



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

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

37 Elizabeth II

Chairman
Mr. H. Enns
Constituency of Lakeside



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature

Members, Constituencies and Political Affiliation

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

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, October 18, 1988

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Harry Enns (Lakeside)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Honourable Mr. Cummings

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

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

Mr. David Kidd, Senior Vice-President of
Insurance Operations, Manitoba Public Insurance
Corporation

MATTERS UNDER DISCUSSION:

1987 Annual Report - Manitoba Public
Insurance Corporation

* * * *

Clerk of Committees, Mrs. Janet Summers:
Committee, please come to order. We have received
the resignation of Mr. Gilleshammer from this
committee, so we must proceed to elect a new
chairman. Are there any nominations?

Mr. Darren Praznik (Lac du Bonnet): I nominate Mr.
Harry Enns.

Madam Clerk: Are there any further nominations? As
there are no further nominations, Mr. Enns, will you
please take the Chair?

* (1005)

Mr. Chairman, Harry Enns: Ladies and Gentlemen,
the committee will come to order. Before the committee
is the consideration of the Annual Report for the
Manitoba Public Insurance Corporation. I will call on
the Minister to make a brief opening statement.

**Hon. Glen Cummings (Minister responsible for the
Manitoba Public Insurance Corporation):** Thank you,
Mr. Chairman. No, it is very brief; there is nothing of
any detail that you would need. It is self-explanatory.

Mr. Chairman: I would interject at this moment to
indicate that it is the custom, when written statements
are being made, that copies are provided for the
committee. I make that just as a suggestion.

Mr. Cummings: My apologies, Mr. Chairman. I can
give the comments without going to prepared text if
that would suit the Members. It is a brief opening
statement and I want to, first of all, introduce our
members of the staff who are here. First of all, Mr.
Harold Thompson, who is Chairman of the Board;
Graham Lane, who has been the former Interim Chief
Operating Officer; David Kidd, who has been Senior
Vice-President of Insurance Operations; Barry
Galenzoski, who is Senior Vice-President of Corporate
Services. Other staff are here as well.

At this time, I have an opportunity to have all of the
people answer questions, particularly the people who
are at the table here because it is my intention to make
sure that this is an opportunity, as one of the Members
had indicated, he wants to get to the bottom of the
story. I think that is certainly an indication of this
Government's wishes to do that as well.

The 1987 year was a critical year for the corporation
as we are all aware. We had increased costs for bodily
injury and repair on vehicles; an actuarial
recommendation to increase claims that contributed to
a \$306 million cost for the corporation, one of the
highest in history; the loss return depleted the division
to \$5.2 million; rate stabilization was completely
eliminated and produced a \$9.1 million loss at year-
end.

As a result, we had extensive revisions to Autopac's
rates and coverages for 1988, and tried to reduce the
deficit and rebuild reserves so that they can again be
drawn upon to minimize the impact of rate increases
in future years.

On the other side, MPIC's General Insurance recorded
an operating loss of \$11.2 million. We had record claims
figures and actuarial adjustments. Total revenues of
\$40.6 million were reported. Total claims and expenses
were \$51.8 to offset this income with claims incurred
of \$33.6 million, one of the highest ever in the history
of the division and contributed to disappointing financial
results.

The escalation in claims incurred was due in a large
part for an addition of \$7.3 million to the provision for
unreported claims. In an effort to restore the division
to a position of profitability, the corporation undertook
a re-examination of a general insurance strategy in
1987. The reassessment prompted the adoption of
stricter underwriting controls and revisions to the
division's rating structure. Both measures were
designed to improve the loss experience of the risk
being underwritten and ultimately the division's financial
structure.

The division's reinsurance-assumed operations
recorded a net income of \$5.6 million in the year under
review, and a significant factor in this was the actual

review of claims-related expenses, which recommended the provision for claims incurred but not reported and this portfolio should be reduced by \$3.5 million.

As of November 18, 1987, the corporation was no longer writing reinsurance-assumed business. Because liability claims under existing reinsurance contracts ordinarily take many years to be settled, they will continue to be reported and subsequent financial results.

My original expectation in going into this committee, Mr. Chairman, was that the Kopstein Report would have been reported by now. I would anticipate that I will be tabling it early next week in the House. It is my full expectation that once the committee has finished its questioning regarding the '87 report, I am fully in agreement to adjourn temporarily or rise temporarily until the Kopstein has been reported and come back to committee again for examination of the Kopstein, if that is the wish of the committee. I understand that may well be your wish.

In keeping with my desire to keep this committee operating in an open and straightforward manner, I have indicated to senior officials that they should be prepared to answer questions directly at the table. Certainly, I have no difficulty with them providing figures and answers directly to members of the committee. I believe we can now proceed at the pleasure of the committee, Mr. Chairman.

Mr. Chairman: Mr. Minister and members of the committee, perhaps we could just determine at the outset the manner that we wish to proceed with consideration of this report. The practice is that we can continue considering it in the same way as we consider Estimates in other committees, page by page, or indeed have a consideration of the report in whole, which provides, in some instances, greater flexibility, but then with the understanding that on conclusion of that kind of a general examination, the report would be adopted by the committee. What is the wish of the committee? Page-by-page consideration?

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, I would like to suggest that we leave it more open than page by page. I think perhaps my colleague from Fort Rouge (Mr. Carr) may want to ask some more administrative questions, and perhaps Members on this side would like to ask, but at the same time would like to ask some general questions as we go forward. Let us leave it open, if we may.

* (1010)

Mr. Chairman: I recognize Mr. Carr.

Mr. James Carr (Fort Rouge): Thank you, Mr. Chairperson. I would like to make a short opening statement, if I could.

It is now almost a year since this Annual Report was completed. In fact, we are only two weeks away from the 1988 year-end of the Manitoba Public Insurance Corporation. While the activities of the corporation during 1987 had not yet been examined by a committee,

it certainly has been examined with great detail both in the House and in the press. As a matter of fact, one could say, without fear of contradiction, that the subject of MPIC was likely on the lips of most voters as we went door to door during the campaign. One could even argue that it was a critical factor in the defeat of the former Government.

It is not history in the minds of many Manitobans; it is current. I can honestly say that since my responsibilities as critic for MPIC began, a day has not gone by when our caucus has not received a letter or a phone call discussing service to the community, policy, rate structure and a number of other issues. There is also a bit of an irony here that this much maligned Annual Report is now being presented by this Minister who at the time, only several months ago, was chastising the corporation and the former Government and he is now in the position, if not defending the corporation, of presenting the Annual Report to the Legislative Committee. I guess that is just a comment on how much things can change in politics in only a few months or so.

Reading through old Hansards from last February and March, every Question Period was peppered with accusations of political manipulation, rate setting, broadsides levelled against the Government and the corporation by this Minister and the First Minister (Mr. Filmon), who was then Leader of the Opposition, these accusations levelled at the corporation itself. So we will be very interested to hear what lessons the Minister has learned from the mistakes the corporation made in 1987 and how he is going to plot future directions.

While the discussion of the Kopstein Report and all of its many recommendations will not be under discussion here this week, we hope that the Minister will still entertain questions that talk about the lessons of 1987 and what his own Government's view is to correct those situations as we move forward.

There are many questions that have to be asked and will require important answers from the Minister and his staff. Perhaps the most important is the relationship between the corporation and the Government. As I mentioned earlier, the accusation of political manipulation was on the tips of tongues of the Conservative Opposition at the time. I think there is a consensus among political Parties in Manitoba that rate setting should be taken out of the political arena and delegated to the Public Utilities Board. So we will certainly be interested in the Minister's position on that issue.

The 1987 results of MPIC were not good, with \$61.6 million in losses, which depleted their reserves, which shook public confidence in a public corporation which had a great deal of public confidence in years leading up to it.

On the general insurance side, we have heard conflicting statements from the Members of the Government on what the future of general insurance might be. We have campaign promises and now we have the reality of power, so we will be interested in asking some detailed questions of the Minister on the future of the General Insurance Division, and also the

whole concept of reinsurance which dominated this committee's debate in 1986. It was only really the matter under discussion. It is still important because although the corporation no longer writes new reinsurance business there is a continuing liability that could take us into the year 2000 and beyond.

So I think what we want to do here is to thoroughly analyze and examine the operation of the corporation in 1987, not necessarily to point fingers but to try to extract lessons from the corporation's handling of its difficult situation so that the performance in 1989 and beyond could be better and more in the interest of the people of Manitoba. Thank you, Mr. Chairperson.

* (1015)

Mr. Leonard Evans (Brandon East): I would like to add a few opening remarks to those that have been made by the Minister and by the Liberal Opposition critic.

First I want to make it clear that we thought we had a Government that was open and protests how open it is. We are very surprised that the prepared statement that the Minister had was not available for us to have. We would think that would be in keeping with the desire of the Government to have openness and freedom of information and so on. However, and I know that the Minister in spite of his attempt to be off the cuff about it, did read great portions of his statement. Maybe he would like to have a copy made later for Members of the Opposition Parties.

We are here under protest. We feel that to have a useful discussion about MPIC, its place in Manitoba's future, we should have a copy of the Kopstein Report. We understand that it will be available soon. We thought that it would have been not unreasonable to delay the convening of this committee until we have it because there are many other Crown corporations that could come before the Public Utilities Committee and other committees of the Legislature. There are several that still have to be heard. Surely, they could have been brought forward and MPIC could have been delayed until that time.

We believe that the Kopstein Report is going to be fundamental for the Legislative Assembly to see what, in terms of that commission at least, are in the failings of MPIC that could be improved upon, where the MPIC is making a contribution, what it can do in the future to be even more effective in protecting Manitobans on the move, as they say, on our highways.

So we are here under protest, Mr. Chairman, although I did hear the Minister's statement about adjourning the committee at some point and having the availability of that report later, but it is far better to have had it at the beginning. Even if we had had photostat copies for the committee members, I think that would have been adequate.

As the Member, Mr. Carr, has stated, this was a big election issue, probably one of the more single important issues in the election. A lot of accusations were made of political manipulations and so on, about rate setting, etc. It is going to be very interesting now

to have a chance to quiz the Government and MPIC as to just what was a realistic rate increase, whether the rates were too low or too high and whether or not indeed MPIC was doing its best, given the information they had at the time to advise on a particular level of rates.

But what I am concerned about is, in spite of all the criticisms and statements made by the now Minister, who was then the critic in Opposition, about the need for improvements and changes, we have not seen anything different yet, so far. At least I have not seen anything. What has happened? I mean the Government has been in office about half a year. Exactly what has happened? This was the big issue. This was the horrendous corporation. Everything was rotten, everything was wrong. They had all the answers. What has happened? Nothing to my knowledge of any fundamental importance has happened. We are carrying on with the rate structure that the Government had approved, that the MPIC had recommended be put in place. Because of those, of course, you might say we did the dirty work in the sense that we were in office and approved the rate structure that was put forward because of the losses that the corporation was suffering at that time.

