

MGA REGULATION

RISE and **FALL** of TruStar

Regulation, governance, compliance, trust. How a \$6-million lawsuit launched against TruStar's former CEO tested the Canadian insurance world's trust in MGAs

BY ALYSSA DI SABATINO, REPORTER

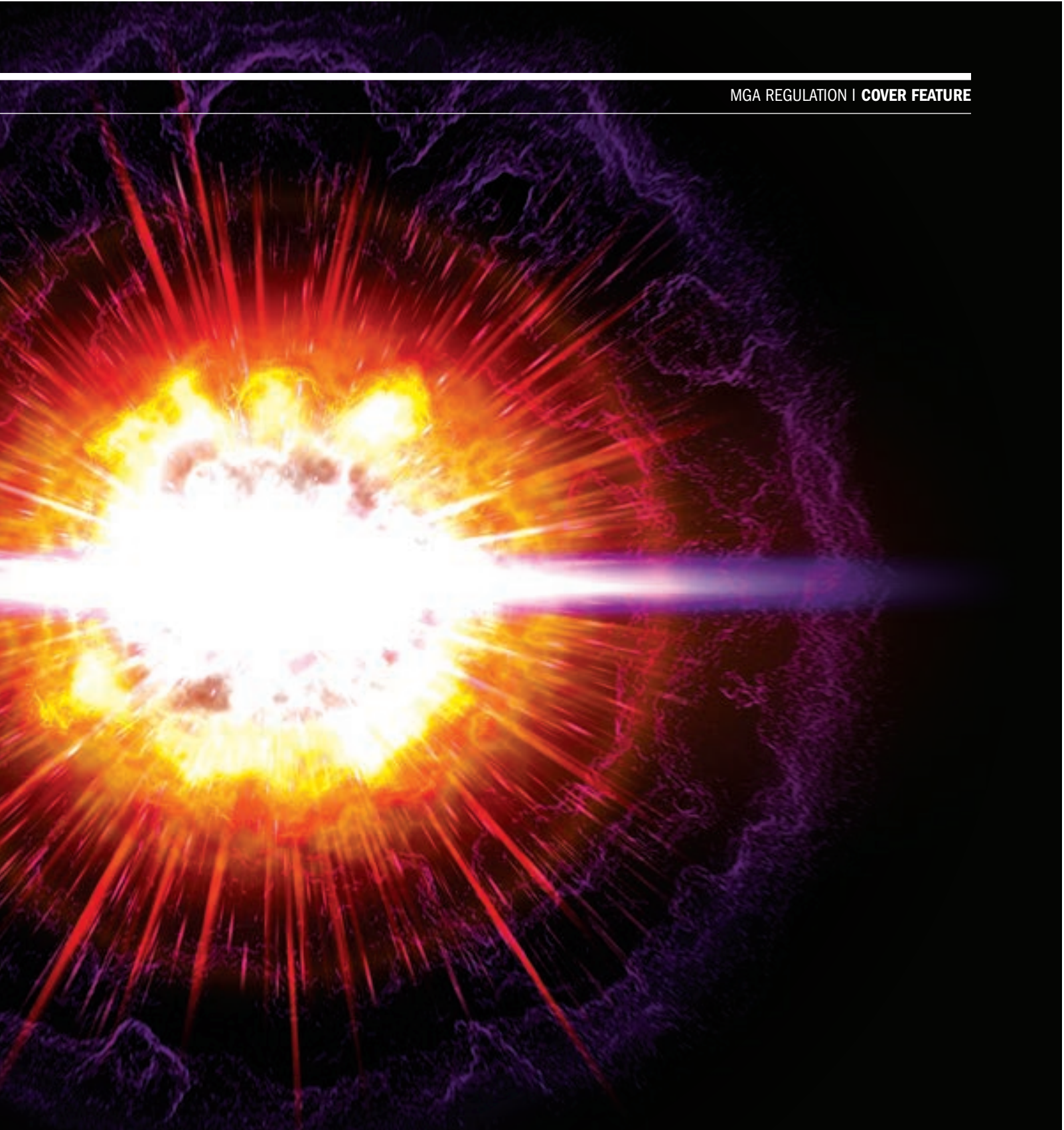
A supernova is the colossal explosion of a star. The massive transfer of energy is sudden, majorly destructive, and reverberates far and wide. The light emitted from the explosion is so powerful it can outshine an entire galaxy.

It's a fitting metaphor for the rise and fall of TruStar Underwriting, a Toronto-based managing general agent (MGA) currently in receivership. TruStar has launched a \$6-million civil lawsuit against its former president and CEO, Daniel Moses, whom it accuses of

siphoning company money for his own personal use. And its story is influencing the way Canada's property and casualty insurance industry approaches MGAs as business entities.

