

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Thursday, 25 June, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Birt (Fort Garry)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Doer, Lecuyer, Schroeder,
Storie, Hon. Mrs. Smith (Osborne)

Messrs. Birt, Filmon, Maloway, Orchard, Scott

APPEARING: Hon. Mr. J. Bucklaschuk, Minister
responsible for the Manitoba Public Insurance
Corporation

Mr. Fred Jackson, Provincial Auditor

Mr. Robert Silver, President and General
Manager, Manitoba Public Insurance Corporation

Mr. R. Mayer, Director of Special Audits,
Internal Audit Department

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Public
Insurance Corporation (1986)

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MR. CHAIRMAN: I would call this committee to order.
I believe the Minister has an opening statement.
Mr. Minister.

HON. J. BUCKLASCHUK: Thank you, Mr. Chairman.
Last Friday, June 19, the Minister of Finance tabled
the Provincial Auditor's Report on Reinsurance
Operations. I asked for this audit four months ago. I
believed then it was important to get an opinion on
reinsurance operations. After reviewing the Auditor's
findings and opinions, I'm convinced it was the right
thing to do.

As the Provincial Auditor confirms in his report, this
is a very difficult and complex area.

He has substantiated the concerns that prompted
me to take a number of steps, beginning in 1984, to
deal with what I believed were problems in our
reinsurance operations.

I would like to outline the positive steps taken since
1984, as well as inform the members of this committee
about the initiatives currently under way to deal with
all of the Auditor's recommendations, but before I do
that, I would like to make a few brief comments.

MPIC began writing reinsurance in 1975 at the same
time it entered into the general insurance field.

Reinsurance assumed treaties were entered into on
a modest basis starting in 1976. The reinsurance

assumed part of the corporation's activities continued,
on a small scale, until approximately 1979, when the
number of treaties negotiated rose sharply.

I assumed responsibility for MPIC in August of 1982.
Within one month of assuming responsibility for the
corporation, I raised questions concerning potential
reinsurance claims, but I was assured that the situation
was under control.

In 1984, a reinsurance expert was hired to begin a
review of reinsurance operations. The expert's initial
report to the board in July of 1984 was comforting. A
follow-up, more detailed report, was not completed until
October of 1986.

In 1984, based on the results of the initial assessment,
the problem reinsurance agreements, entered into
primarily from 1977 until 1981, were cancelled. These
cancelled agreements are referred to as the "old book"
of business. The "old book" was composed of 90
percent international treaties and 10 percent Canadian
treaties.

The agreements entered into after mid-1984 are
referred to as the "new book" of business. The "new
book" is composed of 90 percent Canadian treaties
and 10 percent international.

The Auditor said in his report and I quote: "We
recognize that the work being done with the 'new book'
is a significant improvement in the planning process."

By the summer of 1986, senior management had
changed, and the review of reinsurance operations
started in 1984 was completed.

Among other things, the IBNR provision was
increased to reflect new information, and the standards
for the reporting of the information were upgraded.

The Auditor states in his report, "The policies and
guidelines have been improved significantly in the past
year, and management is currently working to improve
them further."

When the review of the reinsurance portfolio was
brought to my attention in late 1986, it showed that
potential claims against the corporation had risen
substantially. The 1986 Annual Report was compiled
showing the known extent of those potential claims
with an immediate provision.

I would like to reiterate something that I have said
consistently over the past four months. In 1984, I was
presented with two unsolicited options, one was a "pay
as you go," the other, "a lump sum provision." I
indicated a preference for the former.

I must reinforce the fact, Mr. Chairman, despite
statements made by the Opposition which would lead
people to believe otherwise, that there was in no way
an attempt to hide losses in reinsurance.

The losses incurred in 1984 were paid in 1984 and
duly reported. The only question was whether or not
to include, in addition to the provision already in place,
a higher provision for future unreported losses. Even
if this additional provision had been set aside, MPIC
would have shown a net profit.

Thursday, 25 June, 1987

It is clear, Mr. Chairperson, that regardless of what method of accounting one uses, the financial obligations between 1976 and 1984 stayed the same. These had to be dealt with whether one chose to write it off with a one-time lump sum or over a number of years.

I would like to emphasize, Mr. Chairman, that the mistakes of the late Seventies and early Eighties will not be repeated. The "new book" represents a total departure from the old way of doing business.

Although the Auditor agrees that the initiatives undertaken since 1984 are a significant improvement, much needs to be done. To address the Auditor's concerns we are:

- currently hiring people internally to bring more expertise into the corporation;
- we are hiring an independent expert to assist the corporation in reinsurance;
- as board vacancies occur, we will follow the Auditor's recommendations;
- we are taking and following all the advice and direction provided by the Auditor.

Mr. Chairman, I have been open and forthright about all matters pertaining to reinsurance. I am the Minister who initiated positive action in 1984. I am the Minister who provided unprecedented access to the corporation board minutes.

It was this government who released all the pertinent documents relating to reinsurance, and I am the Minister who opened the door of my office and the doors of the corporation to the Auditor.

This government has taken unprecedented steps to provide for a full and open analysis of reinsurance operations.

Despite this, the Leader of the Opposition refuses to acknowledge the facts. He refuses to acknowledge that his allegations and innuendo have no substance.

I have outlined the steps taken since 1984 to close the "old book" of reinsurance business and usher in the "new book." I have responded, point by point, in the document tabled in the House, to all of the Auditor's concerns regarding reinsurance. The Auditor confirms that the steps taken since 1984 are significant improvements.

Incidentally, the Auditor has also put to rest one particularly scurrilous allegation. In regard to the accidental shredding of my files, the Auditor said, and I quote, "There is no evidence or indication to suggest that the files were intentionally destroyed."

