

Tax and Revenue Administration (TRA)

Crown's Right of Recovery (President of Treasury Board and Minister of Finance) Regulation

Information Circular MV-1R5

Administration of the Health Cost Recovery Program

Last updated: September 1, 2021

NOTE: This information circular is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this information circular and governing legislation, the legislation takes precedence.

This Information Circular provides an overview of the recovery of the Crown's cost of health services for automobile accidents covered by third party liability insurance.

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Overview

1. The Health Cost Recovery Program is legislated under the *Crown's Right of Recovery Act* (the Act) governed by Alberta Health, and the Crown's Right of Recovery (President of Treasury Board and Minister of Finance) Regulation, which is administered by Alberta Treasury Board and Finance, Tax and Revenue Administration (TRA).
2. The Act includes a provision to recover from automobile insurers the Crown's cost of health services provided to victims of automobile accidents. For each calendar year, automobile insurers must report and remit to TRA an amount representing their proportionate share of the total estimated Crown cost of health services related to automobile accidents.
3. An 'automobile insurer' is defined in the Act to mean an insurer under a motor vehicle liability policy, which includes third party liability insurance against liability resulting from bodily injury to or death of one or more persons and loss of or damage to property.

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Registration

4. Automobile insurers do not have to register directly with TRA. The Alberta Superintendent of Insurance provides TRA with an annual listing of licensed automobile insurers. Using this list, TRA registers new automobile insurers, and de-registers automobile insurers no longer licensed in Alberta.

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Estimate of Crown Costs

5. For each calendar year (assessment factor year), the Minister of Health determines an "aggregate assessment" to be paid by automobile insurers. The aggregate assessment is based on information prepared by Alberta Health, actuarial reports, and consultations with representatives from the automobile insurance industry.
6. A proposed aggregate assessment is calculated and notice of this proposal is sent to each automobile insurer licensed to provide automobile insurance under the *Insurance Act*. An automobile insurer has the right to make representations concerning the proposed aggregate assessment. Representations can be sent to the Insurance Bureau of Canada.
7. After representations are considered, a report is submitted to the Minister of Health, who reviews the document and establishes the final aggregate assessment for the assessment factor year. All automobile insurers are notified of the amount.

8. Alberta Health also notifies TRA of the amount of the aggregate assessment so that TRA can establish the 'assessment factor' for the assessment factor year.

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Estimate of Amount Owing by Automobile Insurers

9. Once the aggregate assessment has been established, TRA establishes the assessment factor, which is determined by the formula:

A / B

where

"A" is the aggregate assessment determined by the Minister of Health for the assessment factor year plus the aggregate assessment for the 2nd calendar year preceding the assessment factor year less the amount collected by TRA for the 2nd calendar year preceding the assessment factor year.

"B" is the projected total premiums for the assessment factor year, which is determined by the formula:

$2 [C(1-D)] + E$

where

"C" is the average of the changes in total premiums written between

- (i) the 2nd and 3rd calendar years preceding the assessment factor year,
- (ii) the 3rd and 4th calendar years preceding the assessment factor year, and
- (iii) the 4th and 5th calendar years preceding the assessment factor year.

"D" is the adjustment factor established by TRA for the assessment factor year.

"E" is the total premiums written for the 2nd calendar year preceding the assessment factor year.

The assessment factor is rounded off to four decimal places and then converted to a percentage.

10. Once the assessment factor is established by TRA for the assessment factor year, it is published in a Special Notice on the [Health Cost Recovery page](#) of our website. Automobile insurers use the assessment factor to determine the amount of Health Cost Recovery that must be remitted to TRA.

