2004 and involving twenty five clients, Ms. Scheffel engaged in a practice of manipulating policies to obtain commissions to which she would not have otherwise been entitled. These practices involved rebating premiums to keep policies in force and assignment of policies that were about to lapse, be surrendered or replaced to former agents of the insurance company to avoid commission charge backs. This assignment involved submitting forms purported to be signed by former agents of the insurer. In addition some insurance applications were submitted for policies without disclosing that these were replacement policies. Earlier in 2008, Ms. Scheffel was convicted and fined by the Indiana Commissioner of insurance for obtaining a licence in that State through misrepresentation or fraud, and for fraudulent or coercive practices that demonstrated incompetence or untrustworthiness.

#### Findings of Fact

I find the first allegation is established by virtue of Ms. Scheffel's rebating of premiums to twenty five clients, her attempt to deceive an insurance company about her entitlement to commissions, and misrepresenting the replacement of existing policies. I find the second allegation is established by virtue to Ms. Scheffel's actions to obtain commissions that she was not otherwise entitled by rebating of premiums to twenty five clients, her attempt to deceive an insurance company about her entitlement to commissions, misrepresenting the replacement of existing policies, and providing false information on an application for an insurance agent licence in the State of Indiana.

In the absence of testimony by Ms Scheffel, there are no explanations for her behaviour or mitigating circumstances to consider.

#### Decision:

The Insurance Act requires that all applicants for a licence to be suitable. Regulation 347/04 sets out, among other things, grounds for suspension or revocation of an agent's licence. These include the two allegations that were made against Ms. Scheffel.


The Insurance Act places an obligation on the Superintendent to be satisfied that an agent intends to carry on business in good faith. Accordingly the consequence of an agent's actions must be considered both from the standpoint of his or her clients and other participants in the

insurance industry. In this case, Ms. Scheffel's actions did not reflect good faith toward the insurance company that she was representing.

Since Ms. Scheffel did not request a hearing, there are no explanations for her behaviour or mitigating circumstances to consider. Accordingly, it is not possible to assess whether a period of suspension would be an effective penalty for past behaviour and a deterrent against similar behaviour in the future, and in addition, whether licence conditions would serve a useful role in manage the risk of the behaviour recurring. As a result, it is my view that the appropriate penalty in this case is revocation of Ms. Scheffel's licence.

I hereby order that the life insurance agent licence of Ms. Laura Scheffel be revoked.

Dated at Toronto, this 31st day of October, 2008



Grant Swanson  
Executive Director, Licensing and Market Conduct  
by delegated Authority from  
Superintendent of Financial Services

## Schedule 1

The following allegations were set out in the Notice

1. Scheffel has demonstrated untrustworthiness to transact the business of insurance for which the licence has been granted as per section 8(d) of Regulation 347/04 made pursuant to the *Insurance Act*, for the following reasons:

- a. Rebating premiums to 25 clients by writing 17 cheques on her personal account between the dates of January 15, 2004 and October 15, 2004
- b. Scheffel engaged in a fraudulent practice by manipulating commission rules to receive commissions to which she was not entitled.
- c. Scheffel failed to disclose the replacing of 3 existing policies between February 3, 2003 and March 29, 2004, as is required by section 2(2) of Regulation 674 made pursuant to the *Insurance Act*.

2. Scheffel has been guilty of a fraudulent act or practice as per section 8(c) of Regulation 347/04 made pursuant to the *Insurance Act*, for the following reasons:

- a. Rebating premiums to 25 clients by writing 17 cheques on her personal account between the dates of January 15, 2004 and October 15, 2004.
- b. Scheffel engaged in a fraudulent practice by manipulating commission rules to receive commissions to which she was not entitled.
- c. Scheffel submitted "Release/Assign" forms bearing the signature of "assignee" agents, giving the impression that these forms had been signed by the agents, when in fact those agents were no longer in the employ of Clarica.
- d. Scheffel falsified information on her application with the state of Indiana, USA for a Resident Producer Licence. She did not disclose her previous employment with Clarica, and denied that she had a previous relationship with an insurance company which was terminated for alleged misconduct.