



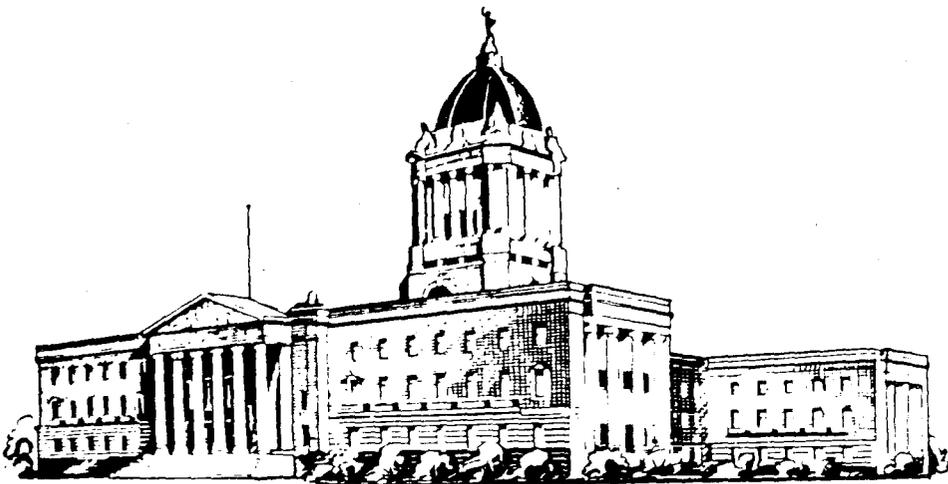
Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

**Chairman
Harry Shafransky, M.L.A.
Constituency of Radisson**



10:00 a.m., Tuesday, May 13, 1975.

PUBLIC UTILITIES AND NATURAL RESOURCES COMMITTEE

10:00 a. m. Tuesday, May 13, 1975

CHAIRMAN: Mr. H. Shafransky.

MR. CHAIRMAN: Good morning. I believe we can proceed. Presentation of the Annual Report from the Manitoba Public Corporation. Mr. Uruski. I believe that there were a number of questions taken as notice. Possibly we can proceed by having those answers given now and then carry on.

MR. URUSKI: Mr. Chairman, there were questions raised by Mr. Jorgenson with respect to custom combining registration and insurance requirements, about what plates are required to do custom combining in the U.S.A. We have checked with the Motor Transport Board. The Highway Traffic Act specifies a person must not use farm plates on vehicle when used in custom combining operations. Custom combining operations in Manitoba must have truck plates on the vehicles and in addition if he operates the vehicle over a radius of 15 miles he must obtain a permit from the Motor Transport Board or buy C. T. plates. It would appear therefore that C. T. plates are required for combining in the U. S.

However operators should be advised that they must comply with the registration requirements of each state that they operate in. Insurance will automatically follow the plate issued to the operator. The premium will be the same for a T. or C. T. plate and this premium would be sufficient to insure the vehicle in the U. S. A. The surcharge for continuous use of more than 60 days outside Manitoba will be made where applicable. This is with respect to the question raised on custom combining by Mr. Jorgenson. That's all that we have.

MR. CHAIRMAN: Are there any other questions that were taken? I believe that was all that were taken.

MR. URUSKI: If there is any other information we've made notes and if we haven't provided the answers yet they will be forthcoming, Mr. Chairman.

MR. CHAIRMAN: Okay. We can proceed. Page 1 of the report--passed; Page 2--Mr. Johannson.

MR. JOHANNSSON: Yes, I have a couple of questions through the Chairman perhaps to Mr. Dutton. It's with regard to the deficit. I understand that in the area of additional coverage - what's the term you use?

MR. URUSKI: Extension.

MR. JOHANNSSON: Extension insurance - that part of the cost of processing claims and so on that ordinarily would have been handled by private companies formerly, under our system was handled by Autopac and that therefore there was in effect a subsidy by Autopac of private companies. Can you confirm this and can you give me any figures on the degree to which the people of Manitoba were subsidizing private companies?

MR. DUTTON: Are you referring to the handling of claims as they relate to extension coverage? Because of its very nature obviously if a loss exceeds \$200.00, the deductible is a mandatory \$200.00, then the claim file must be handled by Autopac. I do believe that what the private sector would do in a case like that is simply have verification which is easy to do by our estimate slip, that we have estimated the loss and are going to pay all the damage above 200 and therefore they would automatically, I would assume, issue any kind of a cheque without too much documentation for the amount that the person brought down to them. If he had \$150.00 deductible then they would simply issue a cheque for \$150.00. In this area the claims handling cost to them has been somewhat relieved.

MR. JOHANNSSON: But you have no estimate of to what degree Autopac was subsidizing the private companies?

MR. DUTTON: Well we have no estimate of how many files because we don't keep a record of it - we could do so I suppose in future. As a matter of fact it probably wouldn't be accurate anyway because it's not duplicate coverage to what we would have and therefore is not relative to the claim. I would suggest that perhaps the private sector is not writing too much extension coverage at this stage. I believe that in the neighbourhood of 70 to 80 percent of Manitoba motorists do buy extension coverage from us. This would leave a very small amount that would perhaps be purchased from the private sector or prefer not to carry it at all. I think that you might say pretty well that the adjusting aspects of automobile is really carried out by Autopac now throughout the entire province. With exceptions of course. If the private sector is writing say a million excess over 50,000 in the mandatory coverage and you did have a heavy

(MR. DUTTON cont'd) third party claim then obviously they would have their own solicitors and own adjusters working on it.

MR. JOHANNSON: One other question. It relates to a couple of articles in the Globe and Mail concerning losses that the private companies in Canada suffered in the auto insurance business over the last couple of years. Now I have the Globe of April 16th and April 19th and there are two different figures given. I'm a bit at a loss as to what the figures actually are. One claims here that the industry had an overall underwriting loss of about 290 million in 1974 but this seems to refer to all insurance rather than just auto.

MR. DUTTON: I think the situation is one that is difficult to answer and that's why the confusion arises. I'm sure you will appreciate that there are some 200 or so insurance companies carrying on business in this country and they do report to the various Superintendents of Insurance and particularly the Federal Superintendent. Now his report - I believe it's tabled won't be tabled for the year that you are referring to, which is last year, for perhaps another year. Understandably it takes some time to compile this information. Now where we get the figures from rather rapidly is through trade magazines. There is no obligation for all insurers to report to trade magazines but the majority of them do report to a magazine called the Canadian Underwriter, that's one, and the statistical issue for last year has not been released as yet. It should be out in the next two or three weeks. This will give us a very good indication as to what the deficit was in the past year across the country and it should give us a breakdown as to what the deficit would be both as it relates to automobile, as to property insurance, to accident, sickness and life insurance and the various types. So from this we can get the figure but there is no question that last year was the worst year in the history of the insurance industry in this country and there is no question that the loss ran into a few hundred million dollars, two or three hundred million.

MR. JOHANNSON: So you're telling us that there are no official figures available to the public for almost two years regarding the -- (interjection) -- No, I'm talking about the Federal Superintendent of Insurance doesn't have the official figures for the private industry for almost two years after the financial year.

MR. DUTTON: No I think he would have - I hope I'm not creating a false impression here I think he would have a number of figures. You must appreciate there are two things. First of all insurance really is a provincial matter, not a Federal matter, but there are a number of companies, the majority of companies are what they term federally licensed. In addition to that there's some provincially licensed companies who report to the Provincial Superintendent. Now in compiling all the statistics he would have through federally licensed companies the bulk of them and the bulk of the premiums and the bulk of the loss. There's no question about that. But to say that that was absolutely up-to-date may not be the case.

In addition, although he would have the information I don't know when he is required to report the findings of the Federal Superintendent of Insurance. I would suggest that perhaps any one that wanted to could get in touch with him and find out just what the picture would be. But it is a big job compiling the statistics for an industry that is writing over two billion dollars a year away in excess of that, and with 200 companies and with all the losses in the various classes of business it's not a simple matter to obtain this very rapidly.

MR. JOHANNSON: Of the losses that are experienced, the figure doesn't seem to be clear right now, but it was pretty large. But of the losses can you give any estimate of what part of that would be auto losses?

MR. DUTTON: I would say that the bulk of it would be automobile from the material that I have been reading and from the various people I have been talking to in the insurance industry. I don't think there's any question about it, that automobile insurance has been hit very very hard by inflation and by higher court awards. I think it would be a matter of interest to point out to you that within the last year there has been a very very high award made in British Columbia and another one in Alberta, away in excess of a million dollars each, where people have become quadriplegic. If this is a trend it's an indication of what is happening to insurance losses and of course if the losses go up there's only one source of revenue and that is through premiums. There is no doubt that the bulk of the losses I am sure in this country have been in automobile and that the losses in total will be very substantial indeed when the final figure is revealed. I don't think there's any question about it. But I'm sorry, we can't give you an exact figure. Obviously we're not on the mailing list of any of these people, we only have to pick up what we get through the trade magazines and through reading the financial reports the same as anyone

(MR. DUTTON cont'd) else can do and from talking to people in the industry. But there's quite some concern and there's also - we do see copies though of the Green Book which is a statistical book put out by the Insurance Bureau of Canada and to which all companies report. Their statistics are quite detailed and they indicate quite clearly that they're recommending an increase in the rates again of maybe 15 percent in about July of this year because of the adverse picture of the past year and because of the picture as they see it of the loss trend for the next two or three years. They're anticipating that there will be an increase in cost of handling, claims, of course I think they're right, and of course when they write your insurance they write it a year in advance and they must take into consideration what the trend is and base their rates upon that.

MR. JOHANNSON: One of the articles, the article of April 19th in the Globe, indicates that the private companies lost - a reported loss of roughly 136 million in underwriting losses in 1973 and this is according to a preliminary report by the Federal Department of Insurance. Would this be a fairly final figure?

MR. DUTTON: No.

MR. JOHANNSON: That's for 1973 not 1974.

MR. DUTTON: I think so, I think so, I think that would be about a final figure, yes. They should have the 1973 reports - they should be finalized, they should have those.

MR. JOHANNSON: So the figures would indicate that the auto companies lost the majority of that 136 million?

MR. DUTTON: I think so. There are certain lines of insurance that are profitable. We mustn't get the view that everything that they write is not profitable. There are certain lines that they have been making money on and of course they offset some of the heavier losses. I would suggest that perhaps the auto losses could maybe equal that figure.

MR. CHAIRMAN: Mr. Johannson, I've been trying to follow what you're leading up to in line of questioning. I don't see the relevance of this report to what we're dealing with and we'll proceed with questions on the Annual Report.

MR. JOHANNSON: Mr. Chairman, we're talking about the operations - Page 2. It says, "The Manitoba Public Insurance Corporation in its third year of operations suffered a deficit of" such and such "bringing the accumulated deficit up to" such and such. The first year of operations we had a profit; the last two years we have had a loss. I was simply trying to put this into the context of the Canadian experience. I wanted to find out, Mr. Chairman, what that Canadian experience was.

MR. DUTTON: The Canadian experience is not good, it's the worst in the history and everyone is concerned about it. I do know that the reinsurers, too, in the London market and so on are quite concerned about Canadian business today because of the events of the last two or three years.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Chairman, maybe I can ask questions subsequent to the questions asked by Mr. Johannson.

MR. CHAIRMAN: Well I was just trying to determine from Mr. Johannson what he was leading up to. I don't believe that we need to have any defence of anybody else, we are here to deal with the Annual Report.

MR. CRAIK: Well I think these questions are all specific to it. First was on the extension coverage. There was a comment or some sort of suggestion that perhaps Autopac was subsidizing the private companies and I wonder, if that were the case, why the private companies would have pretty well all retracted from the field and are refusing to sell any. What proportion of the extension coverage now is actually being sold by the private sector?

MR. DUTTON: I think very little is sold by the private sector. There are many companies that won't write it at all and some of the others that do will only do so for what you might call a preferred customer of theirs. A simple answer is this: that even though it does cost them very little in most instances to adjust a claim because the adjustments - there's no point in adjusting a claim twice when it's already been done. But regardless of that, the loss ratio on this class of business is simply too high. If you want to put it down in simplistic terms, the rates are just too low for them to make a profit.

MR. CRAIK: Well in other words for them to handle what at one time was a \$29.00 standard extension fee wasn't it for the average household car, it seems to me that it was standard right across the board pretty well, you know, when Autopac first came in. They had to really

(MR. CRAIK cont'd) go through all the bookkeeping of handling a \$29.00 premium where- as previously they would perhaps be handling \$129.00 or \$229.00.

MR. DUTTON: Yes that's right. There is other situations, that they have to issue a docu- ment of course. They have their accounting procedures which they would have with an agent, there's no question about that. They would have their accounts receivable. I think the question was that perhaps it was a benefit, if you want to put it that way, in the adjusting of claims. That is the case of course but the benefit isn't enough along with the low rates to offset the losses and that's really the reason, I'm sure that they'd be in the extension business if it was a profitable venture because it's the name of the game.

MR. CRAIK: Well let's, you know, put it the other way. The offer of the extension cover- age in the competitive field was really just a few crumbs left over from automobile insurance when Autopac was brought in.