The accusations have not been proven in court, and police and Interpol confirm

Photo: iStockphoto.com/Soubrette



no criminal charges have been laid. *Canadian Underwriter's* efforts to contact TruStar's former president and CEO have been unsuccessful. No one seems to know where he is.

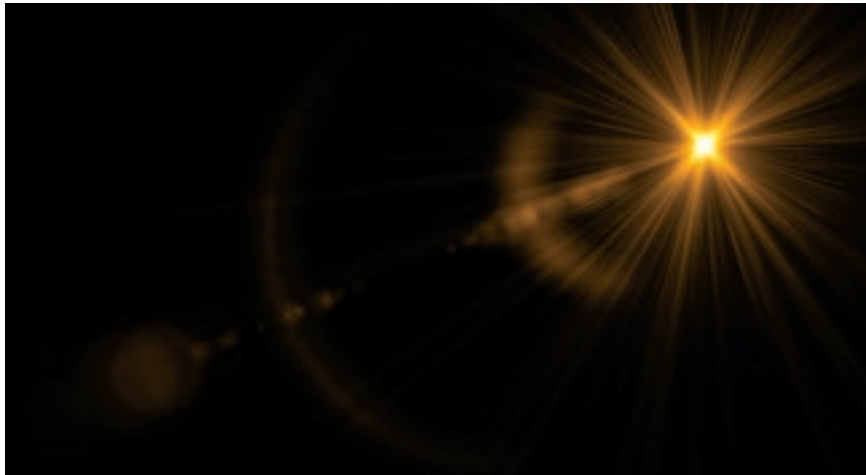
He has lawyers, but they are not responding to *CU's* questions. The story

that follows is drawn from extensive reviews of publicly available court documents, including submitted affidavits, and interviews with industry sources. As of press time, lawyers representing both TruStar and Moses have not answered any questions about the present state of

the case, or if a settlement is being negotiated. After TruStar's late 2024 supernova, all appears to have gone dark.

TruStar's bright days

Moses was president and CEO of TruStar roughly from 2019 until being formally



terminated on Dec. 13, 2024, according to court documents reviewed by *CU*.

He got his start in the industry in the early 2000s at South Western Insurance. At the time, the company was co-owned by Ross Totten, an insurance veteran of more than 50 years. Totten was co-owner of South Western and Totten Insurance Group before he helped establish TruStar (then Merlin Underwriting) in 2013. He now runs HRT Consulting and was a director at TruStar.

According to an affidavit filed in the civil suit, Totten said he knew Moses through Moses' mother, an insurance leader at South Western and an original investor in Totten Group.

Totten authorized Daniel Moses to be hired in a junior position at South Western, initially as a receptionist and mail-room staff member, his affidavit says.

Moses showed promise, and fast. After six months at South Western, he expressed an interest in underwriting. Totten sent him to England to work with a brokerage specializing in Lloyd's of London policies. There, Moses learned how to place their policies and work in the industries they insured. When he returned, he was placed in the casualty department of South Western Insurance as an underwriter. He became head of the department a few years later.

"At some point after I had sold South Western Insurance Company, Moses resigned from them and approached me to join Totten Insurance Group, which I had by then founded," Totten's affidavit

reads. Moses was subsequently hired as an underwriter and held a senior position with the company.

Moses later left Totten Group and moved around the industry, first joining Everest Insurance as an underwriter, and later joining Berkley Insurance.

When Moses was at Berkley, TruStar — then, Merlin Underwriting — was established. "I reached out to Moses and asked if he would be interested in applying to work at TruStar/Merlin," Totten's affidavit reads.

Moses was hired as a senior underwriter and was later promoted to president of TruStar.

In his new capacity as president and CEO, he was responsible for general management of the company and continued underwriting policies for large commercial accounts.

Moses was also the primary person responsible for managing the relationships with TruStar's accounting and banking service providers, according to the company's statement of claim.

All the while, Totten said he maintained contact with Moses.

"I would meet with him in person once every month or two when I came into Toronto as part of business. On top of that, we were in regular contact via telephone and e-mail as part of my role as [TruStar] director and his as president," Totten's affidavit reads.

Moses was, to put it simply, "leadership material," Totten's affidavit reads. And his meteoric rise showed it.

"Daniel's achievements were not just limited to his management abilities. He was able to place and handle large commercial accounts in difficult situations, which would typically be expected of people far more senior to him. He exhibited abilities suggesting many more years of experience than what he actually had. He was a strong producer of business."