But the MPIC in the present Government are going to benefit from that because the revenues indeed should be flowing in and, hopefully, without any major catastrophe on our highways, the corporation will be in the black, would be in a profitable position.

* (1020)

One comment about general insurance. It is time to clear the air on this area. If there was anything that the Minister said was categorical before the election, during the election, since the election, right the day he was sworn in as Minister, we are going to get rid of the General Insurance Division. We are not recommending that on this side but I think it is only fair to the customers of MPIC, it is only fair to the employees of the MPIC, it is fair to the general community, that we know exactly where the Government stands on that. We cannot leave people out there dangling in mid-air, in suspended animation, or whatever the expression is.

I say it is time that we get a yes or no from the Minister on this subject. I know it is more than employees in Brandon. There are employees in Winnipeg, about a 100 or so, or there were. There are about 55 or so in Brandon. I want to go back to my community and tell them, yes, their jobs are secure, or you better start getting ready for a move or whatever. There is too much uncertainty. It is good for nobody.

The Brandon Sun has written editorials on this. Everyone in the community agrees that it is not a good thing to leave this in suspension, so let us get an answer, yes or a no, no maybes, exactly where are we going to go. We have a particular view of this and we would support and make our views known, as we have in the past, but nevertheless it is time for some decisions to be made and we would hope that would be forthcoming at this meeting today.

Mr. Chairman: I have Mr. Ashton on the list as well. Do you wish to proceed?

Mr. Steve Ashton (Thompson): I would like to get into what my colleague was just finishing off in terms of general insurance, and get a clear statement from the Minister exactly as to where he is coming from in terms of general insurance.

First of all, I would like to ask—

Mr. Chairman: Pardon me, I thought you were requesting for an official statement. I will recognize Mr. Carr.

Mr. Carr: I would like to ask a series of questions on the rate setting process. I do not know if the Minister wants to take these questions. I wish he would.

First of all, I would like to ask for a complete review of the process which led up to the rate setting structure in 1987.

Mr. Cummings: I think Mr. Lane, having been the operating officer—I would like Mr. Lane to comment in detailed answers on how the rate structure was put in place. If it is the details that Mr. Carr wants, I would have it handled that way. If he wants to talk about policy in the future and governmental involvement vis-a-vis this Government, I will answer the questions.

Mr. Graham Lane (former Interim Chief Executive Officer): The rates for 1987 were recommended by the corporation after reviewing the experience for prior years, the experience for 1986 and certain estimates that were made in respect to what was expected to occur in 1987. They took into account the trend lines in various types of claims from bodily injury due to vehicle damage, took into account expected inflation and they took into account the expected effect of the rate increases that were approved for 1987.

Mr. Carr: We are talking about the 1987 Annual Report. What I want to do is compare the revenues to the expenses within this Annual Report, and I want to know what involvement the provincial Cabinet had in setting the rates in this Annual Report. Mr. Lane says that the rate structure was recommended by the corporation, recommended by the corporation when and to whom?

* (1025)

Mr. Lane: The records of the corporation indicate that the rate increase for 1987 was recommended first to the board and then was taken to the Government.

Mr. Carr: When?

Mr. Lane: It was recommended to the board, I believe, in November of 1986 and taken to the Government for final decision in December.

Mr. Carr: Was the set of recommendations offered by the board to the Government accepted, or was it rejected?

Mr. Lane: For 1987, the recommendation from the board of MPIC to the Government, in total dollars or percentage increase, was basically accepted.

Mr. Carr: So there were no revisions made by the Cabinet to the recommendations made by the board in November of 1986?

Mr. Chairman: Members of the committee, you will excuse me for interjecting and identifying those of you who are contributing to the debate, but I do so, as most of you understand, for purposes of identification by the Hansard staff. So I will be continuing to recognize you each time and every time that you contribute in the debates in this committee. Mr Lane.

Mr. Lane: Excuse me. Would you mind repeating the question?

Mr. Carr: The question was, were there any changes at all to the recommended rates that went from the board to the Government in November of 1986?

Mr. Lane: Yes, I believe there were changes, not, in relative terms, to the overall percentage of dollars but to different categories and things like that.

Mr. Carr: What were those changes?

Mr. Lane: It is explanatory. The records of the corporation indicate that it was more of a process. Suggestions worked its through the board, discussions were held with the Government, alterations were made to the corporation's suggestions, which eventually resulted in the corporation's final recommendation to the Government which was accepted. Some of the things that changed on the way through were, originally, the corporation suggested to its own board an increase of 8.5 percent for 1987, on an overall basis; eventually, after two resubmissions, the rate hike, on overall, worked out to be 8.4 percent.

The corporation originally recommended some alterations to the definition of "preferred use." It also recommended some changes to certain categories related to the experience incurred versus the rates that were charged that were not proceeded with. There were some other more minor changes as well.

Mr. Carr: I would like to ask some questions that detail some of the estimates that were made that established the rate structure for 1987. The first is the injury claims settlements, including no-fault accident benefits and third party liability claims, which rose from \$65.2 million in 1986 to \$85.3 million in 1987. Was that very large increase anticipated by the board at the time?

Mr. Lane: There were some difficulties with the corporation's estimates of claims experience that was expected in 1987. The difficulties were related to extending the experience that was being incurred during 1986 into the future. Partially, it was a result of perhaps too slow a reaction to events that were occurring through 1986; partially, it was the effect that at the time there was no detailed claims forecasting model

in existence for doing the plotting. The large storm that occurred, for example, in November of 1986 was not taken into account; nor were some trends that had started to develop from June of 1986.

It was not envisaged at that particular time that an actuary would be involved in 1988, which resulted in a review of the claims provisions all the way back to the beginning of the program. In summary, the forecasts on which the 1987 results were based did not match the experience.

* (1030)

Mr. Carr: What was the board's estimate for 1987, including no-fault accident benefits and third party liability claims?

Mr. Lane: The board originally estimated, based on information supplied by management, that in 1987 a rate hike of approximately 8.5 percent would produce a loss in 1987 of approximately \$10 million.

Mr. Carr: Mr. Chairman, with respect, that was not my question. What was the board's estimate of liability claims for 1987 on the no-fault accident benefits and third party liability? The result was \$5.3 million. I am interested in knowing what the anticipated result was by the corporation in November of 1986.

Mr. Lane: The corporation can respond to that question, but we need to pull out the data. We do not have it at hand. All I can say, basically, for the 1987 numbers, the board anticipated losses that were substantially lower than actually were incurred in 1987 as a result of some of the factors I mentioned before. The corporation can provide the budgeted numbers.

Mr. Chairman: If it is any help to the members of the committee, allow me simply to say that it is the practice for committee members sometimes to put forward questions that call for detailed information that the corporation is willing or the corporation is prepared to prepare but may take some time to prepare.

It would be advisable, Mr. Carr, and other members of the committee, if there are a series or numbers of such questions calling for questions, that you may wish to consider putting some of them on the table and getting some indication on the part of the management people speaking for the corporation to indicate whether or not they are available at this moment or whether they would take some time in the future and be made available to members of the committee when next we meet.

Mr. Carr: It is obviously a very critical question because if there are huge disparities between what the board of MPIC estimates costs and revenues to be against the actual costs and revenues at the end of a given year, huge deficits can and, in this case, did occur.

It says in the Annual Report that there was a record \$85.3 million in 1987 paid out in injury claims. I am asking the question; what did MPIC anticipate that figure to be? Was there a differential of \$5 million, was it \$10

million, was it \$15 million? Once we have the numbers squarely in our mind, we must ask the question "Why"? Mr. Lane says that there was no detailed claims estimate forecasted. Why was there no detailed claims estimate forecasted?

Mr. Lane: With due respect, I did not say there was no detailed claims forecasting. There was. It is just that the corporation unfortunately did not bring the records to break down the budget. I can help, perhaps, the Honourable Member by indicating that the difference between what was expected in 1987 for claims incurred, including bodily injury and vehicle damage and the rest of the coverages, was different from the result in the magnitude of several tens of millions of dollars. I am saying it is a substantial amount; it was not minor.

Mr. Carr: How many tens of millions of dollars? Mr. Lane has access to figures. Was it 10, was it 20, was it 30? How many tens of millions was it?

Mr. Lane: Mr. Chairman, we can help by providing the exact numbers, but in the interest, perhaps, of helping the Honourable Member at this time, I would say that the difference between the forecast and the actual results for 1987 was in the order of approximately \$40 million.

Mr. Carr: \$40 million. In 1986, those claims were \$65.2 million. If the actual result was \$85.3 million and you were \$40 million out, a quick calculation shows that you were only anticipating \$45.3 million in claims, which is \$25 million less than the previous year.

Mr. Lane: Mr. Chairman, I think I had stated that the numbers I am relating, in the magnitude of \$40 million, for the entire claims incurred line of the expense—the Honourable Member is mentioning the actual results for the bodily injury line—there are also accident benefits and vehicle damage. Vehicle damage generally tends to run about, say, 60 percent of the total. There were differences in the budgeted to actual in every single category of claims partially as a result of actual events and partially as a result of the actuarial adjustments.

Mr. Carr: Mr. Chairman, maybe to save some of the committee's time, I would ask, for our next meeting, would the corporation provide a detailed breakdown of the estimate for 1987 and the actual results?

Mr. Lane: The corporation is quite able to do that.

Mr. Carr: Another question on the same subject. There was an increase in the average cost per claim to \$1,119 from \$891 in the previous year. Does Mr. Lane have at his fingertips what the corporation had estimated the average cost of claim to be in the 1987 year?

Mr. Lane: No, I do not, but the corporation can provide that. The large increase in average claims from budgeted to actual in 1987 again was caused by a combination of the factors that were indicated and the number of claims, of course, that happened in 1987. A large component of it was the actual adjustment of \$23 million.

Mr. Carr: Mr. Chairman, maybe a more general question that could take a longer answer. Given the fact that there was a some-\$40 million gap in the estimate against the actual performance of the corporation in 1987, I would like to ask the simple question, what happened?

Mr. Lane: The large gap between the forecast and the actual was a result of a combination of a number of factors of which I will try to cover the material ones. One of the larger problems was that the mounting claims amounts which had been building for several years, particularly in respect to bodily injury, were not related appropriately within the forecast for 1987. The claims experienced through the end of June would have indicated that the forecast for 1987 could have been higher than it was.

One of the other events that took place was that in November of 1986 there was a very large storm that resulted in high snowbanks, etc., and severity of multi-car accidents that followed for several months thereafter. Although this storm took place, I believe somewhere around November 8 and 9, if my memory is right—I was not here at the time but I believe that was about the time—although this particular event occurred prior to the final decision with respect to the rates for 1987, the effects of the storm were not included in the forecast or the rate hikes that were planned or put into place for 1987.

