

Insurers respond to riots

In the wake of Canada Day riots that rocked the city of Edmonton, insurers are stepping up to deal with claims from local businesses, says the Insurance Bureau of Canada (IBC). Estimates of damage are in the hundreds of thousands of dollars as a result of the uprising, which broke out early Canada Day morning on Whyte Ave., and involved more than a thousand party-goers. The riots began after bar patrons filled the streets and degenerated into the crowd taunting and throwing objects, including beer bottles, at police officers lining the street.

About 30 businesses were vandalized, and several vehicles damaged. Forty street installations, including bus

shelters, telephone booths, benches and newspaper boxes were also hit. Most of the damage should be covered by business insurance policies, the IBC states in a press release. Generally, policies cover damage as a result of vandalism, malevolent acts or riots, as well as stolen goods. But the IBC is encouraging business owners to contact their brokers to find out just how far their coverage extends. "Although insurance can never make up for the inconvenience and interruption that a riot creates for businesses, it can compensate and replace any property that may have been damaged or stolen," notes IBC regional vice president Jim Rivait. ■

Tobacco litigation wars continue

The U.S. attorney general, John Ashcroft, has announced his intention to seek settlement of the federal government's pending multi-billion dollar lawsuit against the tobacco industry, which was initially launched in 1999 with the support of then U.S. president Bill Clinton. Claims made against the tobacco companies include provisions under the U.S. Racketeering Influenced and Corrupt Organizations Act (RICO), and date back to alleged illegal acts of public "fraud" and "deceit" committed by the tobacco industry since the 1950s.

Reports issued by the U.S. Justice Department say that the team assigned to work toward a settlement with the tobacco industry will cooperate with the Justice lawyers working on the litigation. However, any settlement discussions will be treated separately to the ongoing work of the Justice Department.

David Merner, the senior counsel with the Canadian federal government's Department of Justice, also confirms that approximately \$13 million in legal costs has been spent thus far by Ottawa in its own RICO-based lawsuit filed in the U.S. against R.J. Reynolds Tobacco Co., its subsidiary operations, as well as the Canadian Tobacco Manufacturers

Council. The US\$1 billion action was taken in December 1999 (following the announcement of the U.S. federal government's lawsuit) and alleges that the tobacco company and other defendants named in the lawsuit had smuggled Canadian-manufactured tobacco products sold duty-free to U.S. distributors back into Canada without paying the necessary taxes. The suit was dismissed by a U.S. federal court judge in May of last year on grounds that the claims did not have legal jurisdiction in the U.S., which is not responsible for enforcing foreign tax disputes. Most recently, three judges of the New York Second Circuit Court of Appeals reserved their decision on the Canadian government's appeal.

At the time of the dismissal of the Canadian lawsuit last year, the federal government had exhausted approximately \$4 million in legal expenses. To date, roughly \$9 million has been paid to six legal firms based in the U.S., according to the Department of Justice.

Many legal claim experts in the Canadian property and casualty insurance industry have identified tobacco-related liability exposures to be the biggest threat facing insurers since the asbestosis claims of the 1980s. ■

IBC gains OSFI reprieve on discounting reporting

Property and casualty insurers have gained a temporary reprieve from the Office of the Superintendent of Financial Services (OSFI) on implementation of the regulator's proposed reporting of discounted unpaid claims, according to the Insurance Bureau of Canada (IBC).

The new reporting requirement was supposed to take effect from the beginning of January this year. However, after intense lobbying by the IBC in objection to the proposed reporting requirement, as well as its implementation date, the federal regulator has agreed to delay the deadline through to the end of December 2001. The IBC says that this provides the industry with an additional year to challenge the proposal. OSFI has also extended the timetable for discussion on rulings applying to "disclosure of gains and losses".

The IBC claims that it was first notified by OSFI of its intention to implement discounted financial reporting in the early stages of this year. Essentially, the effective implementation date for the new reporting requirement would have been retrospective, without allowing the industry opportunity to participate in debate concerning the appropriateness of the new rules. The IBC opposes discounting claims reporting on grounds that its implementation would prove costly to insurers, with little benefit gained, while the move would make Canada "an anomaly" in relation to international accounting practices applied to p&c insurers. ■