

PUBLIC UTILITIES COMMITTEE
10:00 o'clock, Tuesday, April 30, 1974

CHAIRMAN: Mr. Shafransky.

MR. CHAIRMAN: We have a quorum. We can proceed with the Public Utilities Committee and the Annual Report from the Chairman of the Manitoba Public Insurance Corporation, Mr. Uruski.

MR. URUSKI: Thank you, Mr. Chairman. I believe last week we left off with some of the members speaking. I think we should go on with questions if members have further questions and then we can go into the report.

MR. CHAIRMAN: I might state before we proceed, there were a number of questions asked last time which the General Manager indicated that he would have them written out. The transcripts did not come in yet, however he's indicated to me that he will have those answers and I'll be able to distribute them when they're completed. There was a number of questions asked that the General Manager indicated that he would give written answers to those questions. Okay can we proceed page by page - well we had . . . Mr. Blake you are on the list.

MR. BLAKE: Mr. Chairman, thank you. Just in view of the events of the last couple of days I had spoken to the Minister earlier and I wonder if he might just give us a brief summary of the latest happenings. I realize that there is going to be a case before the courts but if he would just briefly explain the surcharge as it applies in this particular case or in general relationship to the charge that led to the recent decision, for our information.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, when the Corporation set up its premium system the demerit points on a driver's record as established by offences and convictions in court of various traffic offences, the record of that motorist effective from the date that the Corporation began its premium intake, the records were tabulated for use as a surcharge against the motorist because of his driving record and his insurance was based on his previous record effective a certain date. I don't know the date when the record came into effect. I believe it was November 1, 1971. All records after that date or effective that date on November '71 - for example, if you had two demerit points on your license on November 1, '71 that record would be taken into account. However surcharges did not begin on a driver's license until a motorist had accumulated six demerit points and the surcharges began at six demerit points. That would involve several convictions to accumulate that or a serious conviction of one nature or the other. The case in question - of course we are reviewing the ruling and we are intending to appeal the case that is presently before the Courts.

MR. BLAKE: At what point were the demerit marks erased from your record prior to '71.

MR. URUSKI: The demerit marks are erased on the basis of a motorist driving one year conviction free from the date of his last conviction. In other words let's say you had a conviction today. If you drove one year till 1975, April 30th, 1975, the demerit marks that you would have accumulated as a result of today's conviction would be erased unless they were serious. In other words, let's say you failed to report an accident whereby you would be assessed eight demerit marks. I believe the reduction begins with three or four demerit marks in one year where then you fall below the surcharge and they're reduced progressively. But a reduction of demerit points is made after one year's conviction free driving

MR. BLAKE: And then this particular ruling, I believe you mentioned to the media, I heard a newscast yesterday, that should this particular ruling be upheld it would result in a loss of a million, a million and a half dollars?

MR. URUSKI: Mr. Chairman, when I was questioned about this I could not give any definitive answer to the media. We don't know what the figures will be, I only indicated to them that they will recall we are receiving approximately I believe \$1.8 million on surcharge on demerit points and if you figure that backwards it's hard to really pinpoint what effect it can be. But I did not give them a definite figure of what amount would definitely have to be paid back. But I don't foresee that.

MR. BLAKE: A loss of that magnitude?

MR. URUSKI: That is correct.

MR. BLAKE: That is on the surcharges you . . . I say that we wouldn't suffer a loss of that on Autopac this year in total?

MR. URUSKI: We're in the process of checking the ruling of the court and we're in the process of appealing that decision.

MR. CHAIRMAN: Mr. McKellar.

MR. MCKELLAR: Yes. I was just wondering if - a couple of things I wanted to question him on, re-insurance, and mention was made that you recovered \$2 million on re-insurance yesterday in the Legislature. I think a question was asked on re-insurance. Who do you have your re-insurance with, is it Lloyd's in London or what companies do you deal with in re-insurance?

MR. DUTTON: Yes, our re-insurance is placed, Mr. Chairman, largely with Lloyd's of London. There are other carriers too. There's a great number of re-insurers of course but for the main the leaders would be Lloyd's of London.

MR. MCKELLAR: Well where do you start to re-insure, anything over \$50,000 or what basis do you use for re-insurance, what type of policy?

MR. DUTTON: Well there are two main types of re-insurance carried by the Corporation. One is for a catastrophic event, and we certainly considered the hailstorms catastrophic. In which case we are paid a 95 percent of any losses in excess of a certain figure. Now with the other form of re-insurance that deals with the third certain party coverage in which a corporation feels it can keep so much net, the term is, which we do and then we carry a layer and the layer is 900,000 excess of 100,000. And then for what is called non owned coverage we carry another million excess of that. So the re-insurance really goes up to around \$2 million.

MR. MCKELLAR: You don't have any re-insurance with SGIO.

MR. DUTTON: No, Mr. Chairman. To my knowledge we have no re-insurance with SGIO.

MR. MCKELLAR: They don't use your corporation for re-insuring any of their risk either eh, like do you insure any of their risks in Saskatchewan?

MR. DUTTON: No, Mr. Chairman, we're not assuming any re-insurance at all at this stage. The act only empowers us to write automobile and certain classes of automobile and not any other classes. And we're not accepting any re-insurance from any source at this stage.

MR. MCKELLAR: Well another question I have. I've compared two cars with Saskatchewan. Your rating in Saskatchewan is somewhat different than what it is in Manitoba. You have no areas like that you - a driver in Regina and Saskatoon pay the same as the farmers in Fleming, Saskatchewan, in other words. And the two cars compared with Winnipeg rates, compared with \$175 compared to - that's in Saskatchewan - compared with \$157 in Winnipeg, they're somewhat higher than your rating and I realize that the Manitoba farmers like pay a lesser rate than that. I was wondering if you took their rates into consideration when you're rating for 1974-75, because they are considerably higher than ours.

MR. DUTTON: Yes. I think that is a correct statement, Mr. Chairman, that the rates in Saskatchewan are higher than they are in Manitoba and I believe it's brought about largely by the fact that they have a flat rating system and they haven't got territorial, nor they haven't got a usage at all. You can therefore take a certain classification if you want in Regina or in the country and try to compare it with various classifications here in Manitoba and they will not hold up. But there's no doubt that generally speaking the rates are much lower here; and to answer your question whether we take Saskatchewan's rates into consideration, the answer is no. We are trying to rate on the basis of what the statistic would show in Manitoba, not Saskatchewan. And incidentally of course, I'm sure as you're aware it's very difficult for us to do so because Saskatchewan now uses - I believe it's three cents a gallon on the gasoline sales to offset the insurance rates they're charging in that province, so it's very difficult to compare the two.

MR. MCKELLAR: Well do their insurance rates drop when they use the three cents or does that just supplement the rates? Do they drop? I understand the rates that I'm quoting are rates that are presently being charged drivers . . .

MR. DUTTON: Even with their three cents a gallon, their rates are higher than ours. They did some changes in their rating structure. For instance motorcycles went up substantially I understand this last year and they made a few other changes which they do every year. But even with the changes and the fact they have the three cents a gallon the rates in Saskatchewan in my view are considerably higher than they are here.

MR. McKELLAR: Yes, well - could I have that newspaper there please. Somebody's borrowed mine. Because of the fact in 1972-73 which is your year that we're talking about presently here was one of the best years weatherwise that we could ever experience. In other words '72-73 from the 1st of November till the end of October, there was no snow, no ice, very little ice and it was an exceptional year I would say - compared with what we've had the last eight months, or six months I mean. But the figures that were given here in this newspaper astounded me because each month the accident rate went up about 4 or 5 thousand dollars. I realize that we talked about this the other day, Mr. Chairman, but I was not aware of these figures. Having been in the industry I just can't -- I'd like to know - these claims that were submitted to your corporation, were there an excess of collision claims or were there excess of personal injury claims or were they fire claims and theft claims or glass breakage or where did these extra claims come from, because according to these figures here they're up about 5,000 per month.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, the claims, I could give you an idea of the breakdown of the outgo claims on Page 5 of the Financial Report and which the . . .

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I don't want to interrupt, but there's one point, if he could clarify now I think it would have some bearing on this answer. Mr. Dutton, when you say there's a claim, an accident can have several claims . . .

MR. DUTTON: Yes, that's right.