Finally, the last factor that resulted in the large disparity between actual and forecast in 1987 again was that there was no anticipation, as I understand it, based on the corporate records, that an actuary would be involved in setting up what the unpaid claims results would be for '87, since the corporation, which I believe began in 1971, had not used actuarial services prior to that date. At the end of 1986, there was no anticipation it would come into place in '87 and that, too, added some \$20-some million to the Autopac loss.

In summary, there were three events. One was inappropriate tracking of experience; the second one was the omission of taking into effect the large storm of November of '87; and the final major event was the actuarial adjustments. There were some minor ones which you would find in any normal corporation in respect to expense totals, transfers of cost related to safety events, and allowances set up in 1987 in respect to losses on ceded reinsurance accounts receivable, but the major ones were the ones that I recounted.

* (1040)

Mr. Carr: Mr. Lane says that one of the factors, and perhaps the principal factor, was the inappropriate tracking of experience. What changes had taken place within the corporation between those unfortunate experiences and the ones we are in now, so that we can ensure that these mistakes do not happen again?

Mr. Lane: There are a number of events that have occurred. The corporation now avails itself of the services of an actuary. The actuary is involved in reviewing the claims experience, actually, during the year, even prior to the conclusion of the year, so that

the corporation has the advantage of knowing how claims experience is developing from the actuary's point of view and can estimate better from that point of view.

The second major event is the corporation has built a claims forecasting model which gives it a, in short, much better way of measuring and tracking experience in the past and trends into the future. The corporation is perhaps more aware of the difficulties that poor forecasting can cause and is much more aware of the need for proper internal reporting practices.

Mr. Carr: Am I to take it from Mr. Lane's response that the Manitoba Public Insurance Corporation employs one actuary?

Mr. Lane: The corporation engages an actuarial firm, an international firm, actually. Also, the corporation avails itself through the services of its audit firm who also has an actuarial consulting arm to do double checks on the consulting firm.

Mr. Carr: I understand that actuary was hired in, did you say 1986?

Mr. Lane: As I understand it, the actuary was actually hired in 1987.

Mr. Carr: Is that to say that prior to 1987, the Manitoba Public Insurance Corporation did not have an actuary on staff?

Mr. Lane: That is correct.

Mr. Ashton: I have a series of questions related to one of the major concerns raised by my colleague, the Member for Brandon East (Mr. Leonard Evans), and that is in regard to the General Insurance Division of the corporation.

I would like to find out where this Minister and this Government is coming from on this particular issue and, as the Member for Brandon East (Mr. Leonard Evans) indicated, get the air clear. I am wondering, for example, if the Minister recalls the fact that in the Throne Speech Debate, February 15, when his Government was in Opposition, that the current Premier (Mr. Filmon) indicated that "MPIC must get out of the general insurance business."—that is a direct quote; whether the Minister recalls telling the CJOB Action Line during the election as a candidate, as a representative of his Party, and I quote: "I believe that the general insurance business and the general insurance arm of MPIC is an area that we do not belong in either, and would very much like to see that eliminated in the shortest period of time possible."; whether the Minister also recalls telling reporters, moments after he was sworn in as the Minister responsible for MPIC, "That means the general insurance arms would follow up on our commitment to remove them from the corporation."

Mr. Cummings: The Member indicates that he wants to clear the air. First of all, we have to remember that we would not need to clear the air if the general insurance side of the corporation had been running in a matter that was putting it in a positive financial position

today. The feeling that you have demonstrated through the comments that you have recorded during the election has not changed. The policy direction has not changed. Let us remember one thing: we have made commitments that we are not going to unnecessarily disrupt the employees, that we want to be very conscious of the future direction that the employees will be required to take. We are not going to make decisions in vacuum.

We want the information compiled so that we have all the factual information in front of us regarding the general insurance. The board is working at that particular project right now. They have asked senior management to put together information on the general side of the corporation. Let us remember that there are lots of different configurations that can emerge from a recommendation. I am not going to make an announcement prior to a decision being made, prior to the recommendation being brought forward from the board. Certainly, I have given indication to senior management, and through them, I hope to all of the staff of the corporation, that on the general side it will be business as usual. We will continue with our efforts to pull together the information and the relevant facts regarding how this corporation fills what particular niche in the province, the operations of it. Based on that, we will make a decision.

Mr. Ashton: With all due respect, the Minister has not answered my question. In fact, he has probably raised more questions.

Mr. Cummings: I told you I was not going to give you an announcement today.

Mr. Ashton: I asked the Minister whether he, on behalf of his Party during the election, and once he was sworn in as Minister for MPIC, said that he was getting out of the general insurance business. I asked him for confirmation of that very simple basic policy statement. I can read back the quotes. Did the Minister indicate that the Conservative Party would get out of the general insurance business?

Mr. Cummings: The General Insurance Division is only one part of the corporation. We are talking about one arm here. The Member for Brandon East (Mr. Leonard Evans) had indicated the number of employees in Brandon and the number in Winnipeg. Let us be very clear that any decision regarding the general arm does not have to be a decision that is a sweeping decision or it can be one of a various number of options that are available. The board is studying those options.

I think I would be a bigger fool than the previous Government to make a decision without a logically planned program in front of me. When I make a recommendation to the Cabinet, I want to be able to substantiate that with the facts. That is the process we have embarked on. The Member knows full well that is the position that I have taken all the way along regarding these questions and answers since we became Government. I can assure you that we are assembling that information and I will keep the Members informed as soon as I am in a position to make announcements.

Mr. Ashton: Once again the plot thickens. Six months ago, this Minister said categorically that he was getting out of the General Insurance Division. Now we are hearing talk about information being compiled. The Minister made reference to not wanting to be a bigger fool. I think he is looking foolish by his statements. He told the public of Manitoba that he would be getting out of general insurance.

My question is: is he still stating that is the Conservative Party position; or in the six months that have intervened, has the Conservative Party now seen that the General Insurance Division is a valuable part of Autopac; or is it because the Conservative Party is in a minority position?

Is it simply because they are now in a minority position that they are afraid to go ahead with getting rid of the general insurance, which they might otherwise have done if they were in a majority Government position? What has happened in those six months that changed the Minister from having all the answers to the position today where I hear statements like he is compiling information and looking at options? I mean, what has happened to this Minister and this Government with regard to general insurance?

* (1050)

Mr. Cummings: The Member can have his fun if he wishes, but certainly we are going to make a decision based on all the information when it is in front of me. That decision will also be the board's recommendation, will be part and parcel of that decision. The process is as important, in this particular case, because we are dealing with a portion of a public institution, a Crown. We have a policy. I can give you our policy statement over again; you have read it to me several times. You are saying, is the General Insurance Division finished, or is it going to be sold, or is it going to be capitalized in some other manner?

We have several options that are available to make that division a more viable part of the province. Whether they will be part of the corporation, those are decisions that we have to look at down the road. Obviously, with the number of insured who have policies with the corporation, we do not make decisions that are going to automatically be completed the day after we are sworn into Government. When we make announcements regarding the future of the general insurance, we will have all of the information, we will have all of the ramifications of what that direction will be, and what precise direction we will take that policy will be announced when we have those figures and able to make that decision.

Mr. Ashton: Mr. Minister, are you now saying then that your original policy was categorical? Are you now still saying that you are considering privatizing the General Insurance Division? You made several references to compiling information. Are you talking to private insurance companies about the possibility of privatizing, of getting rid of the General Insurance Division? What information are you compiling? What options are you considering?

I hope the Minister realizes I am not trying to have fun. What I am trying to do is reconcile what the people of Manitoba thought was going to happen, by your own statements and your Premier's statements, with what has happened these last six months, and as the Member for Brandon East (Mr. Leonard Evans) has pointed out, try and get some clarification for people; in particular, the employees across the province in areas such as Brandon, the communities that will be affected, also for the people who rely on the General Insurance Division of MPIC to get insurance, and many people have been unable to get general insurance from other insurers in this province. My question is: are you still considering privatizing general insurance?

Mr. Cummings: Yes.

Mr. Ashton: Finally, we get the answer from the Minister and that is that they are still looking at the privatization. What I would like to ask is: when will all this information be compiled; when will the various alternatives be looked at; and when will we know what is going to happen to the General Insurance Division of Autopac? What time line does the Minister have?

Mr. Cummings: I am not prepared to give you a definitive time line this morning. I think my answers up to this point have indicated that when we have information that we have the total picture in front of us that we can then make decisions, explore all of the options and make sure at the same time that this Government is not putting itself in a position where we have taken an irrational direction without having all the facts in front of us. The direction with the general insurance has to be that we cannot continue to absorb losses in our Crown corporations in the province.

Mr. Ashton: Well, if the Minister cannot tell me when the policy will be completed, can he at least answer my questions in terms of what the current status for the policy is? In particular, has the Government discussed with any private insurance companies, has the Government shown the books, has the Government brought any information to private insurance companies related to the General Insurance Division?

Mr. Cummings: The board of the insurance company has to take careful stock of, first of all, all the information that is brought forward. That is being done. We then have the opportunity to determine the options that are available to us, and if and when the need arises to consider whether or not there are companies out there that wish to become involved in it, then we will take that opportunity.

Until that time, we have indicated to the corporation that the general insurance is business as usual and we will assure our employees that their affairs are being carefully considered, the future of the corporation on the general insurance side is being carefully considered. If you want to continue to ask me if I am going to make announcements, if I am going to talk about whether or not we are involved in, what discussions we are involved in, I do not think that is something that we can divulge to the public at this time.

Mr. Ashton: The Minister talked about having an open Government. The Minister is not answering my

questions and the Minister is not giving any assurance to the people that rely on the General Insurance Division of MPIC for insurance. All he is doing is creating more uncertainty. The Minister has confirmed that he is looking at privatization.

I am asking what stage that is at; whether he has discussed it with any private insurance company, shown the books, given any information at all. Has the Minister discussed privatization with private insurance companies, or has any part of the corporation discussed that?

Mr. Cummings: First of all, "have I discussed" was your first question. I have not discussed details. I have had people approach me obviously because of our policy statement and they have made inquiries, but I have not divulged anything, nor has the board been divulging information that is pertinent to the operation of the corporation.

Mr. Ashton: In other words, the Minister and the corporation have been discussing with private insurance companies. The reason I raise that point is because we have been trying for the last six months in the Opposition to get a clear indication of where this Government has been going. While the Government has been evasive, and has tried to give the impression, and I quote the Minister, that it is "business as usual" in fact this Government has been talking to private insurance companies all the way along, is still looking at privatizing the General Insurance Division and in fact any assurances he is giving to the employees, to the people that rely on MPIC general insurance, are pretty hollow assurances.

In fact, I would like to ask the Minister a further question. He mentioned about the experience with the General Insurance Division. That is what the current situation is in terms of the General Insurance Division itself in terms of its claims record this year. While the Minister I know in the past has indicated that there have been losses, I am wondering if the claims record has maintained that previous level or whether it has in fact improved in recent times?