Despite this clear statement by the Auditor that there was no intentional destruction of my files, the Opposition insists that there is a cover-up.

I have stated, Mr. Chairman, that the Opposition is interested only in scandal, only in scurrilous allegations. They are not interested in the truth.

Where the truth isn't expedient, the Opposition uses innuendo. When the facts are presented, they cry cover-up.

Mr. Chairman, since the Opposition spends such an inordinate amount of time talking about cover-up, I'd like to examine this so-called "cover-up" and by looking at its alleged breadth, underline its silliness.

If you believe the Opposition, the breadth of the cover-up includes firstly the entire board and management of MPIC. The Leader of the Opposition said, "Someone is trying to eliminate, edit or censor information from those board minutes".

At the time this was said, I gave the Leader of the Opposition and the Member for River Heights total access to the complete board minutes at MPIC's office. Did they go? No! They are not interested in the truth. They want us to believe that the entire board of directors and management is part of a cover-up.

Then the Leader of the Opposition would have us believe that the Provincial Archivist and his entire staff are part of the cover-up. In fact, the Leader of the Opposition dealing with the accidental shredding said, and I'm quoting, "If you believe that, I've got a bridge I can sell you".

The Provincial Auditor has clearly dismissed that spurious allegation but did the Leader of the Opposition apologize to the Archivist and his staff? No, he's not interested in the truth. He doesn't care who he smears.

But does the Opposition theory stop there? Not quite. According to the co-Leader of the Opposition, the cover-up was further broadened to include the media, and I quote the Member for Pembina, "The off-the-record press briefing by the Minister was another attempt to cover-up". What better way to cover-up than to bring in the media. If you believe the Opposition's theory, bringing in the media wasn't enough. The cover-up was broadened even further. I brought in the Provincial Auditor.

What is half the province trying to cover-up? Massive losses incurred as a result of bungling and international adventurism in reinsurance on the part of the previous Tory administration. The Opposition is not interested in the truth. They are only interested in muckraking and political grandstanding. As you can see, Mr. Chairman, there is no substance to any of the allegations made by the Opposition over the past four months.

Mr. Chairman, I asked the Auditor to investigate reinsurance problems at MPIC four months ago. We now have his report. The Provincial Auditor's report has reminded us of the complexity of the reinsurance industry and provides valuable assistance in ensuring any involvement in this area is to the advantage of Manitobans.

Not all the areas of the report are conclusive. There are many reasons for that: the lengthy time frame it covers, the complexity of the issue and less than adequate record keeping. However inconclusive, these sections of the report, the findings are consistent with the information provided to the House. The audit's greatest value is in its implications and guidance for the future.

Yes, it points out the errors of the late Seventies and the early Eighties that we are now paying for, but it confirms that we began heading down the right road in 1984 and it provides valuable guidance for the task yet ahead.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Thank you, Mr. Chairman. I am pleased to have an opportunity to respond to the Minister.

Mr. Chairman, as you might expect, I have a few quotes of my own that I might like to refresh the Minister's memory on. However, I must say that the one statement that he makes on page 10 on which he says, referring to the Auditor's report, ". . . the findings

are consistent with the information provided to the House." I guess we would have to ask the Minister which day, because as I can demonstrate, the Minister's information to the House and to the public varies from day to day as we go through this. Every time he is asked to speak on it, he changes his story.

As a matter of fact, if we look at March 17, 1987, when the matter first arose, the Minister was telling us in the House that the reinsurance loss provision did not constitute a loss.

Then, on March 18, the Minister said, and I quote: "MPIC didn't really lose that money and in future years when it really does lose that money, it won't be reported as a loss." He added, "Don't feel bad about being confused. It took me the longest time to figure this out too."

At that time, as well, on the 18th of March, he said publicly that the problems in reinsurance didn't come to light until after Mr. Laufer was fired. That's what he was telling us on March 18, that they only came to light as a result of the actions of the newly-appointed president, Mr. Robert Silver.

Now, of course, he's telling us that he had some knowledge of this back in 1983 or 1984 and he's put together a very convenient chronology based on all of the information that he's able to get from sources in the corporation and wherever else. He said, at that time, and we're talking March 18, 1987, "He and the board were," and I quote, "kept in the dark about the losses for several years." He said at that time that the July 1984 document that was prepared for the board was, "never made available to him, the Cabinet or the board until 1986." That was March 18.

March 19, the Minister said that the 1984 Dabo Report - that October 1984 document - outlining the extent of the losses to be \$12 million at that point in time was never given to the board. Yesterday, of course, he said, in response to questions, that the board was informed about this document and the loss of \$12 million at that time. Of course, when the former president, Mr. Laufer went public, at that time, March 19, and contradicted the Minister, then the Minister changed his tune to saying, and I quote, "I was not aware of the extent of the losses."

On March 20, the Minister said the losses in reinsurance were, "accurately reflected in the financial statements of the corporation for each of the fiscal years." We now know of course that the Provincial Auditor has indicated that those financial statements were both confusing and misleading. In no way were they accurately reflecting those losses. In fact, they were not in accordance with commonly-accepted, generally accepted accounting principles.

On March 22, the Minister then finally admitted that he was presented with the report in October of 1984 showing the losses of \$12 million. He assumed that report was conveyed to the board. That's what he said at that time.

On March 23, he said, "It is not the Minister who directs what statements are to be attached to the financial statements, but the external auditors." We, of course, have the conflicting story on that, whereby not only the former chairman - politically appointed by this NDP administration chairman, Mr. Sigurdson - and the then president, Mr. Laufer, clearly state that it was this Minister who requested options be provided. In

fact, in the Auditor's Report, testimony indicates that the Minister then requested options be developed as to how this matter could be handled, the matter being that they did not want to have to report the loss of \$12 million at that time in the financial statements. The Minister, in his testimony to the Auditor, said he selected Option 1. The document of the Auditor further says: "There is no documentation to suggest that the chairperson, the president, or MPIC's management agreed or disagreed with the decision made by the Minister."

