



**Second Session - Thirty-Sixth Legislature**

**of the**

**Legislative Assembly of Manitoba**

**Standing Committee**

**on**

**Public Utilities**

**and**

**Natural Resources**

*Chairperson*  
*Mr. Frank Pitura*  
*Constituency of Morris*



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<b>Name</b>	<b>Constituency</b>	<b>Party</b>
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BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
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DOWNEY, James, Hon.	Arthur-Virden	P.C.
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DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
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ROCAN, Denis	Gladstone	P.C.
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STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

**LEGISLATIVE ASSEMBLY OF MANITOBA**

**THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES**

**Friday, October 11, 1996**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Frank Pitura (Morris)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cummings, Toews

Mr. Evans (Brandon East), Ms. Friesen,  
Messrs. Kowalski, Maloway, Newman,  
Penner, Pitura, Rocan, Sveinson

*Substitutions:*

Mr. Laurendeau for Mr. Penner  
Mr. Reimer for Mr. Newman

**APPEARING:**

Mr. Jack Zacharias, President and General Manager,  
Manitoba Public Insurance Corporation

**MATTERS UNDER DISCUSSION:**

October 31, 1994 Annual Report of the Manitoba  
Public Insurance Corporation and February 29, 1996  
Annual Report of the Manitoba Public Insurance  
Corporation

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**Mr. Chairperson:** Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order. I understand that there are some committee changes.

**Committee Substitutions**

**Mr. Ben Sveinson (La Verendrye):** I move, with leave of the committee, that the honourable member for St. Norbert, Mr. Laurendeau, replace the honourable member

for Emerson, Mr. Penner, as a member of the Standing Committee on Public Utilities and Natural Resources effective October 11, 1996, with the understanding that the same substitution will also be moved in the House to be properly recorded in the official records of the House.

Mr. Chairman, again, I move, with leave of the committee, that the honourable member for Niakwa, Mr. Reimer, replace the honourable member for Riel, Mr. Newman, as a member of the Standing Committee on Public Utilities effective October 11, 1996, with the understanding that the same substitution will also be moved in the House to be properly recorded in the official records of the House.

**Motions agreed to.**

**Mr. Chairperson:** This morning the committee will be considering the October 31, 1994 Annual Report of the Manitoba Public Insurance Corporation and the February 29, 1996 Annual Report of the Manitoba Public Insurance Corporation. I would like to now ask the Minister responsible for the Manitoba Public Insurance Corporation if he has an opening statement, and if he would introduce the officials in attendance from the Manitoba Public Insurance Corporation.

**Hon. Glen Cummings (Minister charged with the administration of The Manitoba Public Insurance Corporation Act):** Mr. Chairman, first of all, let me say the chairman of the board is unable to be with us today. He has had some time in the hospital, and I think we will all forgive him for not getting out of his hospital bed to be here.

We have with us the President, Jack Zacharias; and we have Vice-President of Claims, Wilf Bedard; and Barry Galenzoski, Vice-President of Finance; Peter Dyck, Comptroller; Dave Kidd, Vice-President, Insurance Operations; and Grahame Newton, Vice-President of Community and Customer Relations.

I will just briefly introduce the topic, Mr. Chairman.

**An Honourable Member:** You forgot the lawyer.

**Mr. Cummings:** The guy I need the most and regularly, the corporate lawyer, Counsel and Corporate Secretary Kevin McCulloch. It is these glasses, Kevin. I am sorry.

The '94 Annual Report for Public Insurance was the last report, and approval was reserved as my critics are well aware. The reporting period covered in the '95 report showed a loss of \$58 million. There were a number of one-time reasons for that loss. That reporting period covered 16 months which is an interesting combination of months from a claims perspective. Sixteen months rather than the usual 12, and as I say, gives you two winter driving seasons, which means that the customers were not only reporting more claims, but we also had a bulking up of serious claims.

In addition there were \$51.8 million in reserves set aside on the advice of MPI's independent auditors to cover outstanding bodily injury claims that predated the introduction of our no-fault program. There was a substantial increase in claims fueled by a combination of more frequent and serious collisions and the rising cost of repairing vehicles. As a result we set records in the winter of '95-96. The total of \$8 million in hail damage, \$6 million more than during an average year and, as was pointed out, I guess, in today's media or other reports that I have read, one major claim is reinsurable. Two or three smaller ones all come off the direct earnings of the corporation; in other words, the large deductible is in effect.

Results reported in the first six months of our current fiscal year up to the end of August 31 are I think telling evidence that the loss reported in '95 should not be something we can expect to reoccur. Net income for the first six months is \$52.8 million, comparing this to a loss of \$17.3 million that was reported for the same period last year. This puts the corporation in a good position as we head into what would traditionally be the heavy claims volume for the winter months. It also provides, I think, a pretty respectable rebuttal to some concerns that have been raised about the financial capabilities and the financial stability of the corporation. This should not in my opinion affect the rate application that was applied for in June which is presently in front of the Public Utilities Board. That application was for a 4.1 percent increase in premiums for March '97, but remember how that is made up. Out of that, 2 percent increase is part of our long-term plan to rebuild the Autopac Rate Stabilization

Reserve fund to \$70 million. As my critics love to point out, that is a lofty goal to achieve, but, nevertheless, one that needs to be worked at. I would remind him, however, that that reflects 15 percent of premiums and that the goal is to be there by the year 2000. The remaining 2.1 percent would give the corporation the financial resources to cover a projected increase in claims costs and vehicle repair costs, which are something that continue to startle me in terms of the costs of repair of the modern vehicle.

What to the eye, the untrained eye, can be a pretty minor collision can end up being a fairly costly event, particularly if there is electrical involvement. The onboard computers that are on the vehicles are easily damaged and expensive, not to mention some of the modern safety devices which are easy to set off, expensive to replace. Just by way of demonstration, the corporation has pointed out to me that a small bump in a parking lot that sets off your air bags can, in some cases, cause \$3,000 worth of expense to reset the air bags and replace them, particularly if you consider that in some cases where there are dual air bags and the air bag on the passenger's side has a tendency to break the windshield in certain vehicles when it goes off because it goes off with such force. Those are things that unless you have been involved in one of these accidents—and I have not been, fortunately—those are costs that I certainly never anticipated until somebody pointed them out to me.

\* (1010)

I believe we are still providing, through the corporation, cost-effective insurance within the province. Comparisons across the country place Manitoba's insurance rates among the lowest, and when it is compared with the benefits that are offered through the corporation, I invite discussion on that because I think we can show that the benefits in Manitoba combined with the cost of insurance are probably the best combination that you will find. You might find a lower rate under certain circumstances, but it will not be coupled with the same benefits that are offered in Manitoba.

I think it is also appropriate at this committee to point out the corporation is now 25 years old and probably fair to say that at no time in its history has it faced challenges for change more than it is today because everywhere and in every endeavour in our society we are looking for ways

to provide efficient delivery of service and at the same time answer what are very high demands in terms of customer service.

With that, Mr. Chairman, I turn the mike back to you.

**Mr. Chairperson:** We thank the minister. Did the critic from the official opposition party have an opening statement?

**Mr. Leonard Evans (Brandon East):** Thank you, Mr. Chairman. Very briefly, I thank the minister for his statement and for the information he has provided. We welcome this opportunity to be here in the committee to ask questions of the minister and the officials. We do regret, however, that we did not have a follow-up meeting from our October meeting of last year. I believe that the last time this committee met was in October of 1995, and we had understood there would be a follow-up meeting or meetings. This did not take place, so we have a number of questions that relate back over the months.

I have the honour and the privilege of having been in the Legislature back 25 years ago, and more, and was part of the process of establishing MPIC. I think it was a good move. It is 27 years actually that I have been around. It took a while to get organized—part of the history. At any rate, I think that MPI, over the years, has served Manitobans well, but there are complaints that we get and the minister gets, the corporation gets. Nothing is perfect, so while we are very much supportive of the entire system, we have some concerns about management and some government decisions that have been made.

We have a number of topics that we would like to discuss, and these are not necessarily in any particular order or year. We would like to discuss the no-fault system, the success of PIPP, the whole distribution question, the role of agents, tort claims outstanding—that is another issue—Rate Stabilization Reserve—I note the Crown Corporations Council gives a lot of attention to that particular subject—a bit of concern about—not a concern but interest in the General Insurance Division, what is happening to the payback, the appeal process. Then, of course, there are other concerns that have been raised by the Crown Corporations Council.