Mr. Cummings: First of all, let us make it very clear about where we are getting the comments coming from on the NDP Opposition regarding the future of the general insurance business. We have always indicated that we are prepared to explore all options, period, and people have been inquiring of my office obviously since that policy statement was made. That is what I indicated a minute ago, and I do not want the Member to be twisting my words to say that I have been actively involved in negotiations regarding the future of the general corporation. People have made inquiries to me, and I have referred those inquiries to the board. Is that clear? Would he repeat the second part of his question?

Mr. Ashton: I was asking in terms of the current experience with the General Insurance Division, in terms of property insurance.

Mr. Cummings: You said in terms of property insurance or the general insurance?

Mr. Ashton: The General Insurance Division, the basic general insurance.

Mr. Cummings: I can tell you that the General Insurance Branch, as a whole, is showing an improved record this year.

Mr. Ashton: In other words then, the General Insurance Division is profitable this year, it has made an improvement. I just want to clarify one thing for the Minister. I am not putting words in the Minister's mouth. The Minister told people during the election, I believe that the General Insurance Division and general insurance arm of MPIC is an area that we do not belong in. The then-Leader of the Opposition, the current Premier (Mr. Filmon) stated MPIC must get out of the general insurance business. He said that in the Throne Speech. It is in Hansard, it is available. I am not putting words in the Minister's mouth. The Minister did not say that he would look at options. The Premier did not say he would look at options.

They both said the standard Tory policy, which has always been the case in Autopac, has been to maximize the privatization of Autopac. It has only been in recent years that the Tories have reluctantly even accepted the concept of Autopac. But my bottom-line question is: When is this Government going to make an announcement, clear the air, and come clean with the people of Manitoba as to when it is going to implement what obviously is still its policy of getting out of the General Insurance Division, something which, I might add, is going to have a serious impact not only on the employees, although it certainly will, but also on many Manitobans who have not been able to get insurance from private insurers? There are many, I know, in northern Manitoba, rural Manitoba and, yes, in the city as well, that cannot get insurance from private insurers.

When is the Minister going to stop this increasing web of words, trying to get away from what he said in the election, what his Leader said in the election and come clean with the people of Manitoba and show them that this Government is still talking about privatization, something incidentally I think that most Manitobans do not support, just by all their concerns about MPIC. In recent years, one thing the people have told me certainly is they do not support privatizing Autopac.

* (1100)

Mr. Cummings: The Member says he does not want to put words in my mouth. Now all of a sudden he is talking about privatization of Autopac. That was his final line. Now let us talk about the general insurance which was the line of questioning that he started. Remember the general insurance is composed of several departments. The previous Government had already made the decision to get out of the reinsurance line because of the disastrous and ill-conceived programs that they had gotten into. The corporation under their direction got into reinsurance lines that were disastrous.

Mr. Storie: I want to follow up on some of the questions my colleague asked about the general insurance area.

I think that the public has every reason to be concerned about some of the comments of this Minister, particularly when he says, we are not ready to tell the public what we are going to do at this point. I think the public deserves and needs an answer from this Minister about general insurance. My colleague referenced the fact that in northern Manitoba, certainly in many parts of rural Manitoba, that general insurance is the best option, in some cases the only option, both for residential and commercial properties. The fact is that they can and will offer a substantially better rate.

I guess of more concern is the question of where the Minister is going to get his information. Is he going to get his information from the same places that the Tory Government, the Tory Opposition, in the early 1970s, got their information from Great West Life and those people with a vested interest in not only seeing Autopac not go forward but certainly the General Insurance Division? Is that where the Minister is going to get his information, or is the Minister going to get some information and input from Manitobans who value the General Insurance Division of MPIC?

Mr. Cummings: Let us remember that we have said we would get the facts. When you are sitting in Opposition, as the gentlemen are starting to realize now, that they cannot get involved directly in the operations of the corporation, that the facts have to be brought forward. We are asking management to prepare the information for us and we are asking the board to make an analysis of those facts.

So when you ask where are we getting our advice, we are getting our advice from people within the corporation and from the board as to the involvement that the corporation has on the general side, on the personal and on the general, and certainly keeping a very close watch on what is happening on the winding up of the reinsurance side of the general insurance, because that is where there is great potential for millions of dollars to be diddled away.

Mr. Storie: We will not get into the argument about the reinsurance. I think people here in the committee, and in Manitoba, generally, know the record on that. More than 50 percent of the treaties that lost money in the reinsurance area were signed by this Minister's colleagues in a former Government.

Mr. Filmon, in quotes—and I have many of them—if the Minister wants to refresh his memory on what has actually been said on this issue, we can certainly assist him in that regard. Mr. Filmon is quoted in the Free Press, March 24, 1988, repeating his promise, "A Tory Government would rid MPIC of its general insurance arm." Now we have the Minister saying, well, we are going to get information. Get information to do what?

Mr. Chairman: Mr. Storie, I hesitate to interrupt but I would have to point out that the questions are bordering on repetitive. The question of timing or the question of the Government's intent of privatizing or getting out of the General Insurance Division has been raised at some length by Mr. Ashton. I would simply

ask the Honourable Member to take that into account. Thank you.

Mr. Storie: Thank you, Mr. Chairperson. I do not want to be repetitive but I do want an answer. I want to know whether the Minister is looking for information to confirm his Government's obvious opinion that the General Insurance Division should not be a part of MPIC? That is the question.

Mr. Cummings: Mr. Chairman, unlike the Member opposite, when I go out to seek information, I will get all of the information, both pro and con, from the staff, from senior management. The conclusions that will be made are going to have to be cognizant of all of the arms of the general insurance business. They also have to be, as we have committed in the House, cognizant of the problems or futures for the staff. We are not going to make decisions in isolation because bear in mind in the corporation, and I am sure the Member realizes this, and I am sure the Member for Brandon East (Mr. Leonard Evans) realizes it, that there is a great deal of linkage within the corporation in the various departments.

The other thing that the corporation will be providing information on is all of the programs that they are involved in and the direction of those. We have to make a decision based on total background. Having come into the Government with a picture of the corporation and with a serious hemorrhage in one part of the business, you then have to make a decision on the overall policy of whether or not the corporation should be extending itself well beyond the auto insurance industry.

In 1970, when the corporation was set up, it was set up to provide automobile insurance. It has now extended into four or five other areas, and which the previous Government finally acknowledged that they were going to have to start withdrawing from the reinsurance business.

This is a process, and I happen to be someone who is very high on process, so that there are no rocks left unturned when a decision is made. The ultimate decision will be of critical importance to the future of the corporation, and I will not be starting to make announcements until I have all the information in front of me and can provide complete background of which direction we may choose to go with the general arm of the corporation.

Mr. Carr: Mr. Chairperson, I would like to ask one or two more questions on the subject of privatization and then move on again to rate setting, this time for the 1988 year. Last spring, this Minister mused aloud, as did the then-Leader of the Opposition, that competition would be a good thing for the Auto Insurance Division of MPIC. Does the Minister still hold that view?

Mr. Cummings: The Member raised that question in the House a week or so ago and I think I gave him an answer that probably needs some expansion.

The policy of our party has been that where and if there were areas where competition would be useful,

we would be prepared to examine that. I think that we have to deal first and foremost with the set up that we have in front of us at this time, and that is that we need to provide insurance in the auto side of the corporation to the public that is seen to be the best possible insurance that they can get, or the justification for the corporation staying as a Crown entity then starts to be a question that the users ask. Certainly, that question was asked many times and we have taken a very serious position that we believe that after 17 years of public auto insurance in this province that it is very much a part and parcel of the expectation of delivery of insurance for the driving public in the province.

There are many nuances that one can apply to various types of insurance. Remember that the extension insurance for the heavy trucking industry, for example, is open to competition now. Those are the kinds of things that we are prepared to look at, based on the principle that we hold, the fact that the general public and the general insurance requirements in this province for cars and trucks and the motoring public as a whole feel that they are able to get administrative efficiencies through the use of a Crown corporation that are important to them, plus they believe that the ability of a Crown corporation with a monopoly position can provide the type of back-up that is needed for a basic automobile insurance in the province.

* (1110)

Mr. Carr: Is it the Minister's view that such a monopoly is in the best interests of the motoring public in Manitoba, and where, in his opinion, would competition be useful?

Mr. Cummings: I do not think that I am able to, with substantiating figures, and that is why I am reluctant to get further down that trail in terms of detailed discussion, but I believe that first of all, if your first question was, is it in the best interests of the motoring public to maintain Autopac in its present form, if I understand you correctly, the answer to that is yes.

That is not to say that there are certain types of specialized insurance or specialized services that should be ignored if there is a real opportunity for some kind of a private initiative. An example already is that the SRE competes on the open and public market for extended insurance.

Mr. Carr: I would like to go back to the whole question of rate setting and the relationship between the board of MPIC and the Government. We have already handled rate setting for 1987. I would like now to turn to rate setting for 1988 because the Minister was on record time and time again in the House accusing the former Government of political manipulation. I want this morning to establish whether or not there was political manipulation. These are very serious allegations.

So let me ask Mr. Lane, I suppose, or whoever the Minister chooses to answer these questions, when did the recommendation go to Cabinet for rate setting of 1988? What were those recommendations?

Mr. Lane: The recommendation of MPIC would have went to the Government at the end of November of 1987.

Mr. Carr: What are the recommendations that went, in general terms, to the Government in November of '87?

Mr. Lane: In general terms, the recommendations that went to Government in November of 1987 was that a very large rate increase be processed for 1988, that deductibles be increased significantly, that certain coverages be altered.

Mr. Carr: When did the board of MPIC hear back from the Government and what did the Government say?

Mr. Lane: The Government advised MPIC in December that the large rate increase for 1988 was approved, that the deductibles were to be increased significantly and the coverages would be altered.

Mr. Carr: How did the recommendations forwarded to Cabinet differ from the approvals that Cabinet sent back down to the board of MPIC?

Mr. Lane: In general terms, to follow the Honourable Member's comment, the recommendations that the Government studied at the end and approved were not substantially different from what the corporation had proposed.

Mr. Carr: My question is to the Minister. Where was the political manipulation?

Mr. Cummings: First of all, I think we need to remember that until this Government took over, the chairman of the board was the Minister responsible. The Member seems puzzled.

It seems to me that if the Minister who is responsible for making the recommendation to Cabinet sits as chairman of the board, that the political linkage is pretty direct. In any recommendations that is going to be brought forward, the Minister will already have had an opportunity and a very clear opportunity to have made adjustments to that before it goes forward to Cabinet.

Mr. Carr: So the sum and substance of the Minister's accusations of political manipulation was the fact that the Minister responsible for the Crown corporation was also the chairman of its board. Now, this Government—and now we are getting a little closer to home—recently appointed an MLA to the board of MPIC. Is the Minister not fearful that the same kind of political accusations that he has levelled against the former Government will not be levelled against himself, given that the political linkages are still tight because the Minister himself appointed a Member of his caucus to the board of MPIC?