So we have a decision made by the Minister to not place in the Annual Financial Statements for 1984 or 1985, the loss of \$12.3 million, contrary to generally accepted accounting principles, a decision which he indicated in March was a political decision.

He said: "I'm a politician." If it was a decision that was a political decision, well, I'm a politician. That was March 24. He admits that he chose the political option of not showing the losses.

So, his story has changed so many times that he knew nothing until October of 1986; that he then knew of the \$12 million in 1984; and, of course, the report would indicate there was an indication that the losses perhaps were even greater and a great deal more work was going on over that period of time to try and establish just how great those losses were. He has indicated, of course, that he didn't consider that the losses of that magnitude were serious enough to warrant reporting.

The Minister continues to say today that he was presented with options unsolicited, contrary to what was reported by the two people who were in the meeting with him. Mr. Chairman, if we want to look at quotes, there's plenty on the record. What they indicate is that the findings not only are inconsistent with the information provided to the House, but, in fact, the information provided to the House is not consistent.

This Minister has absolutely no credibility as long as he continues to change his story day by day, week by week, month by month. He has to have somebody prepare this chronology to try and indicate what the real story was, because he certainly didn't know the real story in March of this year, when he was confronted with all this information. And now, after having it - and I'll use the words of the Minister of Industry, Trade and Technology - reconstructed for him, he now has a story that apparently holds water in his eyes.

Well, it won't wash, Mr. Chairman, because this Minister has changed his story so often that he has no credibility on this particular matter. Given that the Minister has put on the record a number of claims and assertions in his statement, let's ask him some questions about the opening statement that he's made.

He has indicated that he was prompted to take a number of steps, beginning in 1984, to deal with what he believed were problems in the reinsurance option. He says, for instance, he raised questions about the potential reinsurance claims, and I quote: "But I was assured that the situation was under control." The next statement is, "In 1984 a reinsurance expert was hired to begin a review of the reinsurance options."

If the situation was under control, why was the expert hired? And at whose suggestion was the expert hired?

HON. J. BUCKLASCHUK: Just before responding to that particular question, for the member's information,

Thursday, 25 June, 1987

let me address a number of observations that were made in the opening statement.

I have been consistent throughout that there has not been a cover-up. Many of the quotations that the Member for Tuxedo used were not even direct quotes.

MR. G. FILMON: I'll get you the direct quotes and I'll send them to you.

HON. J. BUCKLASCHUK: Mr. Chairman, I would . . .

MR. CHAIRMAN: Gentlemen, gentlemen, please, when one is speaking, please show him some courtesy.
Mr. Minister.

HON. J. BUCKLASCHUK: I had indicated that the full extent of the problem had not come to light until after the former general manager had been dismissed. That is entirely consistent with what I have been saying time and time again. I admit that the first indication of a serious problem was brought to my attention in October of 1984. That was the \$12 million in potential losses.

As the member is aware, there had been a meeting between myself and the chairperson of the board, the general manager. We reviewed the options that were available and it was my impression that with the display which was being used and certainly with subsequent information that was brought to my attention that the potential loss problem had been addressed. It was to be taken care of in a five-year, pay-as-you-go method.

However, it was not until October of 1986 that the full extent of the potential claims was made known to either me or to the Board of Directors of MPIC. That's what I mean when I say that the real situation as it could be best assessed at that time of the \$36 million came to light in October of '86.

The Member for Tuxedo uses the quote or the reference to, "Kept in the dark." I would suggest that if the member checks the Winnipeg Free Press article, he will find that those are the words of the reporter, not a direct quotation from me. It is the reporter's interpretation of my having said that the board was not fully aware of the seriousness of the matter until the fall of '86. It was not a direct quotation from me.

Yes, the board had been aware of some problems in the reinsurance area. The board had been provided with a document that was a report provided by the reinsurance manager, Mr. Dabo, in July of 1984. That particular report was tabled at this committee meeting and, if one reads the report carefully, one will find that yes, there are certainly some problems, but it is not an alarming report. One would certainly interpret that as the situation is in hand.

Recall that up until that time, there really had not been anybody on staff at MPIC that had the expertise to deal with the reinsurance area, and it was - in fact after - it was me who raised the issue within one month of having assumed responsibility for MPIC, asking the former general manager what is going on here, why are we losing \$700,000 this year, as compared to the previous year. At that time, the general manager did acknowledge that there were some problems in reinsurance, that steps were to be taken to deal with the issue, and it was not until the spring of 1984 that we were fortunate enough in being able to acquire the expertise of Mr. Dabo.

The Provincial Auditor had full, complete access to records at the corporation; he had full and complete access to files in my office. There is no indication in the Provincial Auditor's Report that there is a cover-up. Certainly the Provincial Auditor contacted members of the board of directors and he does quote the former chairperson of the board, and one certainly should be aware that we are dealing with an issue of a meeting that took place almost three years ago. I do not find anything inconsistent with Mr. Sigurdson's recollections from those of mine. Certainly a meeting was held, the issue was discussed. The clarity of the recollection of that meeting is bound to fade when we're looking at a three-year time period.

If one reads that statement very carefully - and I don't have it in front of me - but I recall that the former chairperson of the board indicates that the general manager and the chairperson "recommended." Now, to me that indicates that there were options. You don't recommend when you bring a fact and simply say, this is the way it has to be done. A recommendation implies that there are options.

Now, I have admitted publicly before the media that yes, I was presented with options and I indicated a preference. I'm not hiding anything. I am, in fact, corroborating with the statement from the former chairperson of the board has indicated.