We have a lot of miscellaneous questions, too. Hopefully, we can discuss the whole question of juvenile

responsibility. We have some outstanding problems that have been forwarded to me by MLA colleagues, one on a single-vehicle accident, a matter of advising claimants on their rights and locations of claim centres. So those are some miscellaneous things, but there are some fairly basic things that we want to talk about by way of government policy and by way of management decision.

**Mr. Chairperson:** We thank the member for his comments. Did the officials in attendance from the Manitoba Public Insurance Corporation have a statement to deliver to the committee?

**Floor Comment:** No.

**Mr. Chairperson:** How did the committee wish to proceed this morning? Shall the reports be discussed separately or together? What is the agreement?

**Some Honourable Members:** Together.

**Mr. Chairperson:** Together?

**Mr. Marcel Laurendeau (St. Norbert):** I have listened very carefully to the statements from the critic and from the minister, and I do believe that we have basically discussed everything that is in the '94 report. I think it would be appropriate to pass it and move on to the '95. We can deal with all the questions he has, or if that is not agreed to—[interjection] I think I have got the floor, Mr. Chairman. I think I have got the floor. If it is not agreed to, I think we should deal strictly with the '94 and we will move to '95 when they are ready. Thank you.

**Mr. Leonard Evans:** Well, we believe that the '94, '95 reports overlap in terms of programs and it is in the interests of efficiency and rational discussion that we should discuss them both. At some point we can dispense and deal with them but, in the interim, there are a lot of policies that, in fact some of them go back many years, not just '94, so I think that it is in the interest of efficiency and rational discussion that we deal with them both. This problem would not arise, of course, Mr. Chairman, if we had had the additional meeting that we thought we were going to have last year. For whatever reason, the government House leader did not see fit to call a meeting, although I had asked our House leader if we could arrange one in the interim, even when the House

is not sitting, but that was not to be, so I think for those reasons it is only reasonable we consider the reports before us, and we will dispense with them in due course.

**Mr. Chairperson:** Is there agreement of the committee? [agreed] Shall each report be considered in its entirety or on a page-by-page basis?

**An Honourable Member:** Entirety.

**Mr. Chairperson:** Entirety? Okay, each report will now be considered in its entirety.

Now I open the floor to questions.

**Mr. Leonard Evans:** Mr. Chairman, we would like to begin by asking a very basic question of the minister, and that is the future of MPI as a Crown corporation, the existence of it as a continuing Crown corporation. We do so because of moves made by the government with respect to the Manitoba Telephone System. Of course, having been assured by the Premier (Mr. Filmon) in the last election that the government had no plans to sell MTS, then suddenly we are presented with this, and, of course, we are dealing with this legislation in the House at the present time.

Many Manitobans are concerned about it. In fact, many Manitobans are saying we should have been told during election so that we could have decided, or, since the election has taken place and this bill is before us, we should have a referendum.

Regardless, the government has made other statements about privatization. So our general question then is: Are there any current plans, or has the government any thoughts, of privatizing MPIC?

I am prompted in this by a statement made in the Winnipeg Free Press of May 25, 1996, or at least the minister responsible, Mr. Glen Cummings, is quoted, saying that he confirmed that a meeting with industry representatives took place in December. That is since our last meeting. This is the Insurance Bureau of Canada representatives that I refer to. But he insisted the province has no plans to sell off any part of MPI. He said he wanted to discuss what the options are and anybody who wants to talk to me is always welcome. Fair enough.

Then there is a quotation or reference to a Laurie Tomlinson, regional spokesman for the Insurance Bureau of Canada, who said that the private companies are proposing that they take over the physical damage side of auto insurance, what is known in the industry as tin and glass, and that if it was patterned after the Quebec model, that would leave MPI to handle bodily injury only.

The insurance brokers estimated the move would put about \$200 million in premiums annually into the hands of private insurers, taking about 50 percent of MPI's business away.

At any rate, we appreciate the minister's statement at that time, but we want to be assured now as to what the government's position is.

**Mr. Cummings:** My statement that the member read is, in fact, my answer. But let me elaborate for the record. I think the member does everybody a disservice when he references MTS in the same context as asking this question. The government has always said that one of the problems with government in the long run and government organization is that it takes far too long to react and to respond to pressures. Certainly the world of communications has changed dramatically from as recently as a year ago, let alone, two years and three years ago.

\* (1020)

So, after dismissing with that relationship to this corporation, let me say that the question around my meeting with industry officials is very much as I described. If somebody wants to come and talk to me, and I do not care if it is a broker or an agent or a national organization, I am quite prepared to hear what they have to say, because any time a minister or a government isolates itself from public discussion on an issue or isolates itself from the debate that we are in fact having at this moment, then they do themselves and the public, whom they are supposed to be serving, a disservice. The industry has never made a secret—I am sure, going back to 25 years ago, that the discussion probably occurred at that time. I would suspect that the member for Brandon sat at the table 25 years ago and heard the industry say, well, fine if you want to run public insurance, follow the Quebec model or a model of that type and leave us with the repair responsibilities. I think the only model they

had to look at that time was Saskatchewan because they predated this and, of course, in many respects, Manitoba Public Insurance model does follow the Saskatchewan model.

The view that I have as responsible for the organization is that the insurance company has to provide the best competitive rates that they can, and that does need to be measured from time to time about what is offered in it by other means by other private or public systems, measured against other public systems across the country, but you always need to make sure that you are measuring yourself. If you do not, it is very easy to become stifled. It is very easy to become comfortable with the status quo, and then the public starts to become less well served. MPI, I believe, has demonstrated for 25 years and today is still able to show that it is delivering the best possible price.

There are always questions when you have a monopoly delivering a service to the public, whether or not the appeal process, whether or not the monopoly requirements that government through the corporation imposes are appropriate, but in the end, the corporation is very highly regarded by the majority of the public and is providing a service that is needed in terms of keeping Manitoba competitive.

The Saskatchewan government itself in a recent document—and I think it has been quoted often enough in the Legislature, but I would like to quote it one more time here—where the comparisons were made about the cost of basic expenditures by a family living in the community, Manitoba is rated No. 1, 2 or 3 in relative cheaper cost of living. For those under \$25,000 a year in income, we are, in fact, No.1, and this is the Saskatchewan government that compiled these figures. One of the things that keeps us No. 1 is that if you consider being able to drive as one of the basic expenditures that a family incurs, that Autopac did deliver and it helped keep that price competitive in terms of a comparison across country.

So, yes, the corporation is very much expected to continue to serve the public, but I and whoever succeeds me will have the responsibility of always testing them to make sure that they are fulfilling their mandate, not just from a philosophical point of view, but from a competitive point of view. That leads directly to, I am

sure, questions the members may want to ask down the road, and that is about delivery of services and how they are delivered and all of those questions. The public will be served. How best to do that needs to be part of public debate and discussion, and that is appropriate.

**Mr. Leonard Evans:** Mr. Chairman, can the minister advise whether he has had any meetings with the representatives of the Insurance Bureau since December and, if he has had any, could he tell us where and when they were?

**Mr. Cummings:** Insurance Bureau of Canada?

**Mr. Leonard Evans:** Yes. I understand this is the group that—

**Mr. Cummings:** Mr. Chairman, I am sorry. I was thinking IBAM, which is a Manitoba organization. You are referring to the same organization that was referred to in the article.

**Mr. Leonard Evans:** Yes.

**Mr. Cummings:** I believe I met with one individual for half an hour since then. He was following up on the articles that were in the paper, and I told him we had no plans to do business.

**Mr. Leonard Evans:** I thank the minister, and I appreciate his answer. The minister used the term a couple of times about changing world and changes and so on, and there is no question that one has to modify one's approach to cope with changing circumstances. Obviously, you want to be as efficient as possible and provide the best possible service to the public of Manitoba. But, having said that, is there any thought of divesting any part of MPIC operation to the private sector?

**Mr. Cummings:** No.

**Mr. Leonard Evans:** The minister said no. In other words, as far as he is concerned, as far as the government is concerned, the position is to maintain the status quo that we will continue with a provincially owned public insurance corporation that serves and has served Manitobans—I agree with the minister—very well over the past quarter of a century.

**Mr. Cummings:** Mr. Chairman, that is correct, but the member knows full well, for example, that we have a bit of public-private partnership with the brokers, for example, that there are from time to time services or means of providing services that none of us around this table today might contemplate that may be made available. I am not trying to fudge my answer, but I want to be very, very explicit, so that the member not take that answer and, somewhere down the road, if we find that way of delivering a service, wave that answer back in my face and say that I said there was never, never going to be any change in the way the corporation did business.

