

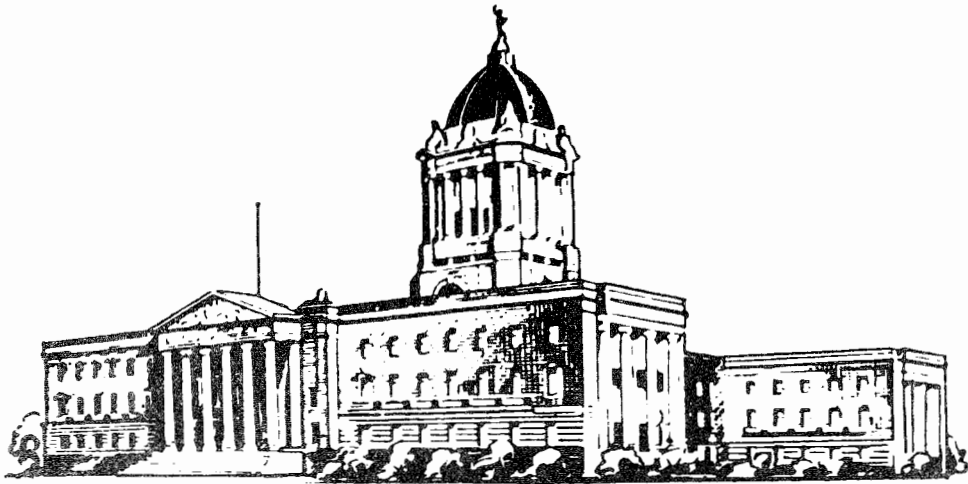


**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

**STANDING COMMITTEE**  
on  
**PUBLIC UTILITIES**  
and  
**NATURAL RESOURCES**

37 Elizabeth II

*Chairman*  
*Mr. H. Enns*  
*Constituency of Lakeside*



**VOL. XXXVII No. 4 - 10 a.m., THURSDAY, OCTOBER 20, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY  
Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON**  
**PUBLIC UTILITIES AND NATURAL RESOURCES**  
**Thursday, October 20, 1988**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Harry Enns (Lakeside)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cummings, Orchard

Mrs. Charles; Messrs. Carr, Enns, Evans  
(Brandon East), Praznik, Storie

**APPEARING:** Mr. Harold Thompson, Chairman,  
Board of Directors, Manitoba Public Insurance  
Corporation

Mr. Graham Lane, former Interim Chief  
Executive Officer, Manitoba Public Insurance  
Corporation

Mr. Jack Zacharias - Senior Claims Manager,  
Manitoba Public Insurance Corporation

**MATTERS UNDER DISCUSSION:**

1987 Annual Report - Manitoba Public  
Insurance Corporation

\* \* \* \*

**Mr. Chairman:** The hour of ten o'clock being upon us, I reconvene this Standing Committee on Public Utilities of the Manitoba Legislature to further consider the Annual Report of Manitoba Public Insurance Corporation.

**Hon. Glen Cummings (Minister responsible for the Manitoba Public Insurance Corporation):** I would like to introduce the staff who are here again this morning. Again we have Mr. Lane, former Chief Executive Officer. Mr. Thompson, David Kidd, Shanti Kapoor, Peter Dyck and Jack Zacharias are also here from the corporation.

There were two or three questions that were referred to the corporation that they said they would bring further information on today. I would ask them to supply that information.

**Mr. Harold Thompson (Chairman, Board of Directors):** One of the questions was the time for settlement of bodily injury and other claims. The question was raised: A survey of 1,273 files revealed that bodily injury claims were settled in 9.5 days from the time of agreed upon settlement to the delivery of the cheque.

On physical damage, the time frame was 10.6 days from the time of settlement to the time of cheque. You should recall that these physical damage ones are

primarily cheques payable to the body shops, where the body shop bills Autopac or MPIC and then MPIC sends a cheque to the body shop. The bodily injury ones are direct payments to the individual.

\* (1005)

**Mr. Chairman:** Is there a question on the information, Mr. Praznik?

**Mr. Darren Praznik (Lac du Bonnet):** I was wondering if the officials could provide the range. I know that is the average, but the range which creates that average from the fastest to the slowest. I know there are those exceptions. Those are the ones that we, as Members of the Legislature, are contacted about.

**Mr. Thompson:** During the first 11 months of the current fiscal year, there were 138,766 accounts payable with 98 percent being paid within 30 days. And the delay beyond the average of 9.5 and 10.6 stems primarily from inaccurate or incomplete accounts or any other oddball situation on a particular case.

**Mr. Chairman:** Is there any other further information that officials of Autopac would like to present to the committee at this time?

**Mr. Thompson:** There was one question about how many cases went to trial, how many bodily injury claims went to trial. Using 1986-87 as one example, there were 14,200 claims. Thirty of those claims are .002 percent, went to trial. For the last four years the percentage has been .4 percent, .2 percent, .2 percent, and .3 percent.

**Mr. Graham Lane (former Interim Chief Executive Officer):** There was a question in respect to what the budget for the claims were for 1987 versus the actual. The budget for the fiscal year ended in 1987 was \$225 million. There was a \$24 million overage in actual experience, based on pure claims, and there was an additional \$22 million adjustment in respect to the actuarial adjustments, for a total overage of \$46 million.

The tracking of the budgeted loss through to the loss of \$61 million can be accounted for as follows: the projected loss after rate increase was \$12 million. To that you add \$24 million overage on actual claims experience, \$22 million overage in respect to the actuarial adjustments that were not contemplated, an additional \$3 million for the loss provision item that I mentioned the other day, which comes to the \$61 million loss.

**Mr. Chairman:** I will now ask committee members to resume their questioning.

**Mr. James Carr (Fort Rouge):** I would like to start by posing some questions to the Minister on the rate setting process for 1989. We have had a number of different versions of what will take place and I think it is important that we set the record straight in committee this morning.

What precisely will the process be for rate setting in 1989?

**Mr. Cummings:** The 1989 rates will be recommended by the board to Cabinet and we will have them reviewed by PUB.

**Mr. Carr:** When does the Minister anticipate that the proposals from Cabinet will be forwarded to the PUB?

**Mr. Cummings:** The timing of them going forward, I suppose they can go forward as soon as we have received them. The more important questions would be how quickly the PUB could have an opportunity to spend some time looking at them.

**Mr. Carr:** Is the Minister now saying, then, that the 1989 rates will be approved by the PUB before they are set?

**Mr. Cummings:** As I have indicated previously, that would be physically impossible for 1989 rates. It is my intention, my feeling that the corporation should have a considerable amount of time to put forward the process and allow the PUB to acquire the staff, the expertise and the knowledge of the insurance area and then provide a good deal of time for additional public input. I think it is a practical and a reasonable solution for the immediate year, and it puts in the public eye the intent and the information that goes into the production of the rates, and allows those members of the public who feel that there is some discrepancy in the way the pools are adjusted to have an opportunity to make presentation to the PUB. With that opportunity the PUB can pass comment on the way the rates are put together.

**Mr. Carr:** Is it the Minister's intention to finance whatever extra staffing would be necessary for the PUB to properly look at these rates out of the MPIC budget or does he intend to enhance the staff of the Public Utilities Board?

**Mr. Cummings:** The costs would be underwritten by the applicant.

**Mr. Carr:** Does the Minister have any estimate at this point as to how much that would cost?

\* (1010)

**Mr. Cummings:** No, I do not.

**Mr. Carr:** I would like to proceed down in a different line of questioning, if I could for a moment. It has to do with the efficiencies within the corporation. On page 4 of the 1987 Annual Report, part of the four-point plan and the four principles for the 1988 Insurance Year

is, "Increasing internal efficiencies to offer enhanced levels of service to motorists throughout the province." I would like to ask the Minister what those efficiencies are.

**Mr. Cummings:** Mr. Lane could probably handle that detail more easily.

**Mr. Lane:** The corporation for the year under review in 1987 was attempting to behave like any normal corporation through their internal processes and management committees, etc. They were basically attempting to gradually improve service levels to the claim centres, to improve their data processing systems, to update and enhance their various planning processes, improve their financial reporting. There was an attempt being made to limit the growth and the staff complement levels that have been occurring for several years. There was an attempt to try to negotiate reasonable arrangements with various supplier groups in respect to various particular matters. I believe that what the corporation intended by this particular item was basically to indicate that the corporation was interested not only in public service but also to try to enhance the efficiencies of the organization that we thought was their intent.

**Mr. Carr:** If we look at the results in the 1987 year, particularly on the administrative side in the Automobile Insurance Division, the administrative costs went up from \$9,280,000 to \$10,709,000 and, in the three-quarter report that we received yesterday, administrative costs for the first nine months of this year already surpass the total administrative costs for the year 1987. I would like a full explanation of how the Minister can call that efficiency.

**Mr. Chairman:** Pardon me, Mr. Carr, is that question directed to the Minister?

**Mr. Carr:** Whomever feels competent to answer it, Mr. Chairperson.

\* (1015)

**Mr. Lane:** The corporation is acknowledging that it has had difficulties controlling the growth in administrative costs for several years and it became quite recognizable that the administration costs were rising at a rate that was a lot quicker than cars being registered, or the claims. There have been a fairly rapid explosion of claims being reported over a number of years and that was one of the influencing factors. There have been other attempts to improve service to claim centres. That had been another contributing factor. There have been attempts to try to improve the computer systems in general and, in Autopac, generally, it has been another contributing factor.

But overall, the corporation recognizes that it has had some difficulties in controlling the increase in complement numbers in staff costs and all general type of administrative costs and the corporation has made some recent endeavours to further address these particular problem. I suggest that perhaps Mr. Thompson would be better able to deal with it.

**Mr. Thompson:** Mr. Chairman, just to carry it one step further from what Mr. Lane has said in answer to Mr. Carr's question. There were at least two major items of expense in the first nine months of this year that were not last year. One of them which was reported covered in our Quarterly Report was the transfer of three safety departments from the division of Driver and Vehicle Licensing, which was an increased cost of approximately \$1 million. Provisions for costs associated with the Kopstein Report, the Autopac Review Commission for the nine months are approximately \$500,000—half-a-million dollars. The others are what Mr. Lane has said.