With respect to the specific question that was raised by the Member for Tuxedo about taking a number of steps to deal with the reinsurance issue; it started, as I indicate, with my memo to the former general manager of MPIC. Within one month of assuming that responsibility, my first financial report - as I sat in room 156 reviewing the year over year, suddenly picking out a substantial difference in the losses - at that time it was the September month end of 1982 as compared to the September month end of 1981. That was when I first recognized that there might be a potential problem.

In 1983, the corporation started searching for a reinsurance expert with the intention of starting a reinsurance department. I believe, incidentally, that there was a recommendation from the Burns Commission in 1979 that such a department be established and it was not followed up in the three years that the former administration was in power. It was we who started moving on that in 1983, and recognizing that this is a very complex, a very specialized area of insurance, it took us some time to acquire the services of Mr. Dabo.

MR. CHAIRMAN: Excuse me. Gentlemen, at least give the Minister courtesy to make his comments without any interruptions. Mr. Storie and Mr. Orchard please contain your comments. If you have questions, I'll put you on the list, but at least give the Minister courtesy to finish his remarks.

Mr. Minister.

HON. J. BUCKLASCHUK: Thank you.

By the spring of 1984, a reinsurance department had been started under the guidance of Mr. Dabo. One of the first things that Mr. Dabo did was to review all the treaties that were in place. He put together a report which was subsequently presented to the board in 1984.

Thursday, 25 June, 1987

I should indicate that by this time a number of problem treaties, many of them entered into under the previous administration, a beginning had been made to cancel those bad treaties.

By the summer of 1984, new book treaties had been entered into, for which I take full responsibility; underwriting guidelines were established and the old book review continued. The new book, incidentally, now consisted of 90 percent Canadian treaties, 10 percent international, as compared to the "old book," where 90 percent of the treaties were foreign or international and only 10 percent were Canadian.

Mr. Chairman, I should make reference to the Provincial Auditor's Report and I'm quoting: "We recognize that work being done with the 'new book' is a significant improvement in the planning process." And yes, I will take credit for having initiated the formation of a reinsurance department within the corporation.

MR. G. FILMON: Mr. Chairman, the Minister continues to put forth information that isn't in accordance with the facts. He says that the "old book" was 90 percent international. His July 1984 report says it was 67 percent international.

MR. D. ORCHARD: You haven't got your facts right either.

MR. CHAIRMAN: Mr. Orchard, please, one at a time.

MR. G. FILMON: Obviously, the Minister is going to continue to try and dig himself out from all of the things that are on the record, all of the changes in the story, and we need to get at some other information.

I wonder if it can be indicated whether there's any representative of the board throughout the March meetings - Nancy Sullivan, the vice-chairperson was here. Is she going to be available for questioning?

HON. J. BUCKLASCHUK: No, Miss Sullivan has not been asked to be present at this meeting, and there's nothing to prevent her from attending.

Before I respond to that, I would like to perhaps ask Mr. Silver if he can shed some light on the 67 percent figure, as opposed to the 90 percent figure that I've been using.

MR. CHAIRMAN: Mr. Silver.

MR. R. SILVER: Mr. Chairman, it's my understanding that, in addition to claims evolving over time premiums, also evolve over time due to covenants in the agreements. At the time that this report was written, July 1984, it is entirely possible that reported premium was 67 percent. The corporation's officials are confident that, in that 1984 time frame, sufficient premiums rolled in subsequent to that or prior to that, but in the 1984 time frame, the book was, in fact, 90 percent international and 10 percent Canadian.

MR. G. FILMON: Mr. Chairman, I wonder if the Minister can indicate - is Nancy Sullivan not going to be here, to be able to speak as a member of the board?

HON. J. BUCKLASCHUK: If the Member for Tuxedo looked at the appendix to the Provincial Auditor's

Report, he will be aware that the Provincial Auditor interviewed a number of members of the board, both past and present. I believe Ms. Sullivan was one of them. Whatever is relevant to this issue, I think, is contained within the Provincial Auditor's Report, as reported by the Auditor.

Certainly, I am prepared to provide whatever information the member may request or Mr. Silver. We have been open and we will continue to be open. So if there are some specific questions, I would appreciate them being directed to me.

MR. G. FILMON: The specific question is: Will the Minister ensure that Nancy Sullivan is here for the next meeting to be able to be interviewed?

HON. J. BUCKLASCHUK: Well that is the decision of the committee as to who is required to be present at a board meeting. As you may be aware, Ms. Sullivan has resigned from the board of directors, effective this next Tuesday. After that date, she will no longer be a director.

I should indicate that she has resigned because she has taken a position with the Provincial Government.

MR. G. FILMON: Mr. Chairman, she is a member of the board now. I wonder why the Minister would refuse to have her here to answer some questions.

HON. J. BUCKLASCHUK: As the member knows, there are something like seven or eight members of the board. I don't see any of the board members here. They weren't requested to be here. If the member has the need to have some specific individual present at this committee hearing or future committee hearings, that is the decision of this committee.

MR. G. FILMON: Mr. Chairman, could we have Nancy Sullivan here? She sat through all the meetings in March, she was at the table. Could she be here?

HON. J. BUCKLASCHUK: Mr. Chairman, the Minister responsible for the Manitoba Public Insurance Corporation is also the chairman of the board of the corporation. Over the years - and I see no reason for there to be a change - the chairperson or the chairman of the board speaks for the board.

Therefore, I would request that if there be any questions about board deliberations in the past, that I would be the appropriate person to address those questions to.

MR. G. FILMON: We've already demonstrated that the Minister has changed his story so often. He has no credibility with respect to it. We have outside corroboration from other people as to a number of areas of conflict with what the Minister has said. I would like the former vice-chairperson of the board, who was the vice-chairperson in '84, in '85, in '86 and right up until now to be here, to be able to ask certain questions of.