MR. DUTTON: Well that may be, whether the terminology is what we should be looking at. But the situation is that the same plan has been in operation of course in Saskatchewan for some 25 years and the private sector did compete most vigorously for the extension coverage which had of course proportionately low premiums relative to what they are today. But I think that the rates were sufficient to insure that there was maybe a dollar left over when all the claims were paid. I really honestly believe that the answer is that the rates are too low for them to make a profit regardless of any other factors and they're not going into that area.

MR. CRAIK: Any figures on the proportion that's written by the private companies as op- posed to Autopac in the extension field?

MR. DUTTON: No, but I'll see if I have the figures here for what we write of the total amounts and we'll let you know what the rest is.

MR. URUSKI: The one point that should be made when you mention a few crumbs, that the extension premium amounts to about 15 to 20 percent of the total income premium written by the Corporation. So that there would have been about \$10 million last year in extension premium, in that neighbourhood of premium written.

MR. CRAIK: Well I understand there is only one private company in Manitoba now writing it.

MR. DUTTON: I would think that must be the case. I have just asked for the figures and the figures are increasing. It never used to be that high but they tell me that about 85 percent of all the motorists in Manitoba - we know the total number of course, around some 500,000 - 85 percent of them buy extension coverage from us. That, therefore, if we use simple arith- metic, leaves 15 percent for the private sector and for those that are not going to carry exten- sion coverage at all. What the percentage would be, I would venture a guess at perhaps between five and ten percent that they would be writing.

MR. CRAIK: With regards to the comments or questions on the losses of the industry, I'm wondering, in the answers to this, that the 1973 loss of 136 million would be primarily auto- mobile. It's my understanding that the losses are roughly half and half, half automobile and half general insurance. That was the case the year before. If you're giving a combined figure the losses in the general field were about matched by those of automobile in the last two or three years. The question really is, if this assumption is the one on which you're going into general insurance, that the big loss field is automobile and general is a good field, I wonder if you aren't asking for a heap of trouble here because I think anybody that's been very active in the insurance industry for the last couple of years knows that the general field has been a far more difficult field than the automobile field in the period of inflation. If in fact you think that most of the losses are in automobiles, which is what's been stated here twice this morning, you're in for a terrible surprise.

MR. DUTTON: Well the general field happens to be the field that I am most interested in and really it's the field that I was most associated with all of my insurance career. There are a number of changes that have been made I am sure you are aware. There are too many smart people in the insurance industry to simply allow a loss condition to carry on year after year.

One of the errors that was made was following conventional systems of rating and issuing policies. For instance, a few years ago you used to be able to buy a five-year policy and even much more recent than that a three-year policy and in the days of inflationary trends and you base rates now and inflation goes on at 15 percent per year, in three years from now you have a loss. You can consider what's happening. Well of course we know today that the insurance industry are trying to get policies down to an annual basis and most of them are insisting upon this. This gives them a chance therefore to keep abreast with inflation.

(MR. DUTTON cont'd) They're doing many other things too. They're not simply renewing policies at the old rate, they are making certain terms, changes in conditions to make sure that the rate is adequate to meet the losses. I don't think that they're paying losses that they ought not to pay but they're having more losses than they're receiving premiums for. That indicates of course the obvious simplistic answer is to get more premium income and more premium income means a higher rate.

I believe in all sincerity that now is the time to get into the insurance business because these factors are on the upswing not on the down. They're going up. The insurance industry is entrenching; it is pulling in their horns so to speak. Many companies are pulling out of various areas, not just Manitoba. I know they are pulling out of various areas in the country because of their reserve picture and they're entrenching where they're strongest and the fields they know best. I believe that a company operating solely in Manitoba as we will be will get to know the districts, get to know the territory, the needs of the public and the rate that out to be a proper one. The instruction that I have received, sir, is that we will operate on a competitive basis with the industry and with a view of making sure that this is not a loss proposition in the long run. But having said that, I think we'll all appreciate that rate making is not an exact science and no one can guarantee a profit every year. You can have losses of course obviously.

MR. CRAIK: Are you going to have premiums running more than one year? Are you going to have two year?

MR. DUTTON: No, it's our thought that the premiums will be annual premiums to take care of this same factor. We're going to follow along. I think that our approach to it is really conventional. We will follow along with annual premiums; we will ask for adequate rates for the risk and I think with every justification for doing so, to make sure that the rate we do get is adequate. The secret is of course to know what is an adequate rate.

MR. CRAIK: Well are you on your general insurance risks, on domestic insurance, are you going to go primarily on a policy of new for old or are you going to insure to value or what sort of things are you going to offer.

MR. DUTTON: We were looking for insurance to value of course, an important feature, you must have insurance to value because the rate itself has no bearing unless you do. If you want to get really down to the sciences of it that's one of the problems of the insurance industry over the years too, quoting a rate without guaranteeing that you have some form of insurance to value and even a partial loss becomes what would normally have been a total loss. So we must have assurances that we will have insurance to value. It can be done in a number of ways of course by "co-" clauses; it can be done in a number of ways by inspection. Incidentally to give us some assurance of these areas a top priority with the Corporation will be a loss prevention department with qualified engineers on staff to assist us in the heavy commercial. With the habitational of course there are other means of looking after this end of it.

MR. CRAIK: I gather from your comments that your insurance really isn't going to be any different than that offered by anybody else. You're going into one-year policies, you're going into insurance to value.

MR. DUTTON: I don't think it will differ and I think the next question that would follow is why should people insure with us. I think that what you can offer the agent today - and we're going to operate through the agency system as you're aware - what I think they are looking for and what you should be able to offer them is good service and a good capacity. I think that there is a void in this area at the present time and it's not only here but in many other parts of the country too and I think if any company can give them the service and the commissions, which will be standard, and the capacity, I think we'll attract a lot of the business from the agents.

MR. CRAIK: Well, Mr. Chairman, I would have thought the question rather than being a question of why should John Doe public insure with us, the question would be more aptly put as to what are you doing in business if you're not doing anything different than any other company?

MR. DUTTON: But even not doing anything different from any other company, there are gaps today. We had some 150 applications a long time ago for people asking, agents asking us to get into the business. They all require - now I shouldn't say all of them, there's some of them - the big large broker I believe has sufficient capacity because of his premium income and what he is doing with his companies. He can pretty well dictate what the company should write a risk for or have some leverage anyway because they command maybe millions in premiums whereas the small agent that may be writing four or five hundred thousand or less doesn't have this leverage. These are the people, and particularly rural agents, many of them who do

not have the capacity. I realize that some of them do who have been there for years and maybe established a good relationship with a company but a lot of them just haven't got that. And they need the capacity.

MR. CRAIK: Well you made one earlier comment that the companies because of their reserve positions are pulling out of certain areas and I think that that must be of course the crux of the thing. The reason they are is The Insurance Act of Canada which requires them to have a certain number of assets to liabilities and also maintain a certain reserve for unclaimed losses and so on. But what you're saying is essentially that - if you boil it down - you're in business because of the fact that the companies are prevented by The Insurance Act of Canada from being in these areas where you want to go.

MR. URUSKI: . . . pulling out of Alberta.

MR. CRAIK: Well it really boils down to that.

MR. DUTTON: Well I think you'll agree it's not only here they're pulling out of course; they're pulling out of various provinces. Alberta is one that has lost a number and all the provinces. The situation isn't just unique to Manitoba and there's no question they're doing it. The fact is they are pulling out for a reserve problem. I think you mentioned the other day about the 115 percent rule that they use.

Also another factor is involved too. It's because their investment portfolios are not as valuable as they once thought they were because of the state of the market. The reserve problem that's been created, that has been caused so much so that they don't want any new business and for many of them it is to their advantage to cancel off old business or to sell it, sell their portfolio and to get into areas closer to their head office in many instances where they can build up business. I'm sure if you talk to the agents you'll find that there are many companies that have created problems to the agency force in this fashion and whether it is the Federal Superintendent or not, his requirements, I hesitate to say.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: Mr. Chairman, we kind of started off on Page 1 the other day with a shotgun and we got all over the place and I'm not sure what questions I've asked that have been answered and what ones I've got to go on yet. But just on Page 2 - Mr. Dutton mentioned that there was no point in adjusting claims twice and I'm sure he realizes that in some cases that it may be very wise to adjust them twice and maybe save some money and I'm sure you have some supervision on adjusting the claims.

MR. DUTTON: I certainly agree. For instance though if a car is an obvious total loss, a write-off, then what is the point of a private company who has the extension coverage say lowering the deductible from the 200 to 50 or another \$150.00 involved to do an extensive investigation procedure when they know that we may be paying a thousand or more dollars over and above that 200.

But there are other examples. I stated of course that obviously if there is a heavy third party claim where they raise the 50,000 third party maybe to a million dollars and they're exposed to maybe a few hundred thousand then the shoe is on the other foot. It's up to them to do heavy investigation in circumstances such as that. But they are in very much the minority. The majority of the claims are the bent fender.

MR. BLAKE: At what point in the training of your new adjusters does that adjuster have the complete say in adjusting a claim? Is there a number of hours or years of experience he must have before he adjusts a claim without it being readjusted by a supervisor or a senior adjuster?

MR. URUSKI: There are two areas. There is the adjuster who handles the claim and there is the estimator who estimates the damage on the vehicle that is dented. Now if you are talking about adjusting, it is the handling of the claim after the vehicle has been estimated; the taking of the report and the payment and the handling of the claim. If you're talking about the estimating that's another area. Which area are you referring to? There are two areas in the handling of claims. There is the estimating area of which the estimate of the physical damage of the automobile is handled by separate personnel other than the adjuster.

MR. BLAKE: All right. The one I'm referring to is the cost factor. Who decides what the total amount of damage is going to be, the total claim that the Corporation will pay and what experience does he have to have the final say and how does he get to that . . . ?

MR. URUSKI: You're talking about physical damage to the vehicle. If it is physical damage to the vehicle it is the estimator who has, in most instances, had many years of body shop experience on the bench and who has estimated vehicles previously. There is also a supervisor

(MR. URUSKI cont'd) within each Claims Center who does reinspections does consultative work with the other estimators and also does reinspections after the work is complete. There is a supervisory capacity in addition to the actual estimator who does the estimating.

MR. BLAKE: And he would decide that that estimator is experienced enough to go out into the country and look at a bent fender and say it's going to take 15 hours to fix this and make out the form and there is the total cost. Is that right?

MR. DUTTON: The country creates a different problem. We try to - I think we'll all agree you can't send an estimator and an adjuster along. It would be economically very bad. So we try to put the more experienced adjusters who have had estimating backgrounds too into the country points. It's a matter of getting enough manpower and enough time to train them and I'll be the first to admit that we haven't reached this goal as yet. But they're coming. We find that quite a few people in this province are very mechanically minded, we can pick them up. It doesn't take that much . . . in time. And incidentally we have a number of women working for us too in adjusting which is somewhat unique in the industry I believe but we haven't sent any of them out in the country yet. They're working in the City of Winnipeg, giving them training in this area too.

MR. BLAKE: They've probably had enough experience at bending them so they'll have a good idea of what it's all about.

MR. DUTTON: Could be.

MR. BLAKE: Sorry about that.

MR. CHAIRMAN: Mr. McGill. Are you finished?

MR. BLAKE: No not really.

MR. CHAIRMAN: Mr. Blake continue.

MR. BLAKE: I mentioned the fact that we had jumped around and I'm not just too sure where we left off. The purchase of the vehicles from the government garage last fall - I believe we asked this question in the House, Mr. Minister - . . .

MR. URUSKI: Yes.

MR. BLAKE: . . . and I don't know whether we have had an answer yet or not. Could you give us a ballpark figure on did this contribute somewhat to the operational loss or was it shown as capital or . . . ?

MR. URUSKI: It would be shown as capital. Yes, it would be shown as capital.

MR. BLAKE: Have you any idea of the amount involved? How many vehicles were purchased . . .

MR. URUSKI: Four or five vehicles I think.

MR. BLAKE: Oh it wasn't \$100,000?

MR. URUSKI: No, no.

MR. BLAKE: You were getting us the figure of how many vehicles were sold last year and how many were sold at public auction and how many were sold privately I think. I think we asked that last time.

MR. URUSKI: There were four or five vehicles sold that were taken in, they were actual Corporation vehicles. We attempted to make trade-ins, to deal with them on a trade-in factor and the amount of money that was received or the offers that were received we decided to put them on the auction and we received substantially more money on the four or five vehicles that were auctioned publicly, along with the salvage vehicles. But that's the only amount of vehicles that have been sold I believe by the Corporation to date.

MR. BLAKE: Okay. I think we can maybe proceed and get into some of the other areas. That's all I have right now, Mr. Chairman, on this.

MR. CHAIRMAN: Page 2--pass? Do you have any questions on that? --(Interjection)-- Just a minute. Mr. McGill.

MR. MCGILL: Not on Page 2, Mr. Chairman.

MR. CHAIRMAN: Mr. McKellar.

MR. MCKELLAR: I was just wondering, Mr. Chairman, do you have a reserve set up for personal injury claims of which the people have two years to file a claim against your Corporation?

MR. DUTTON: The answer to that is yes.

MR. URUSKI: Yes, every claim is a reserve.

MR. MCKELLAR: How much total amount do you have set up at the present time? The reserve for personal injury claims.

