

## Disclaimer

*An order that is made regarding a licence holder reflects a situation at a particular point in time. The status of a licence holder can change. Readers should check the current status of a person's or entity's licence on the Licensing Link section of FSCO's website. Readers may also wish to contact the person or entity directly to get additional information or clarification about the events that resulted in the order.*



**Financial Services  
Commission  
of Ontario**  
5160 Yonge Street,  
Box 85  
Toronto ON M2N 6L9

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**REGARDING** the Insurance Act, R.S.O. 1990, c.1.8, as amended, in particular, sections 393(9) - 393 (11)

**AND REGARDING** Farshid Arab, life insurance agent

## DECISION AND ORDER

Introduction:

A Notice of Opportunity for Hearing dated June 4, 2012 (the Notice) informed Farshid Arab of allegations against him and the opportunity for a hearing before an Advisory Board. The Notice advised Mr. Arab 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). Mr. Arab was also advised that such decision could include suspension or revocation of his licence as a life insurance agent.

I have received an affidavit from Mr. Dan Sheppard, Investigator at the Commission that the Notice was sent by registered and regular mail to the address on file at the Commission. Canada Post returned the registered letter. The affidavit states that the address was confirmed with records maintained by the Ministry of Transportation. This additional verification is not required by the Insurance Act. The affidavit further states that no request for a hearing was received. I am satisfied that the Notice was properly

served in accordance with the provisions of the Insurance Act and that Mr. Arab did not request a hearing.

A copy of the allegations is attached to this Decision.

The Evidence:

Since Mr. Arab 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. Mr. Arab's sponsor for his licence to sell mutual funds withdrew its sponsorship of his licence as a result of a court judgment against him in a civil claim involving a guarantee that he had given. Mr Arab did not disclose this to the Commission in the application he made on July 22, 2010 to renew his life insurance agent licence. The application asks a question about having a licence or registration to deal with the public refused, revoked, suspended or cancelled.

Mr Arab had a contract with an insurance company that was terminated by the insurance company following an investigation it conducted into the circumstances surrounding a policy application. Mr Arab submitted an application for an insurance contract using the identify of another agent. Mr Arab had contacted the clients and asked them to provide false information about the agent involved in the sale. Mr Arab made a statement to the Commission investigator about the circumstances of that policy application that differed from the information gathered by the insurance company in its investigation.

Mr Arab's errors and omissions insurance coverage terminated on April 25, 2011 when his contract with an insurance company expired.

Findings of Fact:

Both the guarantee and the application submitted under the name of another agent are unusual activities for an agent and the reason for such activities cannot be known in the absence of testimony from Mr Arab. However, Mr Arab's response to these activities has been deceitful and does not reflect the trustworthiness that is expected of insurance agents. Accordingly, I find that Mr Arab has demonstrated untrustworthiness to transact the business of insurance and is therefore unsuitable to hold a licence as an insurance agent. This finding is as a result of Mr Arab twice providing false information to the Commission, providing false information to an insurance company, and requesting his clients provide false information to an insurance company.

I make no findings about the maintenance of errors and omissions insurance required by law. While I accept that his errors and omissions insurance coverage terminated as a result of termination of his contract with an insurance company, there is no information in the Notice that explains the statement that Mr Arab "did not make arrangements for E&O insurance". The Notice does not state whether this conclusion was a result of Mr

Arab's admission or whether he was asked for evidence of insurance coverage and failed to provide it.

Since Mr Arab did not request a hearing, I am not aware of any mitigating circumstances.

Decision:

I have found that Mr. Arab is not suitable to hold a licence as an insurance agent.

Suitability is a fundamental attribute of an insurance agent. The nature of the business of insurance agents places them in situations where they have access to sensitive personal and financial information about their clients. The business often results in agents meeting clients in their homes or in other situations where no one is overseeing the interaction between the agent and client.

I have considered whether there is any practical way to mitigate the risk that Mr. Arab represents to his clients. Since the findings of lack of honesty touch on Mr Arab's character, and considering the nature of the business of an insurance agent, there is no practical way to mitigate risk.

Since Mr. Arab has not requested a hearing, there is no basis to assess whether there are mitigating circumstances, nor is there any demonstrated interest in maintaining his licence as an insurance agent.

Accordingly considering the lack of suitability and his failure to request and attend a hearing to answer questions about his actions I believe that the appropriate penalty is revocation of Mr. Arab's licence as an insurance agent.

## **ORDER**

Accordingly, the life insurance agent licence of Farshid Arab is hereby revoked by this order.

Dated at Toronto, this thirtieth day of August, 2012

*Original Signed By*

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

## Schedule 1

### Allegations

The following allegation were set out in the Notice:

1. Arab has demonstrated untrustworthiness to transact the business of insurance for which the licence has been granted per section 8(d) of Regulation 347/0, and is thereby not suitable to remain licensed, by:
  - a. furnishing false, misleading or incomplete information to FSCO in his application to renew his life agent [licence] in July 2010 by falsely declaring that he had never had a licence or registration to deal with the public refused, revoked, suspended or cancelled.
  - b. furnishing false, misleading or incomplete information to a FSCO investigator in an interview in December 2011 regarding the sale of segregated funds to his clients.
  - c. furnishing false, misleading or incomplete information to his insurer Primerica when it was conducting an investigation into the sale of segregated funds to his clients.
  - d. requesting that his clients lie to Primerica about who was present when the applications for segregated funds were signed.
  - e. Arab has failed to maintain appropriate errors and omissions insurance ("E&O"), as is required by section 13 of the Ontario Regulation 347/04.
2. Arab has *contravened the provisions of the Insurance Act, RSO 1990, c. 1-8* ("Act") while licensed as a life agent, and is thereby not suitable to remain licensed, by:
  - a. furnishing false, misleading or incomplete information to FSCO in his application to renew his life agent [licence] in July 2010 by falsely declaring that he had never had a licence or registration to deal with the public refused, revoked, suspended or cancelled.
  - b. furnishing false, misleading or incomplete information to a FSCO investigator in an interview in December 2011 regarding the sale of segregated funds to his clients.
  - c. Arab has failed to maintain appropriate errors and omissions insurance ("E&O"), as is required by section 13 of the Ontario Regulation 347/04.
3. Such other allegations that FSCO may advise.

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