HON. J. BUCKLASCHUK: The Member for Tuxedo again opens his question with an allegation. There has been no substantiation of any sort of inconsistency in

Thursday, 25 June, 1987

my statements. The inconsistencies exist in the mind of the Member for Tuxedo.

I've indicated previously, traditionally it has been the chairperson of the board that appears before a committee, responds for the actions of the board. At the present time, the Minister responsible for the corporation is also the chairperson of the board.

MR. G. FILMON: Mr. Chairman, the public will judge on the stonewalling tactics of the Minister.

I would ask then - the last thing that was placed before the committee, before we adjourned the last session of this committee was an affidavit by Henry Dribnenky, who I believe was the vice-president of Finance for the corporation. I wonder if we could have him answer some questions.

HON. J. BUCKLASCHUK: Mr. Chairman, as the Minister responsible for the corporation and as the chairman, I can speak for the board of directors.

The president and the general manager of the corporation speaks for management of the corporation. The Provincial Auditor has had full and unrestricted access to all members within the corporation. He has, as you are aware, interviewed a number of staff. The Provincial Auditor's Report incorporates the substance of those discussions.

MR. G. FILMON: Mr. Chairman, I remind the Minister that at every meeting of this committee in which we are dealing with Crown corporations: the Telephone System, Manitoba Hydro, senior officials are here to answer questions: vice-presidents, comptrollers, senior technical staff in the case of Hydro; we have never been denied access to ask questions of senior staff.

In this particular case, one senior staff person's affidavit was tabled here as evidence of certain information that the Minister was wanting to have corroborated. Here we can't even question this individual who's a vice-president of this corporation. That is unheard of and it's a shocking cover-up of the information of this corporation. Now this is stonewalling, this is cover-up, this is an attempt for political damage control.

I say, Mr. Chairman, that if this Minister is going to muzzle all of his senior staff from appearing before this committee, then he is admitting his guilt in this situation.

MR. CHAIRMAN: Mr. Storie.

HON. J. STORIE: On a point of order, Mr. Chairperson. We hear this diatribe all the time. The Member for Tuxedo, the Member for Pembina knows as well, that on many, many occasions, the president of the corporation - in the case of Manfor - and the Minister responsible answer the questions. The fact is that the chairman of the board is also the Minister. The president is there . . .

MR. CHAIRMAN: Mr. Storie, what is your point of order?

HON. J. STORIE: The fact is that the chairman of the board is also the Minister, the president is there, the point of order is . . .

MR. CHAIRMAN: It seems that you're dealing with facts. What is your point of order?

HON. J. STORIE: The point of order is, Mr. Chairperson, that the request is out of order. The Minister has given a response and the response is in keeping with the tradition of this committee.

MR. CHAIRMAN: I'm sorry, that's not a point of order. Mr. Minister, do you want to . . .

HON. J. BUCKLASCHUK: Yes, I would like to. There we have that cover-up allegation again. It seems that when the member is unwilling to listen to the information that can be provided to him, he immediately raises his hands and cries cover-up.

Traditionally it is normal practice for the general manager or president of a corporation to respond to matters involving the corporation. I have confidence in the president, that he can respond to the questions that the Member for Tuxedo may have.

I have indicated before, the Provincial Auditor had complete and unrestricted access to any staff members within the corporation that he wished. Whatever the outcome of those discussions was, it is recorded within the Provincial Auditor's Report, and I would suggest that if there are some questions about how matters are being handled, have been handled in the past within the corporation, that the appropriate person to address those questions to would be the general manager and the president of the corporation.

I have no intentions of having this turn into some sort of a three-ring circus, as the Member for Tuxedo would like to have happen.

MR. G. FILMON: Mr. Chairman, over and over again in his opening statement, the Minister talks about wanting to get at the truth, that's all we're wanting to do. And, Mr. Chairman, all we want is for those senior staff people, who would ordinarily have access, we would have access to at this committee as we do, senior staff of any Crown corporation be here to answer questions about what went on in '84, about information that they have put forward.

I remind the Chairman, I remind the Minister, that his Premier said this committee can access any people that it needs, to have the answers to the questions that it needs answered.

Now these members, including this Minister, are cutting the pins out from under their Premier and saying, no, we're going to restrict access to senior staff. We're not going to allow you to question them. We are going to ensure that we keep this under tight rein and that no information that we don't want to have given, gets out. Mr. Chairman, I say to you that this is an admission, on the part of this Minister, that his story isn't the right story - whichever story you choose over the period of the last three months - that it would be far too easy if we were able to question anybody else about what went on, to demonstrate that this Minister had no handle on what was going on. He's changed his story over and over again and is giving us a laundered version of it.

HON. J. BUCKLASCHUK: Mr. Chairman, the Member for Tuxedo is incredible. Over and over again he raises a spectre of some sort of a cover-up.

Thursday, 25 June, 1987

MR. G. FILMON: What have you got to hide? What have you got to hide?

HON. J. BUCKLASCHUK: Mr. Chairman, I did not interrupt the Member for Tuxedo.

MR. CHAIRMAN: Would the members of the committee please restrain themselves and allow the Minister to respond?

HON. J. BUCKLASCHUK: I have been entirely open from the beginning. We have provided unprecedented access to board information, board minutes - an invitation that wasn't even accepted - to take a look at some information that was considered to be of a confidential nature for corporate purposes.

We have asked the Provincial Auditor to review this matter. I have made all my files available. We have opened the doors of the corporation. I can't see how one can be more open than we have been.