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Filing and Remittance Requirements

11. Automobile insurers must file a report of the premiums for third party liability insurance written in the calendar year. Third party liability insurance premiums placed by automobile insurers with the Risk Sharing Pool (RSP) are not taxable at the time they are ceded to the RSP. The RSP allocates to each automobile insurer its proportion of the total premiums received each month by the RSP. Automobile insurers must include the third party liability insurance premiums allocated each month from the RSP on the [Health Cost Recovery Report – Automobile Accidents](#).
12. The Health Cost Recovery Report may be submitted to TRA electronically through the Tax and Revenue Administration Client Self-Service (TRACS) system. **The report must be received by TRA on or before March 15th of the year following the particular calendar year, together with the automobile insurer's remittance.** For more information on how to file the report, refer to the [Health Cost Recovery](#) page of our website. For information on how to access TRACS, see the [TRACS](#) page of our website.
13. There are several options for remitting Health Cost Recovery to TRA, including:
 - pay online using Electronic Payment through a financial institution;
 - pay using wire transfer; or
 - pay by mail, courier or in person. Cheques and money orders should be made payable to 'Government of Alberta'.

For more information on making a payment to TRA, see the [About making payments to Tax and Revenue Administration](#) page of our website.

14. A company that is licensed under the *Insurance Act* to provide insurance, but does not write third party liability insurance in Alberta during a calendar year is not required to file a Health Cost Recovery Report for a calendar year. If a company does not provide insurance in Alberta during a calendar year, it should notify TRA of this.

Example

15. Company A is an automobile insurance company licensed to provide automobile insurance for all, or part, of the 2019 calendar year. During the 2019 calendar year, Company A has written \$1,000,000 of total premiums for third party liability insurance. The assessment factor for the 2019 calendar year, as published on our website, is 6.70%.

Company A completes the Health Cost Recovery Report on TRACS and ensures that the report and remittance are received by TRA on or before March 15, 2020. The remittance of \$67,000 is calculated as follows:

$$\begin{aligned} \text{Remittance} &= \$1,000,000 \times 6.70\% \\ &= \$67,000 \end{aligned}$$

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Penalties and Interest

16. If the Health Cost Recovery Report and the automobile insurer's required remittance of the Health Cost Recovery is not received by TRA on or before March 15th of the year following the assessment factor year, the automobile insurer may be assessed a late-filing penalty, and will be assessed interest.
17. The late-filing penalty charged for failing to file the Health Cost Recovery Report on time is the greater of:
- \$25 per day for each day the Health Cost Recovery Report is late, or
 - the total of:
 - five per cent of the unpaid Health Cost Recovery on the required filing date of March 15th, and
 - one per cent of the unpaid Health Cost Recovery on the 15th day of each subsequent month in which the report remains unfiled.
18. Interest on late remittances of the Health Cost Recovery and penalties charged for late-filed Health Cost Recovery Reports is compounded daily. The rate used each quarter is the sum of:
- a reference rate (the average interest rate, rounded up, on 90-day treasury bills during the first month of the preceding calendar quarter), and
 - 3.5%.

Current interest rates are provided on our [website](#).

19. Interest on late remittances of the Health Cost Recovery or on the late-filing penalty assessed for failing to file the Health Cost Recovery Report on time begins to accrue starting on the first business day after the date the remittance or report was due (March 15th of the year following the assessment factor year).

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Waivers of Penalties or Interest

20. TRA is authorized to waive or cancel all or any portion of a penalty or interest payable under the Act. Waivers of penalties or interest are intended to provide relief in extraordinary circumstances not covered by the Act or administrative policy. Waivers are to be used as a last resort and requests for relief are treated as such. Penalties that relate to false statements made knowingly or through negligence, carelessness, or wilful default generally will not be waived.

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Extraordinary Circumstances

21. TRA may waive penalties or interest if extraordinary circumstances prevented a person or agent from complying with the Act. Examples of such circumstances include
- natural disasters, such as floods or fires,
 - personal tragedies, such as a serious illness, accident, or death of the person (or in the family of the person) that oversees and ensures compliance with the Act,
 - civil disturbances or disruptions in services, and
 - public health emergencies.
22. A postal strike is not normally sufficient reason for TRA to waive interest on a late payment because payments can be made through most Alberta financial institutions. During postal strikes, TRA arranges for the filing of returns at designated government centres throughout Alberta.
23. In all cases, TRA must be satisfied that, despite the extraordinary circumstances, the automobile insurer made all reasonable efforts to comply with the Act. Doing so includes filing Health Cost Recovery Reports and remitting the Health Cost Recovery on time. If an automobile insurer fails to file a Health Cost Recovery Report or remit Health Cost Recovery by the due date, and the extraordinary circumstances leading to the request for a waiver of penalties or interest did not occur until after the due date, TRA will generally not waive the penalties or interest.

