

**THE MATTER OF** the *Insurance Act*, R.S.O. 1990, c. I.8, as amended (the “**Act**”), in particular sections 441.2 and 441.3;

**AND IN THE MATTER OF** Canadian Life Settlements Inc.

**NOTICE OF PROPOSAL TO IMPOSE ADMINISTRATIVE PENALTY**

**TO:** Canadian Life Settlements Inc.  
10 Four Seasons Place, Suite 401  
Toronto ON M9B 6H7

Canadian Life Settlement Inc. – Head Office  
4388 rue Saint-Denis, bureau 200  
Montréal, QC H2J 2L1

**ATTN:** Paul Tyers

**TAKE NOTICE THAT** pursuant to section 441.3 of the Act, and by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario, the Director, Litigation and Enforcement (the “Director”) is proposing to impose an administrative penalty in the amount of \$100,000 on Canadian Life Settlements Inc. for trafficking in life insurance policies for the purposes of procuring the sale, surrender, transfer, assignment, pledge or hypothecation thereof to itself, contrary to section 115 of the Act.

The reasons for this proposal are described below. This Notice of Proposal includes allegations that may be considered at a hearing. The allegations contained in this Notice of Proposal are unproven until the Financial Services Tribunal (the “Tribunal”) has determined their validity or, if no hearing is requested, the Chief Executive Officer has issued an order.

**SI VOUS DÉSIREZ RECEVOIR CET AVIS EN FRANÇAIS**, veuillez nous envoyer votre demande par courriel immédiatement à: [contactcentre@fsrao.ca](mailto:contactcentre@fsrao.ca).

**YOU ARE ENTITLED TO A HEARING BY THE TRIBUNAL PURSUANT TO SECTIONS 441.3(2) AND 441.3(5) OF THE ACT.** A hearing by the Tribunal about this Notice of Proposal may be requested by completing the enclosed Request for Hearing Form (Form 1) and delivering it to the Tribunal within fifteen (15) days after this Notice of Proposal is received by you. The Request for Hearing Form (Form 1) must be mailed, delivered, faxed or emailed to:

Address: Financial Services Tribunal  
25 Sheppard Avenue West, Suite 100  
Toronto, Ontario  
M2N 6S6

Attention: Registrar

Fax: 416-226-7750

Email: [contact@fstontario.ca](mailto:contact@fstontario.ca)

**TAKE NOTICE THAT if you do not deliver a written request for a hearing to the Tribunal within fifteen (15) days after this Notice of Proposal is received by you, orders will be issued as described in this Notice of Proposal. TAKE FURTHER NOTICE of the payment requirements** in section 5 of Ontario Regulation 408/12, which state that the penalized person or entity shall pay the penalty no later than (thirty) 30 days after the person or entity is given notice of the order imposing the penalty, after the matter is finally determined if a hearing is requested or such longer time as may be specified in the order.

For additional copies of the Request for Hearing Form (Form 1), visit the Tribunal's website at [www.fstontario.ca](http://www.fstontario.ca)

The hearing before the Tribunal will proceed in accordance with the *Rules of Practice and Procedure for Proceedings before the Financial Services Tribunal* ("Rules") made under the authority of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended. The Rules are available at the website of the Tribunal: [www.fstontario.ca](http://www.fstontario.ca). Alternatively, a copy can be obtained by telephoning the Registrar of the Tribunal at 416-590-7294, or toll free at 1-800-668-0128 extension 7294.

At a hearing, your character, conduct and/or competence may be in issue. You may be furnished with further and or other particulars, including further or other grounds, to support this proposal.

## REASONS FOR PROPOSAL

1. These are the reasons for the Director's proposal to impose an administrative penalty in the amount of \$100,000 on Canadian Life Settlements Inc. ("**Canadian Life**").
2. Canadian Life has contravened the Act by trafficking or trading in life policies without being licensed to do so.

### I. **FACTS**

3. Canadian Life, formerly known as Life Insurance Liquidity Options Inc. ("**LILLO**"), is a federally incorporated entity. Canadian Life holds a corporate life insurance agent (licence # 36405M) under the Act. Canadian Life's current licence expires on August 16, 2021.
4. Canadian Life is not licensed as an insurer in Ontario or any other jurisdiction in Canada.
5. Paul Tyers ("**Tyers**") holds an insurance agent licence under the Act (licence # 94027282). Tyers is Canadian Life's president, sole director, and designated agent under the Act. Tyers' current licence expires on April 12, 2021.
6. Grand Orange Lodge of British America ("**Grand Orange**") is a federally incorporated fraternal society that operates as a life and accident & sickness insurer in Ontario. Grand Orange is licensed as a fraternal society under Part X of the Act (licence # 18).

