



Financial Services
Commission
of Ontario

Commission des
services financiers
de l'Ontario

January 2012

Cost of Goods Guideline

Superintendent's Guideline No. 01/12

Cost of Goods Guideline

Introduction

This Guideline is issued pursuant to section 268.3 (1) of the *Insurance Act* for the purposes of sections 15 and 16 of the *Statutory Accident Benefits Schedule - Effective September 1, 2010* (“new SABS”) and 14 and 15 of the *Statutory Accident Benefits Schedule – Accidents on or After November 1, 1996* (“old SABS”).

Purpose

Sections 15 and 16 of the new SABS and sections 14 and 15 of the old SABS require insurers to pay for “reasonable and necessary” expenses incurred by or on behalf of an insured person for the types of goods described in those sections.

The purpose of this Guideline is to provide direction concerning the appropriate interpretation of the term “reasonable” for the purpose of those sections.

Retail Price to Govern

For the purposes of this Guideline, the retail price is the lowest price, including delivery charges (if delivery is required), duties and taxes, that would be payable by or on behalf of an insured person to acquire an item of goods from a source that is available to a member of the general public in Ontario.

Where a retail price exists for an item of goods, a “reasonable” expense for that item for the purposes of sections 15 and 16 of the new SABS and sections 14 and 15 of the old SABS is that retail price, or the price actually paid or payable by or on behalf of the insured person to acquire the item, whichever is lower.

In the event of a dispute over whether an expense for an item is “reasonable”, the onus is on the insurer to provide reasonable evidence of the retail price of the item.

Reasonable evidence includes, but is not limited to: an advertisement; written confirmation from a vendor; or any other reliable form of proof of the retail price.

Harmonized Sales Tax (HST)

The applicability of the HST to goods referred to in sections 15 and 16 of the new SABS and sections 14 and 15 of the old SABS falls under the jurisdiction of the Canada Revenue Agency (CRA). If the HST is considered by the CRA to be applicable to an item for which an insurer is liable under those sections, then the HST is payable by the insurer as part of the “reasonable” expense for that item.

This is consistent with the treatment of HST for services subject to the Professional Services Guideline – Superintendent’s Guideline No. 01/11 and the Cost of Assessments and Examinations Guideline – Superintendent’s Guideline No. 08/10.