MR. SPIVAK: . . . so therefore there can be four claims per accident . . .

MR. DUTTON: That's quite right.

MR. SPIVAK: . . . so that in effect when you have a no-fault system and when you provide it, is it not conceivable therefore there will be more claims per accident insofar as the insurance companies are concerned?

MR. DUTTON: I think that is quite right, Mr. Chairman, that there would be more claims per accident because of the fact that the coverage is universal and people do have a recovery coming to them under the standard plans that they have throughout the country. It is not necessarily the case that everyone carries for instance accident benefits, what we call our no-fault Part 2 benefits they call accident benefits, and everyone doesn't carry them in other provinces, nor does everyone carry collision coverage, and therefore that being the case while you may have a number of accidents you may have perhaps two or three come out of it whereas here I think the average runs about 4.2, I think something in that nature.

MR. SPIVAK: For insurance purposes, did not the insurance companies previously have it on the basis of accidents as opposed to claims? Did they not really record accidents rather than claims, and in effect are you not really at this point comparing Autopac apples and oranges with respect to previous insurance practices?

MR. DUTTON: No, as far as the insurance companies themselves are concerned their main concern is claims, not accidents.

MR. SPIVAK: No, but in terms of comparison to the listing of the insurance companies from before prior to the introduction of Autopac and the operation of the corporation, is it not a fact that they really referred on the basis of accidents with the claims resulting from it, whereas your reference really is on the basis of claims with no reference to accidents?

MR. DUTTON: I think perhaps, Mr. Chairman, there are two things involved here. I think that's quite right. The Motor Vehicle Branch statistically were reporting accidents previously, but as far as insurance companies the concern of course was claims because this is where the loss or the profit was involved. It's very difficult I agree with you to compare the operation of the private sector and what we're doing here. It is extremely difficult if you're trying to make a direct comparison because you are comparing apples and oranges to some degree because of the fact that it is not a universal plan that they have. But on Page 5, to answer the question, you find that the money has really been spent in damage to vehicles themselves not damage to the individual. Collision damage for instance accounted for forty-two and one-half percent of the outgo; Comprehensive, and that includes hailstorms, etc., amounted to twelve and one-half percent, and Property Damage which in main is damage to other people's cars was another 15.5; whereas the damage to the person themselves and the no-fault accident benefits is only 4.5 percent; bodily injury 10.8. So there's no question about it that the bulk of the money paid out is for the fender-bender if you want to call it that.

MR. CHAIRMAN: Mr. McKellar.

MR. McKELLAR: Yes, another question I have. I realize that persons have 12 months to submit a claim. Have you a large number of personal injury claims, I mean I'm talking about 100,000 over that are outstanding right now in the courts. Like do you have many, and I don't want to know the number, but do you have many of that type of claim, because it takes time I realize for people to get a . . .

MR. DUTTON: There's no question that there are a number of that type of claims and they're reserved on each claim file, so the reserves ought to be there in sufficient dollar amounts to pay them out when the judgment does come down. If it's a matter of, perhaps of two points, one of liability or just a matter of quantum, we may let the courts decide. It's to our advantage of course not to do so if it's at all possible but sometimes you can't do it.

MR. McKELLAR: At the present time is \$300,000 the highest you go on private passenger cars, you don't go to a half million yet, do you?

MR. DUTTON: No, 300,000 is about it on private passenger cars. We do go to higher limits though under what we call our special risks extension on commercial vehicles, etc.

MR. McKELLAR: Because the courts are going - you know claims excess of 300,000, would you consider raising to 500,000 at a later date maybe. Because I realize now that human life is worth a lot more than it was even five years ago.

MR. DUTTON: Yes, Mr. Chairman, there's no question about that. The 300,000 is a figure that was set to accommodate the system and the computer and obviously we can't let the computer or the system dictate to the needs of the motoring public. If 500,000 is a limit that people really require or want or the courts would indicate seems to be the type of judgment given out then we will increase up to 500,000. We haven't got a closed mind on the subject not by any means.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Yes, Mr. Chairman, I direct a question to Mr. Dutton. Could he tell me if there's any co-operation between Autopac and the Vehicle Branch of the Department of Highways and could he describe the type of co-operation that does exist, if any?

MR. DUTTON: Well there's great co-operation between the Motor Vehicle Branch and Manitoba Public Insurance Corporation. We have to work together. Really what is involved here is two main systems, what we call a vehicle system that's on the computer where we are charged with the responsibility of capturing all the information, making sure that it is fed into the computer and that this file is kept up-to-date. The Motor Vehicle on the other hand handle the driver system. We don't handle the driver system. And it's very important that because they both involve insurance that we do co-operate very closely and that I'm kind of pleased with the type of co-operation I know, speaking as a General Manager, that we get from the Motor Vehicle Branch. And as a matter of fact from the computer centre too, we're working very well with them. They handle the computer, we don't. We haven't got a computer.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: In this co-operation you speak of do you pay for the use of that computer?

MR. URUSKI: A little louder. We can't seem to pick him up.

MR. G. JOHNSTON: In the degree of co-operation we're talking about between Autopac and the Motor Vehicles Branch do you pay for the use of the computer?

MR. DUTTON: Oh yes. We pay for the use of the computer. They have their own payments that they make. The Government Computer Centre does bill us.

MR. G. JOHNSTON: Where is it shown in the annual statement?

MR. DUTTON: It would be shown in the statement on Page 14 under Data Processing, \$421,800.00.

MR. CHAIRMAN: Page 14.

MR. G. JOHNSTON: Mr. Dutton, would it be fair to assume that the increase in the Motor Vehicle Branch costs for this year's estimates from 3.88 million to 7.3 million, a large degree of that increase is the fact of the co-operation between Autopac and the Motor Vehicle Branch?

MR. URUSKI: No. Mr. Chairman . . .

MR. G. JOHNSTON: I'm directing the question to . . .

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman . . .

MR. G. JOHNSTON: Well, Mr. Chairman, I'm directing the question to Mr. Dutton, I'm not directing the question to the Minister.

MR. CHAIRMAN: Mr. Johnston, Mr. Uruski is the Chairman of the Manitoba Public Insurance Corporation and questions as you know are generally directed to the chairman and the chairman can ask members of his staff to answer those questions if he feels that he cannot answer that question.

MR. G. JOHNSTON: Mr. Chairman, I agree that you're in a very unusual position where you have a Minister beside you who doesn't have to answer for his actions in the Legislature, but I did direct the question to Mr. Dutton.

MR. URUSKI: On a point of order, Mr. Chairman, on a point of order. The member well knows that the Estimates of the Motor Vehicle Branch and the Department of Highways are presently being discussed by the Legislature. If there are any questions with respect to the Motor Vehicle Branch and those moneys, I am there in the House along with the Minister of Highways to answer for those moneys and to answer any questions that the honourable member may have with respect to the apportionment of costs between MPIC and the Motor Vehicle Branch.

MR. CHAIRMAN: And it is also true, Mr. Johnston, that the Minister's Salary will be up on the Executive Council and where it would be possible to answer him directly on that resolution that you have, on asking the Estimates of Autopac, that you can direct questions under Executive Council.

MR. G. JOHNSTON: Well perhaps, Mr. Chairman, I'd be agreeable to Mr. Uruski giving his version, then I would like Mr. Dutton to give his as well.

MR. CHAIRMAN: Mr. Johnston, as I indicated, Mr. Uruski is the Chairman and as has been the practice that questions are directed to the chairman. The chairman can if he wishes direct somebody else to answer those questions and that has been the procedure. And you are more acquainted with those rules than I am having been in the House for a longer period of time. But I know that that is the procedure.

MR. G. JOHNSTON: I'm waiting for an answer regarding . . .

MR. CHAIRMAN: Mr. Uruski do you wish to have Mr. Dutton answer the question or will you answer the question yourself?

MR. URUSKI: Mr. Chairman, the costs that are noted in the Estimates under Motor Vehicle Branch are a recoument of costs from the start-up date between MVB and MPIC for the picking up of costs of the renewals on the motor vehicle registrations. As a result there has been an apportionment of costs between the MVB and the MPIC for the various services that each carries on. We pay to MVB certain numbers of dollars for the collection of moneys on the insurance portion of the driver's licence and in vice versa the MVB pays Autopac for the collection of moneys for registration of vehicles and the registering of motor vehicles. There is a split off and apportionment of costs between the two.