MR. DUTTON: The figure on third party claims, if that's what you're referring to, would be in the neighbourhood of \$9 million.

MR. McKELLAR: And is that included in one of the items here later on?

MR. DUTTON: It's included, yes, sir.

MR. McKELLAR: I was just wondering, at the end of October - what's the length of time before a claim is actually settled, the administration of a particular claim from the time that a man drives in with his car. Does that run about a month, or three weeks, two weeks or what's the length of time before the cheque is actually in the hands of the body shop, on the average. I'm just talking about an average claim.

MR. DUTTON: On an average, of course, there's no reason why there should be any delay for this reason for the damage to the vehicle. All losses are adjusted on a first party basis. The insurance you carry on the car, and I think this is one of the things that the public doesn't really understand, that the insurance they carry is insurance on their vehicle which is paid regardless of loss, subject to that deductible. So therefore if a person comes down to the Claims Center, he gets the appraisal sheet, he can drive right away to any body shop and provided they are able to do the work for him at that time, he can have it done immediately. Now what is in dispute is the amount of the deductible. You mentioned just a moment ago that maybe 85 percent of the people buy extension coverage so the deductible in most cases is not \$200.00, it's something less than that. But they will, in many instances, have some dispute obviously. If two cars collide, you have two different versions of what caused the accident and both people are genuine in their reports most of the time as to what did cause the accident, that they are not at fault, the other person was. In many instances they don't want to take that car to the garage until this portion is settled and that can take some time depending upon what they want to do. They may say, "Okay, I want to go to Small Debts Court and pay my \$3.00 and get it resolved if we can't resolve it here." In that case the course is open to the courts. But I would say that on the whole, the claims are settled within, repair bills coming back to us, I would think within a month. Within a month. That's the repair bills coming back to us and don't forget it takes a period of time for the repairs to be made.

MR. McKELLAR: Would you have a reserve set up for collision claims?

MR. DUTTON: Oh yes. The reserve is set up - the way that procedure works is that the reserve is set up on each file, when a person comes in and reports a claim to us - and that's why we had some 177,000, if my memory serves me right, files opened last year - the people come in and they will report a claim. Reserve is set up for the damage to that vehicle at that time and it is fed into the computer just as fast as we can get it into the computer and that reserve is upgraded at all times to take into account the actual losses incurred - and that's the terminology we use and use in the business - the losses incurred that we have to take into consideration. Now that deals with the damaged vehicle as well as the injured person. At the same time, we ask questions as to how many people were injured and reserves are set up in actual dollars and show on the files as to the amount that we have to pay out.

MR. McKELLAR: As the Limitations Act has been changed to two years then, do you think it's going to add considerably to your cost of operations?

MR. DUTTON: No, I don't think the Statute of Limitations being changed to two years will add to it appreciably. The only difference it would have made is that perhaps under the one year, as it used to be, the person could remove that estimate from the file. The only difference is of course that the reserves will be carried on for a period of two years. It would create no doubt some additional paper work but not appreciably.

MR. McKELLAR: Another question. Do you make cash settlements in the case of a hail damage to a car or do you require the car to be actually repaired?

MR. DUTTON: The policy had been not to make cash settlements. We had that one very severe storm as you recall in 1972 and at that time the policy had been that we wanted the cars repaired. Now whether this is the correct policy or not, it's one that I know is open to dispute. The reason for it, of course, is that if you do not have repairs made when the damage occurred, it becomes quite a debatable point in the case of a future accident as whether that damage had been paid previously and what ought to be paid now. It makes things much neater administratively if you can have the claims actually repaired to the person's satisfaction. But I think of late we are also keeping an eye on this situation and perhaps making some cash settlements, too, as the person requires. There are some instances, for instance, that damage to a bumper would be cosmetic rather than real structural damage to it and a bumper is a bumper and that's what

(MR. DUTTON cont'd) it's for and it's bound to get scratched and in instances of that nature we find that people are quite prepared to drive with a bumper that has been scratched or a dent in it, and an allowance made in the way of cash.

MR. McKELLAR: Well one of the things that was brought up the other day under the Highways Estimates here - and I wasn't aware of it. I thought there was regulations maybe to control these cars where these people go around - I see them more in the city than I do in the country - the people put these big tires on and the bumper goes up about a foot and a half higher than a normal car. Is that not a problem to your Corporation because it's a problem to the private insurance companies, I remember, when they were selling insurance?

MR. DUTTON: Oh, certainly it's a problem. If you hit a high bumper and you happen to rear-end them, there's not going to be too much of a problem with the fellow in the car in front but it's going to make a mess of your grill if the bumper overrides yours and then really it would create a bit of damage. There's no question about that. Personally, I think that these things can't improve the performance of a vehicle. They've got to change the center of gravity; they've got to do a number of other things and I can say personally too, I think they look like hell but some people seem to like them.

MR. McKELLAR: Have you discussed that with the Minister of Highways at any time, like brought this his attention or . . . ?

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, these matters are constantly being reviewed by the Safety Division and I don't know if any definitive work is being done with respect to regulations on bumpers but I do know that there is work, legislation being prepared with respect to the use of for example, radial tires, mixing and matching them with other tires on the same axle. We know that it is not a good practice, in fact a hazardous one, and there is legislation being prepared. But the specifics of the one you're stating I'm sure is being looked at, but I'm not aware whether it's going to be coming forth this session.

MR. McKELLAR: Well one other problem. You came in and started your insurance about the same time as the age of majority was reduced to 18 and drinking age and the liquor laws were amended too. If you saw CBC last night, the news on the State of Massachusetts and the problems that they're having, don't the same problems exist here in our society where the drinking age actually instead of being lowered to 18 what is happening now, it's being lowered to 15 and causing enormous problems both on the highways and in our social life too. Is there not the same problems existing here? And one of the reasons, I would imagine - I'd like to know what percentage of the claims are drivers involved under the age of 25 or 24 and under. What percentage of claims?

MR. URUSKI: We had statistics and now I stand to be corrected but out of every 10 drivers over the age of 25, I believe, 3.8 were involved in accidents in the last 20 month period and drivers under the age of 25, I think, 4.2 out of 10 were involved in accidents. However, the cost per claim was somewhat higher of the drivers under 25. The incidence wasn't that much different but the cost per claim was somewhat higher.

MR. McKELLAR: Could you segregate between men and women? Do you have any figures to show what the results are?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Yes, all right. The accident frequency - this is for 10 drivers over a 12 month period, out of 10 drivers - accident frequency. The male under 25 was 4.2. The male 25 and over was 2.8. The female under 25 is 1. In the female over 25 25 is 1.

MR. McKELLAR: That's right. Well this is what the private companies have been telling the people all the time and one of the reasons private companies never did surcharge girls of any age for the simple reason their record is outstanding. We all know that in the private insurance. But, Mr. Chairman, the reason I brought this fact out that we - and I guess - I'm in the private insurance business, been in it over 25 years - we were always criticized for charging the young boys or the young men under the age of 25. Well the results are right there, and we had to do it and you'll have to do it too eventually to get around this problem because your underwriting loss will never come down, never come down unless you charge them the rate that should be charged. I'll just stop right there because the results are there.

MR. URUSKI: Mr. Chairman, Mr. McKellar does, I'm sure realize that if the young driver has a bad record he will be paying more on his insurance, on his driver's licence as a result of a conviction. And secondly, that if he's involved in two accidents in a year of

MR. URUSKI (cont'd) which he is responsible for both, he will also pay an accident surcharge if he is a bad driver. So that until such a time as he is proven to be a bad driver, the assumption that is made is that he is treated with fairly equanimity to the rest of the motor-ing public. There is a differential premium on his driver's licence.

MR. McKELLAR: I always like insuring ladies that owned cars because you couldn't go wrong. Your loss ratio was always down.

MR. CHAIRMAN: Mr. McGill

MR. McGILL: Mr. Chairman, there's a reference on Page 2 to the deficit . . .

MR. CHAIRMAN: I was just going to suggest that it is going to be rather difficult to try to go page by page and it seems easier for people in asking questions to be asking questions as you have been and then when there are no more people on the list, I will go on a page by page and if there's any specific reference to that page. So I apologize to you, Mr. McGill, for allowing Mr. McKellar to proceed but I think it will be much easier and better. Mr. McGill.

MR. McGILL: Thank you, Mr. Chairman. Your apology is accepted. With reference to Page 2, I am reminded of something on that page in respect to the \$19.3 million deficit up to October 31, 1974, and the statement in the House by the Minister some week or two ago on the fact that he had never had to borrow any money, the Autopac Corporation, in order to continue their operations. 19.3 was the deficit to October, 1974, and you're estimating for the next quarter about \$5 million more.

MR. URUSKI: No, no, we don't. Mr. Chairman, the statement is being made that we are estimating . . . As I indicated earlier that if we would be able to predict what the number of claims will be, we would be able to predict what deficit, if any, will be, but at this point in time we do know that there was a deficit in the first four months under the old rates of \$5 million which we are hopeful that the new rates when they came into effect March 1st would cover off.

MR. McGILL: So the deficit of \$5 million is for the first four months. So we're up to about 24 million in deficit at that point.

MR. URUSKI: At that point.

MR. McGILL: Now your statement at the end of October shows that you had \$8.5 million in cash and you had four months to go there, November, December, January and February, during which time your receipts I would expect would be at a fairly low ebb. Your operating expenses were running average of \$5 million a month, so you're getting up to about, for four months \$20 million you'd be paying out if your losses ran at the average rate. I think it was about 60 million for the past 12 months. So the mystery to me is, Mr. Chairman, how did you operate with \$8.5 million of cash and expenses obviously a minimum of 20 million during four months of the winter, when your revenue from premiums would have been very low. Where did the money come from?

MR. DUTTON: I think one of the answers, Mr. Minister, if I may, are in the statement, sir, that you made that the receipts were very low. That's the case however, it's true. But the earning - you see the money we take in now we don't show as a receipt as earned on a particular month. We'll take in something that's \$30 million to \$40 million in a very short period of time. Regardless of taking it in within a period of a few weeks, we don't show that month as having a horrendous surplus because of the fact that our receipts were very high. We attribute a certain amount of that money earned to that particular month and this spread throughout the year. In the last four months had earnings on a monthly basis for that period of time. The statement that you see shows the earnings and the cash position on an earned basis at the end of the 12-month period. We would continue to earn for the four months in question on a one-twelfth basis as we had been doing in the previous eight months.

MR. URUSKI: Additionally you must remember that there is an amount of money that is reserved for claims that may not be paid out. But it is shown as part of the deficit because the money still hasn't been paid out, but it is a reserve portion for payment of future claims.

MR. McGILL: Are you permitted to use those reserve funds for operating?

MR. URUSKI: It's on a cash flow basis. The entire insurance industry is on a cash flow basis, yes.

MR. McGILL: This privilege that you enjoy of using reserve funds for this purpose is not available to the industry, the private industry.

MR. URUSKI: The reserve funds are used for investment or for - they don't hold that. That money is turned over either in investment income or whatever it is being used.

MR. MCGILL: Mr. Chairman, I am not just clear whether this explanation given by the Minister is exactly the way it applies in the private industry. I understood that the Superintendent of Insurance and the Insurance Act required those reserves to remain and that they could not be used for operating. But you are, as a government insurance corporation, using those funds for the purposes of operating . . .

MR. URUSKI: Yes.

MR. MCGILL: . . . and not having to comply with the reserve clauses. I think Mr. Dutton previously explained this as the unlimited credit position of the government as backing the Public Insurance Corporation which rationalized this special privilege of reducing the reserves for claims at any one time, particularly during periods where your premium revenues would be at a reduced flow. So, Mr. Chairman, does Mr. Dutton agree with that explanation?

MR. DUTTON: Well first of all I want to make the point that I think you prefaced your remarks by saying, sir, that there was a deficit of 19.3 million for the first two years and the first quarter showed an extra 5 million and you wondered if money had been borrowed from the Treasury Department to look after this situation. The answer to that has to be no. I should say that we did borrow money initially in the first years, before we got started. I think it was \$400,000 or something wasn't it? \$400,000 which was paid back prior to Day One of Autopac with interest, and that is the only moneys that the general revenue has contributed to the Corporation. The fact that there is a \$19.3 million deficit, the fact that we have paid off 1.2 million to agents for transitional assistance, the fact that we have amortized our construction debt of the claims centers and so on, it's all been taken care of out of the fund, nowhere else, and I think we should just clarify that point in case there is any doubt, sir. I can assure you that the money has not been advanced to us for this purpose.

Now the situation about operating in the same fashion as the private sector. I stated the other day that we do not - it's a different situation. The private sector is controlled very rigidly by the Federal Superintendent if they're federally licensed, and they have to ensure that they have their millions invested in the corporation or advanced to them to take care of the situation of any losses or the fact that you can of course have deficits in this type of business we're in as well as surpluses. They have to have their necessary reserves in the form of shares, as money that is paid in. On the other hand the Provincial Government here is in a position to guarantee the stability of this Corporation even though we have never asked them for any money to help us to this date.

MR. MCGILL: So you have never actually used any other government funds other than . . .

MR. DUTTON: No. I can assure you, sir, the government funds are not in here at all. The money that is here and the losses that are paid out are paid by the motorists themselves.