### A. **Agency Agreement with Grand Orange**

7. On June 27, 2017, representatives from Grand Orange and Canadian Life, then known as LILLO, met with staff from the Financial Services Commission of Ontario ("**FSCO**"), the former regulator of the insurance industry in Ontario.
8. Grand Orange advised that it appointed Canadian Life as its duly authorized agent for the purposes of providing two products:
  - i. "life advances", described as loans collateralized by life insurance policies; and
  - ii. "life settlements", described as the purchasing of life insurance policies.

9. On or about March 20, 2018, Canadian Life provided FSCO staff with a copy of the agency agreement between Grand Orange and Canadian Life ("**Agency Agreement**"). The Agency Agreement identified Canadian Life as Grand Orange's duly authorised agent.
10. On November 26, 2018, Grand Orange executed a voluntary undertaking ("**Undertaking**") to the Superintendent of Financial Services ("**Superintendent**"). Pursuant to the Undertaking, Grand Orange undertook to immediately cease trafficking or trading in life insurance policies through its duly authorized agent.
11. Canadian Life did not provide such an undertaking.
12. Grand Orange advised FSRA staff that on or about November 26, 2018, Grand Orange notified Canadian Life that it would no longer traffic in life insurance policies.
13. On June 8, 2019, the Financial Services Regulatory Authority of Ontario ("**FSRA**") took over the duties and responsibilities of FSCO, and the Chief Executive Officer took over the duties and responsibilities of the Superintendent.

#### **B. Meetings with FSRA Staff**

14. In July of 2019, FSRA staff met with representatives from Canadian Life, including Tyers. In August of 2019, FSRA staff advised Tyers that the activities of Canadian Life with respect to life settlements and life advances in Ontario were not in compliance with the Act.
15. Canadian Life stated that it no longer purchased life insurance policies in Ontario.
16. In May of 2020, Canadian Life confirmed to FSRA staff that neither Canadian Life nor Tyers was authorized to act as agents for any insurer with respect to trafficking in life policies in Ontario after November 26, 2018.
17. Tyers at Canadian Life also advised FSRA Staff that in or around November 2018, he was aware of the Undertaking executed by Grand Orange.

#### **C. Policies Trafficked by Canadian Life**

18. On November 21, 2019, FSRA staff received a Life Agent Reporting Form ("**LARF**") from the Empire Life insurance Company ("**Empire Life**") in respect of Canadian Life and Tyers. Empire Life alleged that Canadian Life and Tyers were trafficking in life insurance policies.

19. Empire Life provided FSCO staff with the following forms received at its head office in Ontario (the “**Empire Life Policy Transfer Forms**”):
  - a. *Beneficiary Designation* form dated April 4, 2019; and
  - b. *Transfer of Ownership and Appointment of Contingent/Successor Owner or Subrogated Policyholder* form dated May 28, 2019.
20. Pursuant to the Empire Life Policy Transfer Forms:
  - a. AZ, the former policy owner, directed Empire Life to transfer a life insurance policy to Canadian Life;
  - b. Canadian Life paid \$265,000 to take ownership of the policy with a face value of \$1 million;
  - c. Canadian Life’s address as indicated on the form is in Ontario; and
  - d. the *Transfer of Ownership and Appointment of Contingent/Successor Owner or Subrogated Policyholder* form was signed in Toronto, Ontario.
21. AZ also owned a Manufacturers Liability Company (“**Manulife**”) life insurance policy. Manulife provided FSRA staff with the following forms (the “**Manulife Life Policy Transfer Forms**”):
  - a. *Beneficiary Designation* forms dated April 4, 2019 and May 8, 2019;
  - b. *Transfer of Ownership* form dated April 4, 2019;
  - c. *Set up or change a pre-authorized debit plan form* dated May 8, 2019; and
  - d. *Identifying owners of individual Insurance policies Owners that are entities form* (undated).
22. Pursuant to the Manulife Life Policy Transfer Forms:
  - a. AZ, the former policy owner, directed Manulife to transfer the policy to Canadian Life;
  - b. Canadian Life paid \$585,000 to take ownership of the policy with a face value of \$2 million;
  - c. Canadian Life’s address as indicated on the form is in Ontario; and
  - d. the *Beneficiary Designation Form* and the *Identifying Owners of Individual Insurance Policies Owners That are Entities Form* were signed in Toronto, Ontario.