MR. G. JOHNSTON: Mr. Chairman, for clarification. Did I understand the Minister to say that the MVB is paying part of the start-up costs of Autopac?

MR. URUSKI: No. No, Mr. Chairman.

MR. G. JOHNSTON: Well you used the word "amortization".

MR. URUSKI: Where are you indicating that I used the amortization?

MR. G. JOHNSTON: Just in your statement a moment ago.

MR. URUSKI: No, no. When the Corporation began there was a division of costs between MVB and MPIC and a division of services provided and there was a saw-off in what would be charged by MPIC against MVB for the services provided by Manitoba Public Insurance Corporation and also vice versa, the MVB would charge MPIC for services that they would render to the Corporation. The costs were not transferred at the beginning when the Corporation was established, they were established last year I believe and now the moneys are being transferred over.

MR. G. JOHNSTON: Do I understand the Minister to say then, Mr. Chairman, that the 4.7 million mentioned in the financial statement as start-up costs, this is only part of the start-up costs and there's other costs buried in the Motor Vehicle Branch?

MR. CHAIRMAN: On Page 14 I believe Mr. Johnston is referring to. The bottom of Page 15, pardon me. Statement 4.

MR. G. JOHNSTON: The 4.7 million as is mentioned by the Chairman, is it true then that this is not all of the start-up costs, that there were other costs buried in the Motor Vehicle Branch?

MR. URUSKI: No. Mr. Chairman, these are the total costs.

MR. G. JOHNSTON: Mr. Chairman, I'd like to direct this question to Mr. Dutton but if the Minister feels he should answer it will be all right with me.

MR. URUSKI: Yes. We're just getting the exact information. I don't want to give you some information that I am totally not . . .

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: . . . is a development I tried to explain a moment ago of both the vehicle and the driver system and the costs are integrated in setting these up, and there has to be a division of the responsibility, a division of the costs between the two. After all their responsibility is the drivers' end of it and a lot of the work that was done actually automated a system that was not previously automated and which would have cost them quite a bit of money to do so. I think they're starting to accrue the benefits of the changes that were made. They work to the benefit, in other words, Mr. Chairman, of the Motor Vehicle Branch as well as Autopac. This document after all is coterminous; it's a document that purports to be both an insurance document and a registration certificate in both cases.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: To change the line of questioning slightly to the Annual Report. Does the deficit on Page 12 of \$9,350,000 - was there interest paid on that? And if so what was the rate? Was there bank interest or overdraft interest paid?

MR. URUSKI: No there wasn't. Mr. Chairman, if the honourable member would read - and he is looking on Page 12 - and know as well when he's looking at corporation developmental expenses if he will read the note at the bottom of Page 12 that he was referring to in the Annual Report he will have an explanation with respect to the developmental costs that he is trying to speak about.

MR. G. JOHNSTON: Well then perhaps the Minister could say where was the interest placed or the cost of deficit operations, who paid it?

MR. URUSKI: Mr. Chairman, the deficit is a book amount, that there is no borrowing of moneys required to pay the deficit. The Corporation presently now has long-term investment of some \$7.8 million of which there is interest accruing on that. But there is no actual borrowing of moneys to recoup the deficit that is shown on the books. There are reserves . . .

MR. CHAIRMAN: Mr. Johannson on a point of order.

MR. JOHANNSSON: Yes. Mr. Johnston is asking questions that are repetitive. These questions were asked last committee meeting and the information was given. It is available in the transcript.

MR. CHAIRMAN: Mr. Johannson, that is not a point of order. I will allow those questions. Mr. Johnston proceed.

MR. G. JOHNSTON: What is the rate of return that Autopac receives on the debentures - this is on Page 7 - 7.8 million?

MR. URUSKI: There are several rates on debentures and there are several -- That's one of the questions that were asked before. We didn't have the exact information. We are going to supply that in writing.

MR. G. JOHNSTON: That's satisfactory.

MR. URUSKI: Yes. There are debentures in several hospitals, long-term debentures in several hospitals across Manitoba and I have the Gladstone Hospital, Minnedosa Hospital, Morden Hospital, Telephone System, the Russell Hospital and Brandon I think, Victoria General. Those are several long-term debentures that we have. But we will be providing the exact information of how much money he needs and the interest rates that is accruing.

MR. G. JOHNSTON: So I direct this question to Mr. Dutton. Did Autopac ask for the right to use regulations to go after motorists and in other words rescind their driver's licence for failing to pay premiums. Whose idea was this?

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, that section is within The Highway Traffic Act and a portion of it has been in the Act even I believe prior to Autopac because of the failure or non-payment of licences and driver's licence that would be imposed by the Motor Vehicle Branch. But the Motor Vehicle Branch does the handling of the failure of non-payment of licences and the like

MR. G. JOHNSTON: I have a final question then I'll yield the microphone. I notice that the annual statement ends 31st of October and reports to the year '73. Can the General

(MR. G. JOHNSTON cont'd) Manager of Autopac tell us what his projected profit or loss is for the year ending October 31st, 1974?

MR. URUSKI: Well, Mr. Chairman, if we could anticipate what the claims will be in the next several months you could then possibly make a guesstimate, which would only be a guesstimate as to what might be anticipated. Up till now the claims have been substantially higher than previous years so the statements that have been made that should they continue in this vein no doubt we will be in a deficit position again.

MR. G. JOHNSTON: Well could the Minister give us an approximate figure?

MR. URUSKI: I cannot.

MR. G. JOHNSTON: Well then could the Minister tell us what is the picture up until the end of March?

MR. URUSKI: The increase in claims over the previous year is some 22 percent over the previous year's claims.

MR. CHAIRMAN: Order please. Those questions will be available I'm pretty sure - questions were answered the last meeting, specific questions and . . .

MR. G. JOHNSTON: You mean the losses were given in dollars?

MR. CHAIRMAN: No, the percentage.

MR. URUSKI: Mr. Chairman, what the member must realize is that for the first several months, in other words from November till the end of February - and that was answered last meeting - that the corporation was operating on 1973 premiums as well and the premium structure changed once the renewal cycle changed at the end of February, so that there is a change in the amount of premium dollars being used by the corporation presently. But what the end result will be, I think if the honourable member would want to speculate that would be up to him, I would not.

MR. G. JOHNSTON: Well, Mr. Chairman, I ask the Minister directly and he's responsible for answering for this corporation. Is he saying in effect that he doesn't know the dollar position of Autopac as at the end of February?

MR. URUSKI: Mr. Chairman, the amount of moneys that the corporation takes in are set aside on a monthly premium basis to allow for the amount of accidents and claims to be paid out in any one month and they are prorated on a 12-month period. As a result there are moneys and claims and reserves set aside monthly and on that basis the corporation operates; and should the claims increase in any one month it will show a deficit position for that month or pay out more for that month than actual reserves or claims money set aside from the total premium dollars taken in at renewal time and any other renewal that may come in from month to month.

MR. G. JOHNSTON: Well then I ask the Minister of Autopac the type of bookkeeping they're using. Do they not have monthly statements? Do they have quarterly or biannual projections or reports as to where they're going or do they just wait for the end of the year and wait till all the dollars are counted up that came in and went out. How do you operate?

MR. URUSKI: No, Mr. Chairman. The honourable member should know that the total budget of the corporation and the expected increase in claims and rising costs were projected in the premium increase made for 1974. On that basis the corporation set out its annual operating budget. However in the event that claims do rise much above what was anticipated then we will be in a deficit position.

MR. G. JOHNSTON: Well the Minister, Mr. Chairman, just said that they have a budget for this year and a projection for this year. Could the committee have that?

MR. URUSKI: Well, Mr. Chairman, I've indicated on several occasions in the House that the corporation anticipated an increase of seven to eight percent in the claims and inflationary costs when setting its 1974 premium increase. On that basis should the claims drastically increase over the whole year then we would be in a deficit position.

MR. G. JOHNSTON: Mr. Chairman, I've asked the question several times now. I thought we were dealing with a public Crown corporation that should answer to the taxpayers for their actions and account for what they've done for the past year, and I've asked the question very clearly I thought and I'll put the question one more time, that I believe it is the right of every taxpayer in this province to know. And I ask the question: What is the budget for the coming year and what is the projection for the coming year that the Minister has spoke of.