As my tenure with the corporation is only from approximately the middle of June, in working with Mr. Lane during that period and with the management, it seemed a major initiative to get projects moving that would increase the efficiency, would increase and improve the service to the motoring public and, over a period of time, increase the credibility of the corporation in the minds of the public. Some of those have taken time.

Also with the employees, they have implemented the Pay Equity Program as of October 1 with a settlement arrangement with MGEA that is satisfactory to both sides. It developed a claims forecasting model, spent considerable time in giving information to the Kopstein Commission as required, and has been considering many things for the rate basis for 1989 in terms of insurance uses and coverages where there have been concerns expressed in the past.

Some of these affect student drivers, farm trucks, the concern of motor cyclists, the time payment plan, a survey for customer satisfaction with respect to claims, the development of a communications strategy to keep the public and the motorists more fully informed on a regular basis of the operations of what is happening.

The first sort of formal part of that is the filing of its very First Quarterly Report which was tabled in the Legislature yesterday with the intention that there be quarterly reports in the future, a plan that the Annual Report, which will come out after the year end, the end of October, will include not only the financials and the type of report in the past, but will include statistics in terms of claims, the types of claims, so that everyone is more informed as to what is the operation and how many claims have been filed and what type.

\* (1020)

Work on an improved dial-a-claim system, a central dial-a-claim system for persons involved in accidents, can phone in and arrange an appointment at a specific Claims Centre closest to them if possible, and at their convenience, rather than having to go to a particular Claims Centre and find there is a waiting line. A review of the safety programs, an improvement of claims services facilities, working with the trades with respect to a parts pricing system. They have been developing plans, working on an experimental body shop to help in the pricing, and this is being done in conjunction with the motor dealers in the province.

There has been discussion with the various trades on body shop accreditation, development of a planning

process for the future that will enhance the rate making process and improve the timing with which rates can be presented to whichever body is to give approval, a strong concern on expense control, a plan for detailed exiting and completing the reinsurance-assumed portfolio, which they stopped writing last November and may well have a tail of 15 years before the last claim is settled in the program to try to alleviate that and improve the timing.

That is just a list of some of the things that have been worked on during the year and we have a list of two pages of projects that have been under way during 1988, some of which might well be reflected in the rate basis for 1989. Others are in the planning for development in the future. Some are just ongoing for service to the public.

**Mr. Carr:** In the financial statement for the nine months ending July 31, 1988, claim costs declined, and not just marginally. They declined from \$226.3 million, during the same period in the previous year, to \$195.7 million for the first nine months of this year. Now, given the fact that Mr. Lane has told us that the number of claims reported is a major factor in administrative costs, how does the Minister of the corporation justify that while claim costs and the number of claims, presumably, has dropped substantially, that the administration costs for that same period are up more than 50 percent?

**Mr. Thompson:** The number of claims has not dropped. The number of claims has increased 2,000 to approximately 187,000.

The dollar amount of those claims has decreased significantly, as Mr. Carr has pointed out, and there are perhaps two or three factors involved, some of which were referred to in a quarterly report. One was that the winter and the weather has been very favourable, which results in not necessarily fewer claims but fewer larger claims because of the same number of small accidents but not as many of the very high-cost accidents. The increase in the deductibles to \$350 has resulted in fewer small claims being added which has contributed a fair bit. It is just that it has been from a claims point of view a pretty unusual year, as compared to say 1987.

**Mr. Carr:** I would be interested in knowing how this dramatic increase in administrative costs is expressed in the number of staff person years in the corporation. What has happened to the complement of staff?

**Mr. Thompson:** Mr. Lane, you can handle that one. You were involved.

\* (1025)

**Mr. Lane:** Part of the difficulty with the staff was, although the total dollar volume of the claims has gone down, as a result of the deductible changes there was a temporary blip, a very large volume of windshield-type glass claims that came in, put a heavy load on a lot of the centres to some small degree. What happened immediately thereupon was the staff complement was frozen, the corporation's operating level considerably

now below the budgeted complement for 1988. The difficulty is knowing whether or not the claims experience will continue to hold. The difficulty is knowing what the effect of various technological changes and other changes that the corporation has in mind will have. The corporation did react, but it takes time for the reaction to show up in the actual level of the administrative costs.

**Mr. Carr:** I would like to direct a few questions to the Minister now. Over the last number of days, the Minister has mused aloud about potential rate increases for 1989. He used the word "modest," I believe. He said cost of living increases over the next three years. I am just wondering on what basis the Minister is informing the people of Manitoba that there will be rate increases and the extent of those rate increases for 1989.

**Mr. Cummings:** I was not in any way attempting to put a precise figure on what the rate structure for the coming years could be, and I have indicated consistently that the recommendations that come forward from the board are the recommendations that will set the rates for the coming years.

What I have wanted to emphasize is that the public does not want rate shock. I wanted to emphasize that the corporation is now devoid of reserves and, unless those reserves are returned to a reasonable level—and that level will no doubt be one of the major issues that will need to be discussed in front of the Public Utilities Board. I think that the manner in which the corporation plans its recovery from the depths of deficit that it has had since the fall of 1987, we have to be very cognizant of the fact that 1988 was an unusual year. Unless this very favourable change in the amount of claims and claims costs, claims costs in particular, and the very favourable weather continues, the corporation has to be quite cognizant of any rate setting that it puts forward to the board in order to not put the people of the province in a situation where they are facing rate shock in the future as a result of any inadequacies that are built in.

Mr. Thompson can probably add some of the serious concerns that he expressed, and that is where the whole issue of whether or not the size of the increase would have, or what bearing the size of the increase would be. When we have the 1988 year complete, the month end is approaching quickly and when those figures are complete, the corporation to have an opportunity to talk to the board and put forward any potential suggestions, and the board will deal with those discussions.

\* (1030)

When you say "musings," I think it is fair to say that the public has a right to understand some of the thought process and the questions that the board has to deal with as they go into the acceptance or rejection of recommendations from the corporation. To imply that I might in some way be trying to soften up the public or if I in some way am trying to lead the board into a conclusion, certainly no intention to do that. What I want to do, however, is make sure that everyone in the

public understands what the input into the rate structure will be.

Through comments of the chairman or anyone else speaking on behalf of the corporation, the public will have an opportunity to understand the issues as they come up with the corporation. I believe that there is a requirement for all of us to deal with that in a very straightforward manner. The indications that have come out recently about various numbers are, I think, related back to comments that were made when I first took over this portfolio back in May, and late June when I was on a public radio station, I indicated that I hope that the corporation would be able to keep its increases in a reasonable frame. I think that is a fair statement.

**Mr. Carr:** Politicians can do a lot of things. They can call it six o'clock when it is 5:30 but they cannot control the weather. Even Members of the Opposition would not expect the Minister to be able to predict when the sun will or will not shine. I gather that in the insurance industry there are time-honoured indications that one uses to try to predict trends and what your costs might be. Mr. Lane has told us that for the 1987 year there was \$46 million of overage received for the nine-month period ending July 31, 1988, that there was a net income of \$7.8 million for that period. How can the driving public of Manitoba have any confidence in the Public Insurance Corporation's ability from one year to the next to predict what its costs will be?

**Mr. Cummings:** I will tell you that is one of the things that we, as a Government, want to restore in the public, is confidence in the corporation because if you are dealing with a public monopoly, the public has to feel that monopoly is handling their resources and their problems with as much competence and as much responsibility as possible. I would ask Mr. Thompson to expand on his views of how the accountability can be held in the rate settings.

**Mr. Thompson:** I cannot comment on the past, not having been involved with the corporation. From my own past experience, I think it is absolutely essential that claims forecasting and the budgeting process for each year in the future, has to be based on the statistics and on trend lines and what would be expected to be a normal and a reasonable normal year. Perhaps the corporation is in the process of wanting to hire an actuary, for the last year has used Tillinghast as a consultant for reserve purposes and for claims forecasting purposes, and has developed a claims forecasting model.

I think it is one of the most important things as far as I am concerned in giving any direction to the management to see that the claims forecasting is—you will never hit 100 percent on the nose but it has to be close and reasonable from year to year, and you must budget for that purpose. With a low claims cost appearing so far for 1988, we cannot assume that will continue for 1989. We have to plan for what might be construed as a normal year. Anything unusual in weather, as an example, could move that up or down and would explain it. We must assume a more normal year for the period. That is one of the reasons why

there may well need to be a rate increase in 1989 if claims revert from the low level that they are in '88 to a more normal level in 1989. That has to be part of the prediction for rate purposes.

I might go one step further in relation to the Public Utilities Board. As far as I am concerned, I welcome the opportunity of reporting to the Public Utilities Board, and I think the corporation and the board of the corporation would also welcome that. However, the Minister has stated the time frame involved, which is difficult, and I would also add that the Autopac Rate Manual has something like 25,000 categories of rates. That is an awful lot of rates for any monitoring organization to look at in detail and approve.

What I would hope would happen is that when this current rate basis for 1989 has been settled and enforced that the corporation will have an opportunity to work with the Public Utilities Board in terms of informing and educating them on an understanding of the corporation's operation and its rate-making process, so that when we do go to that board for approval of rates that there will be an understanding and an opportunity to raise intelligent questions to query the corporation when it is making those presentations. There are an awful lot of rate categories as compared to MTS, for example, and perhaps even Hydro. It makes the Public Utilities Board a somewhat more complicated and more difficult process but one that I have no problem with at all.

**Mr. Carr:** The Minister over the last number of days in his, if not softening up the public which I must say are his words, not mine, in his musings talks about the necessity for the corporation to begin to build up its reserves. As the corporation will set its rates for 1989, how much of that logic, how much of the calculation toward those increases in '89 would be based on the actuarial realities of the year, and how much will be based on the necessity to build up the reserves over time? And for how long a time? And how much every year?

**Mr. Thompson:** How much will be required for that will depend mostly on what the year-end results are. Second, on what the board will determine is an appropriate level of retained earnings or a rate stabilization fund as a balance for the future, and if this year-end result or the result at the end of October of 1988 is below the, let us say the required or appropriate level for long-term purposes, then the board will determine, have to make a recommendation as to how long it should take to do it. It will not be on a one-year basis, it will not be on a two-year basis.

