



**IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141**

and

**WESTERN LIFE ASSURANCE COMPANY, VENUE FINANCIAL LTD.
AND CASHCO FINANCIAL INC.**

**ORDERS
UNDER SECTIONS 244(2) AND 238**

**NOTICE OF RIGHT OF HEARING OR APPEAL
UNDER SECTIONS 238(2) AND 242**

UPON REVIEWING THE SUBMISSIONS AND EVIDENCE OF FINANCIAL INSTITUTIONS COMMISSION STAFF, I make the following findings and orders:

1. Not all people selling insurance in British Columbia are required to be licensed with the Insurance Council of British Columbia (Council). The *Financial Institutions Act* (FIA) exempts some sellers from licensing in certain circumstances. One of those circumstances involves businesses and people who, in connection with their arranging or providing credit, also act as an insurance agent with respect to the sale of credit insurance in connection with the credit being provided.
2. Notwithstanding the fact that they are not required to be licensed, these exempt persons are still bound by the duties and responsibilities placed upon insurance agents by the common law, and by the legislation applicable to the insurance company for whom they act.

The parties and insurance at issue

3. Western Life Assurance Company (Western Life) was registered in British Columbia as an extraprovincial company on July 2, 1991 under Registration No. A0033877. The head office address is reported as 1010 – 24 Street SE, High River, AB T1V 2A7. It is federally incorporated.

4. On February 28, 2005, a Certificate of Business Authorization was issued by FICOM to Western Life to carry on life, and accident and sickness insurance business within British Columbia. On July 1, 2012, an amended Certificate of Business Authorization was issued by FICOM to Western Life to carry on life, accident and sickness, and credit protection insurance business in British Columbia.
5. Venue Financial Ltd. was incorporated in British Columbia on April 22, 2013 under Incorporation No. BC0968076. The registered office and records office addresses are listed as 376 Main Street, Penticton, BC V2A 5C3. The sole company director and officer is identified as Rene CARLONI (CARLONI). Venue Financial Ltd. registered the sole proprietorship Venue Financial Centres on August 13, 2013 under Registration No. FM0614250. The business and mailing address are listed as 1756 Springfield Road, Kelowna, BC V1Y 5V6. The sole proprietor is reported as Venue Financial Ltd., at 474 Main Street, Penticton, BC V2A 5C5. The sole proprietor registration was submitted by CARLONI.
6. As at August 1, 2017, Venue Financial Ltd. doing business as Venue Financial Centres holds 14 active payday lender licenses with Consumer Protection British Columbia (CPBC), for locations throughout British Columbia. As at March 10, 2017, Venue held 15 active payday lender licenses in British Columbia with CPBC.
7. CashCo Financial Inc. (CashCo) was registered in British Columbia as an extraprovincial company on December 1, 2009 under Registration No. A0078743. The head office address is reported as #325, 8170 – 50th Street, Edmonton, AB T6B 1E6. CashCo was incorporated in Alberta on November 17, 2009 under Corporate No. 2015021831. The company name was changed from CashCo PDL Inc. on May 4, 2017. Cash Canada Financial (Cash Canada) was registered in British Columbia as a sole proprietorship on April 26, 2010 under Registration No. FM0527655. The business start date is listed as December 1, 2009, and the nature of business is “The business of pay day loans”. The business address is 76 North Third Avenue, Williams Lake, BC V2G 2A2. The sole proprietor is CashCo Financial Inc., of PO Box 49290, 1000 – 595 Burrard Street, Vancouver, BC V7X 1S8.
8. CashCo holds six active payday lender licenses with CPBC. Five licensed payday lenders are located in British Columbia and one “online location” operates out of Edmonton, Alberta.
9. The *Business Practices and Consumer Protection Act* (BPCP Act) and the *Payday Loans Regulation* (PLR) govern the conduct of persons and businesses engaged in the activity of payday lending in British Columbia. CPBC is responsible for the administration of the BPCP Act and PLR. CPBC Inspectors are empowered under the BPCP Act to conduct inspections for the purpose of determining compliance.
10. IWS Creditor Group Inc. (IWS) was registered in British Columbia as an extraprovincial company on September 27, 2006 under Registration No. A0069038. The head office address is reported as 300 – 495 Richmond Street, London, ON N6A 5A9. IWS was incorporated in the Province of Ontario on March 11, 2005 under Incorporation No. 2067037. As at August 1, 2017, IWS holds an active life licence with the Council. IWS has held a non-resident life and accident and sickness insurance licence since July 2, 2010.

11. Premium Services Group Inc. (Premium Services Group) was registered in British Columbia as an extraprovincial company on September 27, 2006 under Registration No. A0069039. The head office address is reported as 300 – 495 Richmond Street, London, ON N6A 5A9. Premium Services Group was incorporated in the Province of Ontario on March 20, 1999 under Incorporation No. 1347581. As per Premium Service Group’s website at <https://premiumservicesgroup.ca>, they are a third party administrator for credit insurance programs on behalf of Canadian insurers. As at August 29, 2017, Premium Services Group is not currently licensed in British Columbia by Council.

12. In September 2015, FICOM issued Information Bulletin No. INS-15-002 titled, “Creditor’s Group Insurance” (CGI Bulletin) to all life insurers, accident and sickness insurers, CGI exempt sellers, and CGI creditors. The CGI Bulletin outlines FICOM’s expectations for insurers regarding CGI in British Columbia, including the following:
 - a. FICOM expects insurance companies to have robust and effective oversight and controls over its CGI products, from formation of the contract to the settlement of claims.
 - b. Where an insurer uses a third party in the sale or distribution of an insurance product, the insurer must extend its oversight and control regime to the functions provided by that third party.
 - c. An effective oversight and control regime includes ongoing monitoring, reporting and auditing procedures to ensure the insurance is being sold in the manner expected by both the insurer and the creditor, is suitable to the needs of the consumer, and is in accordance with legislative requirements. This includes ensuring that:
 - i. Coercive sales practices are not taking place;
 - ii. All disclosure requirements set out in legislation are being met;
 - iii. Consumers are clearly aware of the voluntary nature of the product;
 - iv. Controls are in place to mitigate against enrolment of ineligible insureds; all product materials are clear, written in plain language, and provide sufficient information on terms and conditions of the contract for the consumer to make an informed choice; and
 - v. All product materials indicate how to contact the insurer for information, clarification, changes and disputes.

13. Western Life is selling group creditor insurance associated with the credit being granted by a number of payday lenders or nonfinancial institution lenders in British Columbia. The insurance is sold by lenders and their employees pursuant to the licensing exemption provided in the FIA.

The investigation

14. On January 23, 2017, the Manager of Compliance at CPBC contacted FICOM to discuss his observations during recent inspections at two licensed Venue locations in Esquimalt and Port Alberni, BC. He advised FICOM staff of concerns regarding Venue's selling practices of an insurance product named Loan Protection Plan (LPP), offered through Western Life. The Manager stated that he personally witnessed the LPP being sold to consumers during his inspection on January 20, 2017, and confirmed that the LPP is not disclosed to the consumer during the loan transaction.
15. On February 9, 2017, CPBC and FICOM staff met regarding possible issues involved with the selling of credit insurance by payday lenders. During this meeting, CPBC staff stated that Venue recently started selling the LPP in the past year.
16. On February 14, 2017, CPBC informed FICOM staff that a second payday lender licensee, CashCo, offered a loan protection product by Western Life.
17. CashCo's website at <https://cashcofinancial.com>, outlines the loan protection coverage. According to the "Loan Protection" webpage, CashCo offers loan protection coverage on its payday loans for accident/sickness, involuntary unemployment, critical illness, and death. The "Claims Process" is outlined on this webpage, which identifies that claims are to be submitted to IWS via a "LPP Claims Portal". Any claims questions are directed to IWS through three different telephone numbers provided as 1-855-377-7542, 1-866-766-4566 ext. 4061, and 1-877-319-7151. This webpage does not identify Western Life nor make any reference to the insurer.
18. On August 25, 2017, FICOM staff contacted the telephone numbers listed for claims questions on CashCo's website and identified the following:
 - a. 1-855-377-7542 was answered by a female identified as Susan of IWS Financial.
 - b. 1-866-766-4566 reached an automated recording identifying the company as IWS Creditors Group and Premium Services Group.
 - c. 1-877-319-7151 was answered by a male identified as Kent Taylor.
19. A second web link provided by CPBC staff provides the "Certificate of Insurance – Group Policy CC001002 Issued to CashCo ADM Inc (the "Lender") by Western Life Assurance Company (the "Insurer")", which enables borrowers to purchase the insurance through the website and provides the following information:
 - a. Benefits available under the "Payroll Loan Insurance Plan", include death, injury or sickness, critical illness, and involuntary unemployment.
 - b. A restriction is stated at the top of the Certificate of Insurance as follows:
 - i. Not all of these insurance benefits necessarily apply to you. Coverage is provided in consideration of your eligibility, your request for coverage and payment of premium. You must read

your Promissory Note and your Certificate of Insurance together to determine which insurance you are eligible for and which benefits apply to you.