The Provincial Auditor has had access to any staff member within MPIC that he so wishes to speak to. The Provincial Auditor's Report provides the substance of those discussions. Let's not twist the truth. We have been open. The information that the Member for Tuxedo is seeking, I don't even know that the question is yet - but I suggest that the questions . . .

MR. G. FILMON: Fine, then let them come to committee.

MR. CHAIRMAN: Mr. Filmon, please.

HON. J. BUCKLASCHUK: . . . should be directed to either the Minister or the chairperson or to the president of the corporation.

One other correction, I recall the debate in the House when the question was raised as to who would appear at committee. The Premier's response, I believe, was that it was a decision of this committee. So let's not twist the truth and put words in the Premier's mouth that weren't there. This is sort of a usual tactic that the Leader of the Opposition uses.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, since the Minister has indicated the Premier would allow that committee to decide who should be here to answer questions, I move that Mr. Dribnenky be brought forward to answer questions regarding his affidavit.

MR. CHAIRMAN: Mr. Orchard, according to the rules, that motion must be in writing. Would you give it to me in writing?

MR. D. ORCHARD: I certainly will.

Mr. Chairman, I move that Mr. Dribnenky be allowed to answer questions directly at this committee today, re his sworn affidavit of March 23, seconded by the Leader of the Opposition.

We'll see whether you're going to back your Premier up.

MR. CHAIRMAN: There is a motion before the committee. It has been moved by Mr. Orchard.

Mr. Orchard, do you have any comments you wish to make with the motion, because I have Mr. Storie who wishes to speak to motion and normally the mover of the motion has an opportunity to speak.

MR. D. ORCHARD: Mr. Chairman, it is absolutely unprecedented committee proceedings, wherein the Minister is denying senior staff of MPIC to come forward and answer questions, as has happened in the Manitoba Telephone System Annual Reports. Check numerous Hansards over the years and you'll find senior executives answering direct questions of Telephone System operations, policy, etc. Check the records of Manitoba Hydro, the other senior major Crown corporation, vice-presidents, directors in charge of operations are answering questions directly at committee.

It is only when we have a Minister interested in covering up the truth that we now are going to have answers laundered through the new general manager and have staff prevented from coming here, answering questions; particularly staff who have sworn affidavits before this committee, saying that their memory isn't very good. We would like those people here to answer, as has been the normal process in every Crown corporation committee proceeding before this committee, with the exception of this one, where the Minister and the government want to cover up the truth.

HON. J. STORIE: Mr. Chairperson, the motion deserves to be defeated for a whole series of reasons. First of all, the contention by the Member for Pembina or the Leader of the Opposition that this is in fact out of practice with what has gone on in the committee is not factual, that I have in fact sat as Minister responsible for Crown corporations when only the president and the Minister took questions and responded to questions.

The fact of the matter is, Mr. Chairperson, and we've had ample evidence today to know the interests of members opposite is to turn this into a circus, not to access information. The suggestion . . .

MR. D. ORCHARD: We're trying to get at the truth.

HON. J. STORIE: Trying to get at the truth, that is laughable.

MR. D. ORCHARD: You're laughable.

MR. CHAIRMAN: Gentlemen, gentlemen, please restrain yourselves.

HON. J. STORIE: Mr. Chairperson, the Minister has indicated on numerous occasions that the Provincial Auditor has access to staff, that the Minister has on every occasion provided the information that this committee needs, that this committee has asked for. The Leader of the Opposition, in his preamble, suggests that he has this terrific array of questions that he needs to ask.

MR. G. FILMON: Of staff, that's right, get them here.

MR. CHAIRMAN: Mr. Filmon, please.

HON. J. STORIE: I suggest, Mr. Chairperson, that the Leader of the Opposition, if he's really interested in

Thursday, 25 June, 1987

getting that information, ask his questions and they will be answered by the president, by the chairman of the board, and by the Minister responsible, as is custom in this committee. We have no interest in turning this into a circus and suggesting that you're looking for information is strange credulity, certainly.

MR. CHAIRMAN: Thank you, Mr. Storie.

The motion, unless there are any other speakers, it's moved by Mr. Orchard, that Mr. Dribnenky be allowed to answer questions directly at the committee today, re his sworn affidavit of March 23, 1987.

All in favour of the motion say aye; all those opposed to it please say nay. In my opinion the nays have it.

MR. D. ORCHARD: Mr. Chairman, would you have a formal count on that please?

A COUNTED VOTE was taken, the result being as follows:

Yeas, 2; Nays, 7.

MR. CHAIRMAN: The motion is lost.
Mr. Filmon.

MR. G. FILMON: Mr. Chairman, it's my understanding that the committee was to have access to the Auditor. We were given that assurance by the Premier. I wonder if the Minister is going to allow that or if he's going to renege on that.

HON. J. BUCKLASCHUK: Yes, just to confirm what I said previously, the Premier in yesterday's question period indicated that on the question as to who is available to answer questions at the committee, and I quote: "Decisions of this nature are those that are made by the committee membership," and that has taken place.

With respect to the Provincial Auditor, the Provincial Auditor is a servant of the Legislature. If the Provincial Auditor or his staff are here, I'm sure they'd be prepared to respond to questions that members of the Opposition may have.

MR. G. FILMON: I see the Provincial Auditor in the audience. I wonder if he would consider coming to the table.

MR. CHAIRMAN: Mr. Jackson, could you come forward, please? I'm wondering, Mr. Storie, if perhaps, could you move down. I see he's got more than just one.

Mr. Jackson, you have three members of your staff with you. Do you need them at the table or can we put them behind you?

Okay for the record, Mr. Jackson is now at the committee.

Just before we get started, I would like to caution all members of the committee, I can appreciate the matter under discussion today is sensitive to a number of people here, and for the proper decorum in carrying out these proceedings, I would like everyone to restrain their enthusiasm to get involved in the debate until such time as the individual has finished answering the questions. They can take part by giving me their name and I'll add them to the list.

