

Agenda Item 4.3(1)
April 17/18 Board Meeting

From: Keith Martin [mailto:keith.martin@cafii.com]
Sent: Monday, April 09, 2018 4:59 PM
To: 'Thorn, Peter'; 'Brendan Wycks'
Subject: Phone Call from the Government of Saskatchewan -- Ministry of Finance

I wanted to provide an update on a call I just received from Brent Hebert, Assistant Deputy Minister, Revenue Division, in Saskatchewan's Ministry of Finance.

He was very professional and courteous, and he said he was reaching out to key stakeholders to get their feedback on the consultation process and on the content of the Information Bulletins published by the Government of Saskatchewan last week.

He additionally said he wanted to thank CAFII for providing input into the content of the Information Bulletins on refunding PST on insurance products to customers; and to specifically ask if we were satisfied with the outcome as contained in the Information Bulletins.

I said that the process was transparent and that was appreciated by CAFII. I noted that the original draft Information Bulletin excluded job loss from creditors group insurance exempt products, and that would require retroactively segmenting components of policies where the coverages had been bundled together. This would have been a challenge, but now that creditors group insurance was entirely exempt from PST—including job loss—the process would be facilitated, and that was something that our members appreciated.

The official said that he was very aware of the issue, and that he was very pleased to hear that the outcome was helpful to our members; he added that our input was listened to carefully, was extremely helpful, and was paid attention to purposefully by Ministry officials. He said that the Ministry wanted to make the refund process as easy as possible in the circumstances.

I also told him that the official I was principally in communication with, Leslie Jerkovits, was professional, asked thoughtful and probing questions, and was interested in understanding the issues we were raising. He said he was extremely pleased to hear that, and thanked me for telling him.

I added said that I could not speak to someone from Saskatchewan without expressing my heartfelt distress at the tragedy that had recently unfolded; and Brent paused, and said he appreciated that.

Finally, Brent said that he knew that industry was reviewing the changes proposed by the Government to the Insurance Act, and that our paths may cross again on that issue; he said his phone line was open, and to call him if we had any concerns or issues.

I told him that was much appreciated, and added that we had met officials in Saskatchewan on this matter and on the process around it, and that we appreciated that a sufficient timeline was planned from the publishing of the Act to the drafting of the regulations, and their implementation, as industry needed time to adjust to changes. He responded that he very much understood that concern.

He thanked me one more time and wished me a good day. The call was about 5 minutes in duration.

Keith Martin

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From: Keith Martin [mailto:keith.martin@cafii.com]

Sent: Friday, April 06, 2018 3:21 PM

To: 'Brendan Wycks'; 'Thorn, Peter'; 'Pergola, Antonio'; 'Beauchamp, Jason'; 'Bedford, Laura'; 'Isabelle Choquette'; 'Beckford, Rose'; 'Charles Blaquiere'; rob.dobbins@assurant.com; 'Easthope, Dana'; dominique.julien@cibc.com; charles.maclean@rbc.com; 'Diane Quigley'; moira.gill@td.com; 'Lewsen, John'; 'Manson, Sue'; jsavard2@dsf.ca; 'Shawna Sykes'; anuraj.bains@cibc.com; scott.kirby@td.com; 'Bradley Kuiper'; 'Monika Spudas'; nina_desai@manulife.com; 'McCarthy, Peter'; 'Lobbezoo, Chris'; chris.knight@td.com; wallace_thompson@manulife.com; nbenson@cricanada.net; 'Kelly Tryon'; 'Rondzik, Sandra'; 'Robert Zanussi'; 'Grant, Bob'; andre.langlois@dsf.ca; 'Nick Bilodeau'

Cc: 'Natalie Hill'; 'Boyle, Martin'; 'Tara Moran'

Subject: FW: SK PST on Insurance - Information Notices & Bulletin

Board and EOC Members:

On 29 March, 2018 the Ministry of Finance issued draft Information Notices on the exemption of PST for certain insurance products, and offered the opportunity for relevant industry associations to be consulted.

