
IN THE MATTER OF the *Insurance Act*, R.S.O. 1990, c.l.8, as amended (the “Act”), in particular section 441;

AND IN THE MATTER OF Greatway Financial Inc.

NOTICE OF PROPOSAL TO MAKE COMPLIANCE ORDER

TO: Greatway Financial Inc.

TAKE NOTICE THAT pursuant to section 441 of the Act, and by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (the “Chief Executive Officer”), **the Director, Litigation and Enforcement (the “Director”)** has made a Report, attached as Schedule “A”, and is proposing to order Greatway Financial Inc. to:

- (i) Cease using or making available the Training (as defined below) and any related materials, pursuant to paragraph 441(2)(a) of the Act;
- (ii) Require all Agents (as defined below), contractors, employees, and recruits to return or destroy all copies of the Training, pursuant to paragraph 441(2)(c) of the Act;
- (iii) Develop and operationalize new training that could not reasonably be expected to result in Agents engaging in an unfair or deceptive act or practice, pursuant to paragraph 441(2)(c) of the Act;
- (iv) Provide remedial training to all existing Agents such that those existing Agents can no longer reasonably be expected to breach result in any unfair or deceptive acts or practices, pursuant to paragraph 441(2)(c) of the Act;
- (v) Provide existing holders of UL policies (as defined below) with appropriate information such that they can assess the nature of the UL policy and the IRP strategy and the appropriateness of it for their circumstances, pursuant to paragraph 441(2)(a) of the Act;
- (vi) Cease selling new UL policies until (i), (ii), (iii), and (iv) have been completed, to the satisfaction of the Director acting reasonably, pursuant to paragraph 441(2)(a) of the Act; and

- (vii) **Cease hiring, contracting or employing new Agents or recruits until (i), (ii), (iii), (iv), and (v) have been completed, to the satisfaction of the Director acting reasonably, pursuant to paragraph 441(2)(a) of the Act.**

Details of these contraventions and reasons for this proposal are described below. This Notice of Proposal includes allegations that may be considered at a hearing.

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

YOU ARE ENTITLED TO A HEARING BY THE FINANCIAL SERVICES TRIBUNAL (THE “TRIBUNAL”) PURSUANT TO SECTIONS 441(3) AND 441(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, 7th Floor
Toronto, Ontario
M2N 6S6

Attention: Registrar

Fax: 416-226-7750

Email: 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.

For additional copies of the Request for Hearing Form (Form 1), visit the Tribunal’s website at 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. 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.

**SCHEDULE “A”
REPORT OF THE CHIEF EXECUTIVE OFFICER**

I. INTRODUCTION

1. The Director, Litigation and Enforcement (the “Director”) by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario is of the opinion that Greatway Financial Inc. (“Greatway”) is committing acts that might reasonably be expected to result in a state of affairs that would constitute an unfair or deceptive act or practice under the Act.
2. This is the Director’s report pursuant to section 441 of the Act.

II. BACKGROUND

A. GREATWAY

3. Greatway is a Managing General Agency (“MGA”) licensed as a Corporate Insurance Agency in Ontario (license #34631M).
4. Greatway contracts with life insurance companies and acts as an intermediary between the insurers and its licensed life & health insurance agents (the “Agents”). The Agents solicit applications for insurance and submit them to the insurance companies.
5. In 2020, Greatway had revenue of approximately \$42.8 million. Approximately 92% of Greatway’s gross income comes from the sale of permanent life insurance products, of which 99% is from the sale of Universal Life insurance products (approximately 61% of these policies also have a term and/or critical illness rider). Approximately 95% of Greatway’s gross income comes from a single life insurance company, ivari.
6. Greatway uses a networked multi-level business model which encourages, compensates, and promotes Agents based on the recruitment of other individuals and the business they bring in. Agents are incentivized to recruit Agents as follows:
 - (i) Agents are not paid a salary but instead are compensated entirely based on commissions. Agents are compensated based on the policies they themselves sell, the policies sold by Agents they recruited, the policies sold by Agents those Agents recruited, and so on;
 - (ii) As new Agents recruit further, a multi-level structure develops and those at the top are compensated for sales of Agents below them;