MR. MCGILL: Did you in your explanation mention some short term . . . ?

MR. URUSKI: Prior to Day One, there was an organizational loan of \$400,000 prior to the Corporation starting up which was paid back right after Day One as we began doing business. -- (Interjection) -- \$320,000 to be exact. With interest, before Day One.

MR. MCGILL: But since that time there have been no loans, no interest paid on overdrafts of any kind during your . . .

MR. URUSKI: There is no overdraft, Mr. Chairman.

MR. MCGILL: Mr. Chairman, there is one other area in which I wanted to question Mr. Dutton. The matter of surcharges for accidents experienced in any one year was brought up at the last meeting and the explanation given, I think, was that if a person - a driver was 50 percent or more responsible for two accidents in 12 months, he would have an additional accident surcharge over and above that which would apply for demerits on his licence, and this would be \$50.00.

MR. DUTTON: That is right.

MR. MCGILL: And that for each subsequent accident within the same period, there would be an additional \$100.00.

MR. DUTTON: That's right, sir.

MR. MCGILL: I have a copy here of a form letter that goes out from the Manitoba Public Insurance Corporation and the first paragraph reads: "Our records indicate that you were 50 percent or more responsible for the above accident. If arising out of this accident no insurance moneys are paid to you or on your behalf, you will be advised of this by separate letter and this accident will be removed from your driving record." Then it goes on to suggest that if you have any more accidents, you're liable to this surcharge.

(MR. MCGILL cont'd)

I wonder, Mr. Chairman, if Mr. Dutton would comment on this and would he agree that this is in a sense a form of intimidation in that it suggests that, don't bill us for this accident and then you'll avoid what might be an accident surcharge if you should be involved in any other accidents. The tone of the letter seems to me to be somewhat along that line. I wonder . . .

MR. DUTTON: You know it's always been told that it's better to maybe talk nose to nose to someone than write them because letters are sometimes misinterpreted. But that wasn't intended to be intimidation. That letter is intended as information. I am sure we'd be remiss, sir, if we did not advise a person that he had been adjudged 50 percent or more responsible for an accident and what the problems would be, because at this stage he now has the point to dispute it, he has the point of appealing it, both to myself if they wish when I can look at the file, and they've got Small Debts Court; they've got many other areas. It also informs them that therefore even if they are responsible that they should know that if they have another one within that 12-month period that when they renew their driver's licence they're going to be hit with another \$50.00 shot. Perhaps the terminology could be dressed up. I haven't really looked into that letter but I do know the basis of it. The basis is to inform the motoring public, a person that's had one accident, that he has been adjudged 50 percent or more responsible and what the problems will be in accepting this kind of a situation should he have another accident.

MR. MCGILL: Well, Mr. Chairman, the fact that there is an additional surcharge to that which is already in effect under the Licensing Bureau makes me wonder if this is the whole purpose of . . .

MR. DUTTON: I'm just informed now that the first part of that letter has been changed. That's an older letter that you have.

MR. MCGILL: I don't see any date on it. It seems to me that now that you have two types of surcharge, one in where there is no responsibility in law but that there has been some agreement that 50 percent responsibility has been accepted. In the case of the demerit marks on the licence . . .

MR. URUSKI: It's two different things.

MR. MCGILL: Yes, I know it's two different things but I'm wondering why this one developed. Was it for the purpose of acting as a deterrent in the case of small claims for people to simply say, well now we now have one accident in which we were 50 percent responsible, rather than take a chance on paying an additional \$50.00, if another accident of this type occurs we will just avoid making a small claim on our policy.

MR. DUTTON: Mr. Chairman, I haven't got the figures with me but I assure you that the situation when a person, the average car with normal driver has two accidents in one year in which he is 50 percent or more responsible are few indeed. But there is a number of the driving public who really are disproportionately hazardous who do have accidents, who have a devil-may-care attitude when they're driving a car. It's these people who - some kind of a restriction, some kind of a control must be placed over them, and one is of course by doing it in the way of dollars and cents on their driver's licence, because the damage to the vehicle may occur time and time again but it's just a matter of time before there's injury to person or deaths involved. I think that if everyone realizes that there is a surcharge procedure if they're going to continue to have accidents, then they will exert more care and we'll all be better off. But I would say that 95 percent - oh, more than that - of the people never will be surcharged. It just doesn't happen that you have two accidents year after year. And don't forget this is erased after the twelve-month period.

Now the principle surely is one that is well recognized in insurance and is one that is used by the private sector and has been used for years in both areas, that they surcharge a person if he has an accident which costs the company money. Their reason behind it, too, was largely deterrent. It is not a case of recouping your loss, you can't do that. You can never make it up, the amount that you pay out. But if it does act as a deterrent, in the long run it does affect everybody's rates and it does add to greater security and safety on the highway.

MR. MCGILL: Mr. Chairman, it was my understanding that the system of tabulating demerit points on the licence was the way in which the careless driver was brought to task and I'm just wondering why this additional or supplementary kind of charge is made. It seemed to me that the other one would be a reasonable way because in law, the courts have decided the responsibility and therefore the demerit marks are applied and the man when he renews his

(MR. MCGILL cont'd licence has to pay the additional charge. Evidently you found that it's necessary to have an additional kind of surcharge.

MR. URUSKI: We found, Mr. Chairman - and I have stated this previously - that in many occasions where accidents do occur charges are not laid because the police are busy elsewhere and traffic violations do occur and charges are not laid. As a result, the additional premium levied on demerit points is of course just not there, it's not covered off in every case. As a result only in some cases where people are convicted in court and demerit marks are assessed they are paying and in other cases they are not. As a result one of the areas that we looked at was the accident surcharge, of being involved in an accident and being responsible for the accident as a levy.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I'd like to just pose several quick questions here. Number one - with regards to collision, the premium you have to pay for collision, I know there has been some discussion on this matter and it's come up time and time again where somebody has a \$200.00 or \$300.00 car and is forced to buy collision for that car and really it's of no benefit at all. Is the Corporation having a look at that at all?

MR. DUTTON: You're talking about an older model car that its value has pretty well depreciated. The amount that he pays in his premium is - under the compulsory end of it - is very negligible indeed for collision, the rate. It reflects the value of the vehicle in case of an accident. But you'd be surprised how many people that have these older model cars that indeed buy extension coverage to lower that deductible so they can even gain the \$150.00 but the car is not worth much more than \$200.00, and to repair them costs as much or more than it would of course a new car, the premium is only a few dollars. I can get some examples if you like on an older model car, that we'd actually charge for the collision portion of it.

MR. BANMAN: The other thing, and I think the Member for Souris-Killarney brought this up and being in the car business myself I notice this happening fairly often and I don't know how you're going to police it. But I think it would be to the Corporation's benefit to make cash settlements when older cars are involved in accidents, and I think Mr. Dutton just mentioned that. I see all too often where you have a \$300.00, \$400.00 car and he gets dinged a little bit in the back and there isn't that much - you could take a sledge hammer and straighten the bumper - but as a result there's a \$225.00 claim that results from this. I think for \$75.00 or something like that, for a third of what it really is costing Autopac to repair that particular car, the owner of the vehicle would be happy with that and walk away with cash in his pocket. Now I appreciate the claiming problems but I know - I think for a fact that's where the private companies were saving themselves a certain amount of money because they were readily making cash settlements.

MR. DUTTON: I appreciate that and as a matter of fact it's people with older cars that very often do exactly that at the present time. They feel that the amount of money they're recovering is not sufficient to be really attractive to them or get them or replace their set of wheels. So what they will do they will take a cash settlement and retain the salvage. In other words it's a total loss, and see if they can effect some repairs to put it back on the road. I appreciate your observation. I think it's a very worthy one, sir.

MR. BANMAN: It's bad. Sometimes you see a car come in that's worth \$200.00 and you've got a claim of \$150.00 on just repairing the bumper and a little quarter panel or something like that.

The other thing I'd like to ask the Minister. Last year he announced that they implemented a "fraud squad" with regards to going around checking different claims and different body shops to make sure that in fact parts were put on that were supposed to be put on and I wonder if the Minister could inform us is that "fraud squad" still operating, the number of personnel or what has happened.

MR. URUSKI: Mr. Chairman, the name - I don't know where the member gets the name. The gentlemen that are in the special investigative unit investigate arson, theft cases and the like and they have been - I might say - very very active and very busy in the area of arson cases and suspicious theft nature claims. They have made periodic visits to body shop areas to check out the various claims but they have been very active in the area of arson and the like. Yes, they are still with the Corporation.

MR. BANMAN: I understand that fire losses, namely through, you know, the burning of vehicles and I note that quite a few of the cars being stolen now the youths or whoever steals them sets them ablaze and that's the end of that story. I appreciate also that it's very very

(Mr. Banman cont'd) hard to prove somebody burning his car. If he happens to be driving along a desolate country road and it just catches fire there's very little that Autopac or anybody can do. But are the RCMP involved in any of these investigations?

MR. URUSKI: Yes, Mr. Chairman, our members work hand in hand with the city police, the various municipal police forces and the RCMP. I believe the RCMP in the city have auto theft squads or one or two constables doing nothing else but that, and our people complement them with the information from within the Corporation and in assisting in the investigation. We do not lay any charges which may result out of investigations conducted by our members. The laying of charges in court are handed over to the local police departments where the offence has occurred. We do not prosecute. It is turned over to the local police.

MR. BANMAN: Has there been - and I don't speak from personal experience along this line - but has there been sort of a rash of fires lately? It seems to me that we've run into a fair number.

MR. URUSKI: I can't comment on the number of fires prior to the Corporation, I can state that there was a goodly number of fires dating back to about a year and a half ago that the incidence of fires started climbing but since then things have, I believe, fairly well levelled off.

MR. DUTTON: I think anyone should be a little careful if they're using this tactic to dispose of their vehicle. We have had, through the police force and through our special investigating unit, a number of convictions on torched vehicles. You know you can tell when a car - pretty well when a car is deliberately torched. There are certain ways of doing this. The key is, of course, proving who did it. But you can tell. They have a very good idea when a car is deliberately set afire and they know, and then when they know that a car has been destroyed in this fashion deliberately the investigation becomes quite detailed and they get a little tough on the whole situation. These people are checked out very very closely and I think if a person is ever thinking about this, be very very very careful because they're getting quite expert at it, I can assure you.

MR. URUSKI: There have been instances where persons were experiencing difficulty with their motors or transmissions and all of a sudden the car burns up. That ultimately is traced back to be able to show that there was previous difficulty or mechanical failure in the car and then all of a sudden the car burned. So that these things are being investigated in detail.

MR. BANMAN: In other words, if there is any evidence that there could possibly be somebody wants to pay off a loan or is having difficulties with the repair of his vehicle, that is taken into consideration when the investigation is conducted?

MR. URUSKI: That's part of the entire investigation in any possible arson or theft or the like, yes.

MR. BANMAN: Fine. The last question, Mr. Chairman. I notice in the statement you show Investment Income of \$2 million. I wonder if you could just tell us is that with regards to debentures? Is it a loan? Is it investments? What amount of interest rate is that?

MR. DUTTON: There's really roughly three methods of investing our money. You will appreciate that a large sum of it comes in in February, March, when people renew their driver's licence. We know from experience that we're going to require a certain amount of money - this money each month - and we know that some of it will be in long term investments. We know that we also have to have cash sums of money available at all times, so the situation that happens is that anything that is invested over a period of one year or longer than that is called long term and these are in debentures and bonds and so on. Anything that is going to be required periodically throughout the year is then put out in maybe 60, 90, 120 day notes, whatever is required. The money comes due at that time. Another account is kept on a cash basis in which the moneys can be withdrawn on a cash date. Obviously the cash account has the lowest interest rate naturally because it's not as profitable for the banking company. But the interest rate would vary. We have had as high as over 8 percent on the cash account. Of course on the short term that's 30, 60, 90, 120 days depending on what the market is at that time but it will run in excess of 10, 12 percent sometimes - not this year but in the past. This year of course it's lowered and of course the debentures and the bonds of course has lowered and of course the debentures and the bonds, whatever the yield is. The average yield would have been what, Arnold? He hasn't got an average yield for the past year.

MR. BANMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: One question I had on Page 2 is the "fraud squad" one and it's answered, Mr. Chairman, so if you want to proceed to another page at least so we might . . .

MR. CHAIRMAN: Well I indicated that I will accept questions on any section because it seems much easier than trying to follow page by page because some questions are related. Page 2--passed; Page 3--pass?

MR. BLAKE: I'm sorry, Mr. Chairman, that I missed the Motor Vehicle portion under Highways Estimates but would it be very difficult to tell the number of drivers that paid say \$118.00 for their driver's licence last year.

MR. URUSKI: I have that information for you. I will provide that. That Order for Return that you tabled, that information is coming to you.

MR. BLAKE: Is it? All right. Okay. That will give it to me when it's through?

MR. URUSKI: Yes.

MR. BLAKE: Is it substantial? Do you know offhand?

MR. URUSKI: The amount of total premium income?

MR. BLAKE: Total revenue coming from that source.

MR. URUSKI: About \$2 million.

MR. BLAKE: About \$2 million from increased drivers' licences.