Among his insurance peers, Moses received accolades as a "rising star." He was known as a hard worker dedicated to his craft, and set a good example for his underwriters, sources tell *CU*.

“Daniel’s achievements were not just limited to his management abilities. He was able to place and handle large commercial accounts...which would typically be expected of people far more senior to him.”

But Moses' performance of his financial duties drew some attention. "[T]here were signs that his administration of the business wasn't effective; things like invoices being paid late [or] missed, not invoicing for policies," says one source, who was granted anonymity to talk freely about the matter.

Some brokers, the source tells *CU*, were "indicating that some number of premium dollars hadn't been paid in months and months and months."

Another source says a client experienced issues with claims handling and communicating with TruStar representatives long before the allegations became public. The client "actually started holding monies back because they just thought something didn't seem right."

Governance and trust

First incorporated in 2017, it was not until approximately 2019-20 when TruStar (as Merlin) commercialized and began to process a “steady rate” of insurance policies, according to the company’s statement of claim. TruStar operated as Merlin until rebranding in 2021.

Moses himself said of the company’s rebrand in 2021: “We pride ourselves on bold vision, technical expertise, and service leadership. Our purpose is simple; we want to provide our partners the most consistent and trusted specialty underwriting experience in Canada.”

“The company noticed suspicious invoices, payments, and unauthorized activities totalling hundreds of thousands.”

Trust is a central theme in the company’s public statements. According to a cached version of TruStar’s website, Moses’ “experience and market wisdom” is touted as having helped him “forge trusted relationships with senior stakeholders and establish himself as an effective industry leader.”

In addition to his regular check-ins with Totten, Moses also reported to the company’s board monthly, giving updates on financials and how the company was doing. He also reported on his own book of business, in keeping with the board’s expectations of all underwriters at the company, sources say.

Moses was also accountable to the insurance companies, since he bound the business on their behalf. As is the case with other MGAs, he did this through standard reporting forms.

Falling star

Things started to heat up at TruStar in 2024.



At the time, a company made an offer to buy the business, according to court documents and corroborated by sources. As part of their due diligence ahead of the potential deal, TruStar hired an audit team to review the company’s financial records, sources tell *CU*.

That’s when things exploded.

In early November 2024, the company noticed suspicious invoices, payments, and unauthorized activities totalling hundreds of thousands, according to documents TruStar filed with the Ontario Superior Court.

The investigation traced these financial reporting documents back to Moses, particularly since they came out of TruStar’s trust account — which was meant to be used exclusively to receive the premiums and later remit them to insurance companies. Moses was one of three people within TruStar authorized to create and approve payments, perform other banking tasks, and access all banking information, according to TruStar’s statement of claim. The other two had no knowledge of Moses’ activities, a source told *CU*.

When TruStar inquired about the transactions with Moses, they claim he “delayed and obfuscated.”

Eventually, he produced correspondence — reports, invoices and other documents — that supported the payments as “ordinary remittances of premiums” to TruStar clients. He also provided communications purportedly from TruStar’s external accoun-

tants that legitimized the payments, the notice of motion reads. However, further investigation by the company, as presented in its notice of motion, suggested the documentation was forged, edited, or falsified; the communications from the accounting team were fabricated; and several members of the external accounting team — introduced and overseen by Moses — didn’t exist.

What TruStar’s investigation uncovered

In a Dec. 10 endorsement, Ontario Superior Court Justice Peter J. Osborne wrote that Moses was accused of running two concurrent fraud schemes against TruStar.

(Osborne’s “endorsement,” which is a brief judicial decision telling parties what they must or must not do, is about the company’s motion to freeze bank accounts. It does not make findings of fact about the company’s case against Moses.)

According to the endorsement, the company claims Moses’ first scheme involved him allegedly selling insurance policies to proposed policyholders but failing to place those policies with any insurance company.

After accepting the premiums, Moses deposited the premiums into his personal bank account, Justice Osborne’s description of the company’s accusation states.

On other occasions, Moses collected premiums from legitimate policyholders, failed to renew their policies, but

collected the premiums anyway, the company alleges in its statement of claim.

“He thereafter negligently advised those policyholders that an insurance policy had been issued when it had not... and did not remit or report the premiums to TruStar or any insurer clients,” says TruStar’s statement of claim. The policyholders were to be advised through their brokers, according to a source.

When clients with illegitimate policies made a claim, Moses would use funds from TruStar’s trust accounts to settle the claim, and would then represent the claims payments as coming from

alleged MNP employees Moses had provided correspondence from did not in fact exist.” Although MNP had once handled TruStar’s accounting, investigations found MNP had not done actual work for TruStar since at least 2021, according to court documents.