It will have to be over a three-to-five-year period to gradually build up. I think it would be completely unfair to the motoring public to say that we have to, if it is appropriate from all sources, that there be an X million dollars retained earnings or rate stabilization fund, it will be completely inappropriate, from my point of view, to suddenly hit the motoring public with that all at one time, and maybe even over two years, but it depends entirely on what the shortfall may be and move gradually so that it will move up over a period of years so what is considered by the actuaries and, if you want, the

PUB as an appropriate level. But for the year the actuarial principles will apply for the fundamental rate basis for the year itself.

\* (1040)

**Mr. Carr:** Yesterday I asked a number of questions that tried to determine whether or not the Minister's accusations of "political manipulations" had any factual base to them. These accusations were made last February and March in the Legislature and outside the Legislature and dealt with possible alterations of rates as they went from the board of MPIC to the Cabinet. Under some close questioning from Mr. Lane, it appeared to be that there were no major changes made at that level.

Considering that the Minister responsible for the Manitoba Public Insurance Corporation (Mr. Cummings) was also its chairman, I think it would be useful to explore a slightly different line of questions. I would like to ask, I suppose, Mr. Lane, who was there at the time, what the process was to forward proposed rate increases from management of the corporation to the board of MPIC, and whether or not substantial changes were made during that step considering that a Minister of the Crown was also chairman of the corporation?

**Mr. Lane:** Actually, in fact, I was not part of MPIC at that particular time.

The basic process was, I think as we went into yesterday, that the corporation attempted to follow the trends in claim forecasting and try to develop rates that basically matched what they thought the developing experience was. I stated yesterday that it was my findings at the time that the efforts made were not fully satisfactory and the trends were not followed timely enough. The effects of the large storm, for example, at the time were actually missed in the proposal that finally went forward.

I think it is fair to state that the internal processes of the corporation had a lot to do with the determination of the rate forecasts that were made in the proposals that finally went to Government. The corporation had some internal difficulties in forecasting results that eventually mirrored actuality. There were also some estimates made as to what the appropriate level of reserves would be assuming that the forecasts were accurate. Of course, if the forecasts were inaccurate, the eventual reserves were significantly out too. There were a lot of combinations that resulted in the corporation putting forward its basic rate proposals.

**Mr. Carr:** I would like to ask a question of Mr. Lane: is he satisfied that the process that led to the setting of rates for the corporation were free of political interference?

**Mr. Cummings:** The Member is asking a gentleman to answer a question regarding of time frame when he was not the chief acting operational officer.

The record speaks fairly plainly for itself when we have a flat or a reduced rate during the window of opportunity for an election. I am quite prepared to stand

behind what I said. I believe that if the Member wishes to impugn motives at me, he may do so. I think he can realize that he is asking Mr. Lane, who was not the chief executive officer at that time, and only filled in on interim basis since the new year.

**Mr. Carr:** We are here as legislators to perform a service for the people of Manitoba. That service is to ensure that MPIC is accountable through the Legislature.

We are debating the 1987 Annual Report of the corporation. Serious accusations were made of political interference of rate setting at the time. I am sorry that the person who was chief executive officer is not here at the committee to answer what I think is a very straightforward question. I would ask the Minister to whom he suggests I direct that inquiry?

**Mr. Cummings:** To me.

**Mr. Carr:** Consider yourself asked.

**Mr. Cummings:** Well, the fact that we had flat or lower rates coinciding with every window opportunity for an election in itself, in standing on its own, indicates that there was very much a political sensitivity that was involved in the final structure that we saw going out to the public. It seems to me that the comments that have been made on the record of that committee in Ontario indicated that the rate setting was inadequate, and inadequacy is a reflection of the responsibility that the political authorities of the day did not exercise.

**Mr. Carr:** Mr. Chairperson, that is a very good answer if one is writing a political science paper at university. We are not interested in the theory of the cycle of the electoral realities of the day and rate setting. I want answers. How did it happen and who did it, and when, or did they do it? This is the place where those questions should be asked and this is the place where we should expect answers. Where in the process did the political interference come into effect? Was it between the management of MPIC and the board who had as its chair the Minister responsible for MPIC (Mr. Cummings)? Did it come subsequently when the board itself had dealt with rate increases and sent them on to the Cabinet?

Let me refer specifically to the rather controversial moments surrounding the announcement of rate increases for the current year, when all kinds of busy work was done so that in the course of a few days the entire system of setting rates for individuals, the way in which they could make their payments in the installment plan, the merit system, the surcharges for drivers who have more than two accidents for which they are held 50 percent responsible in one year, in this time period of let us say a week or two, the whole nature of the corporation was changed. My question to the Minister is: who had the authority to change it and who did?

**Mr. Cummings:** Mr. Chairman, Mr. Lane was quite close to the situation at that time and I will let him answer the question.

**Mr. Lane:** Mr. Chairman, I will try to give the best possible answer I can. You have to understand again,

as I stated before, I was not in the corporation in 1987. A lot of the thoughts I have in respect to that particular process have come about in time from reviewing the records and talking to the corporation.

I think a lot of the problems that resulted in the rate problems lie in fact within the corporation itself. It had felt the effects of continuous attention from the public that went back several years. There had been the loss of one president up to that time. There had been the effect of the financial losses that had gone on, there had been a lot of attention in the press and the media in respect to the problems of the insurance industry generally in Canada which kept attention on it. It was in the throes of developing implementation of a lot of different projects. It lacked a fully functional strategic planning process, claims incurred models. It unfortunately had to some degree, in my own particular view and opinion, it had some problems with lack of internal direction on a cohesive type basis for some time.

I think to some degree there were inequitable work load distributions amongst various management groups within the corporation. The corporation had a lot of very, and still does have, a lot of committed people within the organization, put into the proper role and with authorities and the results, to some degree the forecasting problems may not have come about the way they did. In my own opinion, I am trying to be as straightforward as I can. I think a lot of the problems did come out. I am sure to some degree perhaps what the Government of the Day had problems with was that the corporation had a lot of internal problems which created somewhat of an internal vacuum which created some of the problems which led to the difficulties of the forecast and the final actual results.

\* (1050)

**Mr. Carr:** This is very difficult for us. We are asking a former acting chief executive officer to account for the corporation, and that is not entirely fair. We are talking to a Minister who does not have political responsibility for the 1987 Annual Report, which is currently before us, yet there is a series of very important questions that need to be asked and answered, and let me pursue them. Perhaps one of the vice-presidents, Mr. Chairperson, one of the vice-presidents who was actively involved in the corporation at the time and who continues to be would be asked to come forward to shed some light on the shadows here.

What I would like to know is, who made the decisions back at the turn of the year to set the rates for the Manitoba Public Insurance Corporation; to institute the merit program; to recommend and finally to set in stone the surcharges so that we can know precisely how the process unfolded, so that we can ensure that it does not happen again.

**Mr. Lane:** Mr. Chairman, I can answer that question. The proposals for the large rate increases, alterations to many of the programs and surcharges came from within the corporation and were generated because of



their feeling as to what the trend of the claims were and what would happen to the eventual surplus or deficit position over many years.

The proposals for 1988 came out of basically internal corporation thoughts at very senior management levels.

**Mr. Carr:** Now, were those proposals based on the best actuarial information available to senior management within the corporation accepted by the Government?

**Mr. Lane:** Mr. Chairman, I do not believe that those proposals were totally based on the best available information that could have been developed, and they were not necessarily based on actuarial advice.

**Mr. Carr:** Mr. Chairperson, is Mr. Lane telling me that the recommendations that went to the Government for the 1988 rate structure of MPIC were flawed, were based on incomplete information, or on inaccurate information?

**Mr. Lane:** Mr. Chairman, all forecasts are flawed inherently because of the various reasons Mr. Thompson had mentioned before, etc. Given the fact that all forecasts basically are flawed, I would have to say that the processes that led to the forecasts being developed and some of the recommendations were flawed, not because of the intent of the corporation to put out the wrong results, partially because of the process and the situation that existed.

**Mr. Carr:** So what we are saying is that flawed forecasts generated by senior management within the corporation were sent on to the Cabinet for approval. My question is, did Cabinet approve them, or did Cabinet change them, and if so, how extensively?

**Mr. Lane:** Mr. Chairman, I think I should just revisit the word "flawed" again. By flawed what I mean is in the sense that they did not end up coming out the way they had been forecasted to do. The corporation made an attempt to estimate what was happening. Over a period of time there had been an explosion in bodily injury claims and numbers and costs, etc. There had been certain trends in evidence throughout the insurance industry of what was going on. The corporation made an attempt, with the help—by the summer I suppose of 1987—the beginning involvement of the actuary, Tillinghast, etc., to try and develop what would be the outcome if these basic trends came on, continued.

They did it at the time without knowledge of some of the events that would come to pass, and they did it at the time without the financial reporting and claim forecasting models that they do now possess. The forecasts, what the corporation prepared and presented to the Government, called for rates that, generally speaking, were eventually put into place.

**Mr. Carr:** I am not questioning the process by which these numbers were generated. I am not an actuary; I am not an insurance executive. I can only take at face value what the former acting chief executive officer has

told me, and what he has told this committee, and through this committee to the people of Manitoba is that the numbers generated to set the increases for 1988 were seriously off.

I want to take it a step further. I want to know if Members of the Government questioned the assumptions in those numbers. I want to know if Members of the Government were interested, not in any actuarial predictions of the year, but in political considerations, and if those political considerations took effect and resulted in changes to the recommendations made by the board of MPIC to the Government.

**Mr. Chairman:** Mr. Carr, I do not know whether it is entirely appropriate to ask management people those political kinds of questions. He is of course free to answer, but it is perhaps more the practice of asking questions of that kind to the political people involved.

**Mr. Carr:** Mr. Chairperson, I take your advice. Either I cannot ask the question because there is no one here qualified to answer it, or I ask it to a Minister who was not politically responsible during the year under review. I will take the advice of the Chair.

**Mr. Chairman:** Mr. Carr, I do not want to inhibit the debate in any way. I will give Mr. Lane an opportunity to answer the question, or the Minister. I am simply pointing out that for the past few moments—I appreciate the direction the Member is wishing to take this debate and the difficulty that he has, in terms of personnel available, not the executive officer who was in charge, not the Minister who was in charge. I appreciate the Member's dilemma, but I will call on the Minister and/or the former acting executive officer to try to respond to the Member's questions.