CAFII has been in regular contact with the Ministry of Finance, both through emails and direct phone calls, to provide further detail and explanation of our members' position on some elements of the bulletin, including concerns about the PST exemption only applying to portions of a creditors group insurance policy (job loss would not be exempt, for example, and the entire policy would not be exempt, nor receive a PST refund, if the life portion was not segregated from the job loss component); and the short time lines.

The final revised Information Bulletins are attached, along with the transmittal message from the Ministry of Finance (see email string below); and was officially posted at 1pm Saskatchewan time (3pm Eastern time). I have drawn out the relevant portions of the original draft language and the revised, final language for comparative purposes.

From Information Bulletin 2018-04, we are interpreting the revised language to indicate that creditors group insurance has received a blanket exemption from PST. (In a phone communication today with a Ministry of Finance official I was specifically told that the Department has revised its original policy and job loss would no longer be excluded from the exemption.) From Information Bulletin 2018-05, the Ministry has slightly softened the language around the deadline for processing refunds; and that process should be much simplified now that the entire policy, not just a portion, is subject to refund.

Any questions or concerns, please let me know.

<u>Original Draft Text, Government of Saskatchewan Information Notice 2018-04</u>	<u>Final Revised Text, Government of Saskatchewan Information Notice 2018-04</u>
Credit and Credit Protection Insurance Credit and credit protection life, health, disability, accident and sickness insurance is exempt from PST. Job loss, strike or lockout insurance is subject to tax. As noted above, if taxable and exempt coverages are included together in the policy or contract, and the taxable and exempt components are not segregated, the total premium is subject to PST. Note: Mortgage default insurance is taxable.	Credit Protection Insurance Credit protection insurance, including creditor's group insurance, is exempt from PST. Note: Credit insurance that protects the lender from default is taxable (e.g. lender's mortgage insurance or mortgage default insurance).

<u>Original Draft Text, Government of Saskatchewan Information Notice 2018-05</u>	<u>Final Revised Text, Government of Saskatchewan Information Notice 2018-05</u>
The refund/credit process involves a large number of policy holder accounts; however insurance providers expect to complete the majority of credits/refunds by June 30, 2018.	The refund/credit process involves a large number of policy holder accounts. Insurance providers are making every effort to process the refunds/credits as soon as possible and expect the majority to be complete by June 30, 2018, with a small number occurring after that date.

--Keith
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Subject: SK PST on Insurance - Information Notices & Bulletin

Hello everyone,

Thank you for the feedback provided in relation to the Information Notices, it is greatly appreciated. I have attached the finalized publications including updated Information Bulletin PST-73.

In order to highlight this information apart from the Budget next Tuesday, these publications will be posted today, Friday April 6th, with the following news release at 1:00 SK time:

AUTOMATIC PST REFUNDS ON CERTAIN TYPES OF INSURANCE

Policy holders of crop, livestock, hail, margin/income, life and health insurance in Saskatchewan will soon receive a sales tax refund or credit from their insurance provider. Refunds and credits are automatic, meaning no action is required of policy holders.

As announced February 26, 2018, Provincial Sales Tax (PST) no longer applies to the following types of insurance:

- Individual and group life, health, disability, accident and sickness insurance; and
- Crop, livestock, hail and margin/income insurance.

The PST exemption on these insurance products is retroactive to August 1, 2017, the date certain insurance premiums became taxable in Saskatchewan.

Insurance providers who collected and remitted the PST will calculate all refunds payable and either credit each policy holder's account or provide a refund. Policy holders do not have to request or submit a claim to their insurance provider or to the government to receive a refund or credit.

Most refunds or credits will be paid by June 30, 2018. If you do not receive a refund or credit by that date, or have questions about the process, please contact your insurance provider.

Please let me know if you have any questions or concerns.

Thank you,
Leslie Jerkovits
Government of Saskatchewan