Mr. Cummings: The linkage is certainly a lot less tight, if you will, than it was previously. Obviously, the policy recommendations that go forward are still as a result of direction that I, as part of Executive Council, the decisions that we have made in terms of policy are public knowledge. The board is responsible for making sure that those policies are part and parcel of the direction in which they take the corporation. I believe

that you could make the argument to the fullest extent if you choose to that the board is still an appointment of the Minister, the entire board. Unless we want to change that system entirely, then the argument is one of degree.

I can tell you that my relationship with the board and my relationship with the Member who is on the board are simply this: he is a Member of my caucus, he understands the philosophy and the direction that our caucus has taken; secondly, the members of the board are people that we chose at large, believing that their direction was similar in terms of their philosophical thinking. We took the opportunity to go out and get someone such as Mr. Thompson who has an insurance background, who has the ability to provide insurance knowledge to the decision-making process that goes on within the board.

We also have taken the opportunity to indicate that at any point if the PUB in the future decides that the rate setting mechanism has been tinkered with or has been inappropriately set for reasons other than sound insurance reasons, that there will be opportunity for that to be discussed in the public and there will be opportunity for that decision to be fully dumped back on any political party of the day who would choose so foolishly as to attempt to manipulate the insurance rates in this province.

The Member for Fort Rouge (Mr. Carr) says, where is the trail of political opportunity? If you look at the history of the rate setting process in this province prior to the last two elections, is he prepared to accept that it is only coincidental that the rate structure changes were of a very good political making, if you will, or very good political numbers? The numbers seem to me to be quite coincidental.

* (1120)

Mr. Carr: Mr. Chairperson, I think that we are really now getting to the heart of the matter. When asked during Question Period a number of times on the issue of accountability of Crown corporations in general, and particularly MPIC, this Minister has said that we want to take it as far away from the politicians as possible. If that is not a direct quote, it is certainly a paraphrase. Yet this Minister has appointed a Member from his own caucus to sit on the board of MPIC. Is that what he believes to be creating distance between the Government and the board of the Manitoba Public Insurance Corporation?

Mr. Cummings: I think the Member is going to have to give me better evidence that someone from caucus should not sit on MTS, MPIC or the Hydro Board, when the Government is responsible ultimately for the direction that those corporations are moving in.

Sitting here today, any sweat that I feel running down my back is good evidence of responsibility of Government for the operation of the Crown corporations. I think it is important that accountability be here. The independent thinking of the board responsible seems to me to be greatly improved by removing the chairman from being the Minister and

leaving at least one Member of the political Party in power of that day.

I think that the Member opposite might well also consider the possibility that in the appointment of the boards, future Governments, as well as this Government, have had to be cognizant of where there are capable people on the boards who are doing a good job, that people who are of a non-political nature, that they be left there to continue with the job that they are doing. An example was in phones, that the chairman there was following one that we acceded he was doing a good job.

I think we have demonstrated that we are, in fact as well as in theory, attempting to keep the corporations as far removed. If the Member is saying that the Minister should avoid any kind of a linkage with caucus, then let him say that he wants to have the Act amended so that we can make sure that there is absolutely no one from any elected political Party on any of these boards.

Mr. Carr: I am not quite through yet. There seems to be a real gap between the Minister's protestations in the House last spring. The gap is really defined by the difference between the chairman or the chairperson of a Crown corporation or just a Member of caucus. But in spite of that, the Minister has already gone on the record supporting the concept that there ought to be an intervention by the Public Utilities Board for all approval of rates in the Manitoba Public Insurance Corporation.

Given the fact that the Minister wants to create as much distance as possible from the politicians, and if that is not a quote it is a paraphrase, I would be interested in knowing what exactly the Minister intends to do with the rate increases for 1989.

Mr. Cummings: It will be reviewed by PUB. There is something I think that it is time was put on public record in terms of the ability of the difference between hydro, telephone and automobile insurance in the structure of the rates. All of them use statistical information, historical information, to which to project costs when that is blended with known increases or decreases in future costs.

But in order to have changes in the insurance rates, it seems to me that that information has to be the most current information and to have them, the PUB, set the rates would require a process that would have to fall somewhere between the 1st of November and the end of December in order to have the rates in place. You are automatically limiting the time frame and while we are still open for suggestions and discussions and certainly I have had a lot of people who have made representations, not the least of which is the—I am sure he would not mind me referring to it, Mr. Ernie Peltz, who is a known advocate of public accountability regarding how this might be handled.

I would suggest that my feeling for 1989 is that it would be very difficult to bring expertise in and, if you will, provide the background to PUB in time to have them become involved in a rate setting process. But there certainly would be ample time, on a retrospective

review, to have them examine the rates and pass comment on the acceptability of the rates and the rate setting structure. At that time, the corporation can then respond for the following year with adjustments and following whatever advice of the PUB or as much of the PUB advice as they are able to follow at that point. That is purely in terms of practicality.

If we wanted to wash our hands and walk away totally from the rate setting process, which is certainly an objective of mine, I would clearly state that when the Government has to accept responsibility, then they obviously like to have a clear feeling of the direction that the corporation is moving. That is why you have boards that are appointed by the Government of the Day.

What you do not want is somebody, for political reasons, moving coverage back or making sure that rates do not change adequately to cover reserves, things of that nature. Those things can be clearly uncovered and revealed during the retrospective review by PUB.

Let us also remember that the PUB, if it is to hold open and full inquiries into the process, has to have ample time to do it. If you give them a restricted time frame, I think that you would be short circuiting the process as well. So that is why at this time, I believe, for 1989 rates, a retrospective review is the only one that would be physically feasible.

Mr. Carr: Just following along on this theme of a Member of caucus on the board of MPIC, I would like to ask the Minister how would an elected politician, sitting on that board, reconcile the political interests of his or her political Party in the actuarial realities of an insurance company?

Mr. Cummings: They will reconcile it the same way as any businessman sitting on that board will have to. Given that there will be a PUB response to the rates that are introduced, it can be no doubt in anyone's mind sitting on the board that they have to be fully cognizant, that they have a responsibility to set direction within policy, and to make sure that direction and that rate setting process is however as practical as the corporation can make it.

Mr. Carr: Mr. Chairperson, just a few moments ago, we heard from Mr. Lane about the gap between the estimated expenses of the corporation and the reality which accrued some months later. We talked about the internal mechanism which apparently was faulty to the tune of some \$40 million in anticipating what the revenues and costs would be to the corporation. I wonder if the Minister would tell us if he is satisfied that these faulty internal mechanisms have now been corrected.

* (1130)

Mr. Cummings: I can tell you that we certainly believe that the chief executive officers and our chairmen have been working to deal with the shortfalls in the process that have been identified.

I would like to perhaps just expand a little bit further on the previous question. There is one other direct linkage that we have to be quite aware of in the appointment of the board and the manner in which the boards operate and report in terms of rate setting mechanism. The rate setting mechanism is going on obviously right now in terms of the 1989-90 insurance year. The board has got a multiplicity of changes and recommendations that they will have to deal with in terms of identified problems from 1987, 1986, things that have been brought forward and that they have now inherited.

They also will have a multiplicity of recommendations that they may or may not be able to deal with in terms of 1989-90 insurance as a result of recommendations that Judge Kopstein will make. I think that we have to be very cognizant of the fact that the changing for the future of this corporation will not be simply a six-month procedure. We are looking at a long-term reconditioning, if you will, or redirecting of the process within the corporation and a redirection of the corporation itself on how it will meet its mandate.

The production of the rates and the review of those rates for the coming year will be such that I believe the time frame that will be needed to review them will probably be quite extensive, and particularly the first time that the PUB would be needed to go into this kind of a process. That again becomes a very important factor in deciding that for 1989, at least for 1989, and any decision for future years on how the PUB handles this process has to be made in light that a retroflective review is probably the most practical one.

Mr. Chairman: Before I recognize Mr. Carr, could I just indicate to honourable members of the committee that I have Mr. Carr being followed by Mr. Evans, Mr. Praznik, Mr. Storie and Mr. Ashton.

Mr. Carr.- (Interjection)- Just an indication from the Chair.

Mr. Carr: While we are debating the contents of the 1987 Annual Report, the consequences of the numbers within that report are of interest to Manitobans now, and the figures within this document led to rather dramatic rate increases announced at Christmas time, I believe; a wonderful Christmas present to the people of Manitoba offered by Members opposite.

I would like to know if the Minister supports those changes, and I am referring particularly to the notion of merit and the surcharges imposed on drivers with accident records where 50 percent responsibility has been assessed by the corporation twice in one year, and some follow-up questions on the equity and the fairness contained within the new structure.

(The Acting Chairman, Mr. Steve Ashton, in the Chair.)

Mr. Cummings: Yes, first of all, again, I guess the Member is going to be disappointed by my answer if I do not give him detail and scripture and verse of what might flow from this answer, but the merit program and the surcharges that flow from that are under review by the corporation. I understand that they have some

advice on how to change and revamp those programs. When I get that information, I will have an opportunity to decide if there is any reason that it would be anything other than the best thing that we can do for the corporation.

In referring to the accountability part of it, again going back to the previous question, the quarterly reports, I want to tell you, will be available very shortly and will become an ongoing part of the public being able to be informed regularly of changes in the financial structure of the corporation. I think that in itself will go a long way towards providing the public understanding of the problems that the corporation has found itself in or will find itself in, in the future. It will have a very direct bearing on the actions of the board and the actions of Government because the quarterly accounting should be reported within a short time of each quarter being completed. That becoming public knowledge will provide additional pressures on Government and on boards of the day to make sure that their decisions and their policy direction is up to date and in the best interest of the public, because the public will be better informed as well as the PUB process.

Mr. Carr: But the question is a question of fairness and of equity in the administration of the new system. We have given the Minister examples throughout the Session. For example, at the end of August when installments were due for Manitobans to pay MPIC their third installment, many, many Manitobans assumed that August 31 was the end of the month and that would be just fine, but in fact the deadline, because of counting back days from the last installment, was August 30. If Manitobans had naively believed that August 31 was the end of the month, they were slapped with a \$20 late fee by the corporation.

The Minister knows, and in a briefing in his office, I was told by the former chief executive officer that the single biggest challenge facing MPIC is the restoration of public confidence because of what has happened over the last number of years. How do you restore public confidence if you charge people a \$20 late fee when they pay their money at the end of the month?

The same thing is true of a number of malfunctions in the Autopac computer, to which the Minister has already referred and answers in the House. I would like the Minister to address the question of public confidence and support for this corporation in light of the fact that day after day many, many Manitobans are bringing to his attention and to mine and to other Members of the Legislature, actions which seem to fly in the face of what is the biggest challenge currently facing the corporation.

* (1140)

Mr. Cummings: First of all, I did not mean to avoid answering the question on merit and surcharge regarding equity and fairness. I would certainly want to indicate that the equity and the fairness involved in the merit program and the surcharge that flow from that should see some restructuring for 1989.