**Mr. Cummings:** Perhaps I can shed a little additional light on the questions. It is my understanding that the rates went forward through PICM and then up to Cabinet, and that a great deal of the work was done by consulting and outside people, that the corporation itself was not as deeply involved in the rate setting as they might have been.

**Mr. Carr:** The corporation was not as deeply involved in rate setting as it might have been.

**Mr. Cummings:** Or should have been.

**Mr. Carr:** Or should have been. Is the Minister now saying that the Cabinet inappropriately imposed itself on the process?

**Mr. Cummings:** I am sorry, would you repeat the question?

**Mr. Carr:** The Minister says that the corporation was not as involved as it should have been in the setting of the rates for 1988. It begs the question, who then ought not to have been involved. Was it the Cabinet of the Government of Manitoba that had imposed itself on the setting of the rates? Is the Minister saying that the board of MPIC was overruled and, if so, what

considerations may have led the Government to overrule the board of MPIC?

**Mr. Cummings:** The line that I was trying to give as a direction of flow to the Member for Fort Rouge (Mr. Carr) is that a great deal of the actuarial work was done on a consulting basis, which means that the people inside the corporation were not fully involved. In other words, the responsibility for the rate setting was taken out of the hands of the corporation.

\* (1100)

**Mr. Carr:** Mr. Chairperson, I ask for your advice. We are in a situation here at the committee where we do not have accountable senior executive officers of the corporation to answer pertinent questions of the rate setting process of MPIC. We have the Minister of MPIC (Mr. Cummings) in the chair who at the time was the Opposition critic for MPIC who now finds himself, by a quirk of the electorate, as Minister of the Crown. How are we to get to the bottom of the process, because the Minister himself in February and March of this year, day after day accused the former Government of political manipulation in rate setting.

Now there are two objectives which should be clear for us in committee. One is to establish the veracity of the accusation—was there indeed political manipulation? The second is, by reviewing what happened six or eight months ago, to assure the people of Manitoba that it will not happen again because it is in the interests of Manitobans to ensure that the rates which are set for the Manitoba Public Insurance Corporation are set without regard to electoral cycles, but with regard to actuarial forecasts as flawed as they have been over the last number of years. We have a right to expect that the process is absolutely beyond reproach. We are not getting the answers that we need to those questions at committee and I am stymied. I do not know where to go because there is no one around the table who is in a position to answer them. So I ask the Chair for guidance.

**Mr. Chairman:** Mr. Carr, the Chair has earlier appreciated some of the dilemma that you are in. However, there is no other recourse to you other than asking the kind of questions that you have been asking. Those, I may point out, can be expanded by asking for additional information, perhaps not now available to the members of the management team that are with us but who have given every indication that they would be prepared to make that available at a subsequent hearing.

I might also indicate that some of the questions that you are asking may be an appropriate opportunity for an Order for Return or an Address for Papers to try to chart the paper flow as to how decisions were made from the management of a Crown corporation to a Cabinet and to an eventual political decision. If that is of any help to you, I would provide that to you.

**Mr. Cummings:** I would suggest that if the steps that were followed and near the end, because Mr. Lane was part of the PICM organization, that he could add some background to that.

**Mr. Lane:** It starts with the corporation. It begins with the corporation. The results began to deteriorate in 1987 from the forecasts. The corporation became alarmed as to what the development was. The rates were locked in for 1987. The losses began to build. I said yesterday that the effects of the large storm, for example, were not taken into account in the rate setting, that some trends that had occurred before had been missed and not taken into account. So logically what happened was the actual results in '87 took off and began to depart entirely from the prior results.

Then the major concern became, within the corporation: What was going to happen? Obviously, at that stage the corporation began to develop various scenarios for what would occur in 1988. They came up with a scenario based on certain forecasts that they had done, at that time without the assistance of an actuary, which indicated that the rates would accelerate at rapid rates going well beyond the year 1988.

These particular forecasts for a deteriorating result were put forward through the normal processes and examined and found to be somewhat wanting or dubious. The corporation did not unfortunately involve all of the management in the process that led to it. It was not—the corporation did not involve all the senior executives in the proposals that were being developed and went through. There were even divisions as to exactly what was felt how the results would occur into the future. It caused a lot of confusion. MPIC became involved because the situation was serious, the results were deteriorating and it became important to have some sense of confidence in the numbers that were being developed before the rate forecast went forward.

Attempts were made at the corporation, as I said, not fully throughout the management group, a very selected group, made attempts to revise the forecast. At that time actually very natural things happened. The actuaries became involved, various attempts were brought in to bring expertise to the fore to try and help develop what the formats were.

But in the end the proposal that was made to Government was quite similar in general terms to that which was developed through that process which started with the corporation and which began because of the problem that the actual results were remarkably different than the forecast that the corporation itself had prepared.

**Mr. Chairman:** Mr. Carr, I must indicate the Chair is inclined to recognize Mr. Cowan, the next speaker, if I could ask you to conclude your series of questions.

**Mr. Carr:** Thank you, Mr. Chairperson, I have many, many more questions but in the interest of fairness I will yield the floor after this one final one.

Mr. Lane paints a very dark picture of the executive suite at the Manitoba Public Insurance Corporation. He says that the decision making did not involve all of the senior executives. He says it caused a lot of confusion. He said earlier on that there was a lack of internal direction within the senior management of the corporation. I wonder if he would do us a great favour

and give us his interpretation as to why there was so much confusion, why there was no internal direction and if he wants to offer us some solutions as to how these serious problems can be solved, then so much the better.

**Mr. Lane:** I suggest with all respect that the—in my own opinion, the corporation would function a lot better with the people that were present if the normal management committee type processes of evaluation monitoring had carried through, if there had been a strategic planning process that had been involved throughout, if there had been in the forecasting models that are now being developed within the corporation, etc., had been in place. It was a difficult time, as I said, for the corporation. There were a lot of things undergoing, there was a lot of attention, press, there was a lot of problems even within the industry with exploding costs and trends.

We all know, for example, what happened in Ontario. We knew there was problems in other different jurisdictions too. These situations were not limited just to Manitoba. It was just unfortunate within the corporation at the time that it was not operating in the cohesive internal direction-type fashion that it could have been. And many corporations have problems like that from time to time. It is just particularly unfortunate that this particular time for this corporation happened at an extremely crucial time leading into a period of some confusion in respect to what rates were required. Some expertise has now being brought to the fore through the use of the actuaries, etc., which will probably contribute in the future. But at the time, it was a different situation.

**Mr. Jay Cowan (Churchill):** My question is to the Minister and I would ask him if he could briefly provide an update as to the status of the Kopstein Report.

**Mr. Cummings:** The Kopstein Report will be tabled early next week.

\* (1110)

**Mr. Cowan:** Has the Minister read the Kopstein Report?

**Mr. Cummings:** I have, as you well know, had a copy of it since late in September. Of course I have looked at a fair bit of it.

**Mr. Cowan:** Why has the Minister not made the Kopstein Report available to the Members of the Legislature?

**Mr. Cummings:** Normal procedure would dictate that I have it printed and have it made available to all Members of the Legislature at the same time. Bear in mind that the report is a report that was done for the Minister. As soon as I have received it, I had instructions for it to be printed and the Executive Summary to be translated. I am making every effort to make sure that it is available as soon as possible.

**Mr. Cowan:** How long is the Executive Summary?

**Mr. Cummings:** I cannot tell you the number of pages.

**Mr. Cowan:** Is it a long Executive Summary? Is it 5 pages, 10 pages, 150 pages, roughly?

**Mr. Cummings:** I would assume that there are 40 or 50 pages. I fail to see the relevance of the question. The Executive Summary is a fairly comprehensive document with a lot of information in it, but I cannot tell you the precise number of pages.

**Mr. Cowan:** Did I hear the Minister say it was in the range of 40 to 50 pages?

**Mr. Cummings:** If you are asking me if I counted them or if I checked them, I did not. That is as relevant an answer as I can give you.

**Mr. Cowan:** Maybe as relevant an answer as can be given, but I do not believe it is as relevant an answer that is required. The reason I asked the question is, if the Minister is indicating that the Executive Summary is the only part that is being translated, it does make some difference as to how long the Executive Summary is. If it is an extremely long Executive Summary then it is going to take some time to translate. If it is a very short Executive Summary then it is going to take a shorter period of time to translate. That is what I am trying to get at by my questioning to the Minister.

One assumes that when they read a report and it is divided up into an Executive Summary and a major body of the report, if they studied it at all, they would have some recollection as to whether it was a very long Executive Summary or a very short Executive Summary. Maybe I could ask the staff if they have had an opportunity to read the report?

**Mr. Chairman:** The Minister, on a point of order?

**Mr. Cummings:** No, I am sorry.

**Mr. Cowan:** My question is to the staff. Have they had an opportunity to review the report?

**Mr. Cummings:** The chairman of the board has had an copy of the Executive Summary.

**Mr. Cowan:** Of the Executive Summary only? That would make it easier to determine how long it is, given that one does have to—

**Mr. Cummings:** If the question is whether or not I have in any way been delaying the production of this document, let me tell you that I have had complete cooperation from Judge Kopstein and Mr. Cottreau who works for Judge Kopstein. Mr. Cottreau has been facilitating the translation. I think it would be unreasonable to expect that we would table the Executive Summary without tabling the complete report with the backup documents. An immediate question that would be raised then is, why have you not done this? If the Member is questioning my motives, my sole wish has been to get this thing out as quickly as possible. As you may have recalled, I fully expected to

have it by the end of June. The judge did a considerable amount of re working some of his reports. Some of his consultants did not report as quickly as he had anticipated. It took a considerable length of time for him to be able to get it together.

Since then, I have received it in late September. I think I stated in the Legislature when I received it. From there on it has been gone to the printer and will back as soon as possible.

**Mr. Chairman:** The committee will take a short recess to determine whether the building is on fire.

\* (1120)

### RECESS

**Mr. Cowan:** Mr. Chairperson, I am going to be quite brief, given the fact that a bit of time was eaten up by the fire drill. But I would ask the Minister directly: is the translation of the Executive Summary completed?

**Mr. Cummings:** My assumption is that it is. I have not seen it, but it was to be included with the material delivered to my office, so it would be my assumption that it is ready to go.