MR. URUSKI: From demerits. From demerit . . .

MR. BLAKE: It's pretty substantial.

MR. URUSKI: Right.

MR. BLAKE: This was an area that wasn't available to the insurance field you'll understand in the past. Just so as we have the record straight -- (Interjection) -- That's right. And Mr. Dutton . . .

MR. URUSKI: It was in a different way.

MR. BLAKE: . . . stated a while ago there was just one place to get revenue now . . . to pay premiums.

MR. DUTTON: They did charge, the private sector did charge and does charge . . .

MR. BLAKE: By premiums.

MR. DUTTON: . . . in areas - yes, but it's in their premiums . . .

MR. BLAKE: That's right.

MR. DUTTON: But their rate manuals do not take these into consideration and there's often a danger of saying a rate manual is so and so, therefore this is what we're going to charge as opposed to what anyone else. But these are only the stereotype, if you want to call it, the standard base. Anyone with a number of convictions, a number of accidents would be paying in addition to that, that way we get in some of the driver's licence.

MR. BLAKE: I want to get some idea of the amount of revenue being received from the surcharge on the drivers' licences for 6 demerit points or 8 demerit points, whatever, whatever it might be, because there's an awful lot of fellows with 6 points, guys that are on the road a lot, three speeding raps and you're up to 6 points and you're paying \$118.00 for your licence.

MR. URUSKI: That's right.

MR. BLAKE: And I don't think you would have been paying that on your insurance under a private scheme.

MR. DUTTON: The private scheme used to charge, private insurance for two speeding convictions was 25 percent and for careless driving was 50 percent - on their premium. That was the formula that they used. The situation is that it's spelled out of course in the regulations, you see it quite clearly. But they use the same procedures as we're now using of trying to get the person who is breaking the law and also have a number of accidents.

MR. BLAKE: Well all right, you can carry on, Mr. Chairman. I have some questions, I think they'd be more suited under a different page, so . . .

MR. CHAIRMAN: Page 4--passed; Page 5--passed; Page 6--passed; Page 7-- Mr. McKellar.

MR. McKELLAR: I was just wondering - you mentioned you have a mobile van operating out of Selkirk office for adjusting. Is it the intention to set up any more of these mobile adjusting vans?

MR. DUTTON: We're evaluating the effect of this van to find out if it does all we believe it will, and if it does perform in that fashion, yes, then we would do so. It does one thing, I think you'll appreciate it. It prevents any chance of misunderstanding or misinterpretation if the person takes their car to a body shop in a small town and the adjuster calls there. This way there is no chance of course of it being handled by the body shop dealer as opposed to the adjuster.

MR. URUSKI: We have received complaints in areas where there may be two shops in one community and the adjuster might call in one area and then you have that complaint and we are evaluating the van to come into one spot in the community and people can come to that area to have their claims adjusted rather than to an individual body shop.

MR. McKELLAR: What's contained in this van? Like is there any special equipment or just an office on wheels.

MR. DUTTON: It's a standard van with a little office arrangement place in the back and it's marked on the side as to what it is and that's what it is. The adjuster has to have wheels anyway, as I'm sure you're aware, to get around.

MR. CHAIRMAN: Mr. Blake.

MR. BLAKE: I just wondered, quickly, are there any changes or amendments considered for this Act or this session?

MR. URUSKI: No.

MR. BLAKE: Okay.

MR. CHAIRMAN: Page 7--passed; Page 8-- Mr. Blake.

MR. BLAKE: Page 8, Mr. Chairman, there were a number of questions earlier on the entry into the general insurance field. It seemed like an unusually high number of requests - 158 didn't you say, requested that you enter the general insurance field?

MR. URUSKI: There have been letters and requests from many agents.

MR. BLAKE: That's an unusually high number. I realize some of the agents were having difficulty placing certain types of insurance, but were these not relatively high risk areas where the companies were not placing them and they weren't interested maybe in charging an exorbitant premium in order to be comparable with the risk. Surely when you're going into the field you're not going to be going out and taking all these high risk areas. And I refer to a lot of the remote northern areas, because if you're going to insure those homes that . . .

MR. URUSKI: There are very few agents in northern Manitoba.

MR. BLAKE: I realize that, but if those homes were insured you know you'd be looking at a new set of northern lights every Saturday night in northern Manitoba. That's why they're not being insured because they're an extremely high risk area. Surely you aren't going into that . . .

MR. URUSKI: That isn't the only areas where companies have motels and . . .

MR. BLAKE: I know, restaurants . . . there's a pattern of high risk . . . areas.

MR. URUSKI: In rural Manitoba many areas, almost every small agent has been crammed into service.

MR. BLAKE: And some of them should be insured. Some of them are normal risks that I would say should be insured but there weren't the companies there to do it. I know there are areas where the companies haven't been doing the job or refuse to do it.

MR. URUSKI: Yes. Well, for example, there was an article in the paper of the cutback in companies not only in Manitoba but in, I think 12 companies stopped underwriting in Alberta, for example, within the last year, so that the marketability of insurance has tightened up, and especially for small agents.

MR. BLAKE: So you will just take a portion of the area that's not now being serviced, you're not going to just take anything that comes along? You're going to operate it on a good sound business basis in competition with the private companies, so therefore you'll be assessing risks as . . .

MR. DUTTON: The risk will be underwritten and - you mentioned restaurants a while back and one of the problems has been of course with the CO₂ type of extinguishers in the buildings, this type of thing, I think certain changes have to be done in the risk itself to improve it, and I don't think anyone will object to that so long as it's pointed out what is necessary. We propose to have our Loss Prevention Department set up to do this type of thing.

MR. CHAIRMAN: Mr. McKellar.

MR. McKELLAR: I was just wondering, are you going to use the standard policy that's approved by the Superintendent of Insurance of Manitoba for all risk or are you going to have a policy of your own, like an application form of your own and also the required - well he's got it set out like and all the basic requirements that the company has to meet, or are you going to deal with the Superintendent of Insurance about all in this?

MR. DUTTON: Insofar as the statutory conditions that apply to the various type of risks and these conditions are set up by the Superintendent. We'll be following that. Every company varies their wording to some degree, or most of them do anyway, and this is one of the bases

(MR. DUTTON cont'd) on which most brokers try to sell their accounts, that they are broadening the wordings of a policy but still subject to those statutory conditions that are there. We will be following it. I don't think that now is the time to get into a market with broadening of coverages beyond that of what the industry is offering and ours will be on a par with theirs.

MR. McKELLAR: Another question. When will the agents know whether they're going to be approved by your Corporation, in other words when will they hear?

MR. DUTTON: We asked for all the applications to be in by the 15th of this month and they should hear from us next week some time.

MR. McKELLAR: I see. Are you going to have a school to educate them?

MR. URUSKI: There will be a session in June, towards the latter part of June.

MR. DUTTON: 19th of June.

MR. URUSKI: 19th of June.

MR. CHAIRMAN: Page 8--passed; Page 9-- Mr. Blake.

MR. BLAKE: The amount paid out in salaries and the number of employees would work out to an average salary of something like \$8,300. Is that a realistic figure? Are your salaries throughout the Corporation competitive and in . . . relation to other related industries?

MR. DUTTON: I would think that the - if you want my view, I think that the salary that's paid by the Corporation by virtue of the fact that it is an organized group, that is a unionized group, is perhaps higher than that paid by the industry as a whole. I'm sure you realize that when a firm is unionized that the name of the game is to try to work the best deal they can, I don't know how many insurance companies in Canada are unionized, if there are more than four, five or that you count on one hand, throughout the whole country. So therefore I would say, sir, I would assume that the salaries are higher here than they are in industry.

MR. URUSKI: On a par.

MR. BLAKE: On a par. What remuneration is paid to the members of the board?

MR. URUSKI: \$3,000 a year, Mr. Chairman.

MR. BLAKE: And they meet how often?

MR. URUSKI: On an average of about once a month.

MR. BLAKE: And your meeting would last roughly how long? Three hours?

MR. URUSKI: Sometimes even all day and all evening. I would say an average of probably five, six hours.

MR. BLAKE: What would you say their average hourly rate was - about \$300.00 to \$400.00 an hour?

MR. URUSKI: Mr. Chairman, they are paid an annual stipend like any other board of directors, but their activities I might add are not solely just for meetings. The board of directors are involved in other areas as well for which they lend their particular expertise.

MR. BLAKE: I realize boards of directors are very necessary, Mr. Chairman, but I just felt that the remuneration might be up in that figure somewhere if you worked it on an hourly basis. I doubt if it would differ much from some other boards, but it's just a matter of getting on the board.

MR. URUSKI: That's right.

MR. BLAKE: On Page 9 at Employee Relations. I've had a couple of situations brought to my attention - and I certainly am not going to meddle in the affairs of employee relations of the Corporation - one I'm sure you're very familiar with where the union became involved . . . went as a grievance to the union and his job is available if he reports back to his old job but there appears to be a strong personality clash with the particular area and I just wonder how . . .

MR. CHAIRMAN: I believe those would be internal to the operation, not . . .

MR. BLAKE: . . . say that on an humanitarian angle seeing as we're discussing employee relations, Mr. Chairman. On the humanitarian angle if this is being considered on another . . .

MR. URUSKI: That isn't the information that I have been provided. As a matter of fact the specific instance I believe I am aware of, that the gentleman in fact was transferred from his old position to a new position and then went back to his old position and it has been indicated to me that there was no conflict of personalities in his old position. However, he just felt that he could not get back to the same position. But the working conditions in his present position do not vary at all with any other area of that same type of a job anywhere within the Corporation.

MR. BLAKE: In summation then you would consider the relations with the employees and the morale of the corporate employees as being normal and being very good?

MR. URUSKI: Yes.

MR. CHAIRMAN: Page 9--passed; Page 10--passed; Page 11-- Mr. Blake.

MR. BLAKE: Mr. Chairman, on the Auditor's Report it mentioned that the statement is prepared in accordance with general accounting principles and yet we do not seem to get the impression that this is the case, although their general principle is on the basis of the way the auditor has performed it and consistent with the preceding year, but, you know, when you consider the liabilities, Mr. Chairman, of \$44,122,000 and the assets of 24,796,000, you know, there's no question that there's a bankruptcy position. Also, you know, your assets are normally in business considered to be something that can be realized upon in the event of a bankruptcy and organizational expense of 4.26 is included as an asset. You know you really couldn't realize on that, so therefore your assets would be probably about \$20 million, so you're in a deficit position of \$24 million. So really I don't see how we can say that the statement has been prepared in accordance with generally accepted accounting principles, and I wonder if you'd care to comment on that.

MR. URUSKI: Mr. Chairman, we've indicated that the procedure by which the Corporation derives its income and does not have to have the reserves in essence in a different way than the private companies do but, however, the method of accounting and the procedures handled are in accordance with any recognized accounting practices.

MR. BLAKE: Although any recognized company though couldn't stay in business under these conditions. We've indicated that.

MR. DUTTON: Mr. Chairman, it's a continuous comparison of course and which is quite understandable between the standardized form of insurance and I've mentioned time and time again that what would have happened to set up a corporation of this magnitude - and it is a very large one, I'm sure you'll appreciate there are very few in the country that are any larger - would have required millions of dollars in investment capital to start off with which wasn't put into this corporation. The situation is that the government has of course a great more wealth behind them than any insurance company that you could possibly imagine and it's not necessary under those circumstances to actually fund the millions of dollars that would have been done otherwise.

MR. URUSKI: Mr. Chairman, the fund in effect is a motorists' insurance fund. That motorists are paying into the fund and receiving benefits out of it as a result of accidents and injuries sustained and the fund pays out in excess of 80 cents on the dollar and that is where the savings to the motorists will occur. It's never been indicated that our costs will not rise any differently than any other corporation. However, the administrative procedures that are being practiced here are the result of what savings can be had to the motorists in the Province of Manitoba.

MR. BLAKE: At what point do you cease paying out more than you take in to the extent that the motorists now are getting far more benefits out of the Corporation than they are paying for. When do you draw a line and say, well now we've got to start recouping these losses

MR. URUSKI: Mr. Chairman, the increase in premiums - when the estimates are made prior to increasing the premiums, at that point in time we are hopeful that we will recoup some of the previous deficits. And if we could accurately project or estimate the number of claims that we will have then you would be able to accurately reflect the financial picture at the end of the year. One just has to again look at what has happened in the last two years across the country, four increases inside of one year because of predictions that they could not accurately assess.

MR. BLAKE: Projecting ahead then, if your indications were such that a 40 or 50 percent increase in premiums was necessary say in 1977, do you feel the Corporation would make this increase without any qualms whatsoever or any suggestion that maybe we could get by for another year and then at the end of the year say, we would say, whoops we lost another \$20 million?

MR. URUSKI: Mr. Chairman, Mr. Blake can't have it both ways. They have the argument both ways, that the Corporation can go on and not raise premiums and they have it the other way by saying that they have lost money. It cannot work both ways. If there is a deficit position at a particular time and there is increased premiums necessary, we will do so.

MR. BLAKE: That's right, I feel increased premiums are necessary. We should have been paying \$100.00 a year more for the past two years and the Corporation wouldn't have been \$20 million in debt. I'm concerned about how we're going to recover it and I know how I'm going to pay some of it back, on the three cents . . .