MR. URUSKI: The anticipated revenues of the corporation are approximately \$51 million, Mr. Chairman.

MR. G. JOHNSTON: And what are the expenses projection?

MR. URUSKI: If one could project how many claims that the corporation would anticipate in that year, I don't think I'd be the chairman of this corporation. I think every corporation in the country would be looking for an answer to their problems that they have anticipated in the last year or in any future years, if I could tell you what the claims picture would be and the dollar amount.

MR. G. JOHNSTON: Well, Mr. Chairman, the Minister a few moments ago spoke of a budget for this year and he spoke of projection for this year, and I would ask him again, he's already given us what the revenues . . .

MR. URUSKI: We are projecting the same amount - in effect the claims were held on a steady basis of the projections made last year of an increase of approximately 7 percent, the amount of income would be sufficient to cover the claims expenses and the . . .

MR. G. JOHNSTON: So, Mr. Chairman, is the Minister saying that he expects and looks to a break even year for the next report?

MR. URUSKI: I've answered that question many times. If the claims are as projected or stayed that and the costs per claim is as anticipated, then we could have a break even year. Yes.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, just to further that line of questioning, I understood from some of the answers that we got at the last meeting that they were budgeting for maybe a slight deficit or maybe a break even this year, but we know now that claims are running 22 percent ahead of last year so if this continues it would appear pretty obvious to me that we're heading for another \$10 million or \$15 million loss in the corporation. Would this not be true?

MR. URUSKI: Well it really depends, over winter months we know that claims are higher, but if the trends continue, yes you could be faced with another hefty loss. However, normally the claims during summer months tend to take a downward trend and if that happens then we will have to look at our position in light of that.

MR. BLAKE: Well in view of that, in view of the experience of last year, it would appear that around this time of the calendar last year that it was pretty obvious that Autopac was headed for a serious loss in the year ending October 1973.

MR. URUSKI: No, no. Mr. Chairman, we did some checks on this and we've indicated that the financial picture as of last April 30th in 1973, the net over-all deficit that was viewed was approximately \$1.5 million, and as I have indicated before that normally during the summer months there are periods of lower claims volumes and this was confirmed by the corporation in its 1971-72 figures, if you look at the record of the claims in '71-72, and we felt, and it was the corporation's conclusion that the financial position at the end of October '73 would have been a loss perhaps of \$1.5 million or slightly higher if the projections or the actual volume of claims continued on the basis of 1971-72 statistics.

MR. BLAKE: Well, Mr. Chairman, in view of that the point I'm trying to make, it would seem rather ridiculous then the claims that were being made last June of savings of 15 percent for the motorist. This is the point I was trying to make, that this I think gives some indication of where the corporation was going.

A MEMBER: . . . because they went up everywhere else so why wouldn't they . . .

MR. URUSKI: Well, Mr. Chairman, . . . Go ahead.

MR. BLAKE: To get to another question. There was an interesting article in the paper recently and I just wondered, that particular reporter, did he have access to Autopac books or what procedure did he use to gather all the information from his article. Did he interrogate the . . . ?

MR. URUSKI: He spoke to some of the staff at Autopac, that is correct.

MR. BLAKE: This same information or source of information is available to any member of this committee if they're . . . ?

MR. URUSKI: Yes, I would say, we are putting out now monthly figures on the claims figures, and our claim statistics are published now monthly, are being released by the corporation, by the General Manager.

MR. BLAKE: We touched earlier on Saskatchewan rates and Mr. Dutton might care to comment. In view of their somewhat longer experience in the business that they would appear to be fairly successful in, would it not seem good business to maybe follow some of their

(MR. BLAKE cont'd) procedures and adopt some of their practices such as we indicated the rates were higher there than they are here. They're probably higher for a reason because they're probably breaking even whereas we're losing money. Would Mr. Dutton maybe care to comment a little further on some of his previous remarks.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Well, Mr. Chairman, we have of course adopted many of the basic ideas from Saskatchewan. However, although their plan has been operating successfully for about 25 years the system itself, I'm sure they would be the first to admit, now is due for some revision because times change. You got more people now living in the cities of Saskatoon and Regina than you used to have when they had one flat rate. To me it is not equitable to charge a person on a farm the same rate as you would charge for instance in the City of Winnipeg. If we adopted their system this is what we would be doing. We couldn't do it so we made these changes. But Saskatchewan up till about three years ago were making large profits, they built up something like 10 million in reserves and surpluses. A couple of years ago the losses of course started to escalate in that province too and they started to lose money; they increased their rate substantially a year ago; they lost a good sum of money again last year, in which they are making up their losses from the reserves and in their wisdom they decided that rather than to increase the rates where they would have under the normal scheme of things, they decided to take a certain amount of revenue from the gasoline tax and this is what they're doing.

If we were to adopt entirely their rating structure, maybe that's what you're suggesting, it would mean that perhaps in certain areas rates would have to be increased and our statistics really don't indicate that perhaps this would be the right thing to do -- and I'm referring particularly to the rural part of the province. If we wanted to adopt or get close to their rates then we'd have to charge the farmer substantially more than he's paying in this province and perhaps give a little benefit to the city, and the city's . . . in the City of Winnipeg where the statistics would indicate most of the claims are anyway. I think their system while it's worked well enough for them over the years, certainly would not if we were to adopt it be appropriate for the Province of Manitoba.

MR. BLAKE: I see, I can understand this. I'm just wondering if there has been complaints from the farmers that you indicate are probably paying a higher rate. Have there been complaints out there, is there any record of it? I know that different people that I've spoken to from Saskatchewan appear to be quite happy with their system out there.

MR. DUTTON: I think they're very happy with their system. Of course you will appreciate it's been operating as I said for 25 years or more and everyone in Saskatchewan is very familiar with it. They've known really no other system. And anyone coming in from another province doesn't object when they see the difference in rates they're paying even though their rates in Saskatchewan are higher than ours.

MR. BLAKE: And the farmers don't complain about . . .

MR. DUTTON: You might find the odd complaint if you get into connecting areas. I'm sure that perhaps the people in Creighton realize they're paying more than the people in Flin Flon and a few questions might be asked when they're talking it over in the beer parlor for instance as to what the cost is. But the rates here are lower.

MR. CHAIRMAN: Mr. Craik. Would you use the mike please?

MR. CRAIK: Mr. Chairman, based partly on what's reported in the press here where it states that you have your statements in ten days or so after the end of each month and your evidence so far is that your claims are up this year again by somewhere in the order of 22 percent, are you suggesting at this point that you can't pretty accurately predict where you're going to end up since you're now past the halfway point in the year?

MR. URUSKI: If the trends continue as per last year, if we look at last year's statistics and if they continue to climb as they did last year which I think frankly was felt abnormal throughout the country not only in Manitoba, then we would be in a deficit position, but normally speaking the claims volume during the summer and early fall months is down so that you really can't predict.

MR. CRAIK: Well last year your claims are up -- presumably you knew this shortly after the end of each month, your claims were up in November - 5,700; next month - 4,000, 5,000, 2,000, 500, 3,000, 3,000, so at this time last year then they continued on: 5, 7, 3, 4, 5 increase over the previous year but averaging out somewhere at a pretty steady increase

(MR. CRAIK cont'd) per month over the entire year. What I'm suggesting, asking you here, can you not predict -- if you're now running 22 percent higher over this year, over this month, isn't it reasonable to assume that you know pretty accurately where you're going to end up six months hence?

MR. URUSKI: Mr. Chairman, we have made predictions now pretty accurately as to the dollar amounts. We really cannot say as at the end of October of 1974 exactly what the claims picture and the financial picture of the corporation will be. We have said that if the claims continue at the rate that they are continuing now that there's no doubt that we will be in a deficit position and we will have to have a premium increase.

MR. CRAIK: Well if it was stated now that you were going to have another \$10 million deficit this year, would you say that's outlandish?

MR. URUSKI: I would say that you must base your remarks on some premise, and if you're saying that the claims picture will continue to escalate by 40 percent as it did and all other indicators across the country said that last year was the worse year in the insurance industry, then if you were prepared to make that same type of a statement, then probably you wouldn't be far out, but we have hoped that we have now reached the plateau of the number of claims and the claims increase which was drastic throughout the country.