- (iii) Pursuant to the “6-3-P” Program, Greatway offers new Agents a \$5,000 “Licensing Bonus” if they arrange and attend six sales presentations within 30 days of being recruited, sign up three new recruits within 60 days of being recruited, and pass their licensing exams within 90 days of being recruited; and
 - (iv) Agents can earn trips and automobiles based on their sales and/or the sales of Agents below them as well as the number of Agents in their downstream and/or network.
7. Greatway has grown rapidly in recent years. In 2018, Greatway had 1,400 licensed Agents across Canada and sold approximately 13,000 policies. In 2021, Greatway had 3,490 Agents across Canada and sold approximately 25,000 policies. Approximately 95% of these policies were written by ivari.
 8. Approximately 93% of Agents contracted with Greatway work on a part-time basis.
 9. Greatway arranges for sponsorship of new Agents by at least one insurance company and then enters into a contract with these Agents. Virtually all new Greatway Agents are sponsored by ivari.
 10. Greatway also assists new recruits in passing the required provincial licensing exams. New recruits pay \$299 to take a preparatory course through Gateway’s Financial Career Institute and then complete the Harmonized Life Licence Qualification Program (HLLQP) with an approved course provider.
 11. In its contract with insurers, Greatway agrees to recruit people to sell the insurers’ products, screen them to confirm they are suitable to act as the insurers’ agents, train them and monitor them to confirm they comply with applicable insurance laws.
 12. However, Greatway’s supervision of most of its Agents is minimal. Greatway states it further delegates the monitoring and supervision function to the upline Agents.
 13. In special circumstances where Greatway is concerned with an Agent’s financial health (e.g., bankruptcy, consumer proposal, etc.) and, in rare cases, for unethical activity, Agents are placed under “internal close supervision” at the screening stage. Greatway assigns upline Agents to supervise and review policies that are sold and a report is to be completed on a quarterly basis.
 14. If there are no special circumstances, Greatway does not review policies sold or otherwise supervise the insurance business conducted by its contracted Agents, except in some circumstances for newly licensed Agents.

B. GREATWAY'S TRAINING

15. Greatway requires each of its Agents, including all new licensees, to complete its mandatory training (the "Training"). This Training is created by Greatway and typically provided by upline Agents who completed a set of internal Greatway courses (designated as "Certified Field Trainers"). Training is offered both in person and via on-demand internet material.
16. The Training includes modules on legal requirements such as anti-money laundering practices. However, the only required product training is on selling "overfunded" Universal Life ("UL") policy under the strategy of an "Insured Retirement Plan" ("IRP"). Training with respect to all other product types is optional.
17. An IRP is a complex financial strategy that permits a consumer to obtain life insurance and, potentially, supplement retirement income using a combined investment and income approach. A consumer purchases permanent life insurance in a policy type that allows for the accumulation of cash on a tax-deferred basis. In addition to paying the insurer the cost of the life insurance each year, the consumer pays more money into the contract, where it accumulates. The owner can access this accumulated savings in later stages by withdrawing money from the contract (taxable to an extent) or borrowing against the cash value of the policy (which is non-taxable in certain circumstances). Upon death, a loan can be repaid using the insurance proceeds.
18. The success of the IRP strategy is dependent on continued and retained contributions, borrowing eligibility and permitted tax deferrals, among other factors. Furthermore, the cost of insurance premiums reduces the amount of money that the insured is able to "save," and the cost of insurance increases substantially over time as the insured ages.
19. An IRP strategy is typically considered suitable for higher net-worth individuals who require tax effective strategies, beyond those generally available, and can afford to make regular contributions to fund both the premium and savings portions of a UL policy. ivari's product information material notes that "Individuals who have maximized their RRSPs, TFSAs and other non-registered plans may still need to set aside more to supplement their retirement income."
20. As described below, following a review, FSRA determined that the Training teaches Agents to sell the overfunded UL policy using an IRP strategy to all consumers regardless of their financial circumstances, to misrepresent the UL policy and IRP strategy as savings rather than insurance, and to avoid communicating important risks and characteristics of the strategy and the associated UL policy product.