- c. The Administrator appointed by the Insurer is identified as IWS Creditor Group, at 495 Richmond Street, Suite 300, London, ON N6A 5A9.
 - d. The Insurer is identified as Western Life Assurance Company, with a mailing address of PO Box 3300, Winnipeg, MB and an administrative office address of 717 Portage Avenue, Winnipeg, MB.
 - e. The following general eligibility requirements must be satisfied to be covered for or eligible to receive any benefits under the Payroll Loan Balance Insurance plan:
 - i. You must be a resident of Canada on the date you apply.
 - ii. You must be under age 70 at the date you apply.
 - iii. You must have agreed to the terms and conditions of the Promissory Note.
 - iv. The Maximum Benefit Amount under any of the benefit provisions of this Group Policy is \$1,800 per loss, and \$3,000 is the Maximum Benefit Amount in any twelve (12) month period.
 - f. Notice of Claim and Claim Forms which contain these statements: You or someone acting on your behalf must notify us within 30 days of your death, Sickness, critical illness, Injury or Involuntary Unemployment. You or your representative may notify us by calling our customer service representatives at 1-800-862-7184 or by writing to us at the Administrators office: IWS Creditor Group, 495 Richmond Street, Suite 300, London, ON N6A 5A9.
 - g. Coverage can be canceled at any time by calling 1-800-862-7184 or by writing to the Administrator's office, c/o IWS Creditor Group.
20. On August 25, 2017, FICOM staff contacted the above telephone number of 1-800-862-7184 and reached an automated recording identifying the company name as IWS Creditor Group.
21. On March 29, 2017, CPBC staff forwarded a complaint received by CPBC to FICOM from KS from Kamloops, British Columbia. The KS Complaint material includes the following information:
- a. The complaint was filed against CashCo, at 108 – 361 Tranquille Road, Kamloops, BC (CashCo Kamloops).
 - b. On February 16, 2017, KS obtained a loan in-store from CashCo Kamloops for the principal amount of \$620.

- c. KS explained that she obtained a loan for \$620 but her contract says she borrowed \$643. When KS contacted CashCo Kamloops to inquire about the amount, she was told the extra cost was for insurance.
- d. KS stated that she is now being charged 17% on the insurance and she was not even asked if she wanted insurance.
- e. KS attached documentation received from CashCo Kamloops to the KS Complaint, including the CashCo Loan Agreement and Disclosure Statement dated February 16, 2017. This document identifies the principal amount borrowed as \$643.11, total interest charged was \$109.33, for a total repayment amount of \$752.44 due March 1, 2017.
- f. The KS Complaint included the Authorization Form for Pre-Authorized Debit Payments, authorizing the total debit amount of \$752.44 from KS's account.
- g. The KS Complaint included an Application to Enroll (Western Life/CashCo Application to Enroll) dated February 16, 2017, which contains KS's signature to enroll in the Loan Balance Insurance Protection (LBIP) plan from Western Life. The LBIP premium is shown as \$22.20, and the total loan repayment amount as \$752.44.
- h. KS stated the loan dated February 16, 2017 is the first and only loan she has obtained from CashCo Kamloops.
- i. KS advised that the day after she obtained the loan, she contacted CashCo Kamloops because she was confused her loan documents said she borrowed \$643.11 when she was only given \$620.
- j. KS stated she called CashCo Kamloops the day after obtaining the loan and after noticing the extra cost. An employee advised her that the insurance "is just added to the loan but [KS] could take it off now if [KS] wanted."
- k. KS stated that while she should have paid more attention to the documents she was given, she "never would have agreed to the insurance" when obtaining the loan.

CPBC Report to FICOM – Venue

- 22. On July 26, 2017, CPBC provided FICOM staff with a final inspection report and exhibits (CPBC Venue Report). The CPBC Venue Report indicates that the 2016 self-reported data related to Venue's payday lending and related business practices was identified as exceptional, warranting a more in-depth examination of business practices by conducting compliance inspections of various Venue locations.

23. Specifically, the reported data disclosed a high percentage of payday loans issued by Venue for which the associated credit insurance for the loans was sold to borrowers. On average, 61.31% of loans included the coverage, which was exceptionally high when compared to sales data from similar businesses.
24. In addition, the data showed that Venue's total revenue reported from credit insurance sales per payday loan was much higher than other self-reporting payday lending businesses. The total reported insurance premiums at all Venue 15 licensed payday locations in British Columbia for the period from June 1, 2015 to May 30, 2016 was \$399,215.
25. During CPBC's inspections at the Venue locations, documentation was found in borrower files indicating the majority of borrowers were signing applications to enroll in the optional Loan Balance Insurance Protection (LBIP) plan from Western Life. Venue generally refers to this insurance product in documentation as the Loan Protection Plan (LPP).

Venue Location: Esquimalt

26. On January 19, 2017, CPBC inspectors conducted a compliance inspection of Venue's location at 890D Esquimalt Road, Victoria, BC (Venue Esquimalt). No payday loans were advanced by Venue Esquimalt during this CPBC Inspection.
27. An Application to Enroll (Western Life/Venue Application to Enroll) found at the location shows that LBIP from Western Life includes coverage for Death Benefit, Injury or Sickness Benefit, Critical Illness Benefit, and Involuntary Unemployment Benefit. This application form states the borrower is eligible for coverage if they are under 70 years of age at the date of application. CPBC inspectors obtained a copy of a completed Western Life/Venue Application to Enroll from Venue Esquimalt, signed by borrower DCDC and dated January 6, 2017.
28. The Western Life/Venue Application to Enroll states, "I acknowledge receipt of the Certificate of Insurance and a copy of this Application to Enroll and confirm that I will review the Certificate of Insurance carefully as there are exclusions, limitations and a pre-existing conditions clause that apply to my insurance. I further understand that I do not have to enroll in the LBIP plan to obtain a loan, that I may cancel it anytime and that the Lender receives remuneration for performing administrative duties in respect of the Group Policy".
29. The Western Life/Venue Application to Enroll contains a Personal Pre-Authorized Payment Authorization – Terms and Conditions (LBIP Premium PAD Agreement) for the borrower to provide personal banking information and grant authorization for payment of the LBIP premiums. The LBIP Premium PAD Agreement sets out the charges and payment dates for the LBIP premiums.
30. During the inspection of Venue Esquimalt, CPBC inspectors obtained a blank claim form from a Venue employee entitled, "Injury/Fracture/Sickness/Critical Illness – Claim" (Venue Injury/Illness Claim Form). The Venue Injury/Illness Claim Form sets out the "administration office" as IWS Creditor Group/Western Life Assurance. Under the section

titled, "Claim is Declined by IWS", the Venue Injury/Illness Claim Form states that any claims disputes are to be directed to a Venue location or IWS directly.

31. A Venue employee at the location informed CPBC inspectors that once a borrower agrees to the LPP once, the LPP is automatically added on to every other loan transaction going forward unless the borrower specifically advises they do not want to purchase the credit insurance. This statement was reaffirmed in interviews with employees at other Venue locations by CPBC's inspectors. Venue employees explained that they do not confirm or request authorization from the borrower to add the LPP to any subsequent loan, after they have agreed once.
32. An inspector asked a Venue employee to describe her experience with any claims filed for benefit under the LPP policies. She advised that during her employment term at Venue, she had assisted only one borrower with a claim. To her recollection, the borrower had been diagnosed with cancer, and her claim for benefit under the LPP was denied. She stated that she is responsible for the primary intake and completion of claims for benefit under the LPP.
33. She admitted that she had not provided a Certificate of Insurance to any borrower after they enrolled in the LPP. She further advised that she was not aware where to direct a borrower to obtain information regarding the LPP's terms and conditions.