MR. CRAIK: Well at the last meeting two statements were made. (1) the number of claims are up; (2) the cost of the individual claims on the average are up. The two are compounded. We have a figure today that runs around the 20 percent figure and 20 percent of \$50 million is \$10 million. So it would seem to me that if I'm not taking you out of context what you said last day and what you said today, \$10 million is a conservative estimate of your deficit for this year because you've predicted a break even position at 51 million the same as last year, what actually last year's costs were. Your predicted income is almost exactly what your payout was last year based on your rate structure for this year, even your increased rates. And if you do know within ten days and you know that your claims are up in numbers and in costs per individual claim then I'm asking you if you don't already know, that based on last year's experience and the statements you made last day that your increase is going to be somewhere around the \$10 million mark.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, it's quite one thing to play around with figures of course, everyone can do it, unfortunately none of us can do it with a great deal of success I suppose. We're looking at very -- it's not an exact science setting rates, no one knows exactly what's going to happen. We know for instance that the claims are up 22 percent, this has been sad but what are the conditions that led to the increase in claims. One of the members did mention earlier on that a year ago perhaps we had a very good year weatherwise, but surely we'll agree that the last five months have been probably the worst that you'll see in this province. I like to attribute that to being one of the reasons that the claims were up about 22 percent at the end of the winter months over the previous year, which was a good driving year. We know of course that we're still working on that period of time on the old rates which were 5 percent below the rates of the previous year. We have now just got a month under our belts at the new rates and, Mr. Speaker, I feel that it's a little early to say a great deal but it would appear to me that if the experience continues on that month then we ought to have reasonable success for that eight-month period of time in the profit and loss picture of the corporation. However, we still got the backlog of four months which has to be taken into consideration. We cannot predict the figures now and say we've had five months, let's divide it by five and then multiply it by twelve and that will be the picture because we're comparing apples and oranges and it's very difficult to do at this stage.

MR. CHAIRMAN: Well I think it should be pointed out the fact that from November 1st to February 28th when the new rates came into effect that they were operating, which is the fiscal year from November 1st to October 30th of 31st, that is the fiscal year for the Manitoba Public Insurance Corporation. So for that period of time they were operating on the old rates and it's only been one month or two months since . . . yes two months . . .

MR. URUSKI: One month. We won't have the figures till . . .

MR. CHAIRMAN: But February 28th was the date when the renewals and the new rates were established so that it's been a two-month period on the new rates. So that would -- and it's been, now today it's six months for the fiscal year for the Manitoba Public Insurance Corporation. There's another six months to go and I believe, you know, statistics that were

(MR. CHAIRMAN cont'd) given were based on the previous five-month period.

MR. CRAIK: Mr. Chairman, I'm not concerned about the rate structure in the line of questioning, I'm trying to get at your costs of operation to determine whether or not you don't know in fact -- Well, Mr. Chairman, I have to, you know, ask the question as to whether or not you wouldn't be in serious trouble if you didn't have the operations of the government backing you up in operating in this fashion, with this sort of unpredictability of where you actually stand during even the course of your fiscal year, because you haven't accounted for any write-off of your deficit last year and from all the evidence you have given us this year you're headed for another similar amount, similar type of amount for this year. And I don't know really why you don't just don't say it.

Well, Mr. Chairman, there's one more question. In the annual report here, you say here that there was in your notes in your comprehensive claims for fire, theft, windshield damage and damage caused by the hailstorms, it's been indicated that the cost of the hailstorms at the time of the deficit coming out last year had a significant impact on the deficit of Autopac and I think it later came out that the costs were in the order of \$3 million a year.

MR. URUSKI: The costs of damage - and the corporation did - and when the statements were made the cost of damage of the hailstorms were \$3 million.

MR. CRAIK: Well on the question I asked in the Chamber which was referred to this committee was that I was asked to refer questions to this committee rather than to the House, how much of the \$3 million is recaptured through reinsurance.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Recovery, Mr. Chairman, would be in excess of \$800,000.00.

MR. CRAIK: So about \$1 million would be recovered through insurance, so your net cost of the hail storm is \$2 million.

MR. DUTTON: The recovery incidentally, it is a little difficult to give you an exact figure. You may wonder why I'm saying this, but frankly you know, all the hail claims have not been paid. We're talking about an incurred basis here simply because in many areas and I found this out when I made a trip to the north just recently that the body shops simply hadn't had time to effect the repairs and although we have an incident number as to what the claims incurred would be - I hate to just tell you that it's 2 million, I might be out 100,000 one way or another.

MR. CRAIK: Well Mr. Dutton I don't know whether your interests lie outside of automobile alone, but is it not reasonable to assume that if hail damage did this kind of damage to cars, the damage to property such as buildings and roofs and so on must have been astronomical.

MR. DUTTON: I think it was. I sympathize very much with the companies that were in the general business last year, I know very well that they suffered severely from the hail storms. I also know too, Sir, that they couldn't get the roofs in many instances repaired, and I'm afraid they are going to come off the worse for it because since that July 7th hail storm the cost of repair material for roofs and labour has increased quite substantially and in many instances they are trying to make cash settlements so that they can get out from under this additional burden. In other words, what I'm saying is their cost although they have an incurred figure, is increased too, when it comes to repairing. I feel sorry for them. I know very well that they were hit very severely.

MR. CRAIK? Well the point is, Mr. Chairman, that the companies have sustained losses as a result of hail which hits buildings much more severely than it hits automobiles, but I haven't heard the companies blaming their deficit on hail storms. Well their annual statements are available to you if you want to read them.

MR. GREEN: Do they show losses?

MR. CRAIK: Sure.

MR. SPEAKER: Order please. Let's proceed.

MR. DUTTON: Mr. Chairman, that is exactly one of the reasons given by some of the Manitoba based insurers as the reason for their losses of this year. I've read it in the paper and I'm quite sure it's in our annual reports although I haven't studied them that closely. They do cite the hail storms as one of the reasons that they were in such a difficult position. I know they certainly say it privately, they let us know.

MR. CRAIK: Well, Mr. Chairman, you know, in order to compare numbers the Manitoba companies that state their performance in their annual report show losses for total for hail

(MR. CRAIK cont'd) and for all things, cars, general insurance, the whole works - that's between the companies that have a volume probably twice as big as Autopac - in total show losses of around \$4 million, including houses.

MR. DUTTON: Well it's very difficult to start comparing them. I don't know, maybe comparisons are odious but I can tell you, Sir, that one insurance company lost \$26 million last year on \$23 million, in premiums in Britain.

MR. CRAIK: Well not in Manitoba, Mr. Chairman.

MR. DUTTON: No, but it operates in this part of the world too, it operates right across Canada. I think what happened in the insurance industry is not isolated to Manitoba in this past year. Inflation has hit the whole country and that is why the insurance companies have had such a difficult year.

MR. CRAIK: Well, Mr. Chairman, surely the losses that are going to be experienced have to be somehow related to the total volume written and if some company lost \$23 million, I presume that they wrote many, many times the dollars of insurance that Autopac wrote.

MR. DUTTON: \$23 million of premiums and an additional \$26 million underwriting deficit.

MR. CRAIK: What company are you referring to Mr. Chairman?

MR. CHAIRMAN: Well, I don't believe that that is relevant . . .

MR. DUTTON: I'd be very happy to give you the name afterwards.

MR. CHAIRMAN: . . . identifying it. If Mr. Dutton wants to tell you after the committee it will be up to Mr. Dutton, but right here I don't believe it should be, it's not.

MR. GREEN: Is it not public information?

MR. DUTTON: The information of course is obtained from the trade magazines that the insurance industry have. They have a publication called The Canadian Underwriter, one called Canadian Insurance etc., I've forgotten which one I read this in, but it certainly - it's in one of their publications.

MR. CRAIK: Well, Mr. Chairman, in real comparable terms there may be three mutual or co-operatives that perform in the same area as Autopac performs and who write more business by a significant amount than Autopac, that show nowhere near the problem that you have in terms of damages.

MR. CHAIRMAN: Mr. Green, on a point of order.

MR. GREEN: Isn't that a matter of debate. I mean, I have read the auto insurance losses for Manitoba complete with much smaller premiums underwriting with a greater proportion of losses. Now, isn't that a matter that we would debate with one another, rather than asking questions in committee?

MR. CHAIRMAN: Right.