MR. URUSKI: If you're talking about \$100.00 per year and 500,000 drivers, you are talking about \$50 million, Mr. Chairman.

MR. BLAKE: I don't think we've got that many drivers.

MR. URUSKI: You have.

MR. BLAKE: 500,000 drivers?

MR. URUSKI: You have 500,000 drivers. 400,000 drivers. That's \$40 million.

MR. CRAIK: 150,000 cars.

MR. DUTTON: I'd like to have seen that.

MR. BLAKE: \$50.00 a head then for the sake of argument. My position is that I feel that that is where the money should come from but we have hassled that around enough. I don't really feel that we - you know there are so many things in this statement that aren't allowed to the private companies. You know they're not allowed, their prepaid commissions and various other things. I notice your investments, bonds and debentures are shown at cost. What would be the market value of these? Would it be fairly close to your costs right on the present day market?

MR. DUTTON: It would be slightly less. Incidentally I should tell you as a matter of interest that the insurance industry itself is undergoing a review of their method of reporting in their financial statements, and I wouldn't be surprised if the changes as instituted - a number of them you are looking at on your report - are going to come about over a period of time. There has been a meeting in Edmonton not too long ago where a number of these things were investigated.

MR. BLAKE: I hope that maybe that's not the only area of your operations.

MR. URUSKI: Well, no, I hope it's not the only area. I think they could learn from a few more too, sir.

MR. CHAIRMAN: Page 11 - Mr. Craik do you have a question on Page 11?

MR. CRAIK: Yes. The statement by the Minister regarding the 20 percent expense ratio and so on and so forth, the increase, normal increases. First of all, it's been mentioned here several times that really all Autopac is doing is - well once at least it's been said that we're really only in a cash flow business and that's kind of an interesting statement, that you don't interpret yourself as being so much in the insurance business as you are in the cash flow business. The Minister has now said that your 20 percent expense ratio marks a very good performance. Now really the basic question here is since you've taken over this, the total expenditures on automobile insurance in the way of . . . not your premiums but your expenditures have doubled since the takeover of the automobile insurance which is a period of four years. 1971? If you look at the experience of the automobile industry in Canada this is somewhat higher in terms of total cost of automobile insurance in the investment in bent fenders that has taken place elsewhere. So my question to you is what is the value of being able to spend the money more efficiently at a 20 percent expense ratio if in fact you're going to spend substantially more than what has been the normal practice or norm that would have taken place had you not brought it in in the first place?

MR. URUSKI: Spend?

MR. CRAIK: If you're going to spend more money than would normally be spent in another case.

MR. URUSKI: Mr. Chairman, Mr. Craik should realize that not all motorists prior to the Corporation coming into effect were required to have insurance. Since that time there have been approximately 50,000 more vehicles and 50,000 more motorists registered and this has accounted for the increase, part of the increase in the number of premium dollars that the Corporation has earned.

MR. CRAIK: . . . doesn't include either the extension coverage. That's just the basic coverage. The figures I'm using in saying it's doubled in that period of time don't even include the amount in the extension coverage. So if you offset the other things against the fact that that's not included, you're still doubling in a period of less than four years.

MR. DUTTON: No, it's five years. The last figure for the industry, complete year, is 1970. In 1971, they didn't have a complete year.

MR. CRAIK: Well, so it's four years. The figures I'm using are 1974 and you're still in that range.

MR. DUTTON: All right, 1974 figures. I think the answer is, Mr. Minister, that it's pretty difficult to compare what is happening outside of this province and here, if you're looking

(MR. DUTTON cont'd)for comparative as to just figures of what the percentage ought to be, I think from November 1, 1971, every motorist in Manitoba became insured which was not the case prior to that. In addition, every motorist had what is called a Part II or accident benefits which was not the case prior to that, and if you go to any other province be it Ontario or wherever you like, they like to consider that the legislation in the Ontario Act makes the carrying of insurance "mandatory." They only say it's "compulsory" here in Manitoba. But they do not ask that they carry collision coverage and 70 percent of the dollars paid out is for the damage to the vehicle not to the injury to the person. Every vehicle in this province is insured. Every time there's an accident you know very well, and if you see one as you drive up and down Portage or anywhere else, that it's going to cost Autopac some money. That was not necessarily the case prior to this. And I think this is the big difference. --(Interjection)-- Pardon?

MR. BLAKE: But your vehicle isn't insured if I might interject. There's a case - I just received a letter from your office the other day where the daughter, unlicensed daughter totalled it and there was no insurance.

MR. URUSKI: Well the vehicle was insured. There was a breach in the policy, Mr. Chairman, which is a standard type of a situation which would have been the case whether we would have been in business or not, where a person from the household - you're referring to a person from the same household driving the vehicle.

MR. BLAKE: That's right. But it could have been someone else, unlicensed off the street.

MR. URUSKI: Yes. If it would have been someone else, licensed off the street, then you would have a straight theft and the fact of the matter is it was the daughter of the family that took the car and it was established that she had used the car many times before.

MR. BLAKE: Without permission?

MR. URUSKI: No, with permission previously.

MR. BLAKE: But no licence.

MR. URUSKI: Well, I gather that was the feeling of her parents or of her guardian, that she could still drive the car whether she had a licence or not.

MR. BLAKE: But they're still out a car and . . .

MR. DUTTON: There are always isolated cases. But may I mention just one other factor. Prior to the introduction of Autopac, the financial requirements of this province were \$35,000 to third party. They are now \$50,000 and have been since that time and I assure you with the way court awards are going, this is a costly feature itself.

MR. BLAKE: Right.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: The other point was made by, I think, the General Manager here, was that Autopac has far more substantial resources available to it than the private companies have. Again this is the situation and our first meeting was sort of adopting the position that really Autopac doesn't have to operate in a manner similar to the private companies because it's government rather than a private company.

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

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

MR. URUSKI: Mr. Craik is indicating the operations of the Corporation - as far as the operations of the Corporation, they are no different than any other company. If you're talking about the amount of money . . .

MR. CRAIK: This is not a point of order, Mr. Chairman. This is a matter of a debating point. It's been stated at this table here - and on the one hand the Minister is saying it is going to operate . . .

MR. CHAIRMAN: Are you on the point of order?

MR. CRAIK: No, this is my major point. That two things have been said. One is that Autopac runs as a normal company; secondly that it does not run as a normal company because it has far more resources available to it. And it's already been shown that it has rolled up deficits that it doesn't have to worry about because it doesn't have to meet the requirements of The Insurance Act of Canada. Otherwise it would be in very serious difficulty and I think this has been endorsed today by Mr. Dutton's statement again today.

You know, we get statements from Autopac saying that they're performing so well according to their premium schedule in comparison to other provinces. But in actual fact, it's being

(MR. CRAIK cont'd) stated at this meeting, well we don't really operate like a normal company. But you're comparing your premium schedules to what other companies are doing in other provinces. Now if you're not going to operate on the same basis as they are, and you're not, and you couldn't get away with carrying these deficits in a normal company and you're carrying them because you have the Provincial Government behind you and you're out from under the requirements of The Insurance Act of Canada. But still you're comparing your rate structure to the rate structures in other parts of Canada by virtue of the fact that you can carry deficits that no other company could carry.

So, you know, you're trying to take the best of both worlds to justify a picture to the people of Manitoba that is not a picture comparable to what you're trying to compare it to, you know, and the ultimate of course is this advertisement that you - this article that you have taken from the Financial Post to send out as part of your mail-out to people to show that here's a large financial institution in Canada commenting on the success of Autopac. You know you're going a little too far in trying to take the best of both worlds and take the endorsement, pseudo endorsement, of an article that you wrote yourself in the first place to try and convince the people of Manitoba you're giving them a good thing and you may in fact be offering some advantages, but the ones you're trying to sell are not the ones that are the real ones. The ones you're trying to sell are being told to the people of Manitoba on a false basis.

MR. CHAIRMAN: Mr. Uruski.

MR. URUSKI: Mr. Chairman, Mr. Craik has indicated that the Corporation is not operating on the same principles as a private company. The capital required to set up the Corporation was not required in the case of a public corporation because of the resources of the people of Manitoba. That is the only basic difference that is not required here. The premiums that are paid into the Corporation are being handled in the same manner as any other insurance company within this country. The only matter that does not have to have is when the company is set up is the massive resources or the investment capital that are required by the Insurance Act that would have to be maintained to maintain that company. However, in countering that - not in countering that but in addition to that the investment income that private companies do glean off from the premiums that they make never go back to the benefit of the motorists of this province or the motorists of that province that the motorists pay into in premiums.

MR. CRAIK: That's sheer nonsense. There isn't a mutual company which are the biggest companies in this province, there isn't one that doesn't pay back in order to sustain its position, a great deal of its investment returns. There isn't a company in Manitoba in recent years that has made an underwriting gain. That is that they have to . . . to balance their books, they've always used investment income. Mr. Dutton knows this very well if he's been in the industry. And if you took the history of any of the co-ops or mutuals in the Province of Manitoba since their inception which is probably 50 years ago, you'll very likely find that their underwriting, their gain is just about zero in that total period. The only thing that's happened is that the investments that they have put away have been able to gain over this period of time and through the thirties and then on in that has provided them with this. But what you've essentially done in forcing them out of business is lose the benefit of those equities that they hold. Now don't for a minute suggest that the interest isn't coming back to the people of Manitoba. I venture to guess that if you went and asked for a history - and I'm sure you're not interested - but if you were and went and asked them for a history of their investment return and their underwriting gains and losses over the period of time from Day One since they started you'd find that it's just about zero, that every cent has gone back in and that their position now is a result only of returns on their investments that they've had to put away because of The Insurance Act of Canada. I'll add this, I know you're not interested. We've gone through this before.

MR. DUTTON: Of course, I am interested personally and I've read a lot of it and it's quite so that the insurance industry does not plan to have an underwriting deficit. The yardstick is to have an underwriting surplus if possible and there's no question that they have argued this many times and I've heard them argue it many times, that the underwriters should produce a surplus and an underwriting profit for their various corporations. They do not consider it a good year any year that this is not the case. You look at the Canadian Underwriter, the trade magazines, they show a graph in every case and they show a deficit position when there's an underwriting loss. And I said, too, initially that insurance is just a giant money float and when you consider that there's some two billion a year written, even if they didn't make an underwriting profit and they have the investment income and two billion dollars, it's a pretty good

(MR. DUTTON cont'd) business. This is a situation and millions are built up by companies on the basis that they hope they're not going to have to pay out anything, even a break-even picture on underwriting which is a break-even picture and if possible get a two percent gain in that area. That's what they try to do. It's impossible to do it, I assure you, at all times because of rate making, as I've said time and time again, is not an exact science. No one can tell you what's going to happen in the future.

MR. CRAIK: Well, Mr. Chairman . . .

MR. URUSKI: But if in fact they have written two billion dollars and that is the case, just at 10 percent you're looking at \$200 million.

MR. CRAIK: That's right. The point here though is what's the difference in the insurance business. You know almost any business is a cash flow business whether you're running a grocery store or a manufacturing plant or Timothy Eaton's or whatever you're doing. It's all cash flow. Your household accounts that your wife runs is a cash flow business. Everybody lives on cash flow. You only can get a few assets in between. I really would like to know how can you feel you can isolate yourself . . .

MR. URUSKI: You just stated that my statement of cash flow was not correct. Now you're telling me that it is a cash flow. Now which is it?

MR. CRAIK: I'm asking you - you said now twice that really all it is is a float, a money float that you're on and all you're doing is interjecting yourself into a cash flow picture. And I'm asking you, what business is not cash flow and how can you take yourself out of normal business practice?

MR. DUTTON: I think maybe there's a difference between cash flow and cash floats. I do believe that the sums of money that you're able to get your hands on - put it this way - in the insurance business are better than going to the bank and borrowing it because you don't have to pay back any interest and you can invest that money. This is where the picture really is. If you can take in two billion dollars a year and know that you're not going to suffer a loss, and invest that two billion dollars then of course you've got it made and that's the situation. I know it's being very simplistic about it, but that's the situation. If you can get your hands onto the money then you've really got something going for you. The money they take in in insurance, any insurance company, I don't care what - life insurance, anything else - is all invested until such a time as they have to pay losses and that's where they make their money.

MR. CRAIK: But again, it doesn't negate my question to you. The hardware store invests it in inventory, you're going to invest it in . . .

MR. DUTTON: The hardware store has to have the money to buy the inventory. The other way around, in the insurance company, the money comes in first.

MR. CRAIK: Well in The Insurance Act of Canada of course you've got to have 115 percent assets to liabilities to be in business . . .

MR. DUTTON: And which they still invest and which has an effect of compounding the situation. I think it is just because they've got to guarantee it that insurance companies have the financial stability behind them. And the only difference, I suggested to you, is that the province is behind this Corporation and that is financial stability.

MR. CRAIK: Well I don't see that as a reason why you shouldn't attempt to run your business like anybody else running a cash flow business. That includes all the businesses in the province.

MR. DUTTON: I agree that we should have a surplus and I do agree that what has happened in the past two years, the rates have been too low. There's no arguments about that but the benefit has gone to the Manitoba motorist all the way through.