Again, until the whole package is put together from the corporations and they are prepared to make a recommendation on it, it would be premature and immature on my part to start hinting at what some of those changes would be. On the installment question, I think in comments that I have received from the senior V.P.s that certainly in the future a month-end rather than some day other than the month-end would be more appropriate to try to avoid any confusion.

(Mr. Chairman in the Chair.)

Let me only say one thing, however. While the corporation is in the public eye and must be seen to be doing everything possible to avoid this type of confusion, in business I have a multiplicity of month-end statements that my family has to meet and they are not all the month-end. The advent of computers, different companies have the multiplicity of year-ends and the corporation probably backed into this one fairly easily by using the 90 days. This just happened with the combination of days in the year this year, that it was not the month-end.

I also want to indicate that the corporation told me after I made inquiries as to what the status was, that if anyone had a letter that was late mailed to them in terms of their time payment, they would be forgiven the late charge if they could produce the stamp on the letter that indicated it had been mailed to them on a date that was too late for them to react. I believe there were several who were able to indicate that. As I indicated in the House as well, the people at the corporation have indicated to me that they were prepared to and tried to deal with these questions in a manner that was willing to give the benefit of the doubt to the customer as much as possible.

There is a greater question that the Members might want to consider. That is the problem of time payments itself. The corporation did not have a late fee, and at one point had as much as, I believe it was around 80,000 late payments. That in itself creates an enormous administrative question.

Secondly, it opens up the whole question that again needs to have some further future public discussion in my opinion—that is, if there is a possibility of the corporation and the Department of Motor Vehicle Registration being able to move to a system whereby we have monthly renewals at an optional choice by the customer rather than going to a total one-time, one-year renewal and then having subsequent time payments. But the public seems to demand, and from any discussion that I have had, still is demanding that even if there were an opportunity to phase into that system, that time payments would still be required in order to enable those who have difficulties with their cash flow.

Mr. Carr: I think I heard the Minister correctly. I think I heard him say that if a customer sent in a cheque with a postmark before the deadline they would not be charged a late fee. My question to the Minister is, how does a customer produce a stamp if he or she has mailed the letter?

Mr. Cummings: I am talking about the notification going out from the corporation to the customer. If the

postmark on that letter was such that they received it so late that they could not react in time to make their payment, that they would be allowed leniency when they brought the payment in.

Mr. Carr: The Minister knows from the volume, the flow of letters and phone calls he has received in his office that was not good enough to many Manitobans. I would like his assurance today at this committee that in the future the corporation will be more generous.

Mr. Cummings: I am sorry; I am just getting some information.

Mr. Carr: Be generous, Glen, be generous.

Mr. Chairman: Perhaps, while the Minister is getting some further information, I could just indicate for the benefit of honourable members of the committee that I kind of bridle at the reference of being a chairperson. I am a chairman.

Mr. Cummings: I would like Mr. Kidd to respond directly to that question on how those claims were handled in the corporation.

Mr. David Kidd (Senior Vice-President of Insurance Operations): If the payment was received by the corporation and the payment was postmarked by the due date or on the due date, we accepted the payment even though we received the payment after the due date. We went on the postmark on the envelope. Does that clear it up?

Mr. Carr: I know that there are many other speakers wanting to ask questions. I have many, many more, but in the interests of fairness, I will yield the floor.

Mr. Leonard Evans: I was rather amused a few minutes ago with the answer to a question about the future of general insurance. The Minister, perhaps in a Freudian slip, said he did not want to appear to be a bigger fool, implying of course that he was a big fool in the first place, because he categorically stated he would eliminate general insurance. But now that he has the responsibility, he sees that it is not so simple and he is now sounding very rational. He has to look at all the evidence and the data and so on, which I suppose is a sensible approach, but I could not help but be amused by his reference to not wanting to be a bigger fool.

I want to interject at this time a question on a very important topic because this event is going to take place in a couple of days. I am, of course, referring to the announcement that the Minister was going to meet with the Autopac agents at a breakfast meeting. I have no problem with the Minister meeting with Autopac agents to review the corporation, its future and the role of the Autopac agents, etc., etc., but I have a lot of difficulty in noting that it is being sponsored apparently by the Progressive Conservative fund raising organization referred to as the PC Manitoba Fund.

Not only were invitations sent out through the mail from the PC Manitoba Fund, but also I understand that the Autopac agencies receive follow-up phone calls from

some people in that office wanting to know whether or not they were coming, more or less implying it would be a good idea for them to come. Maybe this person was just being overly enthusiastic. I do not know.

The point is that we have a very serious situation developing where you have an organization in which the objective is to raise money for the Party in power, being the host it would seem sponsoring a meeting of the Minister with agents, with people who relate to his responsibilities, who relate to the corporation for which he is responsible to the people of Manitoba.

My concern is exactly what will the Progressive Conservative fund raising organization do at this meeting? Presumably, they have sent it out on their letterhead because they are very interested in this and, presumably, they will be at the meeting.

I would like to know what are they going to be doing at the meeting, or is the Minister simply going to use the opportunity strictly to talk about Autopac, etc? I would suggest if that is all it was he could have easily convened a meeting through the corporation. MPIC has a good mailing office. They could have easily advised agents that the Minister would like to meet with them and discuss matters. I do not know whether this is confined to the City of Winnipeg or whether agents outside of Winnipeg are also being invited.

It is a serious situation and it is an ethical matter. It is a matter I believe should not proceed. I really believe, and I want to ask the Minister this right now, will he cancel this particular meeting? I think in the interests of everyone concerned, particularly the Minister and his Government, that they should not proceed with this meeting sponsored by a fund raising organization of the Party in power. I would like to, as I say, suggest he cancel it and I would like to ask him right now whether he intends to go ahead with this meeting, or whether he will indeed cancel this meeting in the interests of all concerned?

Mr. Cummings: I will be speaking at the meeting on Thursday morning, but I want to assure you that there will be no political arm wrestling going on. I also want to assure you that even my presentation will not be of an overly political nature. The obvious relationship that the Member is trying to draw by the fact that this is sponsored by PC Manitoba Fund, I think he should remember that one can acquire the names and addresses of Autopac agents quite simply out of the Yellow Pages. I certainly wish no implication to the agents or to any Autopac repair people, or anyone of that nature who might have received a letter inviting them to attend this breakfast, that there be anything other than an opportunity to meet with me as Minister and to ask me questions.

The fact that they are being asked to pay 10 bucks for their breakfast seems to me to be a reasonable demonstration of the fact that they are being asked to pay for their own breakfast. It is not being sponsored by the corporation. They are not being arm wrestled by anyone else. If they choose to take advantage of it, they are welcome to do so. If they choose not to, then that is certainly quite within their prerogative. I

want to make it very clear that my relationship with appearing at this breakfast is to meet with these people and give them an opportunity to ask questions. It obviously leaves the open-ended invitation to them and I certainly do not think that the Member should be implying that we are, in fact, intimidating anybody by sending those kinds of invitations.

* (1150)

Mr. Leonard Evans: Mr. Chairman, I want to make it very clear that I am sure the Minister will go there and give a good speech about MPIC, the role of it and so on. I will give him the credit that he will go there and do his best, give them a speech about MPIC and so on. That is not my concern. My concern is not what the Minister is going to say. He said he is not going to engage in any political arm twisting. I am sure he is not going to engage in political arm twisting if that is what he tells us. I want to know and the people of Manitoba want to know and this committee wants to know what role is of the Conservative fund raising organization in this?

As I said before, the Minister could easily convene a meeting through the offices of the MPIC. They have the list, too, you know, not only the PC fund raising organization. I would like to know what PC fund raising officials are going to be present? What are they going to be doing there? Or are they going to be present or are they not going to be present? It is very, very strange. I would suggest that it is in the Minister's own interest to cancel this and convene a meeting at some subsequent time under the auspices of his own authority as Minister of MPIC and not only do it in Winnipeg, I would say in other areas of the province, the North, Thompson, Dauphin, Brandon, whatever. It is a useful exercise. But it is a serious mistake; it leads to all kinds of ethical questions. Goodness knows, there are enough questions about ethics in politics as it is. Let us not compound this by allowing this to go ahead.

The Minister has simply not answered the question as to why he would wish to be there under the auspices of the PC funding. They have made all the arrangements. Are they going to be on the program? Are they going to introduce the Minister? Are there going to be contributions as people go in? Are they going to be making a pitch for money subsequently over and above. That is not a public service; that part of it is not. Is it opened to the public? Will the press be able to be there? There are a lot of questions. I would again recommend to the Minister and give him an opportunity now to say, yes, I think maybe you are right, let us just cancel this. We can convene it again. We will do it clean and straightforward, no involvement of any fund raising organization of the Party.

Mr. Cummings: There will not be any arm twisting at any function that I am associated with in this capacity.

Secondly, I think the Members in the NDP Party and the Liberal Opposition might do well to look at some of the mailers that I have received over the years. As a matter of fact, it seems to me the Pawley Cabinet attended in my constituency a couple of years ago,

invited a large group of municipal officials to what was supposed to be a meeting of an opportunity to meet the Cabinet. It turned out to be a political rally where they paid their own fee at the door. So I would just remind him that no one should pretend that political activity in this province is totally separated in the manner in which Members operate.

This is a speaking engagement for those members of the public who are involved in the Autopac agency business who wish to ask me questions. If they choose to be there, they can; if they choose not to, there is no problem.

Mr. Praznik: I think the comments of the Member for Brandon East (Mr. Leonard Evans) just point out how delicate the balance is between Government and political Parties. We know Mr. Peterson in Ontario is undergoing a similar discussion of the ethics of his Party and hosting dinners to meet the Cabinet where the fee for dinner is some \$200.00.

We note as well recent concerns on the part of union members who see their dues going towards paying for the political operations of the New Democratic Party, so it is certainly a concern that is shared by many.

I have two lines of questioning that I would like to pursue here this morning. The first one is, I wonder if the officials of the corporation could provide me with the average rate increase for 1985, '86, '87 and '88?

Mr. Lane: The general—

Mr. Praznik: I am having a hard time hearing, Mr. Chairman, some of the remarks that are coming back across the table.

Mr. Lane: Mr. Chairman, the average rate increase for the year applicable, for 1985, it was minus 2 percent; 1986, zero; 1987, 8.4 percent; and for 1988, including the effects of the merit, about 18.

Mr. Praznik: My question again for Mr. Lane, on this particular vein of questions, in both the 1985 and the 1986 years, was the procedure for determining the rate similar to the procedure used in '87 and '88, in terms of timing as well?

Mr. Lane: The records of the corporation indicate that the process as to timing and procedure was relatively the same.

Mr. Praznik: A question again to Mr. Lane. I take it then, Mr. Lane, the corporation would make recommendations to the board, the chairman of the board, being at that time I believe the Minister responsible for MPIC, would then go to Cabinet, convey that information, discussions would go back and forth between the chairman, who is also the Minister, and the Cabinet and the corporation to arrive at those numbers?

