



7/9/2021

# Refund from Surplus

Minutes of July 7, 2021

**ATENDING DIRECTORS:**

Dave Rutherford, Chair

Van Darling, Director

Bill Dorland, Director

**ATENDING STAFF:**

Alec Harmer, President

**Alec Harmer**  
RECORDING SECRETARY

## Opening of the Meeting

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A virtual meeting – 1:00pm.

Alec provide a rough draft plus some points to consider prior to the meeting.

Alec opened this informal meeting by reiterating that the board “owns” the refund policy and his role is to facilitate the completion of the policy document.

The committee went through each section of the draft policy:

1. Overview
2. Considerations for a refund
3. Key financial considerations
4. Responsibilities
5. Timing
6. Advertising/Notification
7. Handling / Administration

The first section was a summary of mutuals versus stock companies and some of the philosophy behind refunds from surplus. Alec was asked to expand on this section to include:

1. The difference between a stock company and mutual when it comes to the ability to build capital; and
2. The difference in philosophy in both types of entities when it comes to profitability

When discussing the second section on considerations, each director gave their opinion on a refund from surplus. It was mentioned that a philosophy and conversation around a refund, if or when the time comes, was a key part of the process. A formula like we will develop should assist the directors but not be the only or final “say” whether a refund is made or not.

One consideration where there was quite a clear consensus was the refund must come from underwriting profit and not from investment income.

There was discussion on the allocation of the refund. Who could get it and does it have to be all lines or the same amount for each line? The board has the ability to make a refund to certain policyholders based on profitability by line and other factors such as how long a policyholder has been with a company. There was conversation around excluding policyholders that had a claim during the year which did not contribute to the financial success of the organization. That was not a recommended approach.

There was further conversation in other areas of the document.

To clarify, a refund can be declared for a year, but actually paid for in the immediate following year, and the expense and tax savings will be allocated to the profitable year. For example, 2021 ends up being profitability enough to declare a refund. Cheques are issued on February 1<sup>st</sup>, 2022 but the expense of the refund plus the expenses to issue the refund cheques will get allocated to the 2021 accounting year, where the profit occurred. This expense will also reduce taxes for 2021.

At the end of the meeting, Alec was asked to produce an example calculation of a refund for the committee.

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Date

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Dave Rutherford, Chair

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Alec Harmer, Recording Secretary