MR. CRAIK: Well as long as we have this basic position and I think that this appears to be it, that you're there to be the money-changers in this insurance business. And as long as you regard it as that, as opposed to the same position that anybody's in, regardless of whether it's insurance or anything else, you're in the cash flow business but you've got to remain solvent according to somebody's rules. And if you're not going to apply the normal rules of the insurance industry in Canada, then you're coming down to government rules which says that there is an unending non-depletable source of cash background there that you can draw on if you get in trouble.

MR. DUTTON: We apply the same rules as any company does in the operation of the Corporation. The only difference is, is in the amount of money that is required to put into the Corporation to comply with this 115 percent. To do that the government, instead of guaranteeing

(MR. DUTTON cont'd) the corporation - if you want to put it that way - would simply have to advance moneys. That's a decision that is far higher than mine to make, sir.

MR. CRAIK: Don't you think that's a major one? If you were a company and you were sitting at 116 percent of assets to liabilities, wouldn't you be scrambling to see if you were going to meet the test of adequacy? I mean what test do you have to meet now?

MR. DUTTON: We don't have . . .

MR. CRAIK: You don't and you regard it as a cash flow system. If we're in trouble, there's resources to back us of the government. Any other industry that sitting there . . .

MR. URUSKI: It's the motorists of Manitoba.

MR. CRAIK: . . . where their assets start depleting for one reason or another know that when they hit 115 percent they could be in trouble and lose their charter to operate in Canada. You don't have that hammer hanging over your head. The difference is very very important. The difference is like the fellow who is running his hardware store that if he loses money this year he'd better make sure he doesn't lose it next year or he's going to be out of business. You don't have that. You are a government agency. If you get into trouble you go back and you take some more cash out of the bag and you're away.

MR. URUSKI: Mr. Chairman, the comparison . . .

MR. CHAIRMAN: Order please.

MR. URUSKI: The comparison that you have just made is very accurate. The storekeeper who loses money has to raise his prices in the store. You said that. And we, if we show a deficit . . .

MR. CRAIK: I didn't say that.

MR. URUSKI: Well that's what you just said.

MR. CRAIK: Well, on a point of privilege. I said if the storekeeper loses money this year he'd better make sure he doesn't lose money next year or he will be out of business. Now there are several ways of doing that, isn't there?

MR. URUSKI: Several ways of doing that. Now that's by doing what?

MR. CRAIK: Making money next year when he's losing it this year.

MR. URUSKI: By what? By raising prices to cover over . . .

MR. CRAIK: Not necessarily. I mean for gosh sake that's not his only option.

MR. URUSKI: What is his option?

MR. CRAIK: Well if you want to go into the anatomy of a hardware store to see how you operate . . .

MR. URUSKI: Are you advocating cutting . . .

MR. CRAIK: So he moves to smaller premises. You know, can he get his wife to work behind the cash register. His only option isn't to raise prices, I'm sure. That's very clearly one of them in this day and age.

MR. URUSKI: Mr. Chairman, that's a very interesting point.

MR. CRAIK: All I'm saying is that he has pressures on him to meet performance records.

MR. URUSKI: That's right.

MR. CRAIK: You have no pressures on you to do anything.

MR. URUSKI: Mr. Chairman, this is exactly the point that the debate has been all about. Why doesn't the honourable member read that report and indicate - I believe that's the Royal Commission on Insurance in Quebec - where it shows that the private companies are paying out in excess of 35 to 45 cents in administrative costs and when you compare it to the administrative costs of the public corporation at 19 cents, then he will show where the cutting of costs and the efficiency is.

MR. CRAIK: Well, you know, you can administer \$120.00 for \$100.00 or you can administer \$100.00 for \$80.00 and you come out at roughly the same position. You can quote statistics all you want and you can get into the number game . . .

MR. URUSKI: We don't have to quote them.

MR. CRAIK: . . . and people can get completely confused but there's still the pretty basic fact that the attitude of Autopac is one that's pretty irresponsible in terms of meeting specific operating requirements and the pressures are not there for performance that are on somebody who is going to be threatened to be put out of business if he doesn't meet the requirements of The Insurance Act of Canada.

MR. URUSKI: Mr. Chairman, that is totally nonsensical. If the honourable member - and I repeat to him again - to examine the costs of operation public versus private and then he will see where the fat is if he's talking about fat.

MR. CRAIK: I'm not talking about fat, I'm talking about your operating strictures that you have to operate to. And, Mr. Chairman, if you want to look at the cost ratios, the operating ratios that are used, if you want to sell direct in any insurance business you can cut that ratio away down. The ratio almost entirely is used up in regards to second or third party commissions, your agents that operate for you and represent you. The same way you're going in general insurance. You're going to have to pay the 20 or 25 percent premium to the agents. You've indicated to this meeting that that's what you intend to do.

MR. URUSKI: Mr. Chairman, in our operating costs, the cost of agency commissions are included in the 19 percent.

MR. CRAIK: Well through your licensing system and all the rest, so you're rolling it all into one. But you're going into the general insurance business. You've told this meeting that you intend to pay 20 to 25 percent commissions to agents, standard commissions, the same as all others. Mr. Chairman, then you will come out with exactly the same cost ratios at the end of next year as any other company. You have no alternative. The difference is and you want to talk about Quebec, there's companies operating and selling directly in Quebec . . .

MR. URUSKI: Including your company.

MR. CRAIK: . . . that will do it for your same cost ratio as you're operating in Manitoba, no problem. It can be done.

MR. URUSKI: Are they? Are they?

MR. CRAIK: There's no problem.

MR. URUSKI: Are they?

MR. CRAIK: Well you tell me, you're the . . .

MR. URUSKI: Read the report. Read the report.

MR. CRAIK: I don't know what report you're referring to but you're pointing to something here.

MR. URUSKI: Well I don't know, is that Royal Commission Report . . .

MR. CRAIK: You know can I finish, Mr. Chairman? I'm not going to sit here and natter with the Minister all day. All I'm saying is the evidence speaks for itself. And the performance of Autopac so far is one that is directly reflected in their attitude here, that they have the government behind them. They don't have to perform according to The Insurance Act of Canada or the requirements of any other insurance company but brother, they are going to take all the benefits in comparing their rate structure; they are going to pile up their deficits even though normally it would put any other company out of business, and they're going to sell the people of Manitoba a bill of goods on their rates and everything else that goes with it.

MR. CHAIRMAN: Mr. Johannson.

MR. JOHANNSON: Mr. Chairman, we have just hear a number of ridiculous statements. The honourable member seems so hung up over the fact that Autopac is not operated like a private company. Now he doesn't accept the fact that Autopac doesn't have to handle reserves the same way a private company does because it happens to have the Government of Canada behind it - Government of Manitoba behind it. And therefore, there is no danger of bankruptcy.

But I want to ask the Minister a question. As far as I'm concerned we're not in this business simply to have eternal deficits. Our objective is to break even, is it not?

MR. URUSKI: It is.

MR. JOHANNSON: And to show an operating, a small operating profit to build up reserves for the future losses that may be incurred at a future time. Okay so the objective over a period of years is that the Corporation will provide insurance to the motorists of Manitoba at as reasonable a rate as possible and at the same time breaking even or making some profit.

MR. URUSKI: That is correct.

MR. JOHANNSON: And operating as efficiently as possible and in the last four years, we have operated at approximately 20 percent expense ratio.

MR. CRAIK: Plus a 20 percent loss.

MR. JOHANNSON: Okay. Now we came in at a rather unique time in the history of insurance in this country. We came in at a time, one year or so before a tremendous inflationary climb in the economy and the result is that we have been hit by losses for two straight years. The same thing has happened to the private companies. Is this not correct?

MR. URUSKI: That is correct.

MR. JOHANNSON: Well I would ask the Minister or through him, Mr. Dutton . . .

MR. BLAKE: Some companies haven't lost money.

MR. JOHANNSON: Is it not true that within the context of the history of insurance in Canada, we came in at rather a unique time when we hit a very sharp period of inflation which not only affected us but every other private company in the country.

MR. DUTTON: The last two years in the insurance business are the worst in history if that answers it.

MR. JOHANNSON: Okay, I want to compare this with the Saskatchewan experience. Saskatchewan began in 1945.

MR. DUTTON: Yes.

MR. JOHANNSON: They have managed over a period of years to break even and make money.

MR. DUTTON: When I left them, they had a surplus of \$10 million.

MR. JOHANNSON: \$10 million surplus. Okay. Did they ever experience up until the last year or so, did they ever experience the kind of rate-making problem that has occurred over the last year or two?

MR. DUTTON: Yes, the last two years. Although they had a very good picture up to that time, the last two years they too lost money although they've been making money part of that.

MR. JOHANNSON: Okay. So what in effect has happened is that they also have been hit by this rather unique problem in the history of insurance.

MR. DUTTON: Oh, yes, I think everywhere has been hit by it. There's no question about it, that's right.

MR. JOHANNSON: Okay. And I would like to confirm once again with Mr. Dutton. The objective of the Corporation is to break even over the long run or to make some money.

MR. DUTTON: Yes, that's right. The goal over a long period of time is to have a break-even picture.

MR. JOHANNSON: And build up modest reserves.

MR. CHAIRMAN: Page 11-pass. Mr. McKellar.

MR. McKELLAR: Which one are you on here?

MR. CHAIRMAN: Page 11.

MR. McKELLAR: Well there are statements made here that are not altogether true and I don't know how I'm going to ask questions and get the facts before you. I want to state that I am a director of a private insurance company that made a profit this year, a mutual insurance company that made a profit this year. I'd also like to say that a former director of your Corporation who is General Manager of the Red River Mutual had an underwriting problem this year, and if I'd have been you, Mr. Minister, I'd have hired him as a General Manager. I want to tell you why.

You cannot afford to go through two bad years. And I want to say the manager of the company of which I am on the board, in no uncertain terms said he could not suffer two years because the Superintendent of Insurance wouldn't allow us. We'd be out of business. So what did he do? He had to do the necessary things and Mr. Brown did the necessary things in 1973.

MR. URUSKI: What did he do?

MR. McKELLAR: What did he do? What did he do? He cut out where he had to cut out the fat and he did it. He did it.

MR. URUSKI: Cut out automobile insurance?

MR. McKELLAR: And he showed an underwriting profit. Not an under-writing profit but an overall profit on the corporation. And he had to do it because every month the Superintendent of Insurance in Ottawa was riding our backs and I tell you, he was riding it. And if something had been riding your backs to the extend to which we had this man climbing over us from Ottawa, you might have did something too about your corporation. But the very same thing was never done. And you're going to have a loss this year, and I tell you somebody has got to do something about this. Somebody's got to do something about it.

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Mr. Chairman, I don't want to get into any political arguments at all but I would like to make an administrative statement if I may, sir. You've mentioned the company of which you are a director that certain changes were made.

MR. McKELLAR: Yes.

MR. DUTTON: They have power to make certain changes. For instance automobile insurance is one that they stopped writing. We have -- (Interjection) -- One moment, sir. We

(MR. DUTTON cont'd) have no, we have no power to make the changes as he could do. We are obligated by the very nature of our Acts and by the regulation to insure every motorist who has a licence in Manitoba. Now if we were allowed to pick and choose and we were allowed to write a small amount, as one of the companies you've mentioned and to cream it, certainly you could make a surplus. But I will tell you that the companies in the overall picture, somebody has to write all the risks and I would bet that when the figures are out that 90 percent of the companies lost money, didn't make money and it's only those who have got very restrictive in their underwriting were able to charge a rate because of the fact they can do these things as being opposed to being forced to insure everyone, they can do it. But no one could turn this Corporation around whether you advocate another General Manager or not, sir, can turn the Corporation around at the rate structure we had and it's just an impossibility. The rates have to go up if you're going to have universal coverage, then the rates have to go up to take care of the losses, there's no other secret, there's no selectivity involved to it.

MR. McKELLAR: Well we were told during the debate on automobile insurance four years ago that the public company run by the Province of Manitoba could do things better and cheaper.

MR. URUSKI: And they have. And they have.

MR. McKELLAR: Well I'll argue with that in the House any time you want but I can't do it here in Committee. That's not right. That's not right. It's true that Portage Mutual got out last July, the 1st of July. Their policies are still in effect.

MR. CHAIRMAN: Mr. McKellar, I'd like you to contain your remarks to the annual report. I don't think that we are interested right now in the annual reports from the Portage Mutual or any other company. We are concerned with the annual report from the Manitoba Public Insurance Corporation. If you are trying to make some relevant point to the report before us, then I would like you to contain yourself to the report.

MR. McKELLAR: Mr. Chairman, you let the Honourable Member for St. Matthews talk all he wanted at the start of this meeting.

MR. CHAIRMAN: Mr. Johannson? I brought him on a point of order. I brought him to order.

MR. McKELLAR: You didn't bring him to order, he quit talking.

MR. JOHANNSON: I'm coming to the support of the honourable member. We've been operating with quite a degree of latitude and I think we've been making some progress. We've got to page what? Eleven now? I would suggest that we continue operating with some latitude and that you give the honourable member some latitude in what he is saying.

MR. CHAIRMAN: Mr. Johannson, I brought you to order to contain your remarks. You started out a second time trying to make a comparison. I would like Mr. McKellar to do likewise to see what relevance his remarks about the private company have with regard to this report.