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Administrative Delay or Error

24. TRA may waive penalties or interest if the person requesting the waiver can establish that TRA's actions were in error or were the primary cause of the delay. Examples of such actions include
- processing delays by TRA that result in a person not being informed within a reasonable time of an amount owing,
 - unreasonable delays in resolving objections or appeals, or in completing an audit,
 - incorrect advice or action in response to a person's enquiry or request,
 - errors in information provided by TRA in publications or forms, and
 - new interpretations of tax law by TRA after a return was filed in reliance on a previous interpretation.

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Financial Hardship

25. TRA will consider waiving interest when substantial interest has accumulated or is expected to accumulate for an automobile insurer confirmed to be unable to pay all amounts owing.
26. TRA will consider waiving interest accumulated over the course of an extended payment agreement that was based on the automobile insurer's inability to pay. The waiver will apply only if the automobile insurer maintains its payment schedule and complies with the Act.
27. Penalties will generally be waived only for an automobile insurer experiencing extreme financial difficulty for which enforcing payment of penalties would jeopardize its continued operation, the jobs of its employees, or the welfare of the community as a whole.
28. Prior to approving an application for a waiver of penalties or interest on the basis of financial hardship, TRA requires full financial disclosure from the applicant, including a statement of income and expenses, and a statement of assets and liabilities.

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Circumstances Under Which Waivers Will Not Be Considered

29. The Health Cost Recovery Program operates on a self-assessing system that depends on voluntary compliance. Automobile insurers are responsible for correctly calculating, reporting, and remitting Health Cost Recovery as and when required by the Act. Interest or penalties may be assessed when TRA detects and corrects errors in filed returns. This may not occur until a post-assessment review of the return is made, which could be several months or years after the initial assessment. In these cases, the assessed penalties or interest may not be waived on account of the delay unless the delay was considered to be unreasonable.
30. Penalties or interest will generally not be waived for errors or delays caused by the automobile insurer, its principles or representatives, including errors or delays on account of lack of knowledge, misrepresentation, or misapplication of the provisions of the Act.

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Other Considerations

31. Before an application for a waiver of penalties or interest is approved, TRA considers how the applicant has conducted business with TRA, including the automobile insurer's history of compliance with the Act, efforts made to prevent the liability or take corrective action, and the amount of care taken in conducting its affairs under the self-assessing system.
32. An applicant should not seek relief from penalties or interest by more than one means at any one time. If an applicant has filed a Notice of Objection, has appealed to the Court of Queen's Bench, or has otherwise requested a reassessment, that applicant should not concurrently seek a waiver of penalties or interest on the same issue.

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Application Process

33. An application for a waiver of penalties or interest must be submitted to TRA within four years from the end of the calendar year in which the penalty or interest was assessed.
34. To request for a waiver of penalties or interest, complete the [Request for a Waiver of Penalties and Interest \(Form AT4764\)](#) found on TRA's website. The request should include reasons why the penalties or interest should be waived, supported by a chronology of events (as applicable), as well as a description of all previous contacts with TRA or other areas of Alberta Treasury Board and Finance on the matter.

35. The completed form or a written request may be emailed to tra.revenue@gov.ab.ca to the attention of the Tax Services Branch, or it may be mailed to

ALBERTA TREASURY BOARD AND FINANCE
TAX AND REVENUE ADMINISTRATION
TAX SERVICES BRANCH
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36. Before an application for a waiver of penalties or interest is approved, TRA may contact the applicant and ask for additional information or documentation to be provided.
37. TRA will review the application in detail and consider all relevant factors. The applicant will be informed of the decision in writing.
38. Any resulting changes to penalties or interest will be made through an adjustment to the automobile insurer's account, or through reassessment. Interest will not be paid on refunded amounts.