MR. CRAIK: Well, Mr. Chairman, then the Minister has just made a statement, you know, which is absolutely erroneous. It's absolutely erroneous, Mr. Speaker, and if we're going to get into these statements where people can't present their case, there's not much point in doing it. The point I'm trying to get at is, all the evidence we have presented before us shows another deficit coming before us here of perhaps \$10 million based on the information that was presented last day and today and we have the number of claims going up still escalating very rapidly. Last year it went up over 30 percent and this year it looks like another very large increase and we haven't got a significant change in the number of automobiles in the Province of Manitoba. We don't have the same growth in the costs comparable in other provinces and the question is, what is the problem, you know, and what are you going to do about it? Are you going to tighten up or are you going to continue to allow this thing to grow?

MR. CHAIRMAN: Mr. Green, on a point of order.

MR. GREEN: Mr. Chairman, if I have made an erroneous statement, I would like to be corrected. Then I have been misinformed, I understand that the Portage la Prairie Mutual lost over a million dollars on their automobile insurance. -- (Interjection) -- Well, if that is incorrect, then I will - but my understanding is, and I read this - reported that they lost over a million in their automobile insurance business and if they've lost over a million dollars in their automobile insurance underwriting, then that is a greater percentage of loss than we have had in our automobile insurance underwriting. And that's all I intended to say, and if that is erroneous then of course I would like to be corrected, Pardon me?

MR. CRAIK: They write in Ontario.

MR. GREEN: I know, but my understanding is that of their total automobile insurance underwriting, that their loss was a greater percentage of the premiums written than ours. Now if that is incorrect, then of course I would like to have it corrected.

MR. CHAIRMAN: Order please.

MR. McKELLAR: I'll get you an annual statement

MR. CHAIRMAN: That is not really . . .

MR. GREEN: Yes, but if it's erroneous, I want . . .

MR. CHAIRMAN: . . . pertinent to the committee at this stage. Mr. Craik.

MR. CRAIK: Yes, is there any evidence that the flood picture will have any substantial impact on the claims of this year's floods?

MR. CHAIRMAN: Mr. Dutton,

MR. DUTTON: No, Mr. Chairman, the answer to that question is no. The flood situation as far as we are concerned would have no impact.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Thank you, Mr. Chairman. Before I ask the Autopac Chairman a question, I'd like to observe that frequently in the House we direct questions to the Minister and we are told that the questions can be more appropriately . . .

MR. URUSKI: Mr. Chairman, on a point of order. There is only . . . Mr. Chairman, on a point of order . . .

MR. ASPER: . . . no answers to the Legislature. If you'll let me finish, you can make your point of order. In committee - now, Mr. Chairman, I notice that in the majority of the questions in the past half hour or so the Minister rather than the chairman has been offering the answers, which is contrary to what we're told in the House.

MR. CHAIRMAN: The Minister is the chairman of the Manitoba Public Insurance Corporation.

MR. URUSKI: On a point of order, Mr. Chairman.

MR. ASPER: No, what I'm saying, Mr. Chairman, is that we're told that the person who actually runs the corporation, whether it's MDC or a mineral corporation or whatever it may be, is going to answer questions for committee and I only make that observation in that the questions I want to ask are directed to Mr. Dutton and not to Mr. Uruski. I have the opportunity to question him in the House; I prefer to have the man who runs the corporation answer my questions. That's just an observation.

MR. CHAIRMAN: Well, Mr. Asper, I must state that the procedure in all committees and all annual reports are that the questions are directed to the chairman of that corporation. The chairman can call upon any members of his staff to answer those questions that he feels are better answered and that's the principle by which we are guided here. Mr. Uruski is the chairman of the Manitoba Public Insurance Corporation and therefore is the man that the questions are directed to.

MR. URUSKI: Mr. Chairman, just one point - there was only one question that was asked in the House of me of which I referred to the committee and it was the question that was put yesterday by the Honourable Member from Riel. Now all the other questions that were put to me, I had either undertook to get the answers or I answered them in the House.

MR. CHAIRMAN: Mr. Johnston, on a point of order.

MR. G. JOHNSTON: On a point of order, that statement is just not correct. When I introduced the resolution that the Minister responsible for Autopac should answer in the House for the actions of Autopac, Mr. Uruski did speak out, although not into the microphone. He said that we should ask those questions in this committee. Well he's inferring that he answers all questions in the House and that's not true.

MR. URUSKI: Mr. Chairman, during question period - that's what I'm referring to - the member well knows.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Mr. Chairman, my question for Mr. Dutton is first of all - well I wonder if Mr. Dutton would tell me if . . .

MR. CHAIRMAN: Well, the chairman will determine whether he wishes to answer that question or you ask Mr. Dutton. Mr. Asper, that is the procedure and I think it is the best procedure and it does not lead to any type of problems which can be created in having the general manager answer questions that should be properly answered by the chairman. Mr. Schreyer.

MR. SCHREYER: Mr. Chairman, point of order. I think it's unfortunate that a point of order has to be raised, because the point that is before us now is so long standing and so universally practised not only in this jurisdiction but in the federal house as well, that when a particular agency is before a committee of the House, that the chairman of the agency is the one to whom questions are directed. And it's also common practice for the chairman to refer from time to time certain questions and parts of questions to those who are appearing before the committee with him. Why is there a problem?

MR. ASPER: Well, on the point of order raised by the First Minister, is it common practice for a Minister of the Crown to be the chairman of a business run by government? That I find unusual,

MR. SCHREYER: Well if I'm being asked a question, the answer is it certainly is far from being uncommon.

MR. ASPER: Well, Mr. Chairman, I would ask the First Minister perhaps at another time to give me the list of Crown Corporations that are business operations as opposed to utilities like Hydro - even Hydro, and the Telephone System. I can't think of Polystar being run by a Minister. And so I think it's appropriate that the man who runs it has the business responsibility. But, Mr. Chairman, the reason I wanted to put my question to Mr. Dutton is that the Minister who sits here today was not the Minister at the time the information that I seek occurred. Now if he has that information and he wants to answer it, fine. I would like to know if last year at this time, April of 1973, the Autopac Corporation knew and it communicated to the government the fact that they were heading into a major deficit which would require a premium increase.

MR. URUSKI: I answered that. I answered that . . .

MR. ASPER: Did the government though?

MR. URUSKI: . . . to the committee.

MR. CHAIRMAN: Mr. Asper, the question was asked by Mr. Blake, and the answer was given that there was at that particular time some 1.5 million dollars, and it will be in the transcript. Can we proceed then with the annual report?

MR. ASPER: Well excuse me, I'm proceeding, Mr. Chairman.

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MR. CHAIRMAN: Mr. Asper. Order please.

MR. ASPER: Now at that time, the system of Autopac premium charging was on a demerit system which - and even to this time, was on a demerit system where the driver's record determined his premium, his driving record - and am I correct in saying that the driver's record in the preceding I think six years or something, or x years, determined what he would pay for his license and his auto insurance.

MR. URUSKI: No. Mr. Chairman, the only thing that the demerit point system determines is the amount of insurance surcharge that an individual has.

MR. ASPER: That's right.

MR. URUSKI: That is correct.

MR. ASPER: Now, but I understand . . .

MR. URUSKI: That isn't what you said.

MR. ASPER: Well that's what I meant to say. I certainly thought I said it. My understanding is that the government at that time and into the present is still charging premiums, surcharges to premiums which is part of the cost of your insurance based on your driving record. And I'm also under the impression that the court in Manitoba has said that that is unconstitutional or otherwise illegal - am I correct in that?

MR. URUSKI: I have not studied the ruling of the Honourable Justice Hunt - that ruling came I believe last Friday, and we are in the process of reviewing that and studying it, but I don't know exactly what his ruling entailed. I have not seen it personally.

MR. ASPER: I find that astonishing, Mr. Chairman . . .

MR. URUSKI: Well, I have not seen the ruling.

MR. ASPER: . . . inasmuch as it's been published, and the cost to the Government of Manitoba appears to be something like a million dollars, that the Minister hasn't even had a look at the ruling.

MR. URUSKI: Mr. Chairman, I don't know where the Honourable Member gets that figure of a million dollars.

MR. ASPER: Well then, let's ask the manager - what will it cost the Government of Manitoba?

MR. CHAIRMAN: Ask the Chairman, please.