Venue Location: Port Alberni

34. On January 20, 2017, a CPBC inspector conducted a compliance inspection of Venue's location at 4805 Johnson Road, Port Alberni, BC (Venue Port Alberni).
35. The inspector witnessed six loan transactions, during which the LPP was sold as part of the transaction. During these six transactions, he noted that the LPP was not verbally disclosed by any Venue employee to the borrower. During each transaction, Venue employee(s) had the borrower acknowledge the LPP by signature on the Western Life/Venue Application to Enroll.
36. During the inspector's observations of the six loan transactions, he did not observe a Venue employee provide a Certificate of Insurance to any of the borrowers.
37. The inspector obtained file copies for the six loan transactions dated January 20, 2017 (Six Venue Borrower Files). The Six Venue Borrower Files each contain the Western Life/Venue Application to Enroll with the LBIP Premium PAD Agreement, as well as the Lending Agreement (Venue Lending Agreement), signed and dated by the borrower.
38. During the inspection of Venue Port Alberni, the inspector also obtained a borrower file for CNC dated January 20, 2017 (CNC File). The CNC File contains the borrower's signature and date on the Western Life/Venue Application to Enroll and LBIP Premium PAD Agreement; however, the LBIP Premium amount is \$0.00.

39. The inspector observed and obtained copies of two documents regarding the selling of the LPP to be used as reference by Venue employees. These documents provide strategies and sample scripts to assist employees with selling the LPP, and are outlined as follows:
- a. Upselling Procedure for Consumer Protection Charges (Venue Upselling LPP) is dated “Dec-16” and contains the following statements:
 - i. The most important part of this transaction is that you are always ASSUMING the client will take their maximum and ASSUMING the client will protect their loan.
 - ii. Never mention LPP during the transaction. The key to increasing our LPP percentage is to bury LPP in with the lower PDL costs.
 - iii. When the client goes to sign the contract, automatically highlight the signature portion on the Western Life Assurance Form; again, assuming the sale of LPP.
 - iv. Assume they are taking their maximum and always add on Loan Protection unless they don’t qualify due to age restrictions.
 - v. We never mention ‘your repayment WITH LPP is...’. It is all rolled into the cost so it should never be discussed.
 - vi. These scripts should only be used if the client brings up that they do not want Loan Protection. Otherwise we should have processed the loan with Loan Protection and not mentioned it at all during the transaction.
 - vii. Never quote the cost of just the Loan Protection. ‘The cost of the loan protection is already rolled into the amount that I quoted you which is less than the cost of loan that was not protected last year!’
 - b. The second document titled “Rebuttals for LPP Objections” (Venue Rebuttals for LPP), contains the following statements:
 - i. These scripts should only be used if the client brings up that they do not want Loan Protection. Otherwise we should have processed the loan with Loan Protection and not mentioned it at all during the transaction.
 - ii. [Script for] Venue: ...This plan covers you if you were off work due to sickness or accident (Even if your [sic] only off for 5 business days), Layoff with your employer, Critical Illness, or if you passed away. Many of our clients have been in at least one of these situations and have been very thankful for the program.
 - iii. [Script for] Venue: ...you may still get your paycheque, and can pay your loan off but wouldn’t you be in a better situation if the loan was covered for you and you still had money in your pocket?

Also, depending on the situation it's possible that you may be unable to reborrow until you return to work, so although you can pay us, we may not be able to give that back to you right away!

- iv. Our cost of borrowing has decreased by 7% so you will still be saving more money with the LPP now than you were before.
40. During the Venue Port Alberni inspection, advertising for the LPP (Venue LPP Advertising) was observed and documented by an inspector. The Venue LPP Advertising was consistent with CPBC's observations at all Venue inspections, and sets out the following:
- a. The LPP is underwritten by Western Life.
 - b. LPP claims are submitted to IWS.
 - c. "91.5% of all claims are approved".
 - d. The process is outlined for Venue employees to assist customers with filing a claim to IWS. Employees are instructed to "determine what benefit the client should be claiming for", prepare the claims package with the customer, and ensure the claims documents are complete before sending to IWS. If a claim is approved, the Venue branch is directed to follow up with the client to notify them what is needed to qualify for the next benefit payment. If a claim is denied, the Venue LPP Advertising advises that either the Venue branch or the client can contact an IWS Claims Support Specialist to review the file.

Venue Location: Prince George

- 41. On June 22, 2017, a CPBC inspector conducted a compliance inspection at 805 Victoria Street, Prince George, BC (Venue Prince George).
- 42. No payday loans or credit insurance sales were observed by the inspector during the inspection.
- 43. A Venue employee told the inspector that although Venue Prince George did well with credit insurance sales, Venue Port Alberni was the best Venue location for insurance sales.

Venue Location: Vernon

- 44. On June 23, 2017, a CPBC inspector conducted a compliance inspection at 6 – 2106 Highway 6, Vernon, BC (Venue Vernon).
- 45. The inspector did not observe any payday loans being advanced to consumers during the inspection.
- 46. A Venue employee told the inspector that once the borrower accepts the LPP at the time of their first loan application, the subsequent sale of the LPP is automatically processed for all future payday loans.

47. The inspector asked whether a Certificate of Insurance is provided to borrowers purchasing the LPP coverage, as described in the Western Life Application to Enroll. The employee replied that she did not know what a Certificate of Insurance was. The inspector pointed out the section of the Western Life/Venue Application to Enroll which states the borrower will receive a Certificate of Insurance upon purchasing the LPP. The employee reiterated that she had never heard of a Certificate of Insurance, and advised that she has never provided the Certificate of Insurance to any purchaser of the LPP at Venue Vernon. She was unable to provide the inspector with a Certificate of Insurance when he requested one.

Venue Location: Salmon Arm

48. On June 22, 2017, a CPBC inspector conducted a compliance inspection of Venue's location at 350B Ross Street, Salmon Arm, BC (Venue Salmon Arm).
49. A Venue employee was able to provide a Certificate of Insurance (Venue Certificate of Insurance) to the inspector when requested. The Venue Certificate of Insurance provides the following information:
- a. The document is labeled as "VFPL-12-2016".
 - b. Group Policy VF001 is issued to Venue Financial Centres as the "Lender" by Western Life Assurance Company as the "Insurer".
 - c. Benefits available under the "Loan Balance Insurance Protection" (LBIP), include death, injury or sickness, critical illness, and involuntary unemployment.
 - d. A restriction is stated as follows:

Not all of these insurance benefits necessarily apply to you. Coverage is provided in consideration of your eligibility, your request for coverage and payment of premium. You must read your Application to Enroll and your Certificate of Insurance together to determine which insurance you are eligible for and which benefits apply to you.
 - e. The Administrator appointed by the Insurer is set out as IWS Creditor Group, at 495 Richmond Street, Suite 300, London, ON N6A 5A9.
 - f. The Insurer is identified as Western Life Assurance Company, with a mailing address of PO Box 3300, Winnipeg, MB and an administrative office address of 717 Portage Avenue, Winnipeg, MB.
 - g. The following general eligibility requirements must be satisfied to be covered for or eligible to receive any benefits under this insurance plan:
 - i. You must be a resident of Canada on the date you apply.
 - ii. You must be under age 70 at the date you apply.

- iii. You must have agreed to the terms and conditions of the Promissory Note and Application to Enroll.
 - h. Coverage can be canceled at any time by calling 1-800-862-7184 or by writing to the Administrator's office, c/o IWS Creditor Group.
50. The inspector asked the Venue employee to explain how the LPP is offered and sold to borrowers. The employee stated the insurance is offered to the borrower and it is the customer's choice whether they purchase the insurance.
51. The inspector observed a customer enter into a payday loan agreement arranged by the employee. During this transaction, the employee did not offer or explain the LPP to the borrower. The inspector did not see the employee provide a Certificate of Insurance to the borrower; however, the employee confirmed the borrower had purchased the insurance during this transaction.
52. The inspector obtained copies of the documentation signed by the borrower in this transaction. The documents were as follows:
 - a. Venue Lending Agreement outlining the principal loan amount of \$250, plus the finance charge of \$42.50, with a repayment date of July 20, 2017.
 - b. Venue Personal Pre-Authorized Payment Authorization confirming authorization to process \$292.50 from the borrower's account on July 20, 2017.
 - c. Western Life/Venue Application to Enroll identifying the LBIP premium amount of \$10.27 and the borrower's signed authorization to withdraw this amount on July 20, 2017.
 - d. Loan Activity Form outlining loan dates for a total of nine loans obtained between August 22, 2016 and June 22, 2017. This form includes the following information:
 - i. Client Qualifies for LPP?: Yes
 - ii. Client takes LPP?: Yes
 - iii. The Customer Must Be Up-Sold On Every Loan
53. The inspector told the employee that the inspector did not hear or see her offer the sale of the LPP during this transaction. The employee replied that the borrower had been asked if she wanted the insurance at the time of her first payday loan in August 2016. As a result, the employee explained that once the borrower purchased the insurance at the time of her first payday loan, it was assumed the borrower intended to purchase the LPP for all subsequent payday loans obtained through Venue Salmon Arm.
54. The employee went on to say that the process of assuming a customer's intent or willingness to purchase the insurance is the same for all Venue Salmon Arm customers. Once a borrower purchases the LPP at the time of their first payday loan, Venue employees

no longer ask the borrower if they want to purchase the LPP for future payday loans and the insurance sale is automatically processed.