MR. McKELLAR: Well I won't say anything more right now because there's no place. I'll debate it in the House.

MR. CHAIRMAN: Right. Page 12--pass. Mr. Blake.

MR. BLAKE: Yes. One or two questions, what part of it I might relate to, I don't know. On your fire claims, do you still pay a portion of your fire claims to the Fire Commissioner?

MR. DUTTON: On the fire business we will be writing, yes, we'll pay fire marshall's tax.

MR. BLAKE: How about fire claims on your automobile insurance?

MR. DUTTON: No fire marshall's tax on there. We're paying the full tax, the premium tax that they . . .

MR. BLAKE: But you don't pay any to the Fire Commissioner's Office . . .

MR. URUSKI: On the general we will.

MR. BLAKE: Under general you will but it doesn't apply to motor vehicles.

MR. URUSKI: No, it doesn't apply.

MR. BLAKE: Have you got a ballpark projection on how much you expect to lost in your first year of operation in general insurance? You must have projections. Any company starting out is going to have projections. They might not be correct but they've got projections.

MR. CHAIRMAN: We'll insure only fire proof and buildings under water.

MR. DUTTON: To answer your question, sir, it's extremely difficult. Our first year that we'll report will only be from July until the end of October. That's the first period that you're going to have a report on and . . .

MR. BLAKE: Let's take it 15 months.

MR. DUTTON: Well take 16 months.

MR. BLAKE: In that 16 month period would you project to lose \$5 million?

MR. DUTTON: Oh no, no. I don't think we're going to lose any money if you're asking for a projection on the general business. But there's no way you can guarantee initially when you start out, because of the fact that you won't have the spread of risks, and until you get a spread of risks you haven't got any kind of guarantee . . .

MR. BLAKE: I realize that.

MR. DUTTON: You can have a feast or a famine.

MR. BLAKE: But you would probably have a loss in the first two years of operation of a new company, until you get your breath.

MR. DUTTON: Well yes, if we have a loss it will be an unfortunate situation of course but I don't anticipate . . .

MR. BLAKE: But there's no way you can project this.

MR. DUTTON: I can't project it, no. I find it very difficult. When you're starting from zero in business and there's so many intangibles it's pretty hard for us to give you an honest projection.

MR. BLAKE: How much was transferred from the Motor Vehicle Branch to the Autopac or the Public Insurance Corporation from funds collected for the licence fees and various fees collected by the Motor Vehicle Branch?

MR. DUTTON: It's on Page 16, sir.

MR. URUSKI: Yes, and the explanations, the administrative, it's on Page 16.

MR. BLAKE: \$669,900.

MR. URUSKI: Recovery. That's the administrative costs.

MR. BLAKE: That's what you recovered from them for administering their program?

MR. URUSKI: Yes, less Recovery, 669,900, right.

MR. DUTTON: There's three items involved there.

MR. URUSKI: Three items. 165,000 on the drivers' licensing, 669,900 and 1.3.

MR. DUTTON: Yes, 1.3.

MR. BLAKE: But the Motor Vehicle Branch they don't submit an annual report so that there's no way we know what they took in really, eh? No report from the Motor Vehicle Branch.

MR. URUSKI: No, no. If you're talking about vehicle licensing, you're talking about vehicle registrations, well that's in Consolidated Revenue, the registrations. There is a fee paid per transaction for the handling of vehicle registrations by the Corporation, from the Motor Vehicle Branch to the Corporation.

MR. BLAKE: Would that figure be available from the Motor Vehicle Branch? Would that be easily obtainable?

MR. URUSKI: The amount of money?

MR. BLAKE: Yes, that they collect in licences and insurance, their licence fees say.

MR. URUSKI: In drivers' licence fees and vehicle registration?

MR. BLAKE: Plus the surcharges. And then maybe we could relate it to how much you've recovered and what they . . .

MR. URUSKI: The surcharges are transferred to us.

MR. BLAKE: I just want to find out if there's two million bucks that's been lost somewhere in the shuffle.

MR. URUSKI: No.

MR. BLAKE: I don't expect it has but it would be nice to know . . .

MR. URUSKI: No, no.

MR. BLAKE: How much was lost in the shuffle, if it wasn't two million.

MR. URUSKI: Mr. Chairman, I don't know what the honourable member is indicating . . .

MR. BLAKE: No, I'm trying to get the figures, the amount of money collected from licence fees and how much of that found its way into the Public Insurance Corporation.

MR. DUTTON: . . . funds at all that's a question . . .

MR. URUSKI: The moneys that are shown here . . .

MR. BLAKE: Surcharges do?

MR. DUTTON: The surcharges are not licence fees, they're on the driver's licence.

MR. BLAKE: \$100.00 on the driver's licence.

MR. URUSKI: They're insurance premiums.

MR. DUTTON: We get 100 percent of that. That's premiums, yes.

MR. URUSKI: That's right. The actual licence fee, driver's licence fee, of \$3.00 or \$4.00 - the vehicle registration fees go to Consolidated Revenue. The moneys that are shown here are the administrative costs charged - or as set out between the Motor Vehicle Branch, the Provincial Auditor, Department of Finance and Autopac in a determination of what the cost will be per transaction. It has nothing to do with the insurance fee or with the vehicle registration fee.

MR. BLAKE: All right. But the surcharge fee on the demerit points all comes to . . .

MR. URUSKI: All comes to the Corporation, yes.

MR. BLAKE: That figure will show up in the Order for Return when I'm getting it.

MR. CHAIRMAN: Page 13--pass.

MR. BLAKE: Mr. Chairman, on your "Due to Reinsurance Companies" \$471,000, how much of this was actually paid or how much of this will be paid? Could you explain just how that . . . ?

MR. URUSKI: Well maybe we should move to that.

MR. CHAIRMAN: Page 13.

MR. BLAKE: Well we might get back to 12 if Earl had a question or something.

MR. McKELLAR: Unless I had the same one. It goes to Page 12 and 13.

MR. BLAKE: Well we can work both those pages. Okay?

MR. URUSKI: Right.

MR. BLAKE: It's assets and liabilities and all has to do with the one statement.

MR. DUTTON: If the question is - do I understand you that this is due to reinsurance companies and what our recovery from reinsurance companies would be?

MR. BLAKE: Yes.

MR. DUTTON: That's contingent of course upon the losses but the reinsurers have not made too much money out of it I assure you, over the last two years. Of course reinsurance, it's a banking of dollars if you want to call it that, in the insurance business. It's over a long term drag and if you think back to 1972 they paid us quite a bit of money in the hail of recovery. They're also paying on one of our treaties which deals with third party recovery and so the amount of moneys that we would receive in total would almost equal what we're paying them.

MR. BLAKE: Do you recover a portion of each claim under reinsurance?

MR. DUTTON: No sir. No. If you want to know how it works the vehicles themselves are not reinsured, the damage to the vehicle, except in a catastrophic event. In other words if we have an event that it's going to cost over \$250,000 then you recover from the reinsurers the moneys over that.

MR. URUSKI: On the percentage basis.

MR. DUTTON: And what happens in injuries, we will keep the first \$100,000 of damage done to the person net and after that we recover from reinsurers. Then there are claims that come in, sir, that will hit a quarter of a million dollars and so on and so forth.

MR. BLAKE: Okay. Now on your "provision for Unpaid Claims" there's an increase of approximately \$6 million. Is this significant of anything or are claims not being paid as promptly or just a general increase in claims that would account for that.

MR. URUSKI: Yes. The number of claims and the increase in cost per claim.

MR. BLAKE: The claims are being paid out as promptly as they physically can be.

MR. URUSKI: Yes.

MR. BLAKE: On the asset side you show an amount of \$4,238,000. I assume that that's your start-up cost. Amortizing over 20 years that's \$235,000 a year or something like that.

MR. URUSKI: Yes.

MR. BLAKE: You pay no interest on that amount.

MR. DUTTON: No. But we borrowed it from ourselves.

MR. URUSKI: The money was borrowed from the motorists . . .

MR. BLAKE: That float is a great thing.

MR. DUTTON: It would be said to be a book cross entry if we did it, that's all.

MR. CHAIRMAN: Page 13--pass; Page 14--pass; Page 15--pass - Mr. Blake.

MR. BLAKE: On 15 under "Premiums Written" we questioned you earlier on the fleet of vehicles owned by the Public Insurance Corporation. Were they insured out of the head office, address at Brandon, under a rural rating? Is that correct?

MR. DUTTON: No.

MR. URUSKI: No, that's not correct. You didn't question me, I think the statement was made. But the vehicles are insured wherever they are based, whether it be Thompson, Winnipeg,

(MR. URUSKI cont'd) Brandon, Dauphin, wherever the vehicle is based out of that's where the insurance . . .

MR. BLAKE: How many would be based out of Brandon?

MR. URUSKI: Half a dozen. Five to half a dozen.

MR. BLAKE: How many would be based out of Winnipeg?

MR. DUTTON: The bulk of them are here.

MR. URUSKI: About 20.

MR. BLAKE: About 20 and the rest are scattered.

MR. URUSKI: And the rest are scattered, Thompson, Selkirk, Dauphin, Flin Flon, The Pas, those areas.

MR. CHAIRMAN: Mr. McKellar.

MR. McKELLAR: Well one question brought to my attention was the university students that live in my area, they go to the University of Manitoba. Actually their home is say Glenboro but yet they're told they have to pay Winnipeg rates because of the fact they're in here from Monday to Friday and home on Saturday and Sunday. I'd just like to clarify whether this is the case or what it is. Because if they don't have it registered at the right address and paying the right premiums I'm told there's no claims being paid. Now what should the university student do that owns a car in the rural parts of Manitoba?

MR. URUSKI: If his residence is within the City of Winnipeg . . .

MR. DUTTON: No, no, primary residence . . .

MR. URUSKI: Primary residence. If he is here five out of seven days out of the week his primary residence would be the City of Winnipeg and he would have to be insured within the area that he is residing in, primarily residing in.

MR. McKELLAR: What happens if he's only going to university six and a half months of the year then he relates back to his home address?

MR. URUSKI: Then he can change the address and recoup the difference, yes.

MR. CHAIRMAN: Page 15--pass; Page 16--pass - Mr. Blake.

MR. BLAKE: Bad Debts of \$32,000 is a substantial decrease from the previous year like about \$162,000. What was the explanation behind this?

MR. DUTTON: It's a case of a change in the procedure in the method of time payments and on cheques that . . . We used to suspend the motorists as opposed to the procedure we do now, now that they are cancelled off and there is not the funds of money that are still outstanding to us.

MR. BLAKE: Okay. Data Processing increased substantially. Is this just the increased business . . . ?

MR. DUTTON: Yes. Our data processing is done through the government computer centre here and of course whatever rates they charge, an increase in business and . . .

MR. URUSKI: An increase in rates.

MR. DUTTON: Yes.

MR. BLAKE: Do you tender your banking services? Any banking services you require?

MR. DUTTON: We have, Mr. Minister, received presentations from various banking organizations. I suppose you couldn't call it a tendered basis but they have presented their briefs to us.

MR. CHAIRMAN: Mr. Johannson. Mr. Blake continue.

MR. BLAKE: Yes, I have one more question on Advertising. Where did I see that? Yes, \$150,000. It sounds like a captive customer market that you service. What would you need \$150,000 for advertising for?

MR. URUSKI: Mr. Chairman, they're advertising with respect to safety. The information booklets that are issued, policy booklets that are issued, the ads during the year of renewals, time payment and these kinds of ads that are run on the radio. Plus the safety messages that are put on buses and the like.

MR. BLAKE: A portion of this would also be covered under printing and postage or stationery which has gone up.

MR. DUTTON: No, it's not.

MR. BLAKE: That's different. What would be the increase there?

MR. DUTTON: What, under Printing?

MR. BLAKE: Yes.

MR. DUTTON: It's costs.

MR. BLAKE: Just a bigger flow of paper?

MR. URUSKI: The cost of paper increased by about 35 percent.

MR. DUTTON: We took over motor vehicle responsibilities a year ago and previous to that they'd been paid in the Motor Vehicle Branch for most of this pertaining to postage and supplies and we handle all the vehicle system now and it's paid for by ourselves.

MR. CHAIRMAN: Page 16--pass - Mr. Johannson.

MR. JOHANNSON: Mr. Chairman . . .

MR. CHAIRMAN: Well gentlemen, it is now 12:30. Is it the disposition to conclude the Annual Report? There are three pages.

MR. JOHANNSON: Okay I'll pass.

MR. CHAIRMAN: Page 16--pass; Page 17--pass - Mr. McKellar.

MR. MCKELLAR: On Subrogation and Other Expenses then Less Allowance for Doubtful Accounts. Now is that people who are involved, unlicensed drivers, for claims you've paid and then had to collect back from impaired drivers and that type of claim?

MR. URUSKI: That type and it would be out-of-province claims and the like.

MR. CHAIRMAN: Page 17--pass; Page 18--pass; Page 19--pass. I will entertain a motion that the report be reported. So moved. Is it agreed? (Agreed)

MR. MCKELLAR: Nay. Nay.

MR. CHAIRMAN: Committee rise and report.