MR. ASPER: Yes, Mr. Chairman, would you ask someone and tell us what the cost to the Province of Manitoba will be if the government or Autopac is required to refund the surcharge amounts which related to driving records that were created prior to the coming into existence of Autopac and for which the Manitoba Queen's Bench has said you cannot charge?

MR. CHAIRMAN: Mr. Schreyer, point of order.

MR. SCHREYER: On a point of order, Mr. Chairman, the matter is sub judice, as I understand that staff is reviewing now the . . . judgment, and it may well be appealed.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Mr. Chairman, on a point of order. There is nothing sub judice and the First Minister should know that. There is nothing before the courts, the courts have ruled.

MR. SCHREYER: But it's still open to appeal.

MR. GREEN: Mr. Speaker, the Honourable Minister - the sub judice rule has been interpreted. . .

MR. CHAIRMAN: Point of order?

MR. GREEN: Yes. The sub judice rule has been interpreted in various ways in various places, and it is certainly one of those interpretations that when a court decision is given and the time for appeal has not elapsed, that the matter is still sub judice. As a matter of fact, with this particular decision I do not know if the judgment roll has been taken out because I understand the judgment was delivered yesterday and it might be astonishing to Mr. Asper, but I have not seen the judgment, and the indication by the corporation is certainly that it will be appealed.

MR. ASPER: Well, Mr. Chairman, whether it's appealed or not, can the -- I'll put the question another way that is perfectly in judice. How much money does the province get or Autopac get by charging demerit points on the surcharge statement?

MR. CHAIRMAN: I see. If the honourable member had been answered, and answers given at their last meeting . . .

MR. ASPER: No, no. No, you didn't answer the question on the basis of the surcharge for demerit points that were achieved prior to Autopac coming in to existence. That's the

(MR. ASPER cont'd) figure I'm looking for. I'm suggesting it's around a million dollars.

MR. URUSKI: I'm sorry, Mr. Chairman, I do not know what amount of surcharge based on the demerit points when Autopac came in would have been collected. We do know what the amount of surcharge that we presently receive from the demerit points, but what it was at the time the corporation started I can't tell you.

MR. ASPER: You are not able to assess at this stage your potential liability, should the Court of Queen's Bench ruling be upheld?

MR. URUSKI: That is correct. I can't.

MR. ASPER: Okay. I have another question, Mr. Chairman, to the Chairman. Presumably the Corporation, because it runs on an accounting basis, must do monthly financial statements, and presumably, as is normal in accounting terms, you would take off at least quarterly statements of Autopac. You must receive those on the operations on a profit and loss basis from Autopac. I hope, I hope that assumption is correct, that you receive at least quarterly statements as to how Autopac's performing for the year. Is that fair?

MR. URUSKI: That's fair.

MR. ASPER: Okay. You should have a financial statement of Autopac somewhere in your possession for the first six months of the year, which would take it to what? January. . . . March 31. You would have statements to March 31? The first six months?

MR. CHAIRMAN: April 30th is today.

MR. ASPER: That's right.

MR. URUSKI: April is the sixth month.

MR. ASPER: So then the last audited statement would probably be for the first quarter of the year. Is that correct? Or internally audited, I mean.

MR. URUSKI: Internally audited.

MR. ASPER: For the first quarter.

MR. URUSKI: That would be on last year's premiums, as I mentioned before, not on 1974 premiums.

MR. ASPER: Okay. For the first quarter, what was your profit or loss?

A MEMBER: He won't tell you.

MR. ASPER: Any public corporation tells you what its quarterly earnings are.

MR. GREEN: They may not tell you.

MR. ASPER: But I'm sure we all know that it is the law of the land that any public corporation must report its earnings quarterly to its shareholders. That's public companies. Now, surely we can expect a Crown corporation would do the same thing.

MR. URUSKI: Well, Mr. Chairman . . .

MR. ASPER: As a matter of fact it's also . . .

MR. CHAIRMAN: Well, Mr. Asper, the Chairman was prepared to give some answers.

MR. ASPER: Okay.

MR. URUSKI: The Board of Directors of the Corporation receive the statement insofar as the financial picture or the premium dollars earned, and the amount of claims paid out, and the amount of reserves set aside.

MR. ASPER: Published.

MR. CHAIRMAN: Mr. Blake. Mr. Asper.

MR. ASPER: One last question. Can we have an undertaking from the Minister that when the six months' statement is concluded, which should be within 30 days I would hope, that he will publish the results for the six months, or at least make it available to members of the Legislature.

MR. URUSKI: An unaudited statement?

MR. ASPER: Yes, Mr. Chairman, just as public companies are required to do under Toronto Stock Exchange and Ontario Securities' rulings and most Securities Commission's requirements.

MR. URUSKI: Mr. Chairman, I'll have to take that under advisement. I'm sure that we could come up with a figure but that figure will not be an accurate picture of what the actual financial position may or may not be henceforth.

MR. ASPER: That's perfectly understandable. But for the period that's been completed. And the last question is - and I apologize if this was asked and I didn't hear the answer but I thought I'd look at the transcript, rather listen to what had been said - did you indicate what

(MR. ASPER cont'd) steps Autopac intends to take to pay off the \$10 million deficit?

MR. URUSKI: What steps the Corporation intends to take?

MR. ASPER: Yes.

MR. URUSKI: Well, Mr. Speaker, we're hopeful that the claims picture does drop, and in the event that the claims picture would drop we would show a net return and that would be utilized to offset the deficit, but we would not be recouping -- there's no intention to recoup the deficit in one year.

MR. ASPER: In your view, then, the hope or the proposal is that the existing deficit of \$10 million would be paid off out of future profits.

MR. URUSKI: That is correct.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, well I have not been involved with insurance companies. I'm naive on their operation and sometimes confused when I try to understand them, but I have had the opportunity over the years to watch the function of business and I've seen many successful companies and some unsuccessful, and in my experience the majority of the unsuccessful companies were companies that were operating with no particular plan or no direction. They were flying by the seat of their pants, so to speak, which ended up in most cases in disaster. Now, I have been given to understand that Autopac have in their employ or on their staff the most competent people in the business or in this type of operation that can be found, and I have no reason to question their qualifications, but it just seems inconceivable to me that this group of people can't come up with a reasonably good estimate of where the company is going in the next six months; I just cannot understand why you can't give us some indication of why they're not aware of what the company is facing in this particular year of operation.

MR. URUSKI: Mr. Chairman, you know, the honourable member should look at the entire insurance picture across Canada, and if those individuals who run the companies of insurance right across the country, if they were in, you know, such a good -- made such good business sense in planning, they would consequently not possibly be faced with a \$132 million underwriting deficit in automobile insurance as well, so that, you know, I don't think that because of the increasing claims and costs for claim increase that there is any influence on the management of the corporation. If we could have kept the drivers from having accidents we would have been in a net profit position, but we could not.

A MEMBER: We've always had accidents.

MR. CHAIRMAN: Can we proceed with the page by page report? Page 1--pass. (Page 2 to 8 read and passed.) Page 9--Mr. McKellar.

MR. MCKELLAR: Mr. Chairman, I'd like to make a motion here that page 9 be stricken from the annual report because of the contents of this statement. I think it's uncalled for, and I know you're congratulating the former chairman but I see no good reason to congratulate him when you have a \$10 million loss, and I move this motion at this time.

MR. CHAIRMAN: Moved by Mr. McKellar that the page 9 be stricken from the Annual Report of the Manitoba Public Insurance Corporation. Mr. Johnston?

MR. G. JOHNSTON: I support the motion, mainly because the Minister responsible at that time had the audacity to stand in the Legislature last year and brag about the profit that was not there.

MR. CHAIRMAN: Are you ready for the question? Mr. Uruski.

MR. URUSKI: Mr. Chairman, the point that is made, the honourable member said, well no, that the Minister was speaking on the statement for the previous year and he should well know what the statement was. If he doesn't, he should check the record of the statement of the corporation in the year 1972.

MR. CHAIRMAN: Mr. Schreyer.