Venue Location: Kelowna

55. On June 23, 2017, a CPBC inspector conducted a compliance inspection at 1756 Springfield Road, Kelowna, BC (Venue Kelowna). The inspector reviewed multiple borrower files at Venue Kelowna and noted the same Loan Activity Form observed at other Venue locations. They obtained a copy of one such loan tracking form, which outlines the borrowing history of a particular client between December 30, 2016 and June 23, 2017. This document states, “Client Qualifies and takes LPP?: Yes”.
56. The inspector witnessed eight payday loans being advanced to borrowers at Venue Kelowna, with the LPP being sold as part of the transaction. During these transactions, no verbal disclosures of the LPP were made to borrowers by Venue employees. However, each transaction had the borrower acknowledge the purchase of the LPP by signature on the Western Life/Venue Application to Enroll and LBIP Premium PAD Agreement.
57. The inspector obtained documentation for the eight loan transactions dated June 23, 2017. The borrower files each contain the Western Life/Venue Application to Enroll with the LBIP Premium PAD Agreement, signed and dated by the borrower.
58. During his observations of these eight loan transactions, the inspector did not see Venue employees provide a Certificate of Insurance or the Western Life/Venue Application to Enroll to any of the borrowers.
59. The inspector obtained several LPP reference materials which appear to be page excerpts from an employee manual, all of which are dated December 2016 and contain the Venue name at the bottom of the page. The documents were obtained from a Venue information binder and appear to be sequential pages, outlined as follows:
 - a. Page outlining the “Rate Calculation Formula”, used to calculate the LPP cost as follows: $\text{Total Scheduled Loan Re-payment (Principal + Interest/Fees)} * \text{Rate Factor} = \text{LPP Cost}$. The Rate Factor will either be 0.03393 for payday loans that do not qualify for the 3-payment plan, or 0.05089 for payday loans that do qualify for the 3-payment option. This page also outlines eligibility requirements for coverage and Coverage Highlights listing benefits paid under the LPP.
 - b. Loan Protection page (Venue Loan Protection Background), which describes loan protection as “an insurance package we offer in conjunction with our Payday Loan product”. The loan protection is reportedly managed by Premium Services Group and underwritten by Western Life. Under the heading “Is Loan Protection working for our clients?”, the answer states “Absolutely! The proof is in the numbers and what the clients are saying about the help that the program provides”. A statistical table for 2014 shows that 91.5% of all claims were approved and claims processing time takes 72 hours. With regard to LPP eligibility, the page states that every client between 18 and 64 years of age is eligible for a

minimum of 3 of the 4 coverages, and therefore, should be offered the LPP coverage.

- c. Selling LPP page (Venue Selling LPP), which states it is important that customers are given a clear description and disclosure of the coverage. Two distinct sales methods are outlined for presenting the LPP to customers, with the first described as “The Assumptive Close”. This method is used for new customers, and states that the total monthly payment amount including the LPP premium is to be presented to the customer along with the features, advantages, and benefits of the LPP “BEFORE disclosing the actual program cost, which will be fully disclosed on the loan agreement and ‘LPP Application to Enrol’”. The second sales method is to be used for existing clients that did not protect their previous loan, and notes that many customers will eventually be unable to pay back their loan. Venue employees should advise these customers that their “file has been flagged” and then provide a presentation in which they offer “testimonials” or stories where the LPP has helped another customer. Venue employees are encouraged to use “power words” such as “flagged” and “company wide audit” to get the customer to want to listen to the Venue employee. Employees are instructed to “Use an experience from your own store or contact IWS (Kent Taylor 1.877.319.7151) for other testimonials we have received from Venue clients”.
- d. Page outlining two sales techniques to be used by Venue employees, identified as the “Your File Has Been Flagged” and “Feel, Felt, Found” techniques (Venue Sales Techniques). The first sales method called “Your File Has Been Flagged” provides a sample script to be used to get a customer’s attention and catch them off guard by telling them their file has been flagged so they will listen to Venue employees describe the benefits of the LPP. The page states that, “If the client provides an objection to taking the coverage, many times it is the clients way of telling us we haven’t given them enough reasons to say ‘Yes’”. Employees are obligated to tell the customer “to help overcome any objection they may have so they can feel good about purchasing coverage”. Additional presentation advice is provided for employees includes using “Feel, Felt, Found” techniques to overcome a customer’s objections to purchasing the LPP without sounding argumentative or condescending, or having the client feel they are being over-sold or pushed on the product.
- e. Disclosing LPP page states that every customer must receive a copy of the Western Life Application to Enrol and Certificate of Coverage, and provides a sample script to use when presenting the documents to the customer after they have agreed to the LPP. This page also starts to outline the Claims Process with the first step Venue employees must follow if a customer has a claim.

- f. The next page continues providing the Claims Process steps for employees to take when a claim is filed, including that claims should be submitted to IWS, and what happens when a claim is approved or declined.
 - g. Contact information is provided for any questions regarding the insurance forms, claims process, or coverage. Venue employees and customers are directed to contact IWS, with different telephone numbers provided for claims administration, claims support, as well as the Loan Protection Program Manager, Kent Taylor of IWS.
60. While conducting the inspection at Venue Kelowna, the inspector obtained three photographs of a Venue employee's computer screen which are contain the following content:
- a. A screenshot of a "Weekly Update" for "All Branch Broadcast", with an update from Kelowna Branch stating that "Our smart Focus will be to get on those recent CCB returns and try to get them back in and re-lend ASAP! Also upsell every client to the max and get em on the LPP!!!". Campbell River Branch's update states, "Our smart focus is getting everyone to take their max with LPP".
 - b. A screenshot of further weekly update information, which asks Venue employees to provide their "specific SMART focus" and provides examples such as working on inactive clients, getting appointments in the door and flipped to current, or working LPP sales. Employees are encouraged to share tips or best practices that have worked for them in the past week.
 - c. A screenshot wishing everyone a happy Thursday and stating that sales are looking good so far this month. The statement also advises that "LPP this week has been really awesome".

Venue Location: Penticton

- 61. On June 24, 2017, a CPBC inspector attended 368 Main Street, Penticton, BC (Venue Penticton) to conduct a compliance inspection.
- 62. The inspector witnessed one payday loan transaction which included the sale of the LPP as part of the transaction. During this transaction, the inspector did not hear any verbal disclosure of the LPP; however, confirmed the LPP was sold by way of signature on the Western Life Application to Enroll. The inspector did not see the Venue employee provide the Certificate of Insurance to the borrower after the loan negotiation.
- 63. The inspector obtained copies of the borrower file for the loan transaction, which includes the Loan Activity Form that states the client qualifies and takes LPP. The file also contains the Venue Lending Agreement and Western Life/Venue Application to Enroll with the LBIP Premium PAD Agreement.
- 64. During the inspection of Venue Penticton, The inspector obtained reference materials related to the LPP as follows:

- a. Loan Protection Success Stories from a Venue Employee Manual dated April 2016, which provides testimonials from various Venue locations as to the success of numerous claims filed under the LPP. Two of the “success stories” contained the following:
 - i. Kamloops – Our client was off sick (5 days) due to illness, and wanted to put off a payment on his loan – was advised he had loan protection and was successfully covered for 50%. He was extremely happy not to pay it out of pocket.
 - ii. Vernon – We had a client who had a loan, was hurt at work and then came in and paid out. I told him about the LPP and we sent in all his info anyway. He ended up being reimbursed for his loan!
- b. The Loan Protection Success Stories material also includes Loan Protection Scripting dated July 2015 that contains suggested sales techniques and sample scripts for selling the LPP and overcoming customer objections, including the Assumptive Close and the Feel, Felt, Found methods. Employees are also encouraged to leverage their relationships with the customers by knowing the details about their personal lives and using that relationship to be “constructively aggressive in speaking to the advantages of LPP”. The suggested scripts include the following example:
 - i. Branch: “Great news! After huge demand, we have a new policy and all of our loans are automatically approved to be fully protected. Your loan is now fully covered in the event that you become unemployed, sick, disabled or even pass away, your loan will be taken care of for you. Your loan repayment amount is \$425, and it will come out of your account on July 17th.” Client – “How much is it?” Branch – “It’s already built in the loan total I quoted you of \$425!”
- c. Loan Protection information dated July 2015 from a Venue Operations Manual (Venue Loan Protection Employee Manual), which is similar in content to the LPP reference materials obtained at Venue Kelowna. The Venue Loan Protection Employee Manual outlines the LPP product, eligibility criteria, Rate Calculation Formula, coverage highlights, sales presentation and techniques using the “Assumptive Close” and “Your File has Been Flagged”, as well as the “Feel, Felt, Found” method for overcoming customer objections. It includes:
 - i. Age of eligibility for LPP coverage is identified in this manual as between 18 and 70 years old. Of particular note, the heading “What if the Customer Requests More Information” advises Venue employees to have the “Coverage Highlights” information available to show a customer that queries what is covered and give them time to review this information.