**Mr. Cowan:** The material that was delivered to your office, what else was included in it?

**Mr. Cummings:** To be delivered to my office.

**Mr. Cowan:** To be delivered to your office. You are saying it is not yet delivered to your office?

**Mr. Cummings:** That is correct.

**Mr. Cowan:** When do you expect it to be delivered?

**Mr. Cummings:** Early next week.

**Mr. Cowan:** I would like some assurance on the record because I think that the only way that one can stand by it, in a sense, is that this committee will not meet again until the Kopstein Report has been made available to Members.

**Mr. Cummings:** It has been my commitment to the committee and both Opposition Parties all along that we will get the Kopstein in at the earliest possible time. The Opposition will have an opportunity to absorb it as they had requested, and I am quite free to come back and spend some time in committee again at a future date. On that same point, it is my understanding that Hydro will be here next Tuesday so it will be some time subsequent to that.

**Mr. Cowan:** The Minister did not answer the question directly, the assurance that this committee will not meet again until the Kopstein Report is available to the Members of the Legislature.

**Mr. Cummings:** That is quite agreeable by me.

**Mr. Cowan:** Okay. Thank you.

**Mr. Chairman:** On a point of order, I recognize Mr. Carr.

**Mr. Carr:** Would it not be logical to assume that the committee will not meet again until it has finished its line of questions on the 1987 report? If we are not finished by 12:30 today, we would not want to preclude the option of continuing.

**Mr. Chairman:** A determination of the length of the committee hearings is entirely in the hands of the committee members, or indeed that of the Minister in Government and the Government House Leader (Mr. McCrae) who is responsible for calling the said committees. It has happened in the past that committees have not concluded their work, but I would believe from what I have heard the Minister say that it is the intention of this Minister to allow this committee to complete its full considerations of the Annual Report and the inclusion thereof of the Kopstein Report.

**Mr. Cummings:** There is no hesitation on my part to get the Kopstein out. It will be brought in as soon as is humanly possible. I wanted it here a month ago. The process has taken a fair bit of time, but the process must be followed. I will not expose myself to a situation where I might affront the privileges of any Members of the Legislature by bringing in part of it, or by having it discussed in some form that would be anything other than appropriate. The full report, which is very substantial I can tell the Member—he was asking about size—the full report is very substantial and the summary is printed on both sides, a very hefty little document. It will be ready.

**Mr. Cowan:** Just so there is no misunderstanding, we, in the NDP Opposition, want the committee to meet. We want the committee to meet around the Kopstein Report because we believe that report will provide recommendations as to how to make Autopac and MPIC function better on behalf of its clientele. That is I think a goal that all of us around this table share. We may express it in different ways from time to time, and we may see different paths by which we would accomplish that goal. I think the goal itself is one which is shared.

\* (1130)

We believe that the Kopstein Report, one which we initiated because we knew there were improvements that could be made to the system, will help us as legislators focus on the improvements which are required, and help the Government and MPIC implement those improvements through, and I quote Mr. Thompson when earlier he was talking about taking materials to the PUB and informing and educating the PUB about some of the issues that they will face. It will provide us, once we have the Kopstein Report, with an opportunity "To ask intelligent questions around the future of the corporation." That I think is the main focus that Manitobans want us to address, the future of MPIC, the future of Autopac and where it goes it from here. That is why we have been quite adamant that we would like this committee to have the Kopstein Report available to it before it undertakes major reviews.

The reason we are somewhat concerned is because we have seen, as the Minister has now seen, that

sometimes reports take longer than was anticipated to get into the hands of the Government, and from there into the hands of the legislators. That is the experience that we have gained and we want to ensure ourselves that those delays which the Minister was critical of in some instances when he was in Opposition, are not going to be such that we will not see the report before we next meet. Having gotten that assurance, I know my colleague, the Member for Brandon East (Mr. Leonard Evans), has some questions that he wants to ask, and given our delay I think we will only push the floor for that.

**Mr. Leonard Evans (Brandon East):** Mr. Chairman, yesterday or the day before in our discussion we touched upon the General Insurance Division as well as the Autopac Division. The Minister made certain statements, certain remarks regarding the future of general insurance and I believe he indicated that they still had as an objective the privatization of that particular division.

However, I note in the document tabled in the House yesterday that there has been a fantastic improvement in the net income of the General Insurance Division. Last year for the nine-month period ending July 31, it had a loss of \$8.1 million, whereas this year it had a profit or a net income of \$1.4 million, which is an improvement of \$9.5 million. That is very favourable. That is very significant and very encouraging.

The report indicates that the improvement is based on \$4.2 million from the Special Risks Extension which provides specialized coverage on motor vehicles, \$3.3 million from Commercial Lines which provides commercial property and liability insurance, and \$2 million improvement from Personal Lines, which consist primarily of homeowners and tenants coverage. I think this is excellent news and MPIIC is to be congratulated for the fine work in this respect.

I would like to ask the Minister, and I have a series of questions on this topic, if he could elaborate or wishes to elaborate on any other reasons for improvement, or could he give us his view on this improvement?

**Mr. Cummings:** I can give you a couple of words and I will ask Mr. Thompson to expand on it. First of all, the report that the Member has in front of him refers to some of the areas that the corporation has taken to improve the operation of this side of the corporation, to try and reposition itself in the market place, and changes in underwriting standards coupled with some rate increases which help to improve the picture for that private division. I think if you wish to have that detail expanded, I will ask Mr. Thompson to do so.

**Mr. Thompson:** From the continuing losses that appeared in the past, the corporation did revisit and develop a new strategy during the early part of 1987. Perhaps first and foremost was a strategy to improve their underwriting standards to stem the losses.

Second, to increase premium rates which was felt because the corporation and the industry generally had been suffering losses. When I say industry generally, I mean right across Canada had been suffering losses

for several years and felt that they just had to do this to bring the premium income up to the level of claim out-go on expenses. That was done in addition because—I am not sure of the right term—but slowed down the marketing effort for developing that business because the developing of new business is an expensive up-front cost. It was felt that we should be stabilizing the operation rather than trying to at that point make it grow to a larger extent. The combination of those sort of three factors plus some cost-cutting measures that were introduced and put into effect have certainly resulted in an improvement in the first nine months of this year as compared to the nine months of the previous year.

**Mr. Leonard Evans:** I thank the chairman of the board for that.

This is a very significant development. I am very encouraged by it. It shows that this area can be profitable indeed, with good management, good forecasting and everything else that is required. Its losses do reflect in a sense what had been happening across the country as I understand the Minister in general, there have been problems.

(The Acting Chairman, Mr. Darren Praznik, in the Chair.)

I would like to know because the Minister yesterday indicated in a question to one of our Members here, that he is still interested in pursuing the privatization route, just what steps is he taking to consider this privatization objective?

**Mr. Cummings:** I would not want the Member to put on record the fact that the overall improvement in the general side does not still have some problems associated with it. The total figure in the change of the bottom line from an \$8 million loss to a \$1.4 million profit is composed still of a \$4.6 million profit from Special Risk and a \$3.3 million loss in the Personal Lines. Commercial Lines are still about even.

This part of the corporation is still not without some difficulties. I quite simply want to tell the Member that the internal report that the board is getting from the corporation will provide information upon which the board will be making recommendations.

I have said in terms of the Autopac Division, I have said in terms of the corporation as the whole that I am quite prepared to look at all available options. I am not closing any doors.

**Mr. Leonard Evans:** I would take it from the Minister's last remarks then that while he is interested in privatization, he may not necessarily go through with privatization. If I am wrong in my interpretation, he can correct me, but that is what I read, or listen, from his statement.

In this process, who does the board have reviewing the operation, this general insurance operation, with the view to possibly privatizing?

\* (1140)

**Mr. Cummings:** I would like to interject one response and I will ask Mr. Thompson to respond in detail. The

Member should not make any assumptions other than the statement that I have made that I am prepared to view all options, and when we have the information in front of us, we will make a decision.

**Mr. Leonard Evans:** I am a little confused because the Minister said he wants to look at all options. I would assume all options includes the status quo, in other words to maintain the General Insurance Division within MPIC. I must remind the Minister that he made some very firm statements before the election, during the election, in fact right after being sworn in, that the General Insurance Division would go, it would disappear. There were no ifs, buts or whereases, so this is why we have a great concern about this, particularly in view of the information we have been given in this latest financial report. At any rate, we would like to know just what is happening in this respect. I believe you would ask the chair to comment.

(Mr. Chairman in the Chair.)

**Mr. Thompson:** From the point of view of the board, when we were appointed, and having gone through our first meeting and a half of orientation to get an understanding of the operation, yes the question of the general insurance operation was brought to the forefront, certainly by the Minister, and it was certainly a concern of the board.

What the board did was ask management to analyze the general insurance operation in all its phases and to consider and look at several options. Option No. 1 that was suggested was continuation and revitalization of the general insurance operation; that is, continuing in the general insurance field, but on a basis that had to be profitable because we could not continue having a deficit that provides negative income. The process was to look at costs, to look at the marketing aspect, to look at claims, to look at degree of social policy that had to be, that may or may not or should be involved, to make the general insurance a profitable and a practical one for people in Manitoba.

Other options included were, what would be the consequences of just running off the business, stopping writing new business. Another option might be the sale of the business. Another option may be continuing and privatizing a la Margaret Thatcher. The board has received a fair bit of information from management on that, has had several on all of these things, and has had a reasonable amount of discussion. We need more information and we will be considering it over the next few meetings.

I think it is fair to say that one of the two fundamental concerns, at least in my mind, in dealing with any solution, and one is with the employees, and the other is with the insuring people who presently have general insurance policies, homeowner policies with MPIC. We must make sure that they are fairly treated, properly serviced, and that any action, no matter what that action is, is going to be a positive action, or as positive as possible to both those lines, that group.

**Mr. Leonard Evans:** I thank the chairman for that information. Who is reviewing the operation besides

management? Are there outside people being brought in, outside companies being asked to look at the General Insurance Division, take a look at its books, to take a look at any financial information that might be available?

Has the Minister, or the chairman of the board asked outside firms to come in and take a look at the situation?