MR. SCHREYER: Well, Mr. Chairman, if I may speak to the motion, there is persistent suggestion that the Minister was aware last May of a \$10 million deficit, or a \$10 million impending deficit, and no reasonable person, in my opinion, could make such a claim inasmuch as it was indicated by the Minister that the April 30th statement, which would be printed out sometimes in May, indicated at that time a 1.5 million dollar negative position, not ten or eight or five, but something in the order of one and a half, and that at that point in time, neither in Manitoba nor nationwide, was there the expectation on the part of the insurance industry of the kind of losses that we ultimately ended the year with. I believe it's true to say that, looking at it in its generality across Canada, that the insurance industry suffered a

(MR. SCHREYER cont'd) . . . \$100 million-plus underwriting deficit. I believe that those figures are . . .

MR. URUSKI: One hundred and thirty-two.

MR. SCHREYER: . . . approximately correct. I'm told 130 but, say \$100 million-plus. I doubt very much whether any reasonable person would argue that in May of 1973 there was a reasonable expectation of \$130 million underwriting deficit, and in any case it was 1.5, as I am advised, and there was no picture to indicate anything much more substantial than that. It begs the question, too, as to whether the insurance industry, including our own Manitoba Insurance Corporation, are yet in a position to view 1973 as a normal or year setting a new pattern of things, or whether it is to be regarded as abnormal, and that's why it is not possible to give a definitive answer to questions as to what is anticipated for the balance of the year. The big question that hangs over our heads is, was 1973 normal in the future scheme of things, or was it abnormal?

MR. CHAIRMAN: On a matter of order, the motion is out of order. "A member who is not a member of a committee may attend for the purpose of addressing the committee or putting questions to witnesses, but he shall not be permitted to vote, neither can he move a motion."

MR. ASPER: I'll move the motion, Mr. Chairman.

MR. CHAIRMAN: Moved by Mr. Asper that Page No. 9 be stricken. Are you ready for the question?

MR. ASPER: Mr. Chairman, now having moved it, I'd like to speak to it. I find the First Minister's remarks surprising because I can't accept readily the fact that at the 7-months point in a year, that responsible ministers of the Crown had failed to sit down with management of the Corporation and get some approximation of where the thing was going. If that's true, if what the First Minister says is correct - and I have no reason to disagree with the accuracy of his statement - that in itself is a frightening lack of management control by the chairman, who's referred to on page 9. It is after the second year of operation in a monopoly, with historical records coming out of the government's ears, to be 40 percent out in budget when you have a monopoly projecting \$25 million, or rather 40 percent loss out of \$25 million gross, certainly does not lend confidence to the management by the chairman, who was the then Attorney-General.

Mr. Chairman, as well, I find it impossible to believe that any corporation does not know and does not reserve for, at the 7-months point in its year, exactly where it's going to wind up the year, especially under those circumstances of monopoly, compulsory customers, and control over rates. And so, Mr. Chairman, it's most reasonable - as a matter of fact it's embarrassing, I think, to members of the committee - that that should have been included in the report. We certainly believe the report in terms of audit, but we don't think it's necessary for the committee to be asked to pass praise on somebody who has to take responsibility for a \$10 million deficit, which was never projected, which was never implied to the people of Manitoba, which was only -- as a matter of fact, Mr. Chairman, I go further. The people of Manitoba were given a representation by this government when they took over the insurance industry that major savings would occur. Well, maybe they did in premium, Mr. Chairman, I don't know.

MR. URUSKI: They still are.

MR. ASPER: Well, Mr. Chairman, there's a \$10 million deficit and I'd like to add that on, to find out what impact that would have on premiums. Then you'd know. Well, Mr. Chairman, I urge the Minister out of a sense of modesty to remove the page and let's pass the rest of the report.

MR. CHAIRMAN: Mr. Green on the same . . . Mr. Blake.

MR. BLAKE: No, I speak to the motion, Mr. Chairman. It's been stated that the indications were there that the deficit would be a million, or 1.5 million. If the Corporation were going to effect a savings of 15 percent, then it would appear that the profit should have been around four to six million dollars on the premium dollar. But I don't want to belabour the vote on the motion. Let's get on and get the report established. It's near 12:30 now.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, just what I hope would be a brief, and I don't hope it will be final word, Mr. Speaker. The fact is that if one took the \$10 million and added it to premiums, one would still find the savings that has been referred to.

MR. CHAIRMAN: Well, gentlemen, I believe Mr. Asper was talking really not to the motion, Mr. Green.

MR. GREEN: I think if one took the \$10 million and added it to the premiums, the savings are still there. But what is further significant is that Mr. Asper would leave out the fact that the industry in Canada lost \$132 million, and you have to add that to the premiums as well. And the only position that was continually taken and the honourable member was not here -- Yes, and we will build up a reserve too. Mr. Chairman, yes it can very easily be done.

MR. ASPER: By an increase in premiums.

MR. GREEN: And the premiums will increase, that if they have to be increased again they will be increased again. The Minister has indicated that. -- (Interjection) --

Well, Mr. Speaker, the premiums will be increased when, in the judgment of the Corporation and the government, it is necessary to increase the premiums. But the fact is that if one takes the \$132 million which the industry lost and added it to the premiums, you will get the same result. The percentage in Manitoba would be slightly higher than what has occurred over the country as a whole, and it's been indicated that possibly the premiums were a little lower than they should have been. Maybe that's one of the problems. But the fact is that that doesn't change what was originally stated, and that was that under public insurance the administrative cost is roughly 15 percent of the premium dollar; under private insurance the premium cost is roughly 30 percent of the premium dollar, or double the administrative cost of operating insurance, and that has not changed.

MR. CHAIRMAN: The question has been called. The question has been called. Shall the question be put?

MR. CRAIK: Mr. Chairman, there's an important matter of principle here, I think, that shouldn't be overlooked.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: The important matter of principle here is that I think that if any Crown corporation wants to operate as a corporation with integrity, that they have to separate themselves to the greatest extent that they can from the political process. If a Minister is going to be congratulated, it's going to be done by the people who elected him, whether they elect him or de-elect him. It's not going to be in an annual report. The incestuous relationship provided with having a member of the Cabinet as chairman of a Crown corporation is bad enough, but to have it pointed out in a report removes the possibility of the Corporation ever developing its own integrity and it should be removed. The chairman should be removed as a Cabinet member as well.

MR. CHAIRMAN: Mr. Johnston, are you speaking to the motion?

MR. G. JOHNSTON: Yes, Mr. Chairman, I was astounded to hear the Minister of Mines, Mr. Green, say that the Manitoba NDP who promised and brought in Autopac always did claim that they could run this at a savings to the taxpayer and I can't recall him promising no deficits but it was certainly assumed in that statement.

MR. GREEN: I never said it, never said that.

MR. JOHNSTON: Well then the Minister says they never said that.

MR. GREEN: I don't think you'll find one statement where I said that.

MR. JOHNSTON: Well, I'm talking about your party's platform. . . .

MR. GREEN: They never said that there wouldn't be a deficit in the operations of the Corporation.

MR. G. JOHNSTON: . . . on an insurance Crown corporation. So the feeble excuse that other companies across the country lost some millions of dollars doesn't stand up. The other companies that lost money didn't have the power to set surcharges, they didn't have the power to raise license fees, they didn't have the power to demand a monopoly by law, so to compare, to compare the Manitoba Government operation as put in by the NDP with private enterprise who have to operate under the laws of the country is an astounding comparison and it doesn't stand up, it doesn't stand up at all.

MR. CHAIRMAN: You have heard the motion. All those in favour that page No. 9 be deleted from the annual report.

MR. McKELLAR: Mr. Chairman, would you read the names of the members of this committee

MR. CHAIRMAN: I am aware of the members of the committee and I will indicate - and I believe you are also aware of those on the committee, but the members of the Committee are

(MR. CHAIRMAN cont'd) . . . Mr. Asper, Mr. Craik, Mr. Blake, Mr. Green, Mr. Evans, Mr. Schreyer, Mr. Uruski. We have a quorum. The motion has been made. All those in favour that page No. 9 be deleted - 3. Those opposed - 4.

The motion is lost. Page 9 pass, page 10 pass, page 11 . . . Mr. Blake.

MR. BLAKE: . . . meeting that losses were being amortized or the start-up costs being amortized over twenty years. Is that right?

MR. CHAIRMAN: That is correct. (Pages 11 to 15 were read and passed.) I entertain a motion that the Annual Report 1973 for the Manitoba Public Insurance Corporation be reported.

MOTION presented and carried.

Committee rise.