

April 7, 2017

The Honourable Kevin Doherty
Minister of Finance, Government of Saskatchewan
Room 312, Legislative Building, 2405 Legislative Drive
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Honourable Minister Doherty:

The Canadian Association of Financial Institutions in Insurance congratulates you and the Government of Saskatchewan on the overall soundness and prudence of your recent budget, including the measures therein to address the province's long-term financial sustainability.

That said, our Association must register its deep concern about your government's decision to broaden the Provincial Sales Tax (PST) base to include all types of insurance premiums, both individual and group. It is our understanding that you are requiring that effective July 1, 2017, PST must be charged and collected on all life, accident and health; property, vehicle, liability and casualty insurance premiums; as well as agricultural insurance premiums. The PST that will now be levied on insurance premiums, at a rate of 6%, is in addition to an existing, economically distorting 3% tax which Saskatchewan imposes upon life, health, and disability insurance premiums, a long-standing additional cost to insurers of doing business in the province, which they ultimately must pass on to consumers.

We also understand that the Information Bulletin containing implementation details about this PST change is not scheduled to be released until April 30, 2017.

It is CAFII's strong view that the decision to include insurance premiums within a broadened PST base is an ill-considered public policy which runs counter to the long-term interests of the province and its citizens. While as a consumption tax, the PST serves as an important component of the province's revenue base, it is just as important that consumption taxes not be levied upon products and services that produce long-term social benefits. Products such as insurance should not be subject to fiscal penalties or disincentives. Insurance offers critical protection for consumers – and, indirectly, for society as well -- against unforeseen events and losses, including injury, illness, or death; and any direct tax on insurance premiums will discourage individuals and employers from securing necessary protection for themselves, their dependants, and their employees.

By way of an example that is specific to CAFII and the vast, underserved market of middle income Saskatchewanians whose insurance needs our members meet, we offer the following. Our members focus on offering simple, conveniently accessible, and affordable insurance coverage through a variety of channels, especially alternate distribution channels such as call centres, financial institution branches, and the internet. Having to charge PST on the insurance products which our members offer through these channels (most often group products such as creditor's group insurance) will discourage individuals from securing the coverage necessary to protect their families from financial distress, through what is often the only access to insurance that they have available.

The perhaps unforeseen, longer term effects of this decision will be to put uninsured or inadequately insured families at risk of financial catastrophe or severe duress; and to increase uninsured or inadequately insured citizens' reliance on publicly funded social services, leading to a variety of additional social costs for the province. The decision will also make Saskatchewan less competitive for employers and employees in comparison to the other jurisdictions, which will have a harmful impact upon the province's future revenue potential.

We strongly recommend that the Government of Saskatchewan reconsider its decision to include insurance premiums within a broadened PST base.

We would be pleased to meet with you and/or Ministry officials to discuss our concerns, either in-person in Regina or by teleconference, as you prefer. We ask that your office contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a meeting at a mutually convenient time.

Thank you for your consideration of CAFII's concerns about this critically important matter. We look forward to working with you and your officials towards a mutually agreeable solution.

Sincerely,



Eleanore Fang
Board Secretary and Chair, Executive Operations Committee

c.c. Roger Sobotkiewicz, Chair and CEO, Saskatchewan Government Crown Corporations, Financial and Consumer Affairs Authority

Jan Seibel, Lawyer, Legal Branch, Saskatchewan Government Crown Corporations, Financial and Consumer Affairs Authority

Ron Fullan, Executive Director, Insurance Councils of Saskatchewan

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. CAFII members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as its members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.