

Memo To: Jim Fraser, Manager, Quality Control, EDP Audit Planning and Contract Clearances,
Ministry of Finance
Greg Flottorp, Supervisor, Interpretations, Tax Information and Compliance Branch,
Ministry of Finance

Memo From: Canadian Association of Financial Institutions in Insurance (CAFII)

Date: 21 March, 2018

Re: Follow up to Conference Call of 9 March, 2018 on Refunding of PST on Insurance Policies
Exempt from PST in Saskatchewan

CAFII participated in a conference call with you, as representatives from the Saskatchewan Ministry of Finance, on 9 March, 2018.

Participating in that call from the Saskatchewan Ministry of Finance were:

Jim Fraser, Ministry of Finance

Greg Flottorp, Ministry of Finance

Participating in that call from CAFII were:

Pete Thorn, TD Insurance

John Lewsen, BMO Insurance

Evelyn Kudjerski, BMO Insurance

Sue Manson, CIBC Insurance

Rose Beckford, ScotiaLife Financial

Charles MacLean, RBC Insurance

Laura Bedford, RBC Insurance

Liliana Ripandelli, the Cooperators Group

Brendan Wycks, Co-Executive Director, CAFII

Keith Martin, Co-Executive Director, CAFII

As you requested, the following is our summary of the major issues and action items discussed, based on our notes from the call.

In the near-term, the Saskatchewan Ministry of Finance has some key high level concerns and priorities:

- reassurance that the refund will be returned to the customer either through the issuance of a cheque or through a credit.
- the ability for the Ministry to reconcile the refund between the insurer and the customer, even if only at a high level.
- the Ministry would require confirmation of the now exempt insurance products for which a refund has been issued, perhaps with a description and product code.
- the possible requirement for the Ministry to have access to details around the refunded policies including information about the policyholder and ledger account information, primarily for the purpose of allowing the Ministry to verify this information if it receives customer calls about the refund.

In discussion about these requirements, CAFII made the following recommendations:

- keep the process simple. The insurer is the conduit through which the customer's PST flowed to the Ministry; so we should keep it straightforward and attempt to simply reverse the process.
- perhaps it may be best if the insurer is able to provide the month-by-month breakdown of what was remitted with evidence of the confirmation numbers.
- furthermore, the amount could be broken down into the product categories such as the amount based on permanent insurance with cash value and insurance without cash value. This is in direct line with the provincial legislation¹.
- asking for detailed data from each provider may lead to a great amount of work for the Ministry.
- each provider will likely have their information in various formats. Name and address are text fields and their formats vary from company to company. There may be duplicate names.
- policyholder's current status may not be the same as at the time that PST was paid. They may have moved in or out of Saskatchewan, or they may have changed their name; they may have cancelled their policy; they may have passed away. All this information/history is kept within the system of the administering company, and to provide it to the Ministry would be a daunting task.
- the Ministry would have to design a database or find some other way to ensure that they could retrieve the right/accurate information for the right person, if the Ministry does choose to collect and use this information directly itself.
- if the Ministry sets up the expectation that Saskatchewan residents could contact them to determine their PST refund, it would have to design a system, process and call centre to be able to provide that information with credibility. It would run into issues of having to confirm that the person calling was a legitimate customer, and it is not clear how that would be achieved.
- it's best to keep it simple and let the policyholder contact the company with which he/she has a policy/product. Each policyholder would have to provide some evidence that they have a product with the company, and only that company would be able to confirm that information.
- if the Ministry has a specific policyholder query or complaint that they need to investigate, they could then contact the company directly for details.

As well, CAFII made the following suggestions around limits and expectations around refunds:

- the Ministry should keep its communication simple and suggest to consumers they should contact their policy provider directly if they had questions about the refund.
- the communication should indicate that consumers should expect the refund within a reasonable period of time, to give insurers the time to implement this directive.
- the communication should be broad and not require sending a letter to each customer.
- a reasonable threshold for triggering the refund should be identified, below which the refund would not be required, with a suggestion of \$5 as a possibility.

¹ **"Exemptions re contracts of insurance - permanent life**

4.4(1) In this section, 'permanent life insurance' means a contract of life insurance, other than term insurance, that:

(a) pays a benefit on the death of the insured; and

(b) accumulates a cash value.

(2) Persons who purchase contracts of insurance providing coverage for permanent life insurance with an effective date before August 1, 2017 are exempt from paying tax on those purchases, including all premiums payable on or after that date, whether or not those contracts of insurance have future endorsements.

- there would be no interest paid on the refunded PST for the time period over which it had been paid.

There was also agreement that Ministry of Finance representatives would consider CAFII's letter of March 9/18 to Premier Scott Moe, and try to get a response back to CAFII as soon as possible. The policy issues raised in the letter are of great importance to CAFII members, and the Association looks forward to an official indication of what the policy of the Government of Saskatchewan is on these matters of equitable tax treatment of like products.

It is also operationally important to CAFII members that they have clarity at the earliest opportunity as to which types of insurance products are exempt or not exempt from PST, so that our members can know what products they should or should not be continuing to collect PST on, and which policyholders and certificate holders should receive a refund of PST paid on insurance premiums between 1 August 2017 and 26 February 2018. As CAFII articulated in its March 9/18 letter to Premier Moe, based on treating nearly identical insurance products in the same manner and in the interests of maintaining a level playing field in a competitive marketplace, it is the Association's strong belief that creditors group insurance (CGI) products should be included on the list of products covered by the exemption to the PST.

We appreciate your engaging with CAFII members in a consultation process around the process for refunding the PST previously paid on now exempt insurance products; please let us know if a follow-up teleconference meeting between the Ministry and CAFII representatives on these matters is needed.