Mr. Filmon, you asked that the Auditor be present. He is now present at the table. Do you have some questions?

MR. G. FILMON: Mr. Chairman, I wonder if the Auditor can indicate - and I'm looking at the list of his interviews - he interviewed a number of members and former members of the Board of MPIC. Can he just indicate how many of them there were?

MR. CHAIRMAN: Mr. Jackson.

MR. F. JACKSON: I believe there were three.

MR. G. FILMON: In the course of the interviews, I wonder if the Auditor can indicate whether or not he questioned them as to their knowledge of the reinsurance losses in 1984.

MR. F. JACKSON: Yes.

MR. G. FILMON: Was there an indication that the board was informed of the reinsurance losses in 1984?

MR. F. JACKSON: There was information relayed to the board as to concerns re the reinsurance operations and the information that was provided was in our view not complete, but it was provided and together with that information were indications that the matter was under control.

MR. G. FILMON: What information was provided to the board?

MR. F. JACKSON: I'll ask Mr. Mayer to answer that question.

MR. CHAIRMAN: Mr. Mayer.

MR. R. MAYER: We were informed by the board members that we talked to that in July of 1984 at one of their board meetings, they were presented with a document - the July '84 document presented to the board - that is the extent to which they were aware of the losses.

MR. G. FILMON: Mr. Chairman, other than Mr. Sigurdson, who also presumably was a party to the October meeting at which a decision was made about how those losses should not be reported, which other board members did Mr. Mayer consult? Was it Nancy Sullivan, and who else?

MR. CHAIRMAN: Just before you answer, Mr. Mayer, are you able to pick Mr. Mayer's comments up? There is something wrong, I think, with the recording mechanism. Perhaps you could pull it closer to you.

MR. R. MAYER: The two other members that we talked to were Mr. Labossiere and Miss Sullivan.

MR. G. FILMON: The only indication or information they had was with respect to the July 27th meeting and the report that they were given at that time?

Thursday, 25 June, 1987

MR. R. MAYER: Yes, that's correct.

MR. G. FILMON: That particular report deals at some length with the question of reinsurance losses. It asks a number of things. It puts forth a suggestion that the corporation maintains an IBNR reserve in the general insurance division of five million. Now the question is, is the five million IBNR - that's Incurred But Not Reported claims - enough to cover the past losses? It would appear not if one considers that all indications point to an underwriting loss in 1984 alone of approximately \$3 million.

The corporation is presently conducting a study of this aspect, the results of which will be the subject of further submission to the board. I would say that - and I would ask the Auditor to correct me if I'm wrong this gives a clear indication that there was an expectation from the subsequent report that these losses would be substantially greater than that because they are suggesting that the \$5 million provision wasn't enough and that the one-year loss of \$3 million was an indicator of things turning considerably to the negative.

The question becomes, what did the board members tell you as to why they didn't ask any questions for two years, having been given a real red warning flag that there were severe losses to be anticipated and a report to quantify those losses being done by the senior management and audit staff of the corporation?

MR. R. MAYER: The board members indicated that they did get the report, that there was supposed to be another report provided, that the corporation was looking at the situation. The board members indicated to us that they basically relied on the chairperson.

MR. G. FILMON: They basically relied on the chairperson and for two years they didn't ask any questions about reinsurance losses. They had the annual financial statements come by them, signed them and just passed them along, because I believe that Nancy Sullivan signed some of these financial statements and, for two years, they didn't ask any questions despite a July 27, 1984 report that raised a pretty serious warning flag. Is that what you're saying?

MR. R. MAYER: I didn't say that. I said that they basically relied on the chairperson. I should indicate to you that there was an increase in the IBNR for the year ended October 1984.

MR. G. FILMON: That increase, was it \$2.5 million.

MR. R. MAYER: Yes.

MR. G. FILMON: Mr. Chairperson, was there any indication in the minutes of the discussion of either is particular submission, July 27, 1984 or any other submissions with respect to reinsurance?

MR. R. MAYER: There were some very general discussions and that would be it, nothing that would relate specifically to losses.

MR. G. FILMON: No quantification of the losses.

MR. R. MAYER: That's right.

MR. G. FILMON: So in your understanding, the losses were known specifically in terms of at least \$12.3 million to the Minister, to the chairman and to the then general manager, Mr. Laufer, but not to anybody else?

MR. R. MAYER: The document that discusses the \$12.3 million, as far as we are aware, was only known to those people.

MR. G. FILMON: The provision that the Auditor refers to of \$2.5 million, was it placed in the 1984 statement as a result of concerns expressed by the external auditor?

MR. R. MAYER: No, not totally. I believe \$1.5 million was what the corporation had recommended. The auditors asked by an increase by \$750,000.00.

MR. G. FILMON: Based on what information?

MR. R. MAYER: I'm not aware of that.

MR. G. FILMON: Were you able to find out what knowledge the external auditors had about reinsurance losses at the corporation?

MR. R. MAYER: Our knowledge was that they did not have access to the October document. They asked what they felt were pertinent questions and requested an increase which they thought would be appropriate.

MR. G. FILMON: So the decision and the discussion and the real knowledge continued to rest just with the three people, the Chairman, Mr. Sigurdson; the general manager, Mr. Laufer and the Minister.

In your report you state, "We were also informed that a committee consisting of the president, the vice-president of General Insurance, and the vice-president of Finance provided input as to what the document should contain." That document being the October 1984 report that outlined at least \$12.3 million of loss.

MR. R. MAYER: That's right. People within the management of the corporation also were aware of the situation, not just the three members.