**Mr. Thompson:** To my knowledge there had been some consultants on this in the recent past. I am sorry I cannot tell you who, or the extent to which it is. At the moment there are no outside consultants reviewing it. I guess it would be fair to say that I have spent a fair bit of my time on it, feeling not 100 percent qualified, but reasonably qualified from my background as an actuary and in knowledge of the insurance business because I felt that I had to do this, get the management's information first to see what potential solutions there are before considering whether there was a real need at all for further consultants. If we do feel there is we will.

**Mr. Leonard Evans:** Mr. Chairman, Mr. Thompson has stated that there may have been some others looking at the books or looking at this before he came on the scene. I wanted to ask, specifically—maybe it is the Minister who can answer this—has the Northern Shield Company been shown the books or invited to meet the staff to consider proposing a takeover of general insurance?

**Mr. Thompson:** No.

**Mr. Leonard Evans:** There were two questions. Have they been shown the books?

**Mr. Thompson:** No.

**Mr. Leonard Evans:** Have they had any information given to them?

**Mr. Thompson:** Not to my knowledge at all.

**Mr. Leonard Evans:** Or did they meet with the staff?

**Mr. Thompson:** I have never met with them, I do not know if they met with the staff. I have never heard of the company.

**Mr. Leonard Evans:** Has Laurentian Pacific, or Laurentian Casualty been in to see the books, or to discuss privatization?

**Mr. Thompson:** Laurentian Group, that is the one from Vancouver, I believe. They had a luncheon meeting with myself months ago expressing an interest and, in effect, that is as far as it has gone. Perhaps in fairness to them and to this group, they asked about inquiring about the possibility of buying us. We have not done anything about it, no decision has been made. In fact, one of the decisions may be to monopolize, or create MPIC as a monopoly in the general insurance business so all general insurance is done by MPIC, and that sort of set them back a little bit. I have not heard from them since.

**Mr. Leonard Evans:** Well, I gather then that there were some initial discussions with this company.

**Mr. Thompson:** Strictly over a luncheon of inquiry.

**Mr. Leonard Evans:** Have representatives of Sovereign General Company been to see the general insurance business or to make proposals.

**Mr. Thompson:** No, not to my knowledge.

**Mr. Leonard Evans:** As I understand it, the new CEO, or the new president of the company, Mr. Bardua has had many years of experience with ICBC, a vice-president there, he was on the management team for 10 years and, as I understand, about four years ago the management team there, of course, was very much involved in the privatization of general insurance in B.C., and I was wondering whether he has been given a mandate by the Government, by the board, to take on privatization as an objective, having had that experience with ICBC and now coming on new as the president of the company.

**Mr. Chairman:** Mr. Minister, I wonder, members of the committee, if I could encourage Members to speak up. Some of us are having some difficulty in hearing the questions.

Thank you, Mr. Evans. Mr. Minister.

**Mr. Cummings:** No.

**Mr. Leonard Evans:** Mr. Thompson has said that in deciding to bring Mr. Bardua—I hope I have got his name pronounced properly—that that was not a consideration. When you hire somebody, you look at experience, you look at talent and ability, etc., etc., obviously. But was this a consideration in hiring him, that he had that experience in privatizing general insurance in B.C. and that he could perhaps be therefore in a position of having that experience and bringing about a privatization here in general insurance?

**Mr. Thompson:** No, not at all. It was all his other abilities and skills that were considered. That aspect, I had not even thought of it, as a matter of fact, in all the other interviews and discussions with him.

**Mr. Leonard Evans:** Well, it is very unclear then just where the Government and where the corporation stands on this matter. We had, as I indicated a minute ago, the Minister who stated categorically before the election, during the election and right after the election, that the General Insurance Division would go and yet, at the last meeting of the committee, he said that privatization was still his objective. Yet today, the information we get, the answer we get from the Minister is very confusing. He says we are looking at all options. So I would take it—and I do not want to put words in his mouth—that one of the options is to have the status quo.

Mr. Thompson, in elaborating on the review of the problem or the division, indicates that indeed they would look at continuation as a possibility, assuming of course

that the organizational changes, management changes or rate changes, or whatever else, had to be done in order to make it a continuing profitable organization. So I guess my question then, to the Minister, what specific plans or actions has he now? Has he got any specific plans or actions? Has he put them in place to fulfill what I consider to be a conservative campaign promise?

\* (1150)

**Mr. Cummings:** Any decision that is made will be made with all of the information available that we can possibly pull together and the Member, as many other people, has tried to have me make an announcement or make a decision until we have in fact reached that stage and I am not going to get involved in a speculative decision-making game until we have all the information in front of us so that we can establish what the best route is for the corporation.

**Mr. Leonard Evans:** You know, I waited patiently. The Liberals had the floor for over an hour, and I enjoyed listening to my colleague from Fort Rouge (Mr. Carr). So I would just like to carry on and finish a couple of questions here.

Look, we are all in favour of a rational approach. Let us look at all the data, let us consider the matter, let us not be rash, and let us do the right thing. We should always do that. But with all respect, the Minister stated categorically that the General Insurance Division was going to go, period.

And you know, we have all kinds of quotes here. I will not embarrass the Minister by quoting it back to him but, you know, it was categorical. Really, it is not fair in my judgment to the policyholders, including many small business people who are dependent, very much so, on the General Insurance Division for their existence. We have had one or two approach us saying look, if they are out of that business, we are out of business, too. We want you to know that. They put that in writing.

I know people in northern Manitoba, remote parts of rural Manitoba, also have difficulty in getting insurance from the private sector at reasonable rates. Of course, beside the policyholders, you have the employees who really wonder. When I campaigned in my constituency, and there are 50, 55 employees, many of whom live in my particular side of Brandon, in my constituency, who are very, very concerned. They do not know what is going to happen and so on. They are still being left in suspended animation and I think that, given the categorical statements by the Minister in the past, they were very, very concerned. Now we are being told, well, we are going to be reasonable, we are going to look at all options and we have to get more information, and so on. I am just wondering what has the Minister found out, what new information does the Minister have to cause him to really reverse his position. As I can see it, it is not a categorical, it is a flip-flop position that he is into, that categorically we are going to get rid of it and now it is not necessarily the case. I wonder what information has come to light in the Minister's mind to cause him to back off of a very categorical, very uncompromising position?

**Mr. Cummings:** I would encourage the Member just to relax. We will get the information together and we will share it with him when that time comes.

**Mr. Leonard Evans:** Mr. Chairman, with all respect, I do not think he answered the question. He said in due course he would share the information. I would assume the information is already with him because he has changed his position. My question is what has caused the Minister to change his position? I mean this is historic. This is not data that is going to come along in the future.

**Mr. Cummings:** The data is data that I have not yet seen. When I get all of the information from the board, including their recommendation, then we will have completed a process that can be properly demonstrated to have explored all avenues.

**Mr. Leonard Evans:** Mr. Chairman, from what the Minister has stated now this morning, either he did not know what he was talking about during the campaign—it was said earlier here that it is important to restore public confidence in this corporation known as MPIC, which I think is a fine organization. It has served the people of this province very well. It is something we should all be proud of. Yet during the last election, there were so many demeaning statements made about the corporation. You can say they were all directed at the Minister, but they were also directed at the corporation. I say it is that kind of outlandish unfair criticisms that do undermine the confidence in MPIC.

If we want to restore public confidence, I think people should back off on these unreasonable statements that we heard and saw in spades during the election for weeks on end before—and yes, they were grandstanding and so on. Frankly, Mr. Chairman, it has been evident here that the corporation was doing its best and the Government was following advice being given by that corporation. I say that the Minister does not know what he is talking about. I think if he is still insisting on the privatization, we have given all the information we have, he is perhaps approaching it from an ideological point of view.

I would hope he does not because Canadian history, Manitoba history, has shown that there is a place for good public enterprise. Manitoba Hydro was established in this province decades ago by Parties of which I am not a member and was not, and the Telephone System as well. The people of Manitoba do not approach these things. They are not concerned whether it is a publicly owned or privately owned corporation. They want to know that they have gotten service. They want to know in the case of Autopac that they have got fair rates and giving them the protection that they need. While we all can point to MPIC errors and its ways, and people complaining about the way they are treated and so on, these are minor in general compared to what MPIC has been able to do and will continue to do I trust in the future.

I am really flabbergasted at this. I still do not know what to tell my constituents. The Minister is not as categorical as he was before, but he is still saying he

is looking at the privatization route. I think he is putting the worst face on the good news that we have had from the corporation. I think the corporation is to be commended for the fantastic job that it has done in turning this around. So I would like to ask the Minister then, when oh when will we have an answer? When will the people of Manitoba know whether the Government will privatize or will get out of the general insurance business? When will we know, when will the employees know, when will the policyholders know, when will the public know?

**Mr. Cummings:** We have made it very clear through the corporation and to the employees of the corporation that we want the corporation to operate as efficiently and in as practical a manner as possible. During that period, we are assembling information upon which we will make a decision and I am not going to put it into a time-frame context. As soon as we get sufficient time to have the recommendation brought forward, then we will deal do it.

**Mr. Leonard Evans:** I do not want to be unreasonable and say we want to know the specific day of the week, certain hour, certain minute. I am not asking for that, but are we looking at something a year from now, six months from now, a few weeks from now? I mean we should have some ballpark idea as to when we are going to put this matter to rest. Surely that is not unreasonable to ask. We should have some idea as to which way that the Government, the Minister is going in this respect.

**Mr. Cummings:** I have indicated that I am not going to put a definite time frame on forcing the corporation and the board to bring forward recommendations, and I will wait until I receive those recommendations before we will make policy directions.

**Mr. Chairman:** Mr. Evans, I clearly point out that your questions, well-put as they are, are bordering on becoming repetitious, but I will allow one more question.

**Mr. Leonard Evans:** There is nothing worse, and I am sure Mr. Thompson will bear this out, in business than to have uncertainty. The worst thing that an executive faces, a business faces, is uncertainty. You want to minimize uncertainty, and this goes for the staff, the employees, it goes for the hundreds of policyholders out there, for the general public. It is just not good enough, Mr. Chairman, and, in all due respect—and I say this for the public interest of Manitoba to leave this hanging out there, to allow this to carry on in suspended animation or whatever. I am not faulting Mr. Thompson, I am not faulting the corporation. I am sure they will do their best in reviewing, etc.