I said—and that is on the record and I have eaten my words a couple of times—that, on the delivery of no-fault, the public was not, in my view, interested in no-fault at that time. The argument that was made by Judge Kopstein was a cogent argument, but not one that I felt the public or myself was convinced of as the only way of containing the cost of providing insurance in the province. I undertook and the corporation undertook for a series of years to contain costs and to deliver coverage without having to go to the no-fault model. But in the end that became evident and became evident to those of us who were closely associated with making decisions that needed to be brought to bear in this area that, if we did not go to no-fault, we would not be able to provide the cost effectiveness. In fact, we were losing control of some of the minor injury costs, and while minor claims costs implies small numbers, but when you get them multiplied several times, they become quite large. There were inequities arising in terms—frankly, the other thing that convinced me was there were inequities arising in the care of those who were seriously injured in the long term.

Under the no-fault system, if there is one feature of it that I am the proudest of, and I am sure the member opposite shares my view, it is the fact that those who are seriously injured for the rest of their lives and need long-term care are not at the mercy of whether or not they happen to forget and drive through a stop sign at the wrong time and therefore were at fault and therefore were not eligible to receive benefits in the same way that they are under this program. We also found through discussion with those who provide services to the handicapped and physically damaged in the province—they pointed out that the cost to the public system was enormous, and the unfairness of the image that somebody who was at fault in an accident was the

drooling drunk, where, in fact, it may well have been somebody who just momentarily had a lapse of attention and was in the wrong place and caused the accident. They now will have protection and care for the rest of their lives under this program.

So I context that and I reference it very specifically because the one thing that government should never do is quit testing the operations for which it is responsible, for its ability to deliver service, and lapse into a mode where we think that status quo is good enough.

\* (1030)

**Mr. Leonard Evans:** I thank the minister for his comments on no-fault and it sounded like some of the speeches I gave a couple of years ago on the moral side of it, but this is a bit off the question. I mean, it is one thing to change your mode of operation and distribution system and so on, but it is another question. The basic question is the continued ownership and responsibility for a public auto insurance program being maintained by the provincial government. That is the key question.

I think a lot of young people, especially some people, who may be complaining about rates or the service they got from the corporation, do not realize what existed before MPI came into existence and what happened then and what it was like. I am convinced that a privatized system, privatization of the insurance system in Manitoba, would cause Manitobans to be big losers. There is no question. The consumers of Manitoba, the Manitoba people, would be the losers in every which way. There would be some winners. Some of the private insurance companies would cream off the top, and maybe some insurance brokers might benefit. The banks might benefit by being able to invest in hospitals and municipalities and so on, that the corporation now invests and gets a return, which helps to keep the premiums down. So there are a lot of very good strong reasons why we have to keep MPI in the public system and keep it operating on the same legal basis. No question that major changes have to take place from time to time, and we certainly support—in fact, advocated—the major change that has taken place: the introduction of the PIPP, the no-fault system.

That leads me, therefore, into another question which I was going to pose to the minister on the whole no-fault



program, and that is, could he comment on the relative success of the new approach? I would gather the fact that it has cut costs for operations and that information is available, and the minister alluded to the fact that clients did really get better protection in the long run, those that had been seriously hurt and so on. Would he care to comment, therefore, on the success of the approach? Could he elaborate on that?

**Mr. Cummings:** Yes, I hope from an overview of the program, I believe we can demonstrate that in the initial year we were looking at what, about \$36 million, \$37 million? In direct adjustment of direct claims cost, it was approximately \$36 million. That, in itself, is not, I suppose the only way of judging the program and probably not even the best way of judging it. It is more related to the things that I spoke of earlier where there were minor claims that were consuming large amounts of time and effort. More importantly, I suppose, there were dollars that were being consumed that were not—under the system we were operating, they were legitimately being used in the court system and other places, but they had a significant cost, taking out dollars that were not going to those who were injured.

There are valid reasons why if someone has a minor injury that there is a short period of time when they are required to use their own sick leave or whatever before the claim kicks in. There was a large amount of nonfinancial losses that were being attributed to insurance that were involved in the cost of the corporation. But I would say that the corporation, because they focused and put so much energy into the turnover or the rollover from the old system into the no-fault, that they actually were able to have a pretty smooth transition. The only glitch that showed up and became readily apparent, I suppose, was when the question of whether or not there were enough reserves to cover off some of the pre-PIPP claim, so that is really not the cost of PIPP; that was the cost of wrapping up prior business.

The PIPP program, there are those who say that it will not be adequately reserved in the future. I am assured that the corporation is, in fact, reserving, quite adequately at this point, and that has led to some settlements, without talking about specific cases where people—already know that they will have more money available to them and reserved to serve them in the future. That amount exceeds any settlements that I am aware of that

have ever been made under the tort system, so we are, in fact, recognizing the long-term responsibility that goes with PIPP.

**Mr. Jim Maloway (Elmwood):** Mr. Chairman, I would like to backtrack a bit and ask a question about the potential withdrawal from sectors of the insurance industry. I say withdrawal because it is not really a privatization question because you would not be privatizing, you would just be withdrawing from a certain area.

Over the last 25 years now that I have been around governments, I have noticed, whether it was an NDP government or a Conservative government, governments tend to bow under pressure at various times, and quickly sometimes, on the French language issue, Meech Lake and the no-fault issue. There was an example where the minister on radio shows said, absolutely no way that we would bring in no-fault. Six months to the day, the government was introducing no-fault.

I guess my observation is that governments tend to respond when they are feeling pressure. I do not think that in the last few years we have seen as much pressure being put on this government and this minister by the private industry—and I think the minister would probably agree with me—as there is at this moment for a withdrawal from the tin and glass part of the insurance business. Now, would the minister agree with me then that there has never been, in his tenure as minister, this much organized campaigning and organized pressure for the government to withdraw from this part of the business?

**Mr. Cummings:** No, I would not agree with that observation. There may be more public comment about that type of pressure, but from Day One there has been an interest in whether or not private sector could deliver some of the services that Autopac, in fact, handles today. Probably the difference is that the circumstances under which questions are being asked are changing. The highly technical types of repairs that are being required today are actually, I suppose, an influencing factor because they relate directly to the cost.

The other area, of course, which the member is quite familiar with is that there was always a lot of concern about the other endeavour that Autopac or MPI was involved in, which was the general insurance arm and, of

course, we did make that change and I believe a successful transition.

In terms of the private delivery or in terms of just dealing with repair costs, the fact is the corporation is going to be challenged to make sure that that is the best and appropriate method of delivery. I think we can look into other jurisdictions for a while, and I am not sure the situation now, but for a while the insurance companies in Ontario were in fact hiring resources to have claim centres run on their behalf.

So the evaluation of the damages were done for different companies through the same concept that in fact the corporation is using here. I cannot speak to whether or not that is the current status, but I point to that only in the sense that we need to be always reviewing the services delivered and make sure that there is a reasonable cost service being delivered.

I am not sure that the—I think the member might want to be a little bit more specific with his question. I have already answered with his colleague the fact that we are not contemplating privatization or divestiture of the corporation. If he is saying that there are some services that the corporation now delivers, without being specific, and I do not think I can give any specific responses except that when he references our change of heart on no-fault he possibly missed a two-page or a page-and-a-half article that was in the Winnipeg Free Press with my good friend Gerald Flood, I believe, if I were to think back about it, which occurred pretty much a year before no-fault was introduced, stating that we were in fact pragmatic about how we were going to deal with the enormous leap we were having in claims costs.

\* (1040)

It was going to have to be dealt with one way or another, and we flagged at that point that there were a number of choices. I suppose it was pretty obvious that one of them was no-fault. So the member can have a little fun at my expense, but let me say, we told the public from the start that we wanted to be pragmatic about how we dealt with this. The worst thing that can happen is that a government become philosophically hidebound on how it provides services to the public. That will be the downfall of the government that approaches decision making on that basis.

**Mr. Maloway:** Mr. Chairman, well, I think the minister, what he is saying is at this time. That is what the Premier (Mr. Filmon) said regarding the MTS privatization during the election, he had no intention at this time to privatize. He did not have any intention until six months ago at this time to privatize, and I think that is the operative word at this point. The minister, I am sure, will admit that he is only one player in this scenario here. There is the Premier involved, there is the insurance industry, there is—at this point, to the best of his knowledge, he is saying, at this time we have no plans to privatize.

But he also, I think, would agree with us that things might change in the next few months just as they changed in six months over no-fault, just as they changed overnight on the telephone system.

**Mr. Cummings:** Well, Mr. Chairman, the member is trying desperately to put words in my mouth and to flavour this discussion as being something more than a direct and open discussion about how governments should provide services to the public, which is the only purpose for our being here.