Where’d it go?

Further investigations revealed the payments were put into a small number of bank accounts, according to a Nov. 12 notice of action filed by TruStar.

In early November 2024, TruStar staff uncovered suspicious invoices and pay-

personal accounts between 2019 and 2024, according to affidavits filed by TruStar’s head of operations Ryan Seager. Seager’s affidavit says Moses made 99 e-transfers from his RBC accounts into his TD account between January 2023 and November 2024, moving about \$201,300, and appropriating \$201,128.68 of that for Moses’ personal benefit.

Moses’ lawyers told the court this TD account, which he shared with his spouse, was used only for mortgage payments, the affidavits claim.

TruStar disputes Moses’ claim about his TD account being used only for mortgage payments. The company entered bank records into evidence indicating 184 mortgage and mortgage-protection payments were made since 2019.

However, more than \$365,000 in withdrawals remain unexplained, including transfers, cash withdrawals, cheques and a wire payment, the company says. TruStar filed its civil lawsuit against Moses on Dec. 19, 2024, claiming \$6 million in damages.

The information emerging from the investigation left TruStar staff “completely gobsmacked,” says a CU source. “They just couldn’t believe it of him.”



an actual insurance company, TruStar alleges. “He did this in an effort to escape any detection that the policies themselves were unresponsive and inactive,” and “without any authority or authorization from a possible insurer or insured,” the statement of claim reads.

In the “second scheme,” as termed by Justice Osborne, Moses allegedly paid funds from TruStar’s trust account into his own personal accounts and masked or misrepresented the transactions so the funds appeared like they’d been directed to legitimate recipients.

Additionally, TruStar’s statement of claim alleges Moses falsified accounting records “to provide the appearance of correspondence” from accounting firm MNP’s employees.

“Despite representations being made by Moses that MNP continued to serve as TruStar’s accountants,” TruStar’s internal review found, “several of the

ments, prompting Justice Osborne to grant a “Norwich-type” order on Nov. 14 to trace the activity.

A Norwich order is a court remedy that compels third parties that are not directly involved in a dispute — often banks or other institutions — to disclose information that may help identify wrongdoers or trace assets.

A second Norwich order on Nov. 25 compelled RBC, with which Moses held a bank account, to disclose his bank records. By Dec. 11, the court imposed a third order to freeze three of his accounts, two at RBC and one at TD, and bar him from moving or spending his assets.

Shortly after his accounts were frozen, Moses was formally dismissed from the company, though he’d been working in a suspended capacity, under supervision, until then. The company is accusing Moses of diverting more than \$300,000 of company funds into his

“The information emerging from the investigation left TruStar staff ‘completely gobsmacked.’”

Canadian Underwriter has reached out to Moses’ lawyers at Ross Nasser LLP several times for comment but has never heard back. CU has also reached out directly to Moses’ personal email address and has likewise not received a reply.

As of Sept. 16, Moses has not filed a defence with the court.

Impact on industry

Debris from TruStar’s explosion spread far and wide across the reaches of Can-

ada's property and casualty industry. When news of TruStar's lawsuit spread, sources familiar with the matter told *CU* finding coverage for affected clients had been a "scramble," "chaos," and "difficult."

The impact on affected insurance companies or brokerages was widespread.

More than 30 organizations — including brokers, insurers, subsidiaries and consulting and construction firms — appear on an e-service list from TruStar's receiver, Doane Grant Thornton, as of a Sept. 4 update.

The list helps distribute court documents to stakeholders with legal interest. *CU* has not independently verified these interests, and other companies may be affected but not listed.

In December 2024, TruStar went into receivership. Doane Grant Thornton became custodian of all the assets, undertakings and properties of TruStar's business, its policyholders and claimants. By February 2025, TruStar

ceased its operations. Throughout it all, the industry banded together to help policyholders. Competitors worked to place policies for clients that had paid premiums, but did not have coverage.

"I have spoken with many of the TruStar markets and they committed to working with TruStar to secure [policies]," Totten said in his December 2024 affidavit, after the lawsuit was filed. "Even some of TruStar's competitors have contacted TruStar to offer help in securing coverage for troubled policies."

As for compensation to those affected, and the current status of the claim in court, Bruce Bando, vice president at Doane Grant Thornton, says the receiver is working on developing and conducting a court-approved claims process.

"[T]he information will be available on the receiver's case website once completed."

Whether the matter will go before a judge or be settled quietly remains uncertain. Bando tells *CU* in a Sep-

tember statement: "There is no settlement as of yet." Sources suggest the forensic investigation into the alleged fraud has since slowed considerably.