But given the fact that the Minister has still got this privatization fixation, and given the fact that we have had no indication as to really whether this is going to be imposed on us or whether truly the corporation will look at this rationally and make some decisions, but surely, he should be prepared to at this time to say to the public of Manitoba, not just to me, but to the public of Manitoba, through the committee and through the media that this Government will finally decide on this



matter within three months, or six months, or whatever. That is not unreasonable to ask.

**Mr. Cummings:** We have seen the uncertainty that can come with setting deadlines even in receiving something such as the Kopstein Report. I can tell you that it has been far more detrimental to the corporation for it to have suffered through the types of generated losses on that arm of the corporation. That is what has created the uncertainty. That is what has created the damage on that side of the corporation. That is not something that will be corrected overnight and that is not the kind of decisions that we will be making. We will be making them after we have all of the information at our fingertips.

**Mr. Ed Mandrake (Assiniboia):** To the Minister. Autopac is establishing the rates on a particular vehicle. Does it do it on the actual cost of the vehicle or the wholesale cost?

**Mr. Thompson:** The main part of it is the base factory price; that is the way it has been in the past at least.

**Mr. Mandrake:** The base factory price? Am I right?

**Mr. Thompson:** Yes.

**Mr. Mandrake:** So in other words, if you buy a vehicle at a dealer for \$15,000 and that base factory price is only \$6,000, so that is all Autopac will pay you?

**Mr. Thompson:** On a claim?

\* (1200)

**Mr. Mandrake:** Yes.

**Mr. Thompson:** No. The base factory price of all of the vehicles is used as the basis of getting a relative premium between each of the classes. It has nothing to do with the amount of dollars that will be paid out on a claim.

**Mr. Mandrake:** I have a problem. A particular constituent of mine bought a brand new car in May of this year, paid \$13,683.00. Autopac is now offering him \$9,000 for that vehicle. He is losing \$4,683 in four months. Now where is the logic to that?

**Mr. Chairman:** Mr. Chairman, do you wish to indicate any other member of your staff to answer that question?

**Mr. Thompson:** I do not think this is the time or the place to discuss individual claims. But certainly if you will give me the actual information on a specific claim, we will look into it in detail and give you the information.

**Mr. Mandrake:** I did not mean to talk about the specific case, but I was just using this as a case in point where Autopac, their actual cost of the vehicle is going to be much higher than what the payout is.

**Mr. Thompson:** I suspect that depends entirely on the type of claim, how long the car has been operated and

other aspects of the claim. I cannot give you a specific answer as to why it would not be the full amount or something close to the full amount.

**Mr. Chairman:** On a point of order, Mr. Minister.

**Mr. Cummings:** Yes, would it help the process, we have Mr. Zacharias here who is the claims manager. He could give you a little bit more detail on how those prices are exactly established. If you would please.

**Mr. Jack Zacharias (Senior Claims Manager):** When we are dealing with a total settlement we try and arrive at a value that will put enough money in the pocket of the individual to buy a similar vehicle. What he paid for the vehicle is not always indicative as to what the cash price will be. The standard practice in the industry, I believe, that if you have a trade-in the numbers shown on the paper may vary considerably to the bottom line compared to making a cash deal. But on every total loss we try to find out from the marketplace what it would cost to replace that vehicle. It is on that kind of basis that total loss settlement offers are extended.

**Mr. Mandrake:** What is the corporation's estimated depreciation rate on a yearly basis for vehicles or—?

**Mr. Zacharias:** It can vary greatly. There are no set standard rates. For instance, if you drive your car 5,000 miles a year compared to 70,000 miles a year there would be a wide variance. So there are no standard rates based on any specific make, year or model of a particular vehicle.

**Mr. Mandrake:** I do not have anymore questions.

**Mr. Carr:** Just one procedural remark if I could.

On Tuesday at the committee hearing, Members of the Third Party began chatting at about 12:15 and took up the last 15 minutes of the committee to sum up. I can appreciate why they would want to do that. But I would just request that you leave some time for Members on this side to sum up before the end. I think 10 minutes would do. Now I have a line of questions.

**Mr. Chairman:** I appreciate that advice to the Chair.

**Mr. Carr:** I would like to ask a series of questions on MPIC investment policies. I do not think most Manitobans are aware of the magnitude or the wide-ranging nature of the portfolio of MPIC. We would see that there are federal Government securities, I presume these are bonds valued at \$15 million; provincial investments including the Manitoba Hydro-Electric Board, MTS, the Ontario Hydro-Electric Commission that total almost \$164 million; hospitals \$41 million; schools \$38 million and to municipalities \$28 million; for a total in 1987 of \$287 million. "Building a stronger Manitoba," says the House Leader of the Third Party, chirping from his seat as he does with such eloquence from time to time, and sometimes without eloquence as he is quick to point out.

Mr. Chairperson, my question is, what is the rate of return on the portfolio of investments?

**Mr. Lane:** The effective yield on the long-term investments in 1987 was 12.253 percent. On the long-term investments, on the combined portfolio which includes short-term investments to the Department of Finance, it was 11.239 percent.

**Mr. Carr:** Can a member of staff indicate how that compares to industrial norms and standards?

**Mr. Thompson:** The return is consistent with that of the general insurance industry in Canada.

**Mr. Carr:** Has the corporation given any thought to a diversification of its investment portfolio to include equity investment?

**Mr. Thompson:** The corporation has in effect no authority over its investments. That is controlled through the Department of Finance.

**Mr. Carr:** I wonder if the Minister could give us some detail on who makes the decisions on the investment portfolio of MPIC? What factors contribute to decisions which are made?

**Mr. Cummings:** I do not think I could adequately explain how the Department of Finance handles those investments, but I could certainly have the information brought back to committee.

**Mr. Carr:** I would appreciate that, Mr. Chairperson.

I wonder if we could have some sense, since the corporation has had some difficulty with forecasting trends, I wonder if a member of staff could look back a number of years—three or five years—to give us an indication of the trend of performance of the investment portfolio at MPIC.

**Mr. Thompson:** The last three years for long-term investments for 1985, 13.084 percent; for 1986, 12.627; and for 1987, 12.253. The combined, with short-term, is 12.718, 12.128, and 11.239.

**Mr. Carr:** I wonder if the chairman is satisfied with that performance and whether or not he, as a man who has considerable experience in the insurance business, would want to offer any suggestions or advice to the Minister of Finance on any potential diversification of the fund?

**Mr. Thompson:** I have no views on that at the moment. I have taken the stand that the operations of MPIC on its day-to-day basis, hiring a new president, getting the rate basis established for 1989 has take priority. Yes, it is something that the board could look at sometime during 1989. From what I have seen, the average rate of return is not inconsistent with that of the private insurance industry. So on the surface I would feel comfortable enough. Yes, it is worth exploring in the future, in 1989.

\* (1210)

**Mr. Carr:** I would like to ask some questions on administrative costs, particularly comparing them in the

General Insurance Division to the Automobile Insurance Division.

In the 1987 Annual Report, we see that administrative costs on the general insurance side were almost \$7.5 million, against total revenues of \$37.9 million. We see on the Automobile Insurance Division side that administrative costs are \$10.7 million on a total revenue, premium written basis of \$246 million. There seems to be a huge differential in the ratio of administration to premiums on one side to the other. I wonder if we could have an explanation for why.

**Mr. Thompson:** The fundamental difference is the monopoly position of Autopac as compared to the competitive nature of the general insurance business. The general administrative costs in the general business, not only for MPIC but for the industry generally, is considerably higher than the administration for Autopac. With Autopac to a large extent it represents economies of scale, the size, that we have 750,000 clients as compared to maybe 40,000 to 50,000 clients in the general insurance business.

**Mr. Carr:** I would like to ask the chairman again, a man who has decades of experience in the industry, whether or not he considers the administrative costs on the general insurance side to be appropriate.

**Mr. Thompson:** This is being analyzed in our consideration of the future of the general insurance business, the future direction that we would recommend to the Minister.

**Mr. Carr:** I will wait until I have a chance to sum up.

**Mr. Jerry Storie (Flin Flon):** I have several questions, more than several. I am wondering if my colleague, who is desirous of summing up, would like to spend his 10 minutes now or his 10 minutes later. Seven-and-a-half now. We are down to five, Jim. Do you want to do it now or later?

**Mr. Carr:** Does my honourable friend wish to take up some time now?

**Mr. Storie:** Yes. If you want to sum up later, I will sum up now.

**Mr. Carr:** Just as long as the Chair cuts him off in time for a sum up, that is fine.

**Mr. Chairman:** The Chair will judiciously cut off the Honourable Member for Flin Flon—

**Mr. Storie:** I would prefer if you rephrase that.

**Mr. Chairman:** —at what seems to be a prearranged time.

**Mr. Storie:** I am a little concerned about the nature of the cutting off.

Just to sum up, as my colleague for Fort Rouge (Mr. Carr) suggested, I guess first of all what we have seen today from the Minister, in terms of his responses to

questions from my colleagues, has not been particularly inspiring. I think that one can draw the conclusion that either the Minister in his former incarnation as a critic for MPIC did not know what he was talking about, or the unfortunate conclusion that he does not today, because he has not been forthcoming with the answers to questions that he had been answering.

Certainly he has not been consistent, as my colleague says. We have had flip-flop from day to day about whether the rates were necessary, the increases were necessary, whether they were not. Yesterday I think he confirmed for the first time publicly that in his line the increases of 18 percent were not unnecessary, which sounds to me a lot like they were necessary. Of course, we have seen the flip-flop on what the PUB's role in rate setting is going to be.

Now we have, I think, a demonstration of either indecision or arrogance when it comes to the question of what is going to happen to the General Insurance Division. My colleague for Brandon (Mr. Leonard Evans), who has a legitimate concern about the employees of the General Insurance Division, Manitobans who have legitimate concerns about the role general insurance is going to play in the future because of the necessity of having that in place for the protection of Manitobans who find alternative private insurance difficult to obtain, or worse, impossible to obtain.

We have seen a Minister who is not prepared to set out an agenda so we might know when to expect a decision with respect to privatization. The Minister said unequivocally that he was going to privatize MPIC. He said many other foolish things prior to the election and he has now changed his tune. Unfortunately, he has left a gaping hole, has left Manitobans in a quandary. I do not think it is good enough not to establish a timetable for resolving that quandary.