The bottom line in terms of what the public should expect is that they should expect good service at a good price, and I would be remiss if I did not point out that my critics have a bit of a history of saying, I am okay, so why should there be a change? That is why they are in opposition and why this government has been successful in showing the public that if you are going to be a decent government that you have got to be willing to question your method of service. Whether or not he wants to portray himself as being hidebound philosophically in how he wants to answer the concerns of the public out there, that is fine. I will not put myself in that box.

**Mr. Laurendeau:** Mr. Chairman, my question is going to be dealing with the stolen car issue within the province. I was wondering if we could get the statistics on what the vehicles are that are being stolen today and what the recovery rates are as of today and what they were in the past as far as recovery of those vehicles.

**Mr. Jack Zacharias (President and General Manager, Manitoba Public Insurance Corporation):** The types of cars being stolen, I do not have a real recent breakdown, but GM still led the way in Manitoba and

then into your sport utility type vehicles are very popular and your vans and all various makes of vans particularly were being stolen. Recovery rates are still very high. The latest police stats from approximately a week ago that I saw still show at 95-96 percent recovery rate. So the bulk of the cars are still being stolen for joy riding, for assisting in break-ins, things of that nature, not chop shop or professional ring type of thievery where you do not see the car again.

**Mr. Leonard Evans:** Just getting back then to the question of no-fault. Has the minister or the corporation received many complaints from clients re the no-fault system? All MLAs get problems with MPI from time to time. I did get one from a constituent who is really exercised about the no-fault system, and they were very, very upset. They said they would never ever vote for me again if I continue to support no-fault. They must have been talking to a lawyer. I am sending you some material on it, and I think there was a real misunderstanding as to how it works, and they did not really appreciate the benefits.

At any rate, I know there is opposition from lawyers. I see from time to time there is a, I have forgotten his name, a lawyer writes in the Manitoba Motor League monthly booklet or whatever it is, at any rate, being very critical of no-fault and recently had an article questioning whether this was the beginning of the end of no-fault. There was some reference to some accident in a municipality where the bridge was out and so forth. I guess my question stands, you know, do you have much opposition or do you have much by way of complaints from clients and anyone else in our Manitoba community?

**Mr. Cummings:** I would say that the number of complaints I have had against no-fault since its inception have been very low. There is an organization out there that the member is quite familiar with known as SAVA, but they have never given us a comprehensive list to substantiate the numbers that they put forward in terms of people who support their position.

I have had, certainly, concerns raised by people who believe that if they are injured in an accident that they should be entitled to some sort of financial compensation for their pain. I appreciate their pain, but money will not make it feel better. It will only provide a recognition of

their discomfort. The plan is designed specifically to deal with real economic loss and to deal with real physical damage to their bodies.

It has also got a second aspect to it which is equally important, and that is that it changes the role of the adjuster to more of an advocate as opposed to a confrontational role in terms of the providing rehabilitation to the injured claimant, because the real benefit to the claimant and to everyone who is sharing in the premium costs is that if we can somehow support the injured person so that they can get back to gainful employment, mentally and physically that is to their benefit, although they might not feel it at that particular moment. This leads to some complaints about how long they should be off and not returning to work, et cetera, but, frankly, my office has not seen an upsurge of complaints. In fact, we have seen a reduction.

**Mr. Leonard Evans:** Of course, one measurement perhaps is the activity at the Appeal Commission under Mr. Ray Taylor. I did receive a report, I guess the first report of that commission, the Appeal Commission, and basically there were not too many complaints that they dealt with, or appeals. On the other hand, he did mention, he made some reference to the rather slow process of getting appeals into him, so whether that will make any difference in the future, I do not know, but, generally, he has not had that many appeals, so that is one indication, I suppose.

**Mr. Cummings:** The member for Brandon East is quite correct. I would only say that I do not think it should be characterized as a slow process. If it is, we are somehow failing in the delivery of the service because the speed of the process can be somewhat driven by the claimant themselves in terms of their satisfaction or how far they want to take their appeals. There are actually a couple of internal appeals which settle the majority of the problems before they go to the major independent body.

We have the numbers here if you would like them for the record.

\* (1050)

**Mr. Zacharias:** The Appeal Commission mentioned some delays or at least periods of time from when accidents occur until they hear them. Most of the appeals do not deal with the coverage issue, like covered or not.

The appeals or the areas of dispute occur five or six, seven months after the claim has happened and you have paid a certain type of treatment for an extended period of time, and you say, we should no longer be paying this, or at some point in time, you expect that individual to recover and go to work. So they can appeal various things that happen during the life of the file, and there may be no reason to appeal for six months post accident or until some action is taken which the customer disagrees with. At that point, they would appeal. It does not mean there is a delay in the appeal coming through the process. It just never arose until well down the life of the claim.

From March 1, '94, to September 30, '96, there have been 400 people who have asked for an internal review of their claim where whatever decision we make was not entirely to their liking. Of those 400, which is less than half of one percent of the total claims received, I believe, 76 percent of the decisions were unchanged at the internal review level, and 24 percent had some modification made to them. During that same period of time—

**Mr. Leonard Evans:** Mr. Zacharias says 76 were unchanged or 76 percent were unchanged?

**Mr. Zacharias:** Seventy-six percent. During that same period of time, again, March 1 of '94 to September 30 of '96, there were 72 cases that went to the Appeal Commission, and 70 percent of their decisions were unchanged, and on 30 percent of the cases, they had made some change, either a partial allowance, some variation of the position that had been put forward when it went to appeal.

**Mr. Leonard Evans:** The legislation provides for an appeal to the court, not on the substance of the claim but on the formalities of it, points of law. Mr. Chairman, have any gone to the court on points of law?

**Mr. Zacharias:** Yes, the applicants would have to apply for leave to appeal to the courts. We have had five people who have filed for leave. Four have been turned down and, on the one remaining case, the decision is pending. It is a very recent case. The decision has not been made yet.

**Mr. Leonard Evans:** Generally, that is a good indication, I think, that the no-fault system, as I like to

use the term, is working. Just one comment, I understand the B.C. government, which has a similar auto insurance program to Manitoba, ICBC, I understand they are looking at the no-fault system, and they are looking closely at the Manitoba model and Saskatchewan, I guess, now that Saskatchewan has it, so I guess they say, imitation is the highest form of flattery, so if they want to imitate us, that is great. [interjection] Of course, Quebec. Quebec should take some kudos, as well, I suppose, because I believe we based our system largely on the Quebec model.

Mr. Chairman, if we could go on to another area of the tort claims and, again, I refer to a statement made publicly by the minister. This goes back to May 28, 1996, in the Winnipeg Free Press, and Mr. Cummings said, of the total losses, \$49 million—well, first of all, he says: MPI recorded one of its worst years in its 25-year history, chalking up losses of nearly \$60 million. The losses wipe out MPI reserves and put the Crown corporation almost \$44 million in the red, opening the door to major rate hikes this year. Cummings said that, and I am quoting, Cummings said, of the total losses, \$49 million is attributed to a revision in the amount of money needed to pay off outstanding bodily injury claims from the old tort system. Of the approximately 27,000 cases on the books when no-fault was introduced, about 7,000 remain outstanding.

So I guess my question, first of all, is, could we get an update on this situation of dealing with the tort claims?

**Mr. Cummings:** Yes, we are getting the figures here. Let me observe that if I were to apply my own judgment or the advice frankly that I receive from others who are quite knowledgeable with the amount of money that is reserved to deal with the tort claims, I would not be of the view that we would need to have the size of reserve that the actuary is recommending, but it would be suicidal to impose a different opinion over the direct advice that you pay for from an actuary and, as I said earlier, this actuary, in fact, had revised their own figures based on further information that was generated by the corporation. So it is well reserved, I believe, but nevertheless it ate up the—I think there was about, and Mr. Zacharias will give you the precise figures, but we had money in the reserve. That money was eaten up plus more to accommodate the additional set aside for claims that had not yet been settled under the old tort system.

So there is a double bind in there as well, of course, that as you get closer and closer to winding down all of the tort claims, you can rest assured that the claimants and their legal advisers are devoting more and more time and bearing down more and more through the system to maximize their effort, because they know that these will be some of the last ones. Certainly their workload in this area, at least, is not as heavy as it used to be. It is the way the system works and we will have to deal with it, but it is not the reflection on the insurance system so much as it is a reflection on having a large number of claims out there. In fact the corporation successfully settled over half of the claims that were outstanding within one year. That in itself contributed, of course, to a quick draw-down on the reserves that were set aside and may, in fact, have impacted the capacity to be reserved because you are losing interest on that money that you have now paid out, which would have been beneficial.