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Second Administrative Review

39. If an application for a waiver of penalties or interest was partially approved or denied, the automobile insurer cannot object in order to dispute TRA's decision. However, if the applicant believes that TRA's discretion has not been properly exercised within the intent of the Act, the person may request that TRA reconsider the original decision and review the situation again. During the second review, the applicant will have the opportunity to make additional representations to TRA for consideration.
40. A written request for a second administrative review may be sent to TRA by email or regular mail at the addresses set out in the '[Application Process](#)' section.
41. Tax Services Branch staff not involved in the review of the first application for a waiver of penalties or interest will perform the second administrative review to ensure impartiality.
42. The applicant will be informed of the second decision in writing.

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Judicial Review

43. If the automobile insurer disagrees with either of TRA's decisions in respect of a waiver of penalties or interest, the automobile insurer may be entitled to apply for judicial review with the Court of Queen's Bench. The automobile insurer should obtain professional advice or contact the Court of Queen's Bench for information on how and when to make an application for judicial review.

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Request for a Review of Amount Owing

44. TRA may establish an amount that an automobile insurer is required to pay using an estimate of premiums for third party liability insurance written by the particular automobile insurer and any penalties and interest accrued. This would occur where the automobile insurer has not submitted the Health Cost Recovery Report or has not provided information requested by TRA. A notice is sent to the automobile insurer indicating the amount owing and how it was calculated.
45. An automobile insurer that receives a notice of an amount owing may request a review of the estimated premiums for third party liability insurance used to calculate the amount owing.
46. An automobile insurer that wishes to have a review of the notice must submit a written statement to the Executive Director, Tax Services, within 30 days of the date on the notice. The written statement must set out the reasons for the review request.
47. On receipt of a request for a review, the Tax Services Branch of TRA will conduct a review of the facts of the case, and will either confirm or vary the amount the automobile insurer is required to pay. The automobile insurer is notified of the decision in writing.
48. Interest will accrue on any unpaid amount determined by the review from the time the amount should have been paid (March 15th of the year following the assessment factor year).
49. If the review results in a reduction of the amount to be paid by the automobile insurer and the amount was paid in full prior to the review, interest will be paid at the respective prescribed credit interest rate provided on our [website](#). However, if the automobile insurer has outstanding remittances from other years due to the Crown, the difference will be used to offset that liability.

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Audit of Automobile Insurer's Records

50. TRA auditors are authorized to conduct audits of an automobile insurer's records in order to determine whether or not the amount remitted was calculated correctly.
51. An auditor may:
 - a. enter an automobile insurer's business premises where relevant books and records are kept,
 - b. inspect, audit and examine all books, records and other documentation of the automobile insurer pertinent to the determination of the remittance for a calendar year, and
 - c. make copies of the books, records and other documentation of the insurer, as required.
52. An auditor has the right to receive assistance from the officer, employees and agents of the automobile insurer in conducting the audit.
53. If, in the course of the audit, errors or omissions are found, TRA will notify the automobile insurer of any additional amounts to be remitted.

Voluntary Disclosure Program

54. TRA encourages self-assessment of Health Cost Recovery and welcomes submissions that show intent to voluntarily correct previous contraventions of the Act. Through the Voluntary Disclosure Program, an automobile insurer may make an application to correct inaccurate or incomplete information, or to disclose information not previously reported. Under the program, TRA has the authority to grant relief from any penalty or interest imposed under the Act.
55. Examples of situations where the Voluntary Disclosure Program may apply to automobile insurers reporting under the Health Cost Recovery Program include failing to file a Health Cost Recovery Report as and when required, or filing a Health Cost Recovery Report but subsequently discovering that premiums were under-reported and in need of correction.
56. The Voluntary Disclosure Program for the Health Cost Recovery Program is administered by the Corporate Audit Branch of TRA using the same guidelines and processes established for voluntary disclosures under the Corporate Income Tax Program, as applicable. For additional information on the Voluntary Disclosure Program, refer to [Information Circular CT-11, Voluntary Disclosures](#).

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Contact Information and Useful Links

Email TRA:	TRA.Revenue@gov.ab.ca
Visit our website:	tra.alberta.ca
Subscribe to receive email updates:	tra.alberta.ca/subscribe.html
TRA Client Self-Service (TRACS):	tra.alberta.ca/tracs

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