MR. G. FILMON: So the reinsurance manager, Mr. Dabo was aware of it, the comptroller perhaps would have been aware of it?

MR. R. MAYER: Yes.

MR. G. FILMON: I go on with that you're saying in your report: "The vice-president of Finance and the comptroller advised us that in developing the options the application of generally accepted accounting principles for the industry was not the primary consideration."

I wonder if the Auditor asked, what was the primary consideration.

MR. R. MAYER: We did not ask that specific question.

Thursday, 25 June, 1987

MR. G. FILMON: Why not?

MR. F. JACKSON: I think it's fair to say that we were given to understand that they were working to develop alternatives that would present a situation that was acceptable from a management perspective.

MR. G. FILMON: Well, why would the Auditor assume that and not ask? I mean, that's a very direct statement. They, the vice-president of Finance and the comptroller advised you that in developing the options, the application of generally accepted accounting principles for the industry was not the primary consideration. Would you not want to know what the primary consideration was in putting forth that plan, those options?

MR. F. JACKSON: Again, my understanding is, that the alternatives that were being developed were being developed from a management perspective and that the prime consideration of that development was not referenced to generally accepted accounting principles.

MR. G. FILMON: Well, that of course raises a very, very serious situation and I apologize to the Auditor for perhaps putting him in an uncomfortable position. I point out that it would be very simple to ask that direct question to the vice-president of Finance who is sitting here as part of the staff, but obviously isn't being permitted to answer for himself, so I have to ask the questions of the Auditor.

MR. F. JACKSON: Then I can be more specific. That in particular was one of the answers that was given by the vice-president of Finance to us.

MR. G. FILMON: That he was doing it in accordance with acceptable management options, not accounting principles? Okay.

Well, the Auditor makes what I believe is a pretty strong condemnation or criticism of that particular action. He says, and I quote: "The financial statements and all information in the Annual Report are generally the responsibility of management to develop for the approval of the board, and subsequent presentation to the Minister and the Legislature. The financial statements are prepared by management, some of whom are officials with accounting designations. We expect senior management officials to carry out their annual financial statement reporting responsibilities with appropriate regard for accounting conventions and ethical standards."

We also expected that MPIC's Annual Report and financial statements would fully and accurately disclose information concerning MPIC's operations, including the reinsurance operations, and they did not. They were not in accordance with generally accepted accounting principles. Now, these people, is the vice-president of Finance one of those with an accounting designation? What is his accounting designation?

MR. F. JACKSON: I believe he is a certified management accountant.

MR. G. FILMON: Did you determine from the vice-president of Finance why he, as somebody with an

accounting designation, did not feel it necessary to bring this critical deviation from generally accepted accounting principles to the attention of the external auditor?

MR. F. JACKSON: My understanding of that is that it was a decision that was taken to keep this material that was available re the loss on a confidential basis within the organization, and that it was a management decision to arrive at the amount of the loss, and that they had dealt with the external auditors and made a modest increase in the allowance.

MR. G. FILMON: A modest increase of \$750,000, at a time when they were facing a \$12.3 million unreported loss. Is this not a breach of the ethics of this certified management accountant by knowingly not reporting it to the external auditors and not having it in the financial statements? Is this not some form of fraud?

MR. F. JACKSON: We didn't consider it to be a form of fraud. We considered it to be inappropriate. We considered it to be a misstatement in the management representation letter and we didn't consider it to be moralistically correct.

MR. G. FILMON: Not moralistically correct, a breach of the ethics of that individual's profession?

MR. F. JACKSON: I'm not aware of what the precise ethics of that designation are. We considered it inappropriate in the circumstances.

MR. G. FILMON: Mr. Chairman, a further question to the Auditor. Did he interview the former Minister of Crown Investments, now Minister of Industry Trade and Technology, Mr. Schroeder?

MR. F. JACKSON: Yes.

MR. G. FILMON: Did Mr. Schroeder, in the course of that interview or discussion, inform the Auditor that he had discussed this decision not to record the losses of \$12.3 million in the annual financial statements, that he had discussed that matter with the Minister, Mr. Bucklaschuk?

MR. F. JACKSON: I'm not sure that's a correct way to lead me to the question. In answer to that question, the information as to the discussion with the former Minister of Crown Investments came from Mr. Bucklaschuk, as did the information relative to the discussion.

MR. G. FILMON: So Mr. Bucklaschuk informed you that he had informed the Minister at the time and spoke about it. In your discussion with the then Minister of Finance, Mr. Schroeder, did he indicate to you that the matter of whether or not this was in accordance with generally accepted accounting principles was referred to members of his department and he said, in fact, he's quoted in the paper as saying that he referred the question to accountants in the Department of Finance who said that all the options were acceptable, the three options as to how it might be presented in the financial

Thursday, 25 June, 1987

statements. Did he indicate that to you during your discussion?

MR. F. JACKSON: That was indicated.

MR. G. FILMON: That was indicated. Did you determine which officials in the Department of Finance, which accountants in the Department of Finance approved those options?

MR. F. JACKSON: No, we didn't.

MR. G. FILMON: I wonder why the Auditor wouldn't have determined who those accountants were who approved those options when, presumably, if they were staff with accounting designations, they'd be guilty of the same kind of breach of ethics that the senior staff at MPIC were in approving something that wasn't in accordance with generally accepted accounting principles.

MR. F. JACKSON: We didn't think it was necessary because the information that we saw indicated a preference.

MR. G. FILMON: Sorry, I don't understand that. If they said that all the options were acceptable in an accounting sense, then they were giving the Minister carte blanche to make that decision as to which option he chose and they were just as the senior staff were, in essence, giving accounting approval to the options. We've already determined that one option was not in accordance with generally accepted accounting principles.

MR. F. JACKSON: No, contrary to