I will let Mr. Zacharias speak to the specifics.

**Mr. Zacharias:** At this point in time, we have just under 6,000 claims left to settle, 5,900 and change. About 1,200 of those are in active litigation, finding their way through the courts. The rest of them are still being negotiated between our staff and, in most cases, the claimant's representative.

**Mr. Leonard Evans:** Well, is there any way of speeding up the process? Well, let me just ask a very naive, unlawyerlike question. I mean, how long is this going to drag on, how many years? In the next quarter-century, whoever is the chair and the minister will say, well, we have got another 4,522 claims we are still dealing with.

**Mr. Zacharias:** Our forecast on wind-down on that business and the schedule we had calls for about half to be settled every year of what we had outstanding, so the longer we go, the longer some of those cases will take.

Some of those cases involve children who the full impact of their injuries and their recovery from those injuries may not be known for a considerable period of time. In other cases, there are likely periods of rehabilitation, and it may be several years before anyone would even want to consider taking that to court. Some of these peoples are getting benefits in the meantime

through the no-fault benefits that were previously available.

In other cases, there are just large areas of dispute which are going to have to go to the courts to legitimately resolve. So we could settle them all simply by issuing blank cheques and fill in the amount and we will have them closed, but we are trying to be fair with these people. We have got our best people working on them and the lawyers have their best lawyers working on them, and some of them, like you say, are going to end up in court, but the rate at which they are settling and being concluded is very much in keeping with the pattern that we had anticipated going into this runoff.

\* (1100)

**Mr. Maloway:** Mr. Chairperson, I would like to ask what the best estimates of the tort losses were as at March 1, '94? I see no reason why you would have difficulty answering that question now because it is not as if we are asking the question as to what are the reserves for the remaining 6,000 claims. We are asking what were the reserves for March 1, '94.

**Mr. Cummings:** The member has—context of this question, but when Mr. Zacharias contemplates his answer you do not want to put the corporation in a position of, through speculation, being able to provide some sort of a target for those who are litigating the corporation as to what may be set aside for outstanding claims. There is some importance that could be attached to that answer, and frankly I am not in a position to provide legal advice. I am just advising the corporation, as they have advised me before, answer this question carefully.

**Mr. Maloway:** Well, the minister is providing the same answer that his government did, hiding behind—when we requested a Freedom of Information question regarding the same item, that was the response that we got from the government. They are hiding. They do not want us to know what the outstanding tort claim reserves were for March 1, 1994. Two years later they still do not want to let us know these results when they will have no affect whatsoever on the remaining claims. The amount of claims that were outstanding at that point were 27,000, and the—[interjection] Well, the manager of the corporation has indicated that there are less than 6,000

left to settle. We are asking what the outstanding reserves were over two years ago for 27,000, not what they are two years later for 6,000. I fail to see what the problem is in answering the question.

**Mr. Zacharias:** The total set aside within the organization to cover the 27,000 claims on March 1, '94 was \$500 million, within a couple of dollars.

**Mr. Maloway:** Thank you, Mr. Chairman. Well, you know, that is right to the dollar the figures that we have known for months that you have hidden from us, that the government has hidden from us, when we have requested a Freedom of Information request recently. I am just flabbergasted that you have given us the figure so easily. [interjection] Well, I find this rather revealing, and I am very impressed that you have finally come clean with the information. That tells us quite a bit. On March 1, 1994, with 27,000 outstanding tort cases and with a potential reserve of \$.5 billion for these claims, \$500 million potential, this government and corporation proceeded within a month or two to go before the Public Utilities Board asking for a rate reduction for 1995 insurance year, the year of the provincial election, and that is what we have suggested all along. How could the corporation possibly go for a rate reduction when it was looking at such an astronomical figure for these payouts? How could they possibly justify a rate reduction?

**Mr. Zacharias:** The \$500 million was all booked and accounted for and in the cash drawer that we anticipated using for those tort claims.

**Mr. Maloway:** Mr. Chairman, so are we sure that at the end of the day all of that money will be paid out?

**Mr. Zacharias:** The money that is set there is set specifically for that purpose. As we started to settle some of those claims the actuaries who are continually monitoring that process gave us an indication that there might have to be something added to that, and those adjustments have also been made. We will not know until the next 6,000 claims are settled as to what the bottom will actually look like, but the best guess and best advice we can receive with what we should have set aside for that purpose is what we have always shown on our records, and we maintain money there today. We will not know until the 6,000 are settled as to whether we are going to have a little bit left over or not.

**Mr. Maloway:** Mr. Chairman, we recognize that this is a moving target, that the actuarial reports are based on a moving target, but what we have is the Crown Corporations Council making recommendations saying that there are negative trends in the corporation. We know that the reserves should be roughly \$70 million. We know that the corporation was in a minus retained-earnings picture just recently. It is positive now for the moment.

My point is, knowing what you knew at the time, how could you possibly have gone before the Public Utilities Board and asked for a rate reduction knowing those negative trends that were staring you in the face?

\* (1110)

**Mr. Cummings:** Mr. Chairman, I already, I think, answered this question in anticipation of the member's inability to appreciate the fact that the reserves for the pre-PIPP claims were in place and they were accepted by the auditors and by the actuaries as being acceptable at that time. The member also knows that there were significant anticipated developments coming from the way we were moving the corporation and anticipated savings from no-fault. I mean, I have sat around this table before when the corporation was meeting, and that is why I am almost uneasy about the fact the corporation has just shown a six-month profitable period. This is to be at-cost program and not to be seen to be overreserved or overcautious in its protection. Why should you be paying for insurance costs that may well be anticipated four or five years ahead?

I mean, the fact is, I guess, as somebody coming from the agricultural community, we have got lots of organizations in that area of endeavour where at-cost reflects the cost of doing business as close as possible to the current year, and adjustments are made year over year so that those who are currently using the program pay the appropriate amount. This is not to be seen to be an averaging out of costs where my kids are going to have to pay for my accident, as it were. That would be the extreme.

But let us recognize that is why the corporation goes in front of the Public Utilities Board, to justify annually its increases or lack of increases, which of course is annoying the member because they went into 1988 with

an embarrassing management where they found themselves responsible for losses that created a situation where they had to accept enormous increases. I recognize as much as anybody how easily one can get backed into that situation but let us reflect the reality out there, that the PUB publicly examines and sorts through this figures and if he thinks there is something inappropriate about the rate setting, maybe he should go to PUB.

**Mr. Maloway:** Could the minister then tell us what the reserves or the retained earnings were in the corporation as of March 1, 1994?

**Mr. Zacharias:** I have the numbers as of October 31 of '93 in the automobile insurance division being \$30.7 million and October 31, '94, being \$34.6 million.

**Mr. Maloway:** The required amount in the rate stabilization fund at that point, Mr. Chairman, should be how much?

**Mr. Zacharias:** Working on a 15 percent of premium, it would be around \$50 million at that point in time.

**Mr. Maloway:** So that really makes my point. The corporation is supposed to have \$50 million in retained earnings or a rate reservation of \$50 million, 15 percent of premiums in and about that period. Instead, it has \$30 million, \$20 million less than it is supposed to have with all these outstanding tort claims facing it as well. It goes to the Public Utilities Board and asks for a rate reduction to take effect the insurance year of the election. Now, does that not sound to you, Mr. Chairman, as an attempt to massage the rates in an effort to gain favour with the voters to win the election? You were \$20 million less than you were supposed to be in the rate stabilization fund, in retained earnings in the corporation and you went for a rate reduction. Why?

**Mr. Cummings:** Mr. Chairman, this is absolute idiocy. We were anticipating \$29 million to \$36 million in savings in no-fault; in fact, it exceeded the expectations as it proceeded into its first year. Why should we soak the driving public of Manitoba at a time when they were going to receive significant savings that were being projected by the corporation? I mean, it makes absolutely no sense to soak them unnecessarily when we had the actuarial opinion on the reserves for the pre-PIPP savings. We had the anticipated savings from the

implementation of no-fault, which the members philosophically and in a very real way supported and believed that they would be achieved, and they were. So I think for him to try and draw this bow is a disservice to the public and certainly reflects on the fact that if he had an opportunity, he would not really do anything other than except drive the rates so that he could unnecessarily build reserves.

**Mr. Maloway:** Mr. Chairman, well, that is an absolutely bizarre statement because I am looking at the Crown Corporations Council recommendations and reports on the performance of the corporation, and in fact the result of what he did is clear. It is right here, the biggest loss in the history of the corporation and an absolute wipeout of the reserve funds, the retained earnings in the corporation in fact to the tune of minus \$40 million. The government, the minister have virtually bankrupted the corporation.