- ii. For customers wanting further clarification, Venue employees are directed to refer the customer to Kent Taylor at IWS; and it also states that employees should say the customer service agents at Western Life will answer questions.
 - iii. Information is provided in response to a customer declining coverage or wishing to cancel the LPP. Employees are advised to provide the customer with the Western Life/Venue Application to Enroll and Certificate of Coverage, and provides a sample script for presenting the documents to the customer. Information for filing a claim under the LPP is also outlined in the Venue Loan Protection Employee Manual, and is similar in content to the documentation obtained at Venue Kelowna.
- d. Sample scripts from a Venue Employee Manual (Venue Employee Manual Upselling Procedures), which outline examples of conversations between Venue employees and customers to ensure the LPP is sold with every payday loan. The Venue Employee Manual Upselling Procedures, dated December 2016, is similar in content to the Venue Upselling LPP and other LPP reference materials obtained at Venue Port Alberni, and includes the following statements:
- i. [Script for Venue] Staff: ...Perfect, so your total payback with our new lower fees will be \$120.45, with this you don't only save money but you will also have your loan protected if anything comes up which is a win-win as you save money and get protection!
 - ii. [Script for Venue] Staff: ...Thanks to our changing rates, all of our loans are now automatically fully covered at less than the cost of an uninsured loan last year!
 - iii. [Script for Venue] Staff: ...We understand that you feel that you may not need it right now – other clients have felt the same way but were glad they opted in to the program after needing to submit a claim. (Tell a short success story!)
 - iv. The most important part of this transaction is that you are always ASSUMING the client will take their maximum and ASSUMING the client will protect their loan.
 - v. Never mention LPP during the transaction. The key to increasing our LPP percentage is to bury LPP in with the lower PDL costs.
 - vi. Assume they are taking their maximum and always add on Loan Protection unless they don't qualify due to age restrictions.
 - vii. We never mention 'your repayment WITH LPP is...'. It is all rolled into the cost so it should never be discussed.

CPBC Report to FICOM – CashCo

65. On July 25, 2017, a CPBC inspector provided FICOM staff with a final inspection report and exhibits for CashCo locations (CPBC CashCo Report).
66. The CPBC CashCo Report states that the 2016 self-reported data related to CashCo's payday lending and related business practices was identified as somewhat exceptional.
67. According to the data, some CashCo locations reported credit insurance being sold with over 80% of payday loans advanced to borrowers. One location reported the average cost of the credit insurance for payday loans was over 40% higher than for any other CashCo location.
68. On average, 73.82% of payday loans advanced at CashCo locations included the credit insurance, and the total reported insurance premiums at four licensed BC CashCo locations reporting for the period from February 1, 2015 to January 31, 2016 was \$191,031.
69. Based on the self-reported data, CPBC identified CashCo locations where a more in-depth examination of business practices should be undertaken by conducting compliance inspections.
70. During CPBC's inspections at the CashCo locations, documentation was identified in borrower files indicating the majority of borrowers were signing applications to enroll in the optional Loan Balance Insurance Protection (LBIP) plan from Western Life. CashCo refers to the credit insurance product they sell to borrowers as the Loan Balance Insurance Protection (LBIP).

CashCo Location: Quesnel

71. On June 15, 2017, a CPBC inspector conducted a compliance inspection of CashCo's location at 257 Reid Street, Quesnel, BC (CashCo Quesnel).
72. The inspector observed a customer attend CashCo Quesnel to make a payment for a payday loan #770199 obtained June 1, 2017. The inspector obtained a copy of this customer's Western Life Application to Enroll (Western Life/CashCo Application to Enroll) for the loan #770199 dated June 1, 2017, which identifies the LBIP Premium of \$10.74. The Western Life/CashCo Application to Enroll contains the same information as found in the Western Life/Venue Application to Enroll; however, it does not contain the LBIP Premium PAD Agreement as found on the Venue document.
73. A transaction receipt was also found in the file pertaining to the loan. This receipt shows a payment of \$10.74 for "Loan Protection".
74. After repayment of the June 1, 2017 payday loan, the same customer then entered into a new payday loan agreement with a CashCo employee. The inspector did not hear any verbal disclosure or conversation regarding the credit insurance; however, documentation in the borrower's file confirms the LBIP was purchased. The Inspector did hear the employee ask the borrower whether she would like a copy of her loan documents, to which the borrower said no.

75. The inspector obtained the borrower file, which contained the Loan Agreement and Disclosure Statement and three separate Authorization Forms for Pre-Authorized Debit Payments for three repayment dates on the payday loan. The inspector noticed a Transaction Receipt dated June 15, 2017 showing a payment of \$10.74 for "Loan Protection". The inspector was unaware whether the borrower received a copy of this Transaction Receipt.
76. The inspector asked the employee to explain the process regarding disclosures made to borrowers who purchase the LBIP for payday loans. In response, she stated, "Should we ask them each time? We don't. Do we have to?"
77. Another employee advised the inspector that some customers who come in to re-borrow will get mad when she automatically adds the insurance to their payday loans. She says she responds by apologizing and explaining she does not know the customer's borrowing history because she is a newer employee.
78. The first employee stated, "We tell them stories to convince them to get the insurance".
79. The first employee showed the inspector a binder containing claims filed by borrowers between approximately 2015 and 2017. She explained this binder contains all claims information and copies of the associated payday loans, and was not necessarily approved claims. If claims are approved, she said the approval letters are kept in the borrower files. She stated that to the best of her recollection, approximately ten claims have been filed within the past year.
80. The CashCo claims binder contained a document at the front titled, "Flex Loan LPP: Claiming Benefits", which appears to be authored by Kent Taylor of IWS Creditor Group. The document provides information on the payment of benefits under both the PDL and Flex Loan programs, which is highlighted as being different for disability and involuntary unemployment. CashCo employees are encouraged to ensure the customer is bringing in proof in order to continue receiving benefits.
81. The inspector obtained a document titled Voluntary Waiver of LBIP Coverage, which names both Western Life and CashCo. The CashCo Voluntary Waiver allows a borrower to decline participation and enrollment of Western Life's LBIP program by way of signature, loan number, and date. The first employee advised that if a borrower does not want the purchase the insurance, they are asked to sign the CashCo Voluntary Waiver.

CashCo Location: Williams Lake

82. On June 15, 2017, a CPBC inspector conducted a compliance inspection at 76 North Third Avenue, Williams Lake, BC (CashCo Williams Lake).
83. When the inspector queried how the sale of credit insurance works, an employee replied, "It is automatically assumed that they get the insurance unless they say they don't want it".
84. The employee explained the LBIP amount is included as part of the payday loan advance. The fee for the credit insurance is added on top of the amount borrowed, and the premium is paid by the borrower at the time of each loan repayment.

