

Krause Edwards Insurance Brokers Limited
Registration Number: A3290
Barrie, Ontario

Jeffrey Stephen Krause
Registration Number: R15140
Barrie, Ontario

HEARING DATE: November 21, 2017

MISCONDUCT: Ontario Regulation 991, ss 15(1)9, 15(1)13 and 14, 16(4), 4.1, 4.2, 16(6)(a)(b) and (c), 19(b)

PARTICULARS OF THE COMPLAINT:

Krause Edwards Insurance Brokers Limited (hereinafter referred to as "Krause Edwards") and Jeffrey Stephen Krause, as Principal Broker, has been in breach of an Order of the Discipline Committee dated May 4, 2017, wherein Krause Edwards was ordered in Paragraph 2(c) of the Order to provide RIBO with monthly position reports in Form 1 showing full compliance with Section 16(4), Subsection 1, Subsections 4.1 and 4.2 and Subsections (5) and (6)(a)(b) and (c) of Ontario Regulation 991 for one year commencing with the month ending July 31, 2017 through to June 30, 2018, which reports were to be accompanied with supporting financial attachments and to be in RIBO's offices no later than 30 days after the respective month end. The Discipline Committee also ordered in paragraph 2(e) that Krause Edwards confirm in writing that they use the "Sig XP" receivable listing, "Summarized customer Aged Accounts Receivable" with the option "lesser of effective date or invoice date" in the verification of their premium receivables and over ninety-day balances. This confirmation was to be received by RIBO as soon as possible but no later than July 31, 2017. The Discipline Committee further ordered in paragraph 2(f) that Krause Edwards confirm in writing that timely bank reconciliations will be performed on all bank accounts of the brokerage and the reconciled bank balances will be used in the calculation and or reporting of the brokerage's Trust Position. This confirmation was to be received by RIBO as soon as possible but no later than July 31, 2017.

The position reports for the periods ending July 31, 2017 and August 31, 2017 with supporting financial attachments and the two written confirmations as set out above remained outstanding.

DISCIPLINE COMMITTEE'S DISPOSITION:

The Discipline Committee accepted the plea of guilty entered by Jeffrey Stephen Krause on his behalf and on behalf of Krause Edwards and accepted the evidence adduced by RIBO in support of the plea of guilty and finds that Jeffrey

Stephen Krause and Krause Edwards are both guilty of Breach of Order as set out above.

The Discipline Committee heard submissions from Counsel for RIBO and from Counsel for Mr. Jeffrey Stephen Krause and Krause Edwards with respect to both penalty and publication. The Discipline Committee ordered:

- (a) That Krause Edwards be in full compliance with RIBA and its Regulations, in particular Section 15, Subsection 1, Paragraphs 9, 13 and 14, Section 16, Subsection 4, Paragraphs 4.1, 4.2, and Subsection 6 Paragraphs (a), (b) and (c), and Section 19, Paragraph (b), as set out in the attached Directions by January 31, 2018.
- (b) That a recommendation be made to the Qualification and Registration Committee that the Certificate of Registration of Jeffrey Stephen Krause remain classed as "Unrestricted-Technical Only" for a period of not less than three (3) years from the date of this Decision. If he wishes to remove the restriction from the Certificate of Registration on or after November 21, 2020, he must attend the IBAO "Advanced Broker Management Course" and successfully complete and pass the RIBO Unrestricted Management Examination.
- (a) That Krause Edwards shall file with RIBO, monthly position reports in Form-1 showing full compliance with Section 16(4), Subsection 1, Subsections 4.1 and 4.2 and Subsection (6)(a)(b) and (c) of Ontario Regulation 991 for one (1) year commencing with the month ending January 31, 2018, February 28, 2018, March 31, 2018, April 30, 2018, May 31, 2018, June 30, 2018, July 31, 2018, August 31, 2018, September 30, 2018, October 31, 2018, November 30, 2018 and December 31, 2018. These reports are to be accompanied with the following verifying financial attachments; internally generated balance sheet, income statement, summary page of the aged premium receivable listing, copies of the original bank reconciliations and statements on the trust and general accounts and any other working paper that verifies a balance that differs with a system generated balance. Should these financial attachments not be applicable to this brokerage, then RIBO and the broker will agree on what these verifying financial attachments will be. These reports are to be in RIBO's offices 30 days after the respective month end.
- (b) That Krause Edwards shall subsequently file with RIBO, quarterly position reports in Form-1 showing full compliance with Section 16(4), Subsection 1, Subsections 4.1 and 4.2 and Subsection (6)(a)(b) and (c) of Ontario Regulation 991 for one (1) year commencing with the month ending March 31, 2019, and thereafter as of June 30, 2019, September 30, 2019 and December 31, 2019. These reports are to be accompanied with the following verifying financial attachments; internally generated balance

sheet, income statement, summary page of the aged premium receivable listing, copies of the original bank reconciliations and statements on the trust and general accounts and any other working paper that verifies a balance that differs with a system generated balance. Should these financial attachments not be applicable to this brokerage, then RIBO and the broker will agree on what these verifying financial attachments will be. These reports are to be in RIBO's offices 30 days after the respective month end.

- (c) That Krause Edwards confirm in writing that they use the "Sig XP" receivable listing, "Summarized Customer Aged Accounts Receivable" with the option "lesser of effective date or invoice date" in the verification of their premium receivables and over ninety-day balances. This confirmation to be received by RIBO as soon as possible and no later than January 31, 2018.
- (d) That Krause Edwards confirm in writing that timely bank reconciliations will be performed on all bank accounts of the brokerage and the bank reconciled bank balances will be used in the calculation and or reporting of the brokerage's Trust Position. This confirmation to be received by RIBO no later than January 31, 2018.
- (e) That if Krause Edwards remains non-compliant with any of the terms set out in paragraph 3(a) to 3(f) above as of February 28, 2018, then the Corporate Registration of Krause Edwards will be revoked immediately.