**Mr. Cummings:** The member is foolish enough to sit here and say that when we are sitting on a \$52.8 million net revenue over six months. It demonstrates the flexibility that is required to be recognized by the corporation. It demonstrates the volatility of insurance. It demonstrates the need for reserves, but when you are responsible for a public corporation that can be criticized equally for having too much in reserves as it can for having not enough, because it should be the current cost of doing business for which you are charging the motorists—I think every motorist in Manitoba will stand up and say hallelujah that you are doing everything you can to charge me only the real cost of driving and insuring my car in Manitoba, not some irresponsible, politically motivated decision to go for a rate increase that you do not need.

**Mr. Maloway:** Mr. Chairman, that is exactly what the minister did. The corporation went for a rate decrease in advance of the election campaign and the financial results were here. They are very clear what happened to the reserves of the corporation. One only has to read the report of the Crown Corporations Council to see what their observations are. They say that there are negative trends with the corporation just because the way this government has been running the corporation for the last eight years. It is very clear that there is supposed to be 15 percent of premiums put aside for a rate reserve to cushion the corporation in the case of shock losses and so

on. That has been established for many, many years now and the minister would not argue with me on that point. I do not think anyone would. So why was it so difficult for the minister to understand that he should have \$50 million in the reserve. He only had 30, he went into an election period and reduced the rates. I mean, I do not know why he would not just come clean and admit it because it is fairly clear as to what they did.

**Mr. Cummings:** Mr. Chairman, the member is certainly annoyed that they lost the election. He is also equally annoyed that the corporation, management and the board of directors have made some very astute management decisions.

When we had a no-fault program being introduced, that was a significant change in the way we did business for automobile insurance and looking after the injured in this province, and the anticipated savings were in the area of \$29 million to \$36 million, it would be equally bizarre, in fact it would be suicidal, for the corporation to have said, we think there is \$29 million worth of savings here, but we are going to ding you for 50 million anyway, just in case we made a mistake. Hopefully, they are better managers than that. They have made an accurate prediction in this case and the member just simply cannot swallow the idea that they were correct in saying they were going to be able to generate the savings. The member is offering up his head on this one because the public will be equally concerned if we are driving rates just for the sake of driving rates.

\* (1120)

The second part of that, Mr. Chairman, is very, very important to the credibility of the public insurance in this province and that is that there not be significant spikes in insurance costs. The members can see that. Well, the member is squirming in his seat, and he would like to now say, well, you will avoid spikes if you have an increase every year. Let him go on the record and say he wants an increase every year whether it is needed or not. Go ahead. Put it on the record, but you are not brave enough to put that on the record because you know that the public wants insurance at cost.

**Mr. Maloway:** I think that what the public wants is not a rate reduction just before an election and then three years of big rate increases. That is what this government

is offering the people of Manitoba, big increases for three years and a big decrease just before the election to get re-elected.

**Mr. Cummings:** This is reaching the pinnacle of lunacy. The authors of 18, 20 and 25 percent increases to the drivers in Manitoba are sitting over there and saying that a 4 percent increase, a 5 percent increase are radical spikes in the cost of insurance to the drivers of this province. They are not that gullible.

They know that it costs money to insure, and they know that we want a company that is run responsibly and is responsive to the real costs of motoring in this province, even down to the point of where the introduction of the VICC program, where we are appropriately positioning certain vehicles at their level of insurance within the overall framework—some cars are far more expensive to repair. Some of them are far more prone to accidents. They, in fact, also are seeing a change in the way they are being managed.

That is the type of internal management, for which I give the corporation credit, that leads to being able to adequately predict a relatively stable and level insurance cost in this province. Believe me, if I said to the public, the corporation said, we think we are going to save \$36 million in the introduction of no-fault, and that was not the only purpose for introducing no-fault, and the member for Brandon verified that earlier today in our discussion. There are some very good reasons for those who are seriously injured to be part of this program.

If we at the same time said, but just in case we are wrong, we want another 2 or 3 percent, I mean, the Crown Council, the PUB, the public, in my view, have all said the same thing—run this thing responsibly; run it as close to at cost with reasonable reserves as possible, and the PUB and the Crown Council have both said that the objective is to build the reserves. The objective is not to build them all in one year.

Let us be clear that the objective is reserves in the \$60 million to \$70 million range by the year 2000, not in 1996 or 1995. If you want to build those reserves in one year, again I say, philosophically, you are putting your head on the line for the public because they will not accept that kind of a reactionary application, and the PUB would never accept it. The PUB has indicated that there



should be, in fact, a slow but steady acquisition of the reserves, and I would have to speak directly to the recommendation of the Crown Council.

The Crown Council, when they looked at the short term, and insurance is not a short-term business, this is a long-term business, but you have to make short-term decision as you go through that, and all of the discussion in front of the PUB and within the Crown Council would reflect that the building of those reserves should not be enough to precipitate a spike in the cost of insurance in this province, but it should be adequately reflected, and, therefore, they recommended more strongly that there should be 2 percent annually that is put aside directly to address that issue.

That, in itself, would suggest that they are quite comfortable with the idea that the corporation is not in debt. The corporation is well reserved. What the year-over-year changes reflect are quite simply the cost of doing business within that year. The member is flying a flag that will not fly under these circumstances because the public wants to be able to see in a very clear way what is happening in terms of rate setting within the corporation. That is why they are in front of the PUB. That is why they take a slow and methodical and a very pragmatic approach to the setting of rates.

If you think that a series of hailstorms last summer that fell within the corporation's deductible is not something that should be anticipated around the possibility and then reflect that against this year where they had a hailstorm where the damage was four times greater but was above the all-in-one event, and they were able to pick up, what, about \$40 million in reinsurance coverage, I mean, that is that reality of insurance for automobiles in this province. Give your head a shake.

**Mr. Maloway:** Mr. Chairman, this government has been in power now for eight years, and it criticized the previous government for not always having 15 percent of premiums in the reserve fund, and it has had eight years to get the reserves up to where they should be, and it had only \$30 million when it was supposed to have \$50 million in the reserve fund. That was not the time to be reducing the rates. If it had \$60 million in the reserve fund, then I could see it reducing the rates because it would still have the required \$50 million. That is not what happened. It only had \$30 million. It needed \$50

million. They reduced the rates because they were approaching an election. That is what happened.

**Mr. Cummings:** Mr. Chairman, \$36 million saving, if there had not been changes in the other costs of doing insurance, would have gone a heck of a long way to replenishing that reserve.

**Mr. Leonard Evans:** Mr. Chairman, I believe what Mr. Maloway is doing is really reflecting the basic observation of the Crown Corporations Council because they were very pessimistic about the financial situation of the MPI and there are some statements here related to the reserve. Obviously, yes, we wanted PIPP, we advocated it, we pushed for it for years, but the fact is that the government or the corporation or the minister overestimated the value, the savings from PIPP. Obviously overestimated, and somehow or other you underestimated your tort claims.

We are advocating steady, moderate increases as required. We are not suggesting volatile changes, and I think this is the point my colleague from Elmwood is making that the corporation was not in the financial situation to afford a rate reduction at that time. Prudence would have dictated more experience of PIPP rather than just an estimate, well, this is what we are going to save so we can cut. You know, we all want cuts, we all want reduced premiums but looking back, and also based on what the Crown Corporations Council said, it seems to me that the corporation weakened its financial position by going ahead with the reduction at that time. The fact that it has occurred just before an election makes one extremely suspicious.

I refer to page 16 of the Crown Corporations Council report—this is 1995—and it refers, and I am quoting: The unexpected deterioration of MPI's financial position is significant concern to the council. Since the corporation's retained earnings for the automobile division are in a deficit position, it has little or no ability to respond to any further adverse developments without seeking a significant increase in insurance premiums.

They go on to say—I am just skipping along here—the new RSR, that is the rate stabilization reserve plan, was approved by MPI's board in August of 1995. The key elements of the new plan are that rate increases are to be sought to meet operational requirements in each year of

the plan and that additional 2 percent increase dedicated to rebuilding the RSR is to be requested in each year of the plan.

\* (1130)

It goes on to mention that MPI forecasts show that this approach will enable the RSR to be built to the target level by February 29, 2000. This is two years later than provided for in the RSR plan adopted in November of 1993, but as they show in their chart here the amount shown as the forecast levels of RSR for '98 and the year 2000 are those contained in the rebuilding plan approved by the board in 1995. Because results as of February 29, '96, are worse than planned, MPI will be significantly challenged to obtain the forecast RSR levels.