85. The employee said CashCo Williams Lake currently has six claims pending, of which two had been approved. He said CashCo has copies of all insurance claims and claim information in their computer database.
86. The inspector asked what documents are provided to the borrower at the time of the insurance sale, and the employee printed off a sample Transaction Receipt that she would give to a borrower. This Transaction Receipt included a charge of \$12.77 for “LBIP Payment: Loan #16183, Payment”.
87. The inspector observed a customer enter CashCo Williams Lake to obtain general information on the types of loans offered and the process involved to obtain a loan. The employee outlined Flex Loans and Payday Loans, and stated, “All loans come with LBIP insurance coverage. If you get sick, your payday loan is covered”. The employee went on to say that a Flex Loan could be covered for up to six months in the case of illness and noted, “It’s a very good option. It’s an outside company so it’s up to them, not us”. She then provided the customer with a story of a previous customer who obtained the insurance and had his loan covered after he was injured. The customer agreed that insuring the loan would be a good plan, but left without obtaining any loan.
88. The inspector asked the employee for any training materials provided to new employees, and was presented with documents that she advised were training materials provided to each new employee for review. Excerpts from these training materials contain the following:
 - a. Document titled Collections 101 providing methods of corresponding with CashCo borrowers, which includes the following statement, “Just recently had a file roll where the client died. He would have been paid out in full however he did not take out the insurance. Make sure all your staff is fully trained on how to sell and how to make application for LBIP.”
 - b. Second document titled Collections 101 containing answers to common questions, including the question “I took out insurance and it should have been paid”. The suggested response advises CashCo employees to respond to the borrower by stating “...This is time sensitive, we need the paperwork asap. Meanwhile you could prevent this from escalating out of our office by paying it and if insurance does cover it you will receive a cheque from the insurance company”.
 - c. Document titled Feel, Felt, Found!!! (CashCo Feel, Felt, Found Technique), which provides a reportedly proven technique for CashCo employees to overcome customer objections in an effective manner. Suggested scripts and sample conversations are provided to convince the customer to participate in the LBIP program. This document contains similar scripts identified by CPBC during the various Venue inspections.
 - d. Continuation of the CashCo Feel, Felt, Found Technique, which continues with the sample conversation between a CashCo employee and the borrower. This page includes the following statement:

- i. I'm going to ask you to protect your loan today. If you can bring in coverage from somewhere else that covers our loan specifically, I will be more than happy to take the coverage off, I just want to make sure I can help you through a difficult situation if needed.
89. The inspector also obtained training material related to the sales presentations and techniques to be used during the sale of the LBIP, as follows:
 - a. Give F.A.B.ulous Presentations!!! Document (CashCo F.A.B. Presentations), which suggests that CashCo employees the Feature, Advantage, and Benefit (F.A.B.) of the Loan Protection program before discussing the cost of the credit insurance. This document states that CashCo employees will achieve the highest level of sales success if the product is presented enthusiastically using the F.A.B. method when the customer is asked to participate and the price is disclosed.
 - b. The 'Assumptive Close' document (CashCo Assumptive Close), outlining this sales presentation technique using the previously described F.A.B. method before disclosing the cost of the program. This document concludes with the following statement, "Thank You for your Support!, Kent".
90. The employee printed off a blank claim form titled, Injury/Fracture/Sickness/Critical Illness – Claim (CashCo Injury/Illness Claim Form), which identifies the administration office as IWS Creditor Group/Western Life Assurance. This form indicates that either the claimant or Cash Canada employees can submit Claim Forms to IWS. The CashCo Injury/Illness Claim Form contains the same information and sections to be completed as found on the Venue Injury/Illness Claim Form. The CashCo Injury/Illness Claim Form states at the bottom of the first page, "Please ensure ALL claims documents are stored in the Customer's File".
91. The employee also printed off the following two blank claim forms, both of which identify the administrator as IWS/Western Life and request information to be completed to file a claim:
 - a. Death Benefit – Claim form (CashCo Death Benefit Claim Form); and
 - b. Involuntary Unemployment Claim form (CashCo Involuntary Unemployment Claim Form).
92. The employee provided a Certificate of Insurance when requested (CashCo Certificate of Insurance), which contains the following information:
 - a. The document is labeled as "CCPL-12-2011".
 - b. Group Policy CC001002 is issued to CashCo ADM Inc. as the "Lender" by Western Life Assurance Company as the "Insurer".

- c. All other information contained within the CashCo Certificate of Insurance was found to be the same as found on the Venue Certificate of Insurance.

- 93. The inspector asked the employee whether the borrower receives the Certificate of Insurance with every insured loan, and she said the CashCo Certificate of Insurance is printed off and provided to the borrower only on the borrower's first insured payday loan, or with each flex loan.
- 94. The majority of payday loan files reviewed by the inspector at CashCo Williams Lake confirmed the LBIP had been purchased. For the small number of payday loan agreements that did not appear to be insured, the inspector found the CashCo Voluntary Waiver contained within the borrower file.

CashCo Location: Prince George

- 95. On June 19, 2017, a CPBC inspector conducted a compliance inspection at 1925 Victoria Street, Prince George, BC (CashCo Prince George).
- 96. The majority of payday loan agreements reviewed by the inspector identified the LBIP had been purchased with the payday loan. A CashCo Prince George employee advised the inspector that the borrower is always given the Certificate of Insurance when the LBIP is purchased.

CashCo Location: Kamloops

- 97. On June 21, 2017, a CPBC inspector conducted a compliance inspection of CashCo's location at 361 Tranquille Road, Kamloops, BC (CashCo Kamloops).
- 98. The inspector found the LBIP had been purchased with the majority of payday loan files reviewed at CashCo Kamloops. He did not observe any payday loans or sales of the LBIP completed during the inspection.

CPBC inspection: Speedy Cash

- 99. On August 16, 2017, a CPBC inspector informed FICOM staff that he would be attending payday lender licensee Speedy Cash located in Merritt (Speedy Cash Merritt) on that date to conduct an inspection.
- 100. The inspector provided FICOM with a document from a borrower file for a loan dated February 27, 2016, on which half of the page contains an Application to Enroll (Western Life/Speedy Cash Application to Enroll). The document contains the borrower's signature to enroll in the Loan Balance Insurance Protection (LBIP) plan from Western Life. The LBIP premium is shown as \$12.70, and the total loan repayment amount as \$443.20.
- 101. On August 17, 2017, the inspector confirmed that Western Life is the insurer for the loan protection product offered at Speedy Cash Merritt. A Speedy Cash employee demonstrated to the inspector that the software to generate loan agreements defaulted to the sale of insurance being included with every payday loan, unless the borrower declined. Neither the manager nor the other employee present during the inspection had ever

provided a Certificate of Insurance to a borrower, and neither had ever seen a Certificate of Insurance before they were shown one by the inspector.

Separate FICOM Investigation of Western Life

102. Following its issuance of the CGI Bulletin in September 2015, FICOM opened an investigation file in October 2015 pertaining to Western Life's CGI product offered through an alternative lender.
103. During the course of this investigation, FICOM staff requested Western Life provide information regarding their CGI products. Requests to Western Life were first sent in April 2016, and continued to be made by FICOM for more complete or additional information, through to January 2017.
104. As per a letter dated May 26, 2016 from their outside legal counsel, Western Life represented as follows:
 - a. This application contains errors...and all relevant information regarding the debtor will be recorded in the application form going forward.
 - b. The insurance is optional and not a requirement of the loan and the applicant either decides to apply for the loan protection product (Life, Disability and IUI) or to decline the product.
 - c. Eligibility is based on a limited number of parameters...The applicant must have a financial obligation with the lender, must meet the underwriting requirements for the financial obligation, be a resident in Canada and must be of the appropriate age to qualify for coverage.
 - d. With respect to the information requested, other than the Schedule and Certificate of Insurance, there is no other information provided to the customer. This is a process that can be improved upon and we attached a copy of a simplified consumer brochure which will accompany the product.
 - e. The "simplified consumer brochure" provided with the letter is titled "Loan Protection Highlights" and names Western Life Assurance in large type at the top of the page and at the bottom indicates it is administered by IWS Creditor Group Inc. and provides the IWS toll free number, and outlines benefits, waiting periods on a claim, eligibility, and other terms and conditions of the loan protection coverage. There is no lender logo or lender name.
105. On August 18, 2017, a CPBC inspector informed FICOM staff that he had not seen the brochure provided to FICOM by Western Life during his inspections and confirmed that no customer was provided with a copy of the brochure during the CPBC inspections.
106. On August 26, 2016, Western Life provided documentation to FICOM that included a Western Life "Application to Enroll – Group Policy VF001" and "Certificate of Insurance – Group Policy VF001" (Application to Enroll and Certificate of Insurance). The

Application to Enroll appears to have been last updated in September 2014, based on the identification of the document as “VF001 – 09-2014”.

