

Thursday, July 14, 2022

Hon. Donna Harpauer
Minister of Finance
Government of Saskatchewan
2405 Legislative Dr., Room 312
Regina SK S4S 0B3

Re: Investing in Resilience & Providing Relief for Saskatchewan Insurance Consumers

Minister:

The Insurance Bureau of Canada (IBC) and the Insurance Brokers Association of Saskatchewan (IBAS) are committed to working together to help businesses and consumers cope with mounting pressures in the insurance marketplace. The lingering impacts of COVID-19, coupled with record inflation and increasing risk exposure to overland flooding and other natural catastrophes, have created cascading conditions that continue to negatively affect insurance premiums as well as the availability of coverage.

Collectively, our memberships represent 90 per cent of property and casualty (P&C) insurance premiums in Canada, as well as 98 per cent of all Saskatchewan insurance brokerages, which operate in more than 250 cities, towns, and villages across the province. Over the past two-and-a-half years, our organizations and its members have implemented numerous relief measures, including but not limited to:

- Partnering to introduce IBC's Risk Manager service in Saskatchewan, offering a vital 'last resort' for customers with elevated risk profiles attempting to secure coverage in one of the hardest global insurance markets experienced in more than four decades. This pilot has become the basis for SGI's Alternate Risk Program in Saskatchewan, and was particularly effective for difficult-to-insure hospitality, transportation, and specialty segments of the economy;
- Providing flexible payment solutions, including millions of dollars in deferred and rebated premiums;
- Investing in community supports — from funding the Canadian Federation of Independent Business's counselling service to providing more than \$77,353 in project grants through IBAS's 2021 #BrokersCare Campaign for Mental Health;
- Extending coverage for premises that were unoccupied or temporarily closed during the pandemic; and
- Introducing new programs to educate consumers and governments on community resilience and respond to major loss events.

We recognize, however, that significant challenges endure. Inflation remains an upward driver of property replacement costs, instability in equity markets has weakened insurer balance sheets, and catastrophic events — such as the flooding in the B.C. lower mainland, fires in B.C.'s interior, and severe storms across the Prairies — have triggered historic levels of insured losses. Now more than ever, the insurance industry and government must bolster efforts to protect consumers.

That is why IBC and IBAS are writing today to propose three steps the Government of Saskatchewan may consider to provide immediate consumer relief and build future capacity for loss mitigation (and, subsequently, dependence on government support):

1. Suspend or eliminate the insurance premiums tax.

Insurance companies writing business in Saskatchewan are subject to three different legislated acts that levy varying percentages of taxation onto gross insurance premiums, depending on the type of coverage:

- Three per cent on life, accident, sickness, and hail insurance (with exceptions for some business written prior to April 2000);
- One per cent on motor vehicle and fire-related insurance; and
- Four per cent on all other types of insurance.

These taxes have a direct influence on the cost of insurance for consumers, yet they cannot be shown on a policy and are generally built into consumer premiums.

Of equal or greater concern, while the Province previously excluded Provincial Sales Tax (PST) on insurance products, in 2018, this exemption was removed on most P&C business lines. As a result, the PST now applies *on top of* insurance premiums taxes, resulting in a layered 'tax on a tax.'

Other provinces have taken commensurate action. In 2020, Manitoba removed the Retail Sales Tax (RST) on property insurance while, earlier this year, Newfoundland and Labrador announced it would be temporarily halting RST on home insurance. Saskatchewan is now only one of three Canadian provinces and territories with an RST-type tax on home insurance and only one of four jurisdictions to apply an RST-type tax on other types of P&C insurance.

Although IBC and IBAS believe reapplying a permanent exemption of the PST on insurance products would generate a meaningful net benefit for the Saskatchewan economy, one alternative to maintain the current distributed structure of the PST would be to become the Canadian leader in suspending or eliminating insurance premiums taxes — particularly on policies subject to the PST.

It is worth noting that Saskatchewan's combined P&C and fire insurance premiums tax rate is tied for the second highest in the country, behind only Nova Scotia.

2. Transition the Home Renovation Tax Credit to the Saskatchewan Safer Homes Tax Credit.

It is our understanding the Province may discontinue the Home Renovation Tax Credit beyond 2022. This non-refundable tax credit saves Saskatchewan homeowners as much as \$2,100 in provincial income tax by claiming a 10.5 per cent tax credit on up to \$20,000 of eligible renovation expenses.

Should the government choose to wind down this program, IBC and IBAS would strongly support replacing it with a new Saskatchewan Safer Homes Tax Credit in 2023. This tax credit — which could be expanded at a fraction of the cost of the current program — would be eligible on home improvements that enhance resilience to property damage and loss. Some examples may include:

- The purchase and installation of a sump pump, sump pump battery back-up, or backwater flow valve;
- The purchase and installation of flood, smoke, and carbon monoxide alarms;
- The purchase and installation window well covers;
- The purchase and installation of weather-resistant shingles;
- The purchase and installation of fire-resistant building materials;
- Landscaping work to improve water management (such as grading away from the home);
- The replacement of aging hot water tanks; and
- Retrofitting a wood fireplace to a natural gas fireplace.

Saskatchewan homes are now twice as likely to incur damage from water or sewer back-up than fire or theft. Unfortunately, only 37 per cent of Saskatchewan's most at-risk homes have proper flood defenses implemented.

3. Match industry's investment in the FloodSafe Saskatchewan consumer education campaign.

Later this year, IBC and IBAS will be formally announcing the creation of FloodSafe Saskatchewan — a joint initiative between Saskatchewan's insurance industry and other stakeholders, united by the common goal of eliminating preventable overland water damage to property through enhanced consumer education. Other participants include CAA Insurance, Canadian Red Cross, My Mutual Insurance, Portage Mutual Insurance, the Prairie Adaptation Research Collaborative, Saskatchewan Mutual Insurance, SGI CANADA, and Wawanesa Insurance.

Through this project, partner organizations are striving to advance three priority pillars:

- Educate consumers on the evolving risks that flooding presents to personal and commercial property, financial wellbeing, safety, and economic stability;
- Provide easy-to-access information and resources to support property owners in implementing affordable flood defences; and

- Raise awareness of the limitations of the Provincial Disaster Assistance Program (PDAP) and the options for private market overland flood insurance.

Approximately \$150,000 in private funding has been earmarked for the first year, including \$75,000 for the development of materials and to support public promotion. We believe that a commitment of matching 'hard cost' funding of \$75,000 by the Province would tremendously extend our reach into the community. A complete project brief has been shared with PDAP representatives and is available upon request.

Accessible and affordable insurance coverage is a foundation of the Saskatchewan economy. And that success starts with consumer education and preventative action. We look forward to collaborating with your government to ensure robust consumer protections, backed by strong consumer choice and best-in-class licensed advice, for decades to come.

Thank you for your continued leadership. Don't hesitate to let us know if you have questions.

Regards,



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