What's next for regulation?

For all the damage supernovas cause, they also offer potential for a new beginning. TruStar's lawsuit shone a blinding light on the existing patchwork system for regulating MGAs in Canada.

MGAs have a special place in the P&C insurance universe. They sit somewhere between retail brokers, who sell insurance policies directly to the public, and insurance companies, which underwrite the policies. Essentially, MGAs have a specialized knowledge in certain commercial areas. Because of this knowledge, insurers trust them with limited authority to write the policies, and the carriers will put capacity behind them to pay claims. Meanwhile, the MGAs provide the policies to brokerages, which sell them to their clients. Because of

THANKS, LLOYD'S
YOU MAKE US
WORLD-CLASS.

LLOYD'S



On behalf of the 43,000 local Canadian insurance brokers represented by IBAC, we sincerely thank Lloyd's Canada for supporting our membership in the World Federation of Insurance Intermediaries (WFii) — and for helping amplify our voice on the global stage.



their status as an intermediary between insurers and brokers, there has been a longstanding debate about how MGAs should be regulated.

Some say they should be regulated as insurers, while others see their status as distributors of an insurance policy and therefore should be regulated as brokers.

TruStar's legal case brought this uncertain status to light, driving an industry-wide dialogue between insurers, regulators, brokers, and MGAs about the right balance of oversight.

In Ontario, MGAs can volunteer to license themselves as retail brokers through the Registered Insurance Brokers of Ontario (RIBO), the province's self-regulatory body for brokers.

Outside Ontario, MGAs must be licensed as retail brokers by the provincial insurance regulatory bodies. New Brunswick created a licensing regime for MGAs in 2023.

While MGAs have become a growing part of the distribution landscape, the regulatory frameworks that govern them differ by province, making consistent oversight a challenge.

Regulators tell *CU* they are taking stock of their processes and are committed to strengthening oversight of MGAs.

“Both insurers and MGAs must have adequate controls to meet regulatory requirements.”

“In 2024, we initiated research to better understand MGA operations and impacts on consumer risk,” says Janet Sinclair, CEO of the Insurance Council of British Columbia. “That research is ongoing and includes exploring regulatory guidance or other opportunities to enhance consumer protection and industry accountability.”

The Alberta Insurance Council takes

a similar approach: “The AIC is dedicated to continually modernizing and improving its processes and regulatory practices...An important component of those efforts is through collaboration and knowledge-sharing with regulatory partners.”

For brokers, a key lesson from the TruStar situation is the importance of demanding greater transparency from MGAs. RIBO is facilitating that through the publication of guidance and best practices, set for release in Fall 2025, CEO Mark Abraham tells *CU*.

These best practices include a market approval process, where brokers ask MGAs for clear documentation, confirmation of insurer involvement in policies, and evidence of adequate coverage and compliance. “It’s about greater transparency throughout the system which provides everybody with a higher level of comfort that everything is being done right at every stage of the process,” says Abraham.

On the MGA side, RIBO is also considering developing best practices to rebuild confidence in the distribution chain. “We’re looking at putting some best practices together for the MGAs as well,” he says.

These best practices will encourage MGAs to be open to working with brokerages carrying out their due diligence activities such as including the insurer on the policy document, sharing a copy of E&O policies, and being open to audits by brokers.

In Ontario, insurers that outsource underwriting to MGAs are also given recommendations for oversight, with

areas of focus on consumer harm. The Financial Services Regulatory Authority of Ontario (FSRA), which regulates insurers but not MGAs, says it “expects insurers to ensure the MGAs, to whom they outsource functions, will treat consumers fairly.”

“Both insurers and MGAs must have adequate controls to meet regulatory requirements,” the regulator said.

“Our future activities could include addressing these risks in several possible ways. For example, FSRA’s examinations may be tailored to focus on the risks most likely to lead to consumer harm.”

Associations can also act as a form of oversight. For example, members of the Canadian Association of Managing General Agents (CAMGA) must follow certain minimum standards as a condition of continuing membership. CAMGA membership is optional for MGAs. And these standards are not regulations.

Still, regulation can only do so much to prevent fraud. Pete Tessier, president of CAMGA, says the industry needs more information on what went wrong internally at TruStar. Having this information will help other MGAs tighten internal protocols.

“I think one of the things that we have to be really cautious about is we’re not entirely sure what went wrong in the TruStar situation,” he tells *CU*. “We all have perspectives and opinions on it, but it would be nice if we could have a report from the receiver...who is doing the work to help tidy everything up... and sort out the labyrinth of problems. That’s the kind of information the industry needs to get ahold of.” *CU*