107. The Application to Enroll and Certificate of Insurance identify Venue Financial Centres as the Lender and refer to the insurance product as an optional Loan Balance Insurance Protection (LBIP) plan. IWS is identified as the administrator appointed by Western Life to administer the Group Policy on their behalf.
108. The Application to Enroll states the borrower is eligible for coverage if they are under 65 years of age at the date of application, and notes the borrower is eligible for Death Benefit coverage only if they are 65 but not yet 68 years of age at the date of application.
109. Apart from the age eligibility restrictions for application and Death Benefit, wording of the two paragraphs on the Application to Enroll is exactly the same as found on the Application Forms obtained from Venue and CashCo by CPBC.
110. In the course of FICOM’s 2016 inquiries with Western Life, Western Life provided documentation indicating that the CGI product sold by Venue and CashCo is also sold through several additional payday or short term lenders.
111. Western Life also provided Distributor Manuals for some of those lenders. None of those manuals were found at the payday lender CPBC inspection sites or referred to by payday lender employees in discussions with CPBC inspectors.

Legislative Provisions

112. The FIA sets out legislative requirements for dispute resolution disclosure, identity disclosure, licensing of insurance agents and exemptions to the licensing requirements, and enforcement provisions to address legislative breaches or conduct which may harm the interests of insured persons.
113. Section 80.3 of the FIA requires insurance companies to implement and disclose dispute resolution processes:

Complaint Resolution

80.3 (1) An insurer must

(a) establish procedures for dealing with complaints made to the insurer by persons who have requested or received in British Columbia products or services from the insurer,

(b) designate an officer or employee who is responsible for implementing those procedures, and

(c) designate one or more officers or employees who are responsible for receiving and dealing with those complaints.

...

(4) An insurer must

(a) publish the procedures it establishes under subsection (1) on websites through which its products or services are offered in British Columbia, and

(b) provide those procedures in writing to any person who requests them.

114. Section 91 of the FIA requires insurance companies to clearly state its identity when advertising, corresponding, and providing applications forms or otherwise documenting its business:

Disclosure of identity in advertising, etc

91 In all advertising, correspondence, application forms, evidences of indebtedness and other documents in its control relating to its business, a financial institution must ensure that its identity is clearly stated.

115. Sections 168 and 171 of the FIA require insurance agents to be licensed by the Insurance Council unless exempted by regulation:

Definitions for Division

168 In this Division, unless the context otherwise requires,

"insurance agent" means a person, other than an insurance company or an extraprovincial insurance corporation, who solicits, obtains or takes an application for insurance, or negotiates for or procures insurance, or signs or delivers a policy, or collects or receives a premium;

Prohibition of unlicensed agents and salespersons

171 (1) [Repealed 2004-48-79.]

(2) A person must not act in British Columbia as an insurance agent or insurance salesperson unless the person is licensed as an insurance agent or insurance salesperson, as the case may be.

(3) Subsection (2) does not apply to a person or class of persons exempted by the regulations.

116. Section 2(1)(c) of the *Insurance Licensing Exemption Regulation* under the FIA exempts persons acting as insurance agents from requiring a license, if acting in connection with the sale of credit insurance when granting or arranging credit:

Exemption from section 171 (2) of the Act

2 (1) Section 171 (2) of the Act does not apply

...

(c) subject to subsection (2) (a), and with the exception of an employee of a mortgage broker registered under the Mortgage Brokers Act, to a person

whose only activity as an insurance agent or insurance salesperson is in connection with credit insurance sold incidentally to the granting or arranging of credit by that person or that person's employer,

117. Section 99 of the *Insurance Act* requires insurance companies to provide consumers who are insured under a group policy of insurance, including creditor's group insurance, with a certificate of insurance which sets out the pertinent details of the insurance:

Particulars in group certificate

- 99 (1) *In the case of a contract of group insurance or creditor's group insurance, an insurer must issue, for delivery by the insured to each group person insured or debtor insured, a certificate or other document in which are set out the following:*

(a) the name of the insurer and a sufficient identification of the contract;

(b) the amount, or the method of determining the amount, of insurance on the group person insured or debtor insured and on any person insured;

(c) the circumstances under which the insurance terminates, and the rights, if any, on termination of the insurance of the group person insured or debtor insured and of any person insured;

(d) in the case of a contract of group insurance that contains a provision removing or restricting the right of the group person insured to designate persons to whom or for whose benefit insurance money is to be payable,

(i) the method of determining the persons to whom or for whose benefit the insurance money is or may be payable, and

(ii) the following statement in conspicuous bold type:

This policy contains a provision removing or restricting the right of the group person insured to designate persons to whom or for whose benefit insurance money is to be payable;

(e) in the case of a contract of group insurance that replaces another contract of group insurance on some or all of the group person insureds under the replaced contract, whether a designation of a group person insured, a group person insured's personal representative or a beneficiary, as a person to whom or for whose benefit insurance money is to be payable under the replaced contract applies to the replacing contract;

(f) the rights of the group person insured, the debtor insured or a claimant under the contract to obtain copies of documents under section 96 (5) or (6);

(g) the following statement:

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the Insurance Act.

118. Section 244 of the FIA grants the commission (or superintendent by delegation) the authority to order compliance, issue cease and desist orders, and make remedial orders:

244 (1) In this Section, "committing an act or pursuing a course of conduct" includes failing or neglecting to perform an act or failing or neglecting to pursue a course of conduct.

(2) If, in the opinion of the commission, a person is committing an act or pursuing a course of conduct that

(a) does not comply with this Act or the regulations,

...

(c) might reasonably be expected to result in a state of affairs not in compliance with

(i) this Act or the regulations,

...

(e) might reasonably be expected to harm

...

(ii) in the case of an insurance company, the interests of insureds,

...

then, the commission [superintendent by delegation] may

(f) order the person to

(i) cease doing the act,

(ii) cease pursuing the course of conduct, or

(iii) do anything that the commission considers to be necessary to remedy the situation,

...

119. Section 238 of the FIA provides a summary procedure for issuing immediate orders:

238 (1) If the superintendent acting in accordance with a delegation by the commission, or the council, depending on which of them has the power to make the order,

(a) intends to make an order under Section 48 (2), 93 (1) or (2), 99 (2), 144 (3), 231 (1) (g), (h), (i) or (j), 244 (2) or (5), 245 (1), 275 or 277 (d) to (f), and

(b) considers that the length of time that would be required to hold a hearing would be detrimental to the due administration of this Act,

then, despite Section 237, the superintendent or council, as applicable, may make the intended order without giving a person directly affected by it an opportunity to be heard, but the superintendent or council, as soon as practicable after making the order, must deliver to that person

(c) a copy of the order and written reasons for it, and

(d) written notice of the person's rights under subsection (2).

(2) A person directly affected by an order made under subsection (1) may, within 14 days of receiving a copy of the order,

(a) require a hearing before the superintendent or council, as applicable, by delivering written notice to the superintendent or council, or

(b) appeal the order to the tribunal.

(3) Within a reasonable time after receiving written notice referred to in subsection (2) (a), the superintendent or council, as applicable, must hold the required hearing and following the hearing must confirm, revoke or vary the order.

120. By way of an Instrument of Delegation dated March 7, 2016, the Commission has delegated to the Superintendent the power to issue orders under section 244 of the FIA by way of summary procedure under section 238.

Application of the legislative scheme

121. Based on the above findings, I am of the opinion that Western Life, and its agents Venue and CashCo on behalf of Western Life, are conducting its payday or short term lender group credit insurance business in British Columbia in a manner which might reasonably be expected to harm the interests of its insureds.

122. Despite the issuance of the CGI Bulletin in September 2015 outlining FICOM's expectations of insurers conducting group creditor insurance business in British Columbia under the FIA, as well as information and representations provided to FICOM by Western Life in 2016, Western Life does not appear to have an effective oversight and control regime regarding the sale and distribution of its CGI products by Venue and CashCo.

123. These are the first two payday lenders subject to an ongoing review by CPBC and a third, Speedy Cash, is already showing sales conduct problems with just one branch being inspected. This provides me with no confidence that the sales problems and lack of oversight are limited to only two distributors.