Mr. Lane: The records indicate that to be the case.

Mr. Praznik: Just to question the process a little bit further and as to how that occurred, the Minister, when

he would be—are you able to hear me on the microphone?

Mr. Lane: Yes.

Mr. Praznik: The Minister would take the recommendation to Cabinet as chairman of the board of MPIC and Minister, and so that dual capacity?

Mr. Lane: I am not aware as to the exact capacity that it was brought forward to the Government.

Mr. Praznik: So we are not sure whether he was going as a Minister or as chairman of MPIC. It certainly is a dual, very mixed role, very involved role.

Mr. Lane: As I understand it, the Minister responsible was the official responsible of taking it to the Government and in this case at that particular time the Minister responsible was also the chairperson.

Mr. Praznik: I take it, Mr. Chairman, again a question to Mr. Lane, that the relationship there was one that was obviously one of a lot of going back and forth between the board, the corporation, the Cabinet, all through the conduit of the Minister who is also chairman of the board.

Mr. Lane: The records indicate that there was some development process that led up to the final decision. It was somewhat limited by the time frame that was involved.

Mr. Praznik: In both 1985 and 1986?

Mr. Lane: In both cases similar to '86-87, this decision had to be made at a certain time before we would be able to put the renewals out so the time frame involved between the time in which the corporation prepared the forecast for the next year, taking it to the Government was approximately the same.

Mr. Praznik: The reason I come to this is obviously when you look at 1985 and 1986, both years leading up to the provincial general election, we see a minus 2 percent increase, we see a zero percent increase in 1986 followed, in the years following the re-election of the previous administration, an increase of 8.4 percent and then 18 percent in this particular year. In the process, and reading through this Annual Report, we see the total elimination of the Rate Stabilization Fund, the Contingency Fund and the Catastrophe Fund of the corporation.

My question then to Mr. Lane, on behalf really of the shareholders of MPIC, that being the people of Manitoba: how, in 1985 and 1986, could we not provide any rate increase and then see this total huge catastrophe come forward which wipes out all of those contingency funds? Was there no contemplation of general increases? Just further on that, I notice in this report that part of the increase in this particular year is blamed on front wheel drive vehicles, it is blamed on the use of more plastic parts in vehicles. Surely, these are not items that have become more popular just in 1987 and 1988.

* (1200)

Mr. Lane: The records of the corporation indicate that the corporation recorded profits for a period of time. In 1985, the profit recorded was approximately \$9 million. Thereafter, it was forecast by the corporation that with the rate increases that were processed, that a loss would occur in 1986 and 1987, but at the time the corporation's records indicated that the corporation believed that the surpluses that were developed in the period prior to that were sufficient to handle it. What of course took place was that the actual results were far worse than the forecasts and the reserves were eliminated.

Mr. Praznik: I would hope that in future years the corporation's ability to make those estimates, particularly with respect to the costs of vehicle repair, will improve considerably because, again, as a representative of those shareholders of this corporation, it causes great concern to see those rather important funds wiped out. I again find it somewhat interesting, Mr. Lane, that the rate increases would be so low in years preceding a general election.

To go on to my second line of questioning, I notice in the Annual Report, Mr. Lane, that there were some 249,000 claims this year to the Public Insurance Corporation. I am curious as to the number of claims that included or were for personal injury.

Mr. Lane: The records indicate that the bodily injury claims were approximately 12,000.

Mr. Praznik: Of these, Mr. Lane, how many of them would have been settled prior to the court process as opposed to those that would have had to have been settled through the court process?

Mr. Lane: The corporation will check into, and either confirm or alter my response, but my understanding of the situation is that virtually all claims are settled before they reach court.

Mr. Praznik: I am curious now as to the period following a settlement arrived at either through the court process, even if those are few, or by agreement between the person making the claim and the corporation. I am curious as to the time frame between settlement of the claim and receipt of the actual cheque for the amount of the claim. I am curious as to both the average time that elapses as well as the range in which a cheque may be received.

Mr. Lane: Apparently, the average time span between the settlement and the issuing of the cheques is 10 days, but if I may say that the corporation follows the practices of setting up the reserves for the claims from the time of instance.

Mr. Praznik: Again, a question for Mr. Lane. I find that number of 10 days somewhat surprising, because as a Member of the Legislature I have had a number of cases in which the waiting period has been several months, in fact, in one case over a half a year. I find

it somewhat surprising that the number you bring today is 10 days because that is not the kind of time period that I am getting as a Member of the Legislature from constituents who call me with those concerns.

Mr. Chairman: Is that a question, Mr. Praznik?

Mr. Praznik: Yes. I am asking if he could clarify that or something he would like to add to it.

Mr. Lane: It may be that I do not quite understand but there are varying lengths of time throughout the entire process, and also part of the difference may be that what I had stated before, it is the difference between settlements actually agreed upon when the cheque goes out. There could be a considerable variance in time before the settlement is actually agreed to. In some cases the accident takes place out of province or if there is settlement just not reached because of bodily injury, it can go on for some length of time.

The time that I was at MPIC, I, too, did note cases in which claims took many, many months to settle and usually after a process of inquiry, either the claimant was not satisfied by the offer of the corporation or in a few cases there were legal officers involved, but generally speaking, from the date the actual settlement is agreed and the party signs off, apparently there is not a long period of time.

Mr. Praznik: Again, to Mr. Lane on this matter, and perhaps I should speak to him privately following this committee with the names of some of the individuals who were involved, but the period that I am particularly concerned about is once an agreement is struck as to the value of the claim by the adjuster and by the claimant, the period from that agreement till the claimant actually has a cheque in their hands, from my experience has been longer, far longer than 10 days.

In fact, as my colleague, the Member for Selkirk (Mrs. Charles), has suggested to me now, in her case files, from four to six months, and I had confirmed that from many of my own. So I would ask you again if you could perhaps, go back, in fact definitely would go back to the corporation and get another number or check that to see if that 10-day figure is correct because it is of great concern to many Manitobans. So I would ask that undertaking, Mr. Chairman.

Mr. Cummings: Mr. Lane, of course, is the past Acting President, and I will assure the Member that we have a bevy of senior staff here and that we will get a report to see if there is anything that can be improved in that area.

Mr. Storie: I use the word "chairperson" because the opposite sex would be offended if you would called them chairman, but I will call you "chairperson."

Mr. Chairman: On a point of order, I made no reflection on what the opposite sex chose to be called and I just suggested what I prefer to be called.

Mr. Storie: Mr. Chairperson, I appreciate that you would prefer to be called Mr. Chairman, but habit will dictate I use Mr. Chairperson. I apologize for that lapse.

I think the Minister and his staff have done a service to Manitobans this morning. I would like to say there is good news and bad news. I think the good news is particularly the placing on the record of the facts when it came to the nature of the rate increases in both 1987 and '88. I know my honourable colleague from Fort Rouge (Mr. Carr) came to this committee with some serious misconceptions about—

Mr. Chairman: Mr. Carr.

Mr. Carr: The Member who has been in this Legislature knows full well that is an imputation of motive if not an attempt to read my mind. I came to the committee this morning with a series of questions that I was interested in the Minister and staff answering. I had no preconceived notions of the answers. I want that on the record.

* (1210)

Mr. Chairman: Thank you, Mr. Carr. Members of the committee should be aware that the same rules apply at the less formal setting of the committee as they do in the Chamber when the Chamber is sitting. The point of order is well taken.

Mr. Storie: Mr. Chairperson, I will accept the Member's dispute over my comments. I think the record is pretty clear and the Members sitting on that side of the table only have to review their campaign literature to know that they came to this committee with preconceived notions about the nature of the rate setting and the nature of the increases and its necessity.

If Mr. Carr would care to share with us his campaign literature, I am certain, although I have never seen it, that you will be able to find ample examples of the assumptions that he made.

Mr. Carr: If I show my campaign literature to the Honourable Member and it does not make the kind of accusations that he has just levelled against it, I wonder if he will apologize formally to me in the House.

Mr. Storie: Mr. Chairperson, if all of the Members on that side of the table will bring their literature—and there is no imputation—and if there is no suggestion that somehow the rate setting was other than a political exercise, then I will certainly apologize.

Mr. Chairman: Order, gentlemen. The Chair is moved to say that if you read all that literature, you are liable to become a Liberal. Shall we carry on with the proceedings.

Mr. Storie: Mr. Chairperson, you, sir, seriously misunderstand me.

Mr. Chairman: Let us proceed.

Mr. Storie: Mr. Chairperson, I wanted—and this is a serious matter—I want it put on the record that under the close questioning by the Member for Fort Rouge (Mr. Carr), the facts were put on the table that the

corporation in 1987, and the corporation in 1988, presented recommendations to the Government which were, in the main, followed, the recommendations were largely observed by the Government because of the interests in Autopac and the interests in the long-term stability of the corporation for the people of Manitoba. So that should be clear that the accusations, the imputation, the false misrepresentation of the facts that abounded in 1987, all the way through April 26 to the election, were, for the record, not accurate, did not reflect the true state of the setting of the rates, the need for those increase.

I want to make this clear because I do not want my honourable colleague, the Minister's Party, or my colleagues across the table to use, at any time in the future, the suggestion that there had been political manipulation or that somehow the Cabinet, the Government of the Day, did not operate in the best interests of Manitobans.

I want to read into the record written words by the former Chief Executive Officer of Manitoba Public Insurance Corporation, Mr. Lane, whom I believe has the confidence of the Minister; who is, from my point of view, one of the most respectable, honourable people that I have ever met who talks about the—and he is not a personal friend, simply someone I came to know—(Interjection)—Perhaps I will accept that. If that is a consequence of my remark, I will accept it gladly. I want to say that he suggests, in conclusion, the 1987 loss is explainable, the corporation neither expected a massive loss nor hid it—emphasis the word "hid" it—it suffered a large loss for explainable reasons after raising rates significantly for 1987.

Mr. Chairperson, the fact of the matter is that no one on the Government side was an expert, the corporation did its best at the time, the rates were set in accordance with the expectations that the corporation had and it was a reasonable proposition.

Mr. Praznik, in his questioning, wants to suggest that somehow the rates were manipulated in 1984 and 1985. Mr. Praznik may know that the experience of the insurance industry across the country, when it came to premiums written in automobile insurance paralleled very closely, in those years, the experiences of Autopac and, in fact, Members opposite would have been the first to criticize the Government had they chosen to raise rates at a time when the corporation was profitable.

In 1985 the corporation had a profit of more than \$15 million. Let there be no accusation that was politically motivated either. The fact of the matter is in the 1986 election this Minister and his colleagues were proposing to give back reserves that the corporation had set aside for a rainy day. That was a proposal from this Member's and this Minister's Government. If that is not political manipulation, the most cynical kind of political manipulation, I do not know what is.