## **II. CONTRAVENTIONS OF THE ACT**

23. Section 115 of the Act provides that it is an offence under the Act for any person, other than an insurer or an insurer's duly authorized agent, to advertise or hold themselves out as a purchaser of life insurance policies or of benefits thereunder; or to traffic or trade in life insurance policies for the purposes of procuring the sale, surrender, transfer, assignment, pledge or hypothecation thereof to himself, herself or itself or any other person.
24. The Director is satisfied that Canadian Life has contravened section 115 of the Act by trafficking in life insurance policies for the purposes of procuring the sale, transfer, assignment, pledge or hypothecation of life insurance policies to itself.
25. Canadian Life continued to traffic in life insurance policies by procuring the sale, transfer or assignment of life insurance policies to itself, after it was no longer authorized to do so on Grand Orange's behalf.

## **III. GROUNDS FOR ADMINISTRATIVE PENALTY**

26. Subsection 441.3(1) of the Act provides that the Chief Executive Officer may impose an administrative penalty on a person if he is satisfied that person has contravened a provision of the Act or its regulations.
27. Subsection 441.2(1) of the Act provides that an administrative penalty may be imposed for either of the following purposes:
  1. To promote compliance with the requirements established under the Act.
  2. To prevent a person or entity from deriving, directly or indirectly, any economic benefit as a result of contravening or failing to comply with a requirement under the Act.
28. Section 4 of Ontario Regulation 408/12 provides that the Chief Executive Officer shall consider only the following criteria when determining the amount of an administrative penalty to be imposed under section 441.3 of the Act for a purpose set out in section 441.2 of the Act:
  1. The degree to which the contravention or failure was intentional, reckless or negligent.
  2. The extent of the harm or potential harm to others resulting from the contravention or failure.
  3. The extent to which the person tried to mitigate any loss or to take other remedial action.

4. The extent to which the person derived or reasonably might have expected to derive, directly or indirectly, any economic benefit from the contravention or failure.
  5. Any other contraventions or failures to comply with a requirement established under the Act or with any other financial services legislation of Ontario or of any jurisdiction during the preceding five years by the person or entity.
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29. The Director proposes to impose an administrative penalty in the amount of \$100,000 on Canadian Life for trafficking in life insurance policies for the purposes of procuring the sale, transfer, assignment, pledge or hypothecation of life insurance policies to itself contrary to section 115 of the Act.
  30. The Director is satisfied that the imposition of an administrative penalty on Canadian Life will promote compliance with the requirements under the Act and prevent Canadian Life from retaining some of the economic benefit it derived as a result of its contravention of the Act.
  31. The Director has considered the criteria set out in section 4 of Ontario Regulation 408/12 in determining the amount of the administrative penalty to be imposed upon Canadian Life.
  32. In respect of the **first criterion**, the Director is satisfied that Canadian Life's contraventions of the Act were intentional. As of November 26, 2018, Canadian Life was no longer authorized to act as an agent for Grand Orange for the purposes of trafficking in life insurance policies. Furthermore, Tyers, Canadian Life's designated agent under the Act, advised FSCO Staff that in or around November 2018, he was aware of the Undertaking executed by Grand Orange.
  33. In respect of the **second criterion**, the Director is satisfied that there is potential for serious harm to members of the public that participate or have participated in Canadian Life's life settlement programs. Persons enticed by Canadian Life's programs may not appreciate the implications of immediately receiving funds equal to a fraction of the total benefits payable under their life insurance policy.
  34. In respect of the **third criterion**, the Director is not aware of any remedial action taken by Canadian Life.
  35. In respect of the **fourth criterion**, the Director is satisfied that Canadian Life derived an economic benefit from its unlicensed activities. With respect to the purchase of life insurance policies from AZ, Canadian Life stands to derive a significant economic benefit. Canadian life paid a total of \$850,000 for policies with a face value of \$3 million.

36. In respect of the **fifth criterion**, the Director is not aware of Canadian Life having contravened or failed to comply with a requirement established under the Act or with any other financial services legislation in Ontario or of any jurisdiction during the preceding five years.
37. Such further and other reasons that may come to my attention.

**DATED** at Toronto, Ontario, April 29, 2021.

Elissa Sinha  
Director, Litigation and Enforcement  
By delegated authority from the Chief Executive Officer