Manitobans need to have some understanding of what the intentions are with respect to the General Insurance Division in particular. I do not think it is particularly comforting to hear the Minister talk about the current circumstances of the General Insurance Division, which are much more positive than originally anticipated, in such negative terms.

He continues to look to me, at least, and perhaps to other Manitobans, for an excuse to divest MPIC of the General Insurance Division. I think we have to seriously question, and I am sure many Manitobans today are questioning the intentions of this Government and this Minister.

We know from the chairman that conversations at least have taken place with other insurance companies. I do not want to put words in the chairperson's mouth, but we know that from statements made both by the Premier (Mr. Filmon) and the Minister, that their intentions at least six months ago were very clear to them and very clear to Manitobans. We want to know whether there in fact any back-door negotiations going on. The future of the General Insurance Division cannot be decided in the backrooms of the Tory caucus or in the boardrooms of private insurance companies.

Manitobans have a stake in this, a very clear stake. We cannot get a commitment about the timetable for

divestiture; we cannot get a timetable from the Minister that the public will be consulted about any divestiture proposal. I want to say on the record for the people in northern Manitoba, the people in Flin Flon and Snow Lake, that the Churchill, Brandon and Dauphin, and all the rest of the communities in Manitoba that view this as a positive feature in the insurance industry in Manitoba. I want to know that they are going to be consulted, that the insurance agents in Flin Flon and the people with policies with the General Insurance Division in Flin Flon and Snow Lake and those communities are going to have some say about whether, in fact, we do have a General Insurance Division.

The Minister has stonewalled on all of those and you can only draw the conclusion it is either because he does not know the answers or he is not prepared to tell us. Frankly, we are used to Conservatives saying well, I do not want to tell the public what we are going to do because they would not vote for us if they knew.

You become somewhat suspicious—and you will forgive my cynicism. We become somewhat suspicious when the Minister cannot answer specifics about the future of the division. The fact of the matter is that this committee has a right to straightforward answers. The Minister, I feel, has to be—either he had better develop an agenda quickly for us, or he had better, if he has an agenda already, tell us what it is. Perhaps the Minister can comment?

**Mr. Chairman:** I will call on Mr. Carr.

**Mr. Carr:** For my comment?

**Mr. Storie:** No, I wanted a response. I think I was going to give Mr. Carr 10 minutes, Mr. Chairperson, if that is possible.

**Mr. Chairman:** It is not regular to arrange the kind of arrangement that we have. I appreciate it certainly can be done, but it seems to me in fairness, if I am to recognize the spokesperson for the NDP and the official critic from the Liberal Party, then I would give the Minister the same opportunity. It would seem that with the available time we have left, I have allowed Mr. Storie five minutes time, I will give Mr. Carr five minutes time and let the Minister wrap up. Mr. Carr.

**Mr. Carr:** As always, Mr. Chairperson, your decisions are in the spirit of fairness and generosity. I appreciate them.

**An Honourable Member:** You should be in the Cabinet.

**Mr. Carr:** I am not surprised that my honourable friends sitting across the table are not anxious to pursue any line of questioning that deals with 1987. It was 1987 and the results of that year when the NDP was in power that outraged the people of Manitoba. They asked not one single question on the operations of MPIC, the year for which they were responsible. So it was incumbent on the Liberal Opposition to try to get to the bottom of the situation. We were not able to get to the bottom of the situation because there was no one here present at the committee who was responsible for decisions taken. The Minister at the time—

\* (1220)

**Mr. Storie:** On a point of order.

**Mr. Chairman:** Mr. Storie, on a point of order.

**Mr. Storie:** My honourable colleague from Fort Rouge (Mr. Carr) misstates the fact again. He is a little perturbed because his line of questioning on Tuesday did not go anywhere because his assumptions were all wrong, his assumptions about the rate study, his assumptions about the . . .

**Mr. Chairman:** Mr. Storie, a difference of opinion does not constitute a point of order. I am sorry.

**Mr. Storie:** The point of order is that the chief executive officer of the corporation was here and did answer those specific questions. So the Member for Fort Rouge (Mr. Carr) should not leave on the record that the person responsible was not here providing the answers. That in fact was the case.

**Mr. Chairman:** I rule the Member's point of order not a point of order.

**Mr. Carr:** Thank you, Mr. Chairman, but we understand the sensitivity of the Member. The Member talks about decisions taken in 1987 and that assumptions revealed nothing. Well, they revealed a great deal. I would like to spend a minute or two discussing that now.

Now that we have established the process at this committee has been somewhat unsatisfactory because we do not have responsible executive officers nor a responsible Minister for the period that is under discussion, 1987.

What we have discovered this morning was a very shadowy picture of confusion and misdirection and lack of direction in the senior executive offices of the Manitoba Public Insurance Corporation. Who is responsible for that misdirection? Who is responsible for that confusion, if not the chairman of the Board of Directors, who happened to be at the same time a Member of the Cabinet of the Province of Manitoba? So my friends opposite will either say that he is not responsible because there should be some sort of arms length responsibility or he did not know what was going on? Well if he did not know what was going on, why was he chairman?

I think it is very important that these facts come to light through this accountability for the people of Manitoba so that we can ensure that these mistakes are not made again. The Member says what mistakes? We had the acting chief executive officer of the corporation tell us in all candour, and I respect his candour and his ability to be open with us at committee, because he understands the process that there was confusion, that members of the senior administration were not with leadership. They were without leadership. They did not know where they were going. That to me is a very sad commentary to a monopoly Crown corporation which is responsible to serve the people of Manitoba.

Now I would like just to take a minute about public confidence. Public confidence was shaken in this Crown corporation. It was shaken because of a jarring and startling rate increase over one year. It is apparent from the answers given this morning that the corporation did not have at its disposal the tools to make accurate forecasts from one year to the next. We have heard that their forecasting of costs in the year under review, 1987 was \$46 million. We see that in the first nine months, ending July 31, 1988—

**Mr. Chairman:** Order.

**Mr. Carr:** —that there is a net income of \$7.8 million. Well, it begs the question: was the whole process that set the rates for 1988 based on actuarial figures? Was it based on some long-term way of forecasting costs and expenses? We also see that administrative costs in that same period went up more than 50 percent on the administration side. We have heard reasons why. I would like to spend some time examining them at a future date when we look at the Kopstein Report. In the first nine months of this year, it went up over 50 percent, from \$7 million to \$10.7 million.

My time is running out and I would be remiss if I did not make a few remarks about the Minister's behaviour over the last two days on this entire issue. The Minister, time and time again, rose in the Legislature back in February and March. He ranted and he raved and he spoke about political manipulation. Under close questioning yesterday, he came up with two reasons for political manipulation and one was that the chairperson of the board was also a Member of Cabinet and the second was that Cabinet has final decisions on rate approvals.

Mr. Chairperson, a Member of the Conservative caucus, now as we sit here, currently as a member of the board of directors of MPIC, and on the question of the Public Utilities Board, while the Minister may not have said during the campaign that it was a sacred trust, certainly the implication was that this was a cornerstone of his Party's campaign promise. They were going to clean up the Manitoba Public Insurance Corporation.

And in questioning in the Legislature as recently as several weeks back the Minister said the further away this process is from the politicians the better. And over the last two days we have heard from the Minister that the Public Utilities Board will not be in position to review rate increases for the 1989 year. At first we were told by the Minister that that would be fixed perhaps in time for 1990-1991 and beyond. Then we were not so sure, and we were left with confusion. We were not sure whether or not the Minister was committed to the process whereby the Public Utilities Board would approve rate increases in advance of setting those rates for the year, or retroactively, or whether that was for 1989 or '90 or what.

At a time when it is very important that we restore public confidence in the Manitoba Public Insurance Corporation, the Minister's flip-flopping over the last two days, including the subject of rate increases for 1989, will they be modest, will they be cost of living,

will they be cost of living plus, how much of the rate increase has got to do with actuarial figures, how much has to do with building up the reserves, and over how long a period of time and at what rate? All of these questions still are lingering out in the air and beg answers. As the critic for the Liberal Party for the MPIC, let me tell you that we will be watching this as closely as possible to ensure that the kind of promises that the Minister made back in the election campaign are fulfilled to the people of Manitoba.

**Mr. Cummings:** I think that the statements by, particularly the Opposition critic, regarding the goal of providing an arm's length operation for MPIC in restoring the confidence of the people of this province in the manner in which the corporation is allowed to operate is a goal that I will undoubtedly continue to pursue the involvement of the PUB and the removal of the Minister as chairman of the board, are two of the very important parts of making that decision-making process so that it is away from the hands of Government.

We have seen this morning that when the chairman of the board is also the Minister that it is very easy for the chairman and the president to take a group of actuaries and decide what the rates will be and take it out of the hands of the corporation. That to me demonstrates quite clearly how we can have political involvement if we do not have other structures outside in order to control that type of involvement.

It seems to me that no matter what the Member for Brandon East (Mr. Leonard Evans) wishes to protest, the direction that has gone to the General Insurance

Division that they are to operate in a manner that will do the very best possible job of improving that operation so that they do not continue to have a hemorrhage on that side of the corporation, is a practical solution on the interim, but we are gathering information to see what direction that side of the corporation can move.

The people of this province are sick and tired of seeing the kind of write-offs that we had to absorb in this year's budget—some \$50 million that had to be considered as unrecoverable deficit and I think, Mr. Chairman, the real nubbin of whether or not the people of this province will be satisfied with the direction that this corporation unfolds, will result from the returning of confidence as they are further and further involved in the rate setting process.

The people of this province have a right to know as the corporation and as any other Crown proceeds through its year how the financial picture of that corporation is unfolding, whether that be Hydro or whether that be MPIC. At the same time, I think the people who are charged with the responsibility of managing these corporations have to be given the opportunity to manage them in the very best possible manner. That includes receiving policy direction but then using their business acumen, using their background and using their knowledge along with the very best possible staff that can be put in place to run these corporations. Hopefully in the future, we will not see the kind of debacle that we have had in the last few years in public insurance.

**Mr. Chairman:** Committee rise.

**COMMITTEE ROSE AT:** 12:30 p.m.