The corporation then goes on to say, certainly, take every measure you can to reduce costs. This is their first suggestion. But then having said that, they say that the council believes it would be prudent for the corporation to take larger increases for RSR rebuilding purposes in the early years of the rebuilding plan. That is larger rate increases.

So what we are advocating is sound, rational, nonpolitical rate making, and what my colleague from Elmwood suggests is the way it has happened and given the circumstances that this was not the case. I do not know what the minister's response is. The council, and I quote again: The council recommends that MPI carefully review these considerations when making its general rate application to the PUB for the fiscal year starting March 1, 1997.

**Mr. Cummings:** Mr. Chairman, the council, I am sure, will be looking at the record to see what my critics have said about the future and the past of the corporation. That would be prudent for them to do, but I suggest that the council may have changed their view of the capabilities of the corporation in the short term as they recognize that there has been a significant improvement in the profit situation. If there is anybody here who knows what is going to happen in December, January and February of this year, please let us know.

There is no question there needs to be appropriate recognition of the risk factor in front of the corporation. One should never assume that the good fortune of this

spring and summer will necessarily translate into huge profits at the end of the year. However, if it does I would feel equally responsible if the corporation were to suddenly have a large amount of money to deposit on reserves. I would feel comfortable about that but, frankly, my phone starts ringing just as much on the general approach of the corporation if they start having too much money in the bank as it does when we have generated a loss. The public, whether they articulate it specifically as service at cost, certainly the arguments they put forward are in relationship to that.

The member asked, what is my response to the Crown Corporations Council? I will tell him what I read from their report and how I think the corporation should respond or is responding. They are positioned to apprise the government and the corporations for which we are responsible on trends that they see, concerns that they have, and I can tell you that on further examination of the trends within the corporation that perhaps over a period of years they will feel more comfortable with some of the risk factors that are associated with public automobile insurance particularly when it is a monopoly insurance. Frankly, there is an enormous savings to service in a monopoly but that can also go the other way in terms of risk, and bankers and private insurance companies work to mitigate their risk. An insurance company or a banker, if they have too much risk in one area even though it might be a profitable area, will start looking around for where they might be able to buffer that risk or they will start reducing themselves in that risk if in fact it is not as profitable as it once was.

**An Honourable Member:** Is that like reinsurance?

**Mr. Cummings:** Well, reinsurance does not necessarily answer that. Reinsurance cannot answer the fact that we had a bad set of roads, not just in Winnipeg but across the province last year, because we had spikes in the weather that warmed up and snowed but then froze so quickly that the material was rutted and kept in a rutted condition. I mean, we all cussed our municipal authorities for not getting the roads clear, but there were darn few graders out there that had enough weight to get it off when it was forty below. We saw spikes that were very unusual in our weather and really gave us, all of us as the driving public, problems. But, because we are a monopoly, we have all the risk, and there is no way you can buy reinsurance risk against that.

So it is prudent to have reserves, and I will not stand here or sit here and say that the members are incorrect in saying that we should have reserves. My argument is that we need to do them in a continuous review moving towards a goal. Mr. Chairman, I reiterate that when no-fault was introduced and the subsequent savings that were generated from that—and those savings were demonstrated. I mean, they were not flipping the books saying that money we saved elsewhere is attributed to no-fault, because we know the public wants to know what is the reality of the implementation of that process. Therefore moving towards the 2000 because we did not in fact believe that there was going to be anything other than a \$30-million or \$36-million growth in profit that year, it was certainly acceptable to the public and to PUB and to others who reviewed it that we were going to make a big profit in that year. I guess I have exhausted the topic.

**Mr. Leonard Evans:** Well, obviously the government or the corporation was too optimistic, and in hindsight I wonder if the minister would agree that they should not have had the rate reduction at that time, given all the information that we get out of the Crown Corporations Council and their views that the corporation is on a negative risk trend and the risk trend has deteriorated from positive since our last risk assessment and of course they go on to talk about the reserve situation. So I think in hindsight the minister would probably sit there and agree that a rate reduction in that year was not warranted given what did happen.

**Mr. Cummings:** There are two parts to that answer. First of all, no, if I had, and I do not have the say on the rate. The board with the management makes a decision on a recommendation and then it is vetted by the PUB, but given the same circumstances it was the right decision because there is more than just telling the public that no-fault is now a great new way of doing business. They were also being told that there were adequate and significant savings that would flow from this. Those savings were also convincing to the Public Utilities Board and they accepted that argument.

Secondly, I will hang a fair bit of importance on the next report that comes out from the Crown Council because I believe that the corporation has demonstrated that there is more to this than just what has occurred in the reduction of reserves for pre-PIPP settlements. So

along with the members of the opposition, I will be waiting with great anticipation for that next report.

**Mr. Leonard Evans:** Well, the minister said that he is convinced that the Crown corporation will change its mind re the overall financial situation, and I do not know whether he is basing his observation on his six-month statement where the corporation is reported to have a net income of \$52.8 million. As the minister and others have stated, this is the good part of the year in a sense. We do not know what kind of a winter we are going to have and also I am not sure, in fact this is a footnote question I suppose, whether that \$52.8 million income reflects the huge hail damage that occurred this summer, whether that is yet into that figure. That is a detail, but I would like to get the answer.

**Mr. Cummings:** Yes, I will get Mr. Zacharias to respond directly to that, but I do want to note—and I guess I should have referenced this earlier—my critics are apparently not aware of the fact that there is a number of people out there over the last couple of renewal years who are getting decreases, even under the existing system. I guess I referenced it with the VICC program and with other rating systems that we have out there but, in fact, almost half of the driving public out there has seen little or no change to their costs in the last year. That, in itself, reflects what appears to be a well-received monopoly public insurance program. There are others out there, of course, who have received significant increases and they are not so happy.

**Mr. Zacharias:** The six-month financial statement does include the costs from the hailstorm that are within our retention. The balance of the monies would be recoverable and therefore do not impact the bottom line, but the \$5-million retention and some extra expenses are included in that statement.

\* (1140)

**Hon. Vic Toews (Minister of Labour):** Mr. Chair, I am having a little bit of trouble trying to understand why the member for Elmwood (Mr. Maloway) would like to see the increase in the Autopac rates, given the explanation by the minister and the corporation and regarding, of course, the actuarial reports. In order, maybe, to help me understand the way some of the corporation works, could you perhaps inform me whether

the commissions given to private agents who sell Autopac insurance would increase as the rates go up or is that capped out or is that on a percentage basis with the rates?

**Mr. Zacharias:** Commission paid to brokers is a percentage of the premium, a fixed percentage of the premium, so the amount they do collect is very dependent on the amount of the premium.

**Mr. Toews:** So, as these rates then go up, the private insurance agents who sell Autopac on behalf of the corporation, their commissions would increase.

**Mr. Zacharias:** In the total dollars, yes.

**Mr. Toews:** Thank you.

**Mr. Leonard Evans:** I want to make it absolutely clear that the official opposition in no way wishes to have higher rather than lower auto rates. We all want the lowest auto rates possible, including the MLA for Elmwood. We want the lowest possible rates, but what we are advocating is we do not want unnecessary volatility which hurts the consumer, it hurts the corporation. I think the minister understands that, and this is what we are advocating. We simply question whether the rate reduction was the rational thing to do considering the reserve situation, considering the outstanding tort claims. But, certainly, everyone obviously wants lower rates, and we do not want the rates to accelerate any faster than they have to.

At any rate, Mr. Chairman, the minister has stated that he is confident that the Crown corporation will change its mind, and I am still not clear what is the basis of the confidence. Was it the six-month statement that gives them this confidence or is there something else that we do not know of that would cause the Crown Council to have a more positive view, because they start off and throughout the report it is very negative.

I may not agree with them, but it is very negative and particularly their concern about the corporation not being able to develop the reserve situation that had originally been planned. Thank you.

**Mr. Cummings:** I would be subject to my own criticism if I said the short-term turnaround that the corporation

has demonstrated is the only basis upon which I have some confidence that the Crown Council may have a better opinion in their next report.

There are a number of things that the corporation is doing. First of all, one of the issues, frankly, is that I do, in my own view, and information that I have received from others, as I have said earlier—and certainly I am not going to contradict the actuaries. If you do not take the advice of your actuary then what have you got them for? They are the experts, but we could be overreserved too in the long run and that is a possibility, so it is always a bit of a double-edged sword.