The fact of the matter is that the rates were set on the basis of the needs of the corporation and the needs to be responsible to the ratepayers, and that has always been the case. I am particularly glad this morning's exercise has proved so useful not only to myself and

to my colleagues, some of whom are not here, but to the people of Manitoba who incidentally need to have confidence in MPIC.

The Member for Fort Rouge (Mr. Carr) talks about the need for confidence on the part of the people of MPIC, they need to have confidence in the corporation. Well, I can tell you neither he nor many of his Members, or Members of the Conservative Party, did anything to support that need in the last year and a half. What they have done is taken wild accusations, taken half-truths and misrepresentations of the truth to impugn the motives of Members of the Government, and to undermine the confidence—

Mr. Chairman: Mr. Carr, on a matter of a point of order.

Mr. Carr: In his tirade, the former Minister knows quite well that his Party was in power when over \$40 million was allowed to form between the actual revenues and costs of the corporation and what was estimated. He was in Government. My point of order, Mr. Chair, is on the accusation of half-truths and misleading information of a group within which Members of my Party are a part. I would like him to withdraw and apologize.

Mr. Chairman: Members of the committee, the purpose of the committee at this stage is to analyze and to investigate the Annual Report of Manitoba Public Insurance Corporation. Positions that are now being put forward perhaps by the Honourable Member for Flin Flon (Mr. Storie) and alluded to, and taken objection to by the Honourable Member for Fort Rouge (Mr. Carr), are the kind of matters best left to the Chamber to debate in terms of their appropriateness or the intent or lack of intent on the part of different political Parties taken on different positions from time to time. I would ask and encourage all Members to return to the business at hand, which is the examination of the Annual Report.

Mr. Storie: Mr. Chairperson, I certainly did not want to be unduly inflammatory. I did want to put my thoughts on the record so that in future we need have no doubts about the integrity of the process when it came to rate setting in 1987 or '88, and I think the Member's questions showed that was the case. I said that was the good news. I think that we have also heard some bad news this morning, and perhaps this is where I will come more closely to the point when it comes to the issue at hand.

The fact of the matter is, Mr. Chairperson, that what we have seen this morning is, No. 1, an indication from the Minister that while we should have had and we all would have liked to have had the Kopstein Report, so that we could deal in a substantive way with the issues that are before MPIC when it comes to modifying their operations, no one would deny that changes and additional changes are necessary to make it fair for all Manitobans. We want to see changes in the rate structure for the different territories. We want to see all the drivers with good records benefiting from their good driving habits. We want to see those and we believe that the Kopstein Report will be recommending

many changes which are needed. We need to see that and it is unfortunate that we have to review the future of MPIC without that report. If the Minister has promised we are going to have it, that is good.

No. 2, the bad news is that this Minister is still considering the privatization of the General Insurance Division. There was an attempt to waffle and an attempt to hide the agenda of the Government. I have got press reports that talk about the Minister responsible for MPIC waffling. The agenda is nonetheless clear and the Minister has made it clear today. Despite the fact that Manitobans, particularly rural and northern Manitobans, commercial enterprises in core areas of the City of Winnipeg rely on the General Insurance Division, this Minister has said that their agenda is to privatize. We do not know yet the depth of the discussions, the real intentions when it comes to that exercise. The Minister has alluded to the fact that he has turned people toward discussions with staff. We all recognize that the political motivation of the Minister and not the intentions of staff is what is going to ultimately decide whether Manitobans continue to enjoy the benefits of the General Insurance Division or not. No one should be misled to conclude otherwise.

Finally, we have a very interesting admission on the part of the Minister responsible for MPIC (Mr. Cummings). During the election and immediately prior to the election, the Minister was on record as supporting whole-heartedly the proceeding of the rate structure and applications for rate increases to the Public Utilities Board. We see now after the appointment of MLAs to the board and the politicization of the board to the same extent as any other Government in Canada, has suggested now that maybe it is not quite so necessary. Maybe there are factors which should argue against rates being submitted to the Public Utilities Board. He was certainly waffling again on that issue. We will want to see whether that waffling leads to the same kind of conclusion not in the best interests of the corporation or the rate payers in Manitoba.

So, Mr. Chairperson, it has been a good news-bad news scenario. The bad news is that all of the shortcomings that were identified so clearly by Opposition Parties prior to the election have not changed. There has been no substantive change in any of the policies of the rate structures of MPIC since the election. So all of the bruhaha that surrounded the election, all the rhetoric was just that, rhetoric.

We will await the results of the Kopstein Commission. We will await the results of the commission which the previous Government called for which we recognized was required. I only hope that when we have an opportunity to see that report that this Government will have the fortitude to make the required changes and that they will not at the same time be working behind the scenes to undermine MPIC either its Automobile Division or its General Insurance Division.

* (1220)

Perhaps the Minister, as a final act before the committee, can assure us that before any changes are undertaken that he will do more than get information

from administration, whom I respect their opinion, about the administrative details of operation. Will he get the opinion of others outside the insurance industry? Will he get the opinion of those Manitobans who have come to rely on it? Will he undertake today to have hearings across this province in northern Manitoba communities who rely on the General Insurance Division of MPIC? Will he undertake that as a minimum so that we can go away from the committee this morning with the assurance that it is not going to be an arbitrary ideological decision on the part of the Minister or this Government?

Mr. Cummings: The Member put quite a few things on the record that I think need some response.

First of all, to talk about the reduction of reserves two years ago, at that time the corporation had not produced its Annual Report. That topic in itself has been addressed by the fact that we are now going into a process where we will have quarterly reports. If the Annual Report has not been reviewed by the Legislature, the public will know what financial position the corporation is regardless through the quarterly report mechanism. The Member shakes his head. I do not understand his problem if he does not think he can trace a quarterly report and have some indication of where the corporation is going.

Regarding the Kopstein, I appreciate his concern with having the Kopstein here. Certainly, we will be coming back to this committee to discuss the recommendations of Judge Kopstein. For him to say that they recognized the problem is an understatement. When you have got your back to the wall with the people climbing the steps of the Legislature, you should recognize that there is something wrong out there.

One of the problems was that we had dramatic increases at a time that it was totally unexpected by the public. That was what their concern was. They had seen decreases, they had seen flat rates just prior to elections. They wanted to know where this previous administration was headed in the management of their Crowns and they have demanded some answers.

If we talk about whether or not there had been any political interference, I think the record has to speak for itself in the rate structure prior to elections, and when we look at the changes that were made the beginning of February, that threw the corporation into an absolute frenzy with programs for merits that were forced in at the last moment, there was no recognition of the fact that those programs would very nearly inundate the corporation with handwritten programs that were not compatible with the computerized system and it was a last minute desperate effort to put a good face on what had been a deteriorating situation for the corporation.

In referring to the PUB, how possibly could the Opposition say that going to the PUB with a retrospective review for the 1989 rates is not following up on our commitment to be absolutely sure the public understands what goes into the construction of these rates? Our commitment is solid and we will follow up on it. The form that was followed up on will be a subject

of further discussion within this House. I am committed to getting the job done, and if my word here today is not good enough for these Members and for the members of the public, then I do not deserve to be a Member of this Legislature. I will stand by that word that there will be a review and the PUB will have an opportunity to examine those rates. That is clear.

The Member wants to know if it is retroactive or if it will be the rate setting process. How does he feel that an outside body should come in and set the rates? Is that what he is advocating? I would think that would be very much totally eliminating the responsibility for a large percentage of the senior people at the corporation who are responsible for tracking the records, they are responsible for using that information to establish the coming rates. Are we going to take that from the corporation and then put it into virtually another layer of bureaucracy?

What we want is accountability for what the corporation does and they will be accountable for what they do. They will be accountable to our Government but they will be accountable through the public and through the Public Utilities Board as to how those rates are set and the fairness of those rates. For anyone to indicate that we are doing anything other than moving quickly down that path to responsible public availability of information from this corporation is totally wrong and misleading.

Mr. Ashton: I cannot let the last statement stay on the record, Mr. Chairperson. I want to quote Glen Cummings on the CJOB Action Line, March 21, 1988, "Having it set its rates in front of the Public Utilities Board,"—

An Honourable Member: Not a retroactive review.

Mr. Ashton: That was what he talked about, setting the rates, not a retroactive review.

What I want to talk about is how cynical the people of Manitoba must be watching the proceedings of this committee hearing today and listening to the statements of this Minister. Six months ago, this Minister had all the answers about Autopac. Six months ago, there were all sorts of statements coming forward from this Minister. Now what we are saying is that basically the only thing that this Minister still seems to be firmly committed to is the privatization of the general insurance question. I dare say that is probably the area that had the least support from the public of Manitoba. He confirmed that earlier today that they are still looking at privatizing, they have met with private insurance companies. They are still proceeding with a plan to privatize the General Insurance Division.

What has happened to the expectations of the people of Manitoba? Once again they have to be cynical. This Minister and his Government has not done one thing in terms of the rate structure which are the complaints that were put in place. In fact, we have seen today in reviewing this report that what they are looking at doing is basically following the recommendations of the Kopstein Report which was appointed by the previous Government.

How more cynical can you get after having gone through an election, having made categorical statements on the record, as this Minister did, as I just mentioned in terms of Public Utilities Board, and now hearing a different story totally?

It seems to me that the bottom line for this Minister and this Government is after six months the only thing that is left on the agenda in regard to Autopac is privatization. Now should that surprise anyone? That has always been the Tory philosophy—privatization—and it has always been in the background in dealing with items. It was their stated position during the election. Now six months later, this Minister is talking about privatizing the General Insurance Division. He has indicated clearly today.

My question to him, and I hope it is a question you will have definitive answers on is: This Minister today has said he is consulting with senior staff, he said he has talked to people in the private insurance industry about general insurance. What consultation over and above that has there been with the employees involved, with the many Manitobans who rely on the General Insurance Division for their insurance? Has there been any consultation whatsoever? Has the Minister considered going to various areas of the province? In a number of areas—particularly, I know in my own area of the North—it is absolutely impossible in some communities to obtain property insurance from the private sector.

Is it the policy of this Government to meet with people who are invited by the PC Canada Fund? Is that the

policy? Do you have to get a letter from the PC Canada Fund before you can talk to this Minister? Do you have to be involved with a private insurance company to be able to discuss the General Insurance Division before you can have a hearing with this Minister? You know, six months ago there was talk about more accountability. How is this accountable when the only people you are meeting with are insurance agents who are invited by the PC Manitoba Fund and with private insurers who have a vested interest in seeing the sell-off of the General Insurance Division?

Now let us not forget, Mr. Chairperson, that we heard today that the General Insurance Division has now been turned around. This again is the Tory ideology. They want to sell it off even though it has been turned around. I want to ask this Minister: what consultation is he going to have with the people of Manitoba, with the people affected by the General Insurance Division and the employees about the future of general insurance?

Mr. Chairman: I interrupt the Honourable Member to indicate that the normal hour of adjournment has arrived. I am prepared to call for committee to rise unless Members show me some inclination of passing the report at this time.

Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.