

## NEWS FROM IBC

### Various contributors

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## **6. Renouveau du plan stratégique, par Stuart Kistruck**

Le BAC renouvelle son plan stratégique tous les cinq ans. Il consultait ses membres, l'an dernier, pour déterminer les priorités stratégiques de l'industrie et examiner les critères devant servir à déterminer l'importance relative de chaque priorité du point de vue national.

Au début de la présente année, une nouvelle série de consultations eut lieu afin de réexaminer à nouveau les critères ci-dessus, permettant au BAC d'établir un consensus dans l'ensemble de l'industrie à l'égard d'une liste de priorités qui seront abordées au cours des cinq prochaines années.

## **7. Test de suffisance du capital (TSC), par Eileen Young**

Le Groupe de travail sur la fiscalité a examiné, en début d'année, les enjeux fiscaux qui pourraient découler du TSC – que ce soit dans l'ensemble de l'industrie ou dans une société en particulier. Le TSC devrait influencer sur l'actif au bilan (placements), plutôt que sur le passif.

## **8. Cadre de pénalités pour production tardive et erronée (PPTE), par Jane Gardner-Robinson**

Le Bureau du surintendant des institutions financières (BSIF) a instauré la PPTE, qui assujettit les assureurs et les banques à des pénalités financières pour production tardive et erronée d'états financiers et non financiers. Le BSIF a proposé d'échelonner l'implantation de ce cadre sur une période de 12 mois, à compter du 1<sup>er</sup> avril dernier. À compter du 1<sup>er</sup> avril 2002, les sociétés devront acquitter les factures qui leur seraient envoyées au sujet des dites pénalités.

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## **1. RST Lifted on Ontario Auto Insurance, by Eileen Young**

The Tax Panel's discussion paper on transaction taxes played a key role on the Ontario Ministry of Finance's decision to eliminate the retail sales tax on automobile insurance over the next four years. The change was announced in the Government of Ontario's May 2, 2000 Budget.

## **2. Unclaimed Property Act (Bill 91, B.C.), by Doug Hogan**

This Act is effective since July 1, 2000. At the beginning, the original intent of the legislation was to have insurers turn over to government any monies for which they could not locate rightful owners – the government would then try and locate those persons. It was subsequently amended such that insurers will be required only to demonstrate that they have a system in place to turn over unclaimed funds to rightful owners.

## **3. Legislative Compliance Management System (LCMS), by Jane Gardner-Robinson**

Companies are required to implement LCMS since January 1, 2001. LCMS does not specify how a company is to verify its compliance with the *Insurance Companies Act*; it is up to each company to decide whether it wants to adopt a simple checklist approach or a more complicated approach, such as a computer software package. The key to complying with LCMS is that each company must document its compliance processes and procedures. An ad hoc group of Subcommittee members is monitoring developments.

## **4. Newton's second law of motion, Paul Kovacs**

For the last few years, IBC has been employing the momentum index as an indicator of the direction in which the P&C insurance industry is headed. The momentum index is the number of markets that posted a better loss ratio for the twelve months ending in a given quarter than in the same period of the previous year. The auto, commercial property and personal property market in the Atlantic provinces, Quebec, Ontario, the Prairies and British Columbia are the 15 market incorporated into the index. Currently, the index is at the weakest level on record (December 2000).

It is useful to look at the momentum index in conjunction with a measure of the current environment in the industry, since markets are more likely to show improving results in a weak market than in a strong one, and vice versa. The traditional industry loss or combined ratios can be used, but they tend to show a bias toward the trend in the largest markets.

Right now, the industry is at a point where general underwriting results are weak and only few markets are showing signs of improvement. Accordingly, when positive momentum does become

firmly re-established in the market, it may well take at least a year before market strength improves.

## **5. IBC Tax Lobby Strategy, by Stuart Kistruck**

In the early 1990s, governments in Canada struggled with growing deficits. There was tremendous pressure to raise taxes.

To counter this trend of increased taxation, IBC commissioned Ernst & Young to review taxes affecting the P&C insurance industry, to show that its tax burden was disproportionately high.

## **6. Strategic Policy Plan Renewal, by Stuart Kistruck**

Every five years, IBC seeks to renew its strategic policy plan. Last year, IBC was consulting with members to identify priority policy issues for the industry, and to review criteria to be used to rank the relative importance of each issue from a national perspective.

At the beginning of the year, a second round of consultations began in order to review again the above-mentioned criteria to help IBC to develop industry consensus on a core list of issues to address over the next five years.

## **7. Minimum Capital Test (MCT), by Eileen Young**

At the beginning of the year, the Tax Panel has reviewed possible tax issues that could arise from MTC – either industry-wide or company-specific. MCT is expected to affect the asset side of the balance sheet (investments), rather than liabilities.

## **8. Late and Erroneous Filing Penalty Framework (LEFP), by Jane Gardner-Robinson**

OSFI introduced LEFP which will subject insurers and banks to financial penalties for late or erroneous filings of financial and non-financial returns. OSFI has proposed a 12-months phase-in period commencing April 1, 2001. Effective April 1, 2002, companies will have to start paying subsequently-issued invoices about said penalties.