I also think that the corporation, with its continuing to work on its rate structure is more adequately able to reflect the real risk of day-to-day insurance work, if you will. There have been a number of changes made that will mitigate some of the potential risk or deal with it. If that does not turn out correctly, and, again, let us be clear, if that does not come to pass, then I suppose the Crown Council will undoubtedly report on that and continue to maintain their trend line. But I can tell you on a verbal basis, and on a verbal basis my discussion with the Crown Council would indicate that they are quite happy with what obviously has happened in the short term, and that they will be following this with great interest.

**Mr. Maloway:** Mr. Chairman, the minister made a reference to the board and the management making the decision regarding the rate reduction in 1994. I would like to get a little more specific here and ask him what the role of the audit committee would have been in the request for the rate reduction.

**Mr. Cummings:** I am not sure how I would characterize that. If you are asking me, did the audit committee report to me or was I apprised of recommendations that they may or may not have been making internally, no, I was not. Following on Judge Kopstein's recommendations going back to—when was that, '88, '89?—Judge Kopstein recommended that there be more autonomy of the board and that the minister, the chairman and the president communicate very often in a written manner so that there was a record of communications.

I would indicate that does not happen maybe as often as it did four or five years ago, but, frankly, my working

with the board is mainly funnelled through the chairman and occasionally to the president, but usually with the chairman and the president, and they do their work.

**Mr. Maloway:** Is there a specific person who would approve the request for the rate reduction? The minister had suggested it was a combination of board and management and so on, but surely there must be somebody who is responsible for this?

**Mr. Cummings:** When I comment on the board and the management, obviously the board and management work together. What do you think the president is if he is not the chief executive officer of the corporation? He is on the board, works with the board. Are you saying a single individual would have made a decision? No.

**Mr. Maloway:** Well, then, is the minister—what I am trying to get at here, Mr. Chairman, is who specifically made the decision to go to the PUB for that rate reduction in 1994?

**Mr. Zacharias:** In preparing the rates for the next year we start off with our claims forecast committee as to what we think we will spend, how we are going to raise that money. Management prepares that information. It goes through to our board of directors for discussion and their concurrence. Following that, the application is filed with the PUB.

For the '94 application, what we were doing was introducing a new vehicle rating system which was based on the loss experience from each vehicle. We would have a number of vehicles in Manitoba that would end up with a lower rate, and through that process we would have actually some decrease in revenue but no overall rate reductions.

**Mr. Maloway:** Mr. Chairman, specifically then in March or April of 1994, did you specifically support the reduction in the rates?

\* (1150)

**Mr. Zacharias:** It was our application to the Public Utilities Board, and that application would generate some less revenue than the year before because of the introduction of the VICC vehicle rating where we would allow more vehicles to fall in the rating categories than

were going up which resulted in some less revenue. But that was a recommendation or an application that was developed by management and passed through the board of directors.

**Mr. Maloway:** Then are you suggesting then that it was your decision to make the application that reduced the rates?

**Mr. Zacharias:** It was management's decision to put together that application, and, as I say, we took it to a board of directors and then filed it.

**Mr. Leonard Evans:** Just while we are talking about rates, where do we stand at the moment? The corporation has filed with the PUB for a rate increase. I think it was 4.1 percent. I wonder if you could just update us on the status of the application. Just correct me, is the average rate 4.1? What is the total impact of the rate increases being requested?

**Mr. Zacharias:** The corporation currently has an application in front of the Public Utilities Board which will generate on average a 4.1 percent increase, 2 percent to the Rate Stabilization Reserve and 2 percent to cover increased cost of claims that we expect to occur. The application covers the period of March 1, '97 through to the end of February '98. The public hearings on that application start next Tuesday.

**Mr. Gary Kowalski (The Maples):** I have a question. I think the acronym used was VICC. In the experience of cost for claims, is not part of the calculation the cars that are stolen most often? Of course, those are the vehicles that would have a greater claim experience. Is that calculated into those rates?

**Mr. Zacharias:** The rating system that we are now implementing, entering the third year of a five-year implementation plan, is based on the last experience of various vehicles and the frequency with which they are stolen would be reflected in that rating group, yes.

**Mr. Kowalski:** It seems an unfairness there. Those people who are victimized by car theft because of this government's failure to address the youth crime problem are penalized again with higher insurance premiums, and it seems you are penalizing owners of those vehicles. I could understand that the cost of repairing the cars that

people choose to buy, those cars that cost more to insure, that their premiums protect—the higher premium is supposed to be justified.

But those people who buy cars that are stolen more often, now they are victimized by the government by paying higher insurance premiums. Is that not an inequity?

**Mr. Cummings:** There is a political implication to the way the member asked the question, so I certainly want to take the responsibility for providing part of the answer.

The fact is there is an ongoing debate about antitheft and what responsibility a person has to make an effort to make sure that his own vehicle is not subject to theft. Frankly, there is a difference in design, and my colleague from St. Norbert asked a question that leads directly to this. Some cars by their design are easy to steal, and therefore it is quite easy to predict that a bigger percentage of some of those will be stolen. There are others, of course, that are more desirable to steal for other reasons, and that is perhaps a different matter, but almost 50 percent of the vehicles are stolen either with the keys or with access to the keys. That is a fairly telling matter and a figure which I for a long time perhaps was not apprised of, but I believe that is—and I might be out a little bit on the percentage, but it is a very high percentage. That does, I think, to me at least give some demonstration of the fact that there is, yes, I appreciate that there are certain areas of the city, there are certain types of vehicles that may be more attractive but there is also an onus, for example—very often a comparison is made to household insurance or house insurance. If you do not provide some protection, you may in fact be inviting trouble.

**Mr. Kowalski:** We are running out of time, but there is one other question and it may seem facetious but it is not. Looking at the very fine gentleman that represents the management of MPIC, I have to ask the question, are there any females in the upper management of MPIC?

**Mr. Zacharias:** We do not have females in the executive ranks at this point in time, but we have some excellent candidates who are working their way through the organization, have reached the level immediately below executive—like I say, some good candidates, long-term employees. I think it is over 50 percent of our

employees now in the female ranks, and many of them are at various stages in the management of the organization.

**Mr. Leonard Evans:** Just to carry on where I left off, Mr. Chairman, on rate increases. Would the minister or the president like to comment on the fact that yes, the general rate increase is 4.1 but then there are other things like hiking the basic deductible to \$500 from \$400—this would save Autopac about \$5 million—and charging a deductible, loss caused by theft, fire and lightning. Autopac apparently used to waive the deductible for those kinds of claims. That scrapping would save about \$4 million yearly, and so on. So really the total impact is closer to 9 percent. Would the minister or the president care to comment on that?

**Mr. Cummings:** I will let the executive pull what they think might be the exact figures together, but there is always a change in—there are changes related to deductibles that do have significant impacts on claims. What this has done, however, is Manitoba Public Insurance was one of the last or was I think the last public insurer and probably one of the last insurers in the country who waived the deductible on stolen vehicles. We were very nearly one of the last who did not have a \$500 deductible as a basic. I mean, you can still buy down for an appropriate price, and the percentage of people in Manitoba who buy down even at 400 was very high. I was surprised, frankly, at the figure. I cannot quote it, but I recall seeing it and it was very high. I will turn it over to Mr. Zacharias for the exact numbers.

\* (1200)

**Mr. Chairperson:** Order. The time is now 12 noon. What is the will of the committee?

**An Honourable Member:** Committee rise.

#### Point of Order

**Mr. Leonard Evans:** On a point of order, Mr. Chair, we are in the middle of some questions and I wanted to suggest to you and, I guess, reiterate, we have some other basic questions to ask of the minister and the corporation, a long list, everything from proposed changes in the distribution system to what is happening to general insurance, to the whole question of driver education, what is happening to the Motor Vehicle Branch relationship

and other basic questions pertaining to the operation of it. These are not miscellaneous claim cases. These are basic questions. So we would like to ask the minister if he could assure us that we would have another meeting soon, at which time we could finish hopefully these questions and debate them and get the information.

**Mr. Cummings:** Mr. Chairman, that is not within my responsibility. The member and I will have to talk to our House leaders. They are in control of the process. I am always open to discussion, but the House leaders will decide.

**Mr. Leonard Evans:** I just want to go on record, there are some very important questions on the corporation that

should be aired publicly, and this committee should not be deprived of the opportunity to ask those basic questions.

When the work of the committee is done, then the reports can be passed. We are not trying to be obstructionist or anything, but we have some basic questions. We need the information, and I would trust that the minister would prevail upon the House leader to call another meeting soon.

**Mr. Chairperson:** The time being 12 noon, committee rise.

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