124. The fact that borrowers are not being told they are being offered the Western Life insurance, not to mention that they are simply provided the application form in a stack of loan documentation, does not fulfil Western Life and its agent's duty to inform and advise on the details of the insurance, conduct and eligibility review, and advise on its suitability for the consumer. This is deceptive.
125. Coercive and aggressive sales practices appear to be occurring at Venue and CashCo locations, as employees are trained to only talk about the insurance if a consumer questions its suitability or expressly declines the insurance. And the scripts they are provided are geared only to one end: sell the insurance. Repeat customers who may have chosen the insurance in connection with their first loan, are assumed to have made that same choice for any subsequent loan.
126. A number of sales staff interviewed were not even aware they are required to ask the borrower if they wish to purchase the insurance with every single loan. This can easily lead to the misunderstanding that the insurance is a mandatory purchase.
127. Eligibility is not discussed with borrowers, indicating that controls are not in place to mitigate against enrolment of ineligible insureds. Western Life advised FICOM that the eligibility criteria used for its CGI sold through alternative lenders is that the borrower has a financial obligation with the lender; meets the underwriting requirements for the financial obligation, is a Canadian resident in Canada, and is of the appropriate age. However, observations by CPBC Inspectors confirmed that Venue and CashCo employees are not reviewing eligibility with the borrower.
128. The Certificate of Insurance places the onus on the consumer by stating they must read the Promissory Note and Certificate of Insurance to determine what they are eligible for and which benefits may be applicable. Inspectors observed that in most cases a Certificate of Insurance was not provided, and some employees had no knowledge of them, in contravention of section 99 of the *Insurance Act*.
129. Venue LPP reference materials provide conflicting information regarding the age of eligibility for coverage. The Venue Loan Protection Employee Manual states it is between 18 and 70 years old, whereas another Venue reference document identifies the age of eligibility as between 18 and 64 years old.
130. The Certificates of Insurance used by Venue and CashCo have general exclusions, which include pre-existing conditions. However, neither Venue nor CashCo employees were observed to ask borrowers whether they may have any pre-existing conditions before signing them up for the LBIP/LPP. Furthermore, no training materials were identified at either Venue or CashCo to indicate that employees have been trained on eligibility requirements to ensure ineligible borrowers are not being enrolled.
131. Borrowers cannot make an informed choice if information regarding the LBIP/LPP is not clearly presented or discussed, and a Certificate of Insurance is not provided.

132. Employees of Venue and CashCo did not appear to be knowledgeable on the terms and conditions of the insurance product, and therefore, would be unable to provide consumers with sufficient information to clarify questions regarding the coverage or how to contact the insurer.
133. Venue and CashCo documentation regarding the LBIP/LPP obtained by CPBC does not indicate how to contact the insurer for information, clarification, changes, and disputes. The CashCo website, through which insurance can be purchased, does not publish the dispute resolution information required under section 80.3 of the FIA.
134. A number of the insurance documents do not identify the full corporate name of Western Life as the insurer, and instead focus on the identity of the lender or Western Life's claims agency IWS in contravention of section 91 of the FIA.
135. Employee reference materials found at both Venue and CashCo locations indicates that employees are expected to collect and prepare claims, not just provide the debt information, under the LBIP/LPP, which indicates that Western Life has not implemented controls to direct claims through its licensed channels.
136. During the course of a separate FICOM investigation initially opened in October 2015, Western Life has been unable to sufficiently provide complete information regarding its CGI product or adequately answer FICOM's repeated questions about its CGI sales and distribution.
137. In May 2016, Western Life provided FICOM with a Western Life Loan Protection Highlights Brochure and advised this brochure, along with the Certificate of Insurance, would be provided to the consumer when the insurance is purchased. CPBC Inspectors confirmed that the brochure was not observed at any Venue or CashCo location during their inspections, nor was it provided to any borrowers upon purchasing the insurance. Observations by CPBC Inspectors did not support the representations made by Western Life that all documentation is provided to borrowers, including brochures and Certificates of Insurance, suggesting a significant lack of control and oversight by Western Life of their payday or short term lender distribution channels.
138. FICOM staff estimates that 19 witnesses would be required for a hearing and that the ability to schedule witnesses including some who may be from out of province, counsel, and the hearing officer would likely mean that a hearing would take approximately two weeks and likely not take place until at least six months from now. I agree with those estimates.
139. The activity is ongoing, despite Western Life having been put on notice in 2015 that group credit insurers needed to ensure that they had adequate training and controls in place so that insureds were informed that the insurance is optional, what coverages are provided, eligibility criteria and whether they qualify, and advised on the suitability of the product for their circumstances.
140. I find that the length of time that would be required to hold a hearing would be detrimental to the due administration of the FIA.

Orders

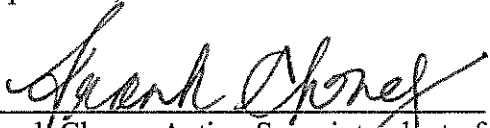
WHEREAS the Financial Institutions Commission has delegated to the Superintendent certain powers and duties under section 244 of the FIA in the Instrument of Delegation dated March 7, 2016;

NOW THEREFORE I order pursuant to Sections 244(2)(a), (e)(ii), and (f), and 238 of the FIA that:

- 1) WESTERN LIFE ASSURANCE COMPANY must immediately upon the receipt of this Order cease offering and selling group creditor insurance through non-financial institution lenders or mortgage brokers in British Columbia, including VENUE FINANCIAL LTD. and CASHCO FINANCIAL INC., until Western Life Assurance Company establishes and implements controls and oversight of the distribution of this insurance to the satisfaction of the Superintendent of Financial Institutions;
- 2) WESTERN LIFE ASSURANCE COMPANY must, within ten days of receipt of this Order, contact all insureds in British Columbia currently insured as of the date of this Order under group policies issued to VENUE FINANCIAL LTD. and CASHCO FINANCIAL INC., and inform them of the particulars of the insurance they purchased, confirm eligibility, and offer to cancel the insurance and refund the premium.
- 3) VENUE FINANCIAL LTD. must immediately upon receipt of this Order cease offering to sell and cease selling group creditor insurance in the province of British Columbia until the insurer underwriting the insurance proposed to be sold, including but not limited to WESTERN LIFE ASSURANCE COMPANY, provides evidence of controls and oversight of the distribution of group creditor insurance through VENUE FINANCIAL LTD. to the satisfaction of the Superintendent of Financial Institutions; and
- 4) CASHCO FINANCIAL INC. must immediately upon receipt of this Order cease offering to sell and cease selling group creditor insurance in the province of British Columbia until the insurer underwriting the insurance proposed to be sold, including but not limited to WESTERN LIFE ASSURANCE COMPANY, provides evidence of controls and oversight of the distribution of group creditor insurance through CASHCO FINANCIAL INC. to the satisfaction of the Superintendent of Financial Institutions.

TAKE NOTICE that WESTERN LIFE ASSURANCE COMPANY, VENUE FINANCIAL LTD., and CASHCO FINANCIAL INC. may each request a hearing before the Superintendent under section 238(2)(a) of the FIA or appeal to the Financial Services Tribunal under section 238(2)(b) of the FIA.

Dated at the City of Vancouver,
British Columbia, this 13 day of
September, 2017.


Frank Chong, Acting Superintendent of
Financial Institutions, British Columbia

NOTICE TO:

Western Life Assurance Company
1010 24 Street East
High River, AB T1V 2A7

and:

Western Life Assurance Company
c/o AHBL Corporate Services Ltd.
2700-700 West Georgia Street
Vancouver, BC V7Y 1B8

Venue Financial Ltd.
376 Main Street,
Penticton, BC V2A 5C3

and:

Venue Financial Ltd.
Operating as Venue Financial Centres
474 Main Street,
Penticton, BC V2A 5C5

CashCo Financial Inc.
325, 8170 – 50th Street,
Edmonton, AB T6B 1E6

and:

CashCo Financial Inc.
c/o Boughton Law Corporation
1000-595 Burrard Street
Vancouver, BC V7X 1S8

Insurance Council of British Columbia

Office of the Superintendent of Financial Institutions

Financial Consumer Agency of Canada



**IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141**

and

**WESTERN LIFE ASSURANCE COMPANY, VENUE FINANCIAL LTD.
AND CASHCO FINANCIAL INC.**


**AMENDMENT TO ORDER
ISSUED UNDER SECTIONS 244(2) AND 238**

WHEREAS Western Life Assurance Company represents that it has been making best efforts to comply with Order No. 2 issued in this matter on September 13, 2017 but requests additional time in order to provide the notice to insureds pursuant to that Order;

AND STAFF consents to the request;

I find it appropriate to amend Order No. 2 to increase the time to provide notice from ten days to twenty (20).

Dated at the City of Vancouver,
British Columbia, this 25 day of
September, 2017.



Frank Chong, Acting Superintendent of
Financial Institutions, British Columbia