III. BREACHES OF THE ACT

21. By delivering the Training, Greatway is committing acts that might reasonably be expected to result in an unfair or deceptive act or practice, as contemplated by subsection 2(1) of The Unfair or Deceptive Acts or Practices Rule (the “UDAP Rule”). In particular, Agents who have received and implemented the Training may provide consumers with information and advice that is inappropriate, inaccurate or misleading regarding the terms, benefits or advantages of UL policies they sell.
22. As a result of receiving the Training, Agents might reasonably be expected to:
 - A. Fail to inform consumers about the insurance aspects of the life insurance product;
 - B. Misrepresent “overfunded” UL life policies, through an IRP strategy, as savings or investments rather than life insurance;
 - C. Restrict their advice and options provided to consumers to an IRP strategy and UL policy and advise consumers that an IRP strategy and UL policy is advantageous for them, regardless of their specific needs; and
 - D. Avoid identifying key risks and other disclosures to consumers.
- A. Greatway trains Agents not to inform consumers about the insurance aspects of the life insurance product**
23. An IRP requires that consumers purchase permanent life insurance. In Greatway’s case, consumers are being sold a UL policy.
24. However, Greatway’s Training instructs Agents to mislead consumers by deliberately not providing consumers with an adequate understanding of the financial product that they are purchasing. The Training specifically instructs Agents to not inform consumers about the insurance aspect of the life insurance product that supports the IRP.
25. For example, the Training instructs Agents:
 - (i) “Rule of Thumb: Do Not Mention Insurance Amount”;
 - (ii) “don’t focus on life insurance”;
 - (iii) “remove the insurance mindset and have the client focused on saving/investment”; and
 - (iv) “Do not mention Face Amount yet. Use this as a ‘jackpot’ moment.”
26. As a result of the Training, Agents might reasonably be expected to make misleading statements to consumers by not providing them with an understanding

of the true nature of the product that they are purchasing. These misleading statements may reasonably lead consumers to believe they are saving or investing money in a financial product only and not purchasing a life insurance policy.

B. Greatway trains Agents to misrepresent “overfunded” UL life policies as savings or investments rather than life insurance

27. Greatway instructs Agents to sell a life insurance policy. Consumers who purchase the policy pay life insurance premiums instead of saving the full amount they deposit in the contracts and having an opportunity to grow their savings through investment. However, the Training teaches Agents to misrepresent these payments as savings or investments, and misrepresent the life insurance product as a savings or investment product.
28. For example, the Training instructs Agents:
- (i) To ask, “How much would you like to save?”;
 - (ii) To refer to monthly premiums as “savings/contributions to your plan”;
 - (iii) To convince clients to pay policy premiums based on the amount the client can afford to pay rather than calculating the amount of insurance the client needs and calculating premium based on client needs; and
 - (iv) To “remove the insurance mindset and have the client focused on savings/investment”
29. In reality, and contrary to these misleading statements, Greatway’s UL policy is not a savings product; it is a life insurance product. This is evidenced by the fact that illustrations in the Training state that the UL policy and IRP strategy has, in some cases, no cash value for at least six years. *i.e.*, a consumer who purchases this product and pays monthly premiums for six years would have nothing “saved,” would receive no return, and would lose their insurance coverage if he or she stopped paying premiums within this time period.

C. Greatway trains Agents to sell the UL policy using an IRP strategy to all consumers

30. As noted above, the only training Greatway requires its Agents to complete with respect to products is on selling consumers UL policies using an IRP strategy.
31. The Training does not contain adequate directions for agents about how to determine whether the IRP strategy is suitable for a particular consumer. For example, the Training does not instruct Agents to properly assess information about a consumer’s personal circumstances such as income, assets, or financial goals, specifically in relation to IRP.

32. Instead, the Training directs Agents to ask, “How much would you like to save?” and “During retirement, how much income would you like to receive?” The Training further instructs Agents to respond, “That’s good!” to whatever the consumer says regarding how much they would like to save.
33. Furthermore, the Training instructs Agents to upsell consumers. For example, the Training states that if a consumer says they are able to save \$200/month, they should also be shown projections based on saving \$250 and \$300/month.
34. The Training encourages Agents to sell the same financial product to all consumers regardless of their individual circumstances and needs. As a result, Greatway teaches Agents to provide information or advice which is inappropriate, inaccurate or misleading for consumers who may not actually benefit from an IRP and UL policy.

D. Greatway trains Agents to avoid discussing key risks and disclosures with consumers

35. Greatway primarily sells UL policies underwritten by ivari. ivari’s standard materials include disclosure that details critical risks and characteristics of the UL policy and IRP strategy (the “Disclosure”). Consumers typically receive a copy of the Disclosure from an Agent once they have purchased their UL policy.
36. However, Greatway’s Training specifically instructs Agents to minimize, downplay, and avoid the Disclosure when promoting the IRP strategy and UL policy to consumers. As a result, Agents can reasonably be expected to mislead consumers and not provide them with a full understanding of the terms and risks of a UL policy and IRP strategy.
37. Greatway’s UL policy and IRP strategy involves using the policy as collateral for a loan or line of credit. The Disclosure highlights “several potential risks with collateral/lines of credit that should be discussed with your advisor,” including:
 - (i) “ivari does not guarantee the continued availability of a collateral lending program”;
 - (ii) “Assumptions relating to collateral loans/lines of credit made in the illustration may differ from the actual terms and conditions imposed by the lending institution,” including “loan/line of credit interest rate,” “the ability of a client to receive credit,” and “the circumstances under which a loan/line of credit can be called”;
 - (iii) “The loan/line of credit may be called before the time that the illustration assumes it would be repaid”; and
 - (iv) “Tax rules may change in the future.”

38. These are critical risks and it is essential for any purchaser of a UL policy and IRP strategy to understand them and make an informed decision. However, the Training material marks this page with “DO NOT HIGHLIGHT” in red letters.
39. By instructing Agents to “NOT HIGHLIGHT” the risks of the product and strategy it is training its Agents to sell, Greatway is creating a situation in which Agents are likely to mislead consumers by selling a product to the consumer while omitting any mention of key risks.

SCHEDULE “B”

REASONS FOR PROPOSAL

I. INTRODUCTION

1. These are reasons for the proposal by the Director to order Greatway to:
 - (i) Cease using or making available the Training and any related materials, pursuant to paragraph 441(2)(a) of the Act;
 - (ii) Require all agents, contractors, employees, and recruits to return or destroy all copies of the Training, pursuant to paragraph 441(2)(c) of the Act;
 - (iii) Develop and operationalize new training that could not reasonably be expected to result in Agents engaging in an unfair or deceptive act or practice, pursuant to paragraph 441(2)(c) of the Act;
 - (iv) Provide remedial training to all existing Agents such that those existing Agents can no longer reasonably be expected to breach result in any unfair or deceptive acts or practices, pursuant to paragraph 441(2)(c) of the Act;
 - (v) Provide existing holders of UL policies with appropriate information such that they can assess the nature of the UL policy and the IRP strategy and the appropriateness of it for their circumstances, pursuant to paragraph 441(2)(a) of the Act;
 - (vi) Cease selling new UL policies until (i), (ii), (iii), and (iv) have been completed, to the satisfaction of the Director acting reasonably, pursuant to paragraph 441(2)(a) of the Act; and
 - (vii) Cease hiring, contracting or employing new Agents and recruits until (i), (ii), (iii), (iv), and (v) have been completed, to the satisfaction of the Director acting reasonably, pursuant to paragraph 441(2)(a) of the Act.

II. CONTRAVENTIONS OR FAILURES TO COMPLY WITH THE ACT

2. Section 439 of the Act states that “No person shall engage in any unfair or deceptive act or practice”.
3. The UDAP Rule prescribes activities or failures to act that constitute an unfair or deceptive act or practice.
4. Paragraph 8(1)(i) of the UDAP Rule states that a person receiving information or advice in any form which a reasonable person in the position of such recipient would consider to be inappropriate, inaccurate or misleading respecting the terms,

benefits or advantages of any contract of insurance issued or to be issued, is prescribed as an unfair or deceptive act or practice.

5. Paragraph 2(1) of the UDAP Rule states that for the purposes of the definition of “unfair or deceptive act or practice,” conduct, including inaction or omission, which results in, or could reasonably be expected to result in the outcomes, events or circumstances set out in s. 3 through s. 10 of the UDAP Rule is prescribed as an unfair or deceptive act or practice.
6. Greatway’s Training is delivered to Agents in the context of:
 - (i) Greatway’s networked multi-level business model which encourages, compensates, and promotes Agents based on the recruitment of other individuals and the business they bring in;
 - (ii) Recent rapid growth of Greatway through new Agents;
 - (iii) 93% of contracted with Greatway work on a part-time basis; and
 - (iv) Minimal supervision of Agents by Greatway, absent special circumstances.
7. As a result of the Training, and by virtue of the greater context in which it is delivered, the Director is satisfied that Agents could reasonably be expected to be breaching paragraph 8(1)(i) of the UDAP Rule by:
 - (i) Failing to inform consumers about the insurance aspects of the life insurance product and IRP;
 - (ii) Misrepresenting “overfunded” UL life policies, through an IRP strategy, as savings rather than life insurance;
 - (iii) Restricting their advice and options provided to consumers to an IRP strategy and UL policy and advising consumers that an IRP strategy and UL policy is advantageous for them, regardless of their specific needs; and
 - (iv) Avoiding identifying key risks and other disclosures to consumers.
8. In doing so, Agents could reasonably be expected to provide consumers with information or advice that is inappropriate, inaccurate or misleading respecting the terms, benefits or advantages of any contract of insurance issued or to be issued.

III. GROUNDS FOR ISSUING CEASE AND DESIST ORDER

9. Section 441(1) of the Act states that, upon examination or investigation, or upon any other evidence, the Chief Executive Officer shall make a report if he or she is of the opinion that a person has committed or is committing any act, or has pursued or is pursuing any course of conduct, that is an unfair or deceptive act or practice

or might reasonably be expected to result in a state of affairs that would constitute an unfair or deceptive act or practice

10. Section 441(2) of the Act states that the Chief Executive Officer may give notice in writing, which shall include a copy of the report made under subsection 441(1), to the person that the Chief Executive Officer intends to order the person,
 - (a) to cease or refrain from doing any act or pursuing any course of conduct identified by the Chief Executive Officer;
 - (b) to cease engaging in the business of insurance or any aspect of the business of insurance specified by the Chief Executive Officer; or
 - (c) to perform the acts that, in the opinion of the Chief Executive Officer, are necessary to remedy the situation.
11. As set out in the report attached as Schedule "A", the Director is of the opinion that Greatway, in distributing the Training, on a mandatory basis for new Agents, and within a multi-level structure which heavily incentivizes sales and recruitment, and with minimal supervision outside of special circumstances, is committing acts that might reasonably be expected to result in a state of affairs that would constitute an unfair or deceptive act or practice under the Act.
12. Such further and other reasons as may come to my attention.

DATED at Toronto, Ontario, October 14, 2022

Elissa Sinha
Director, Litigation and Enforcement

By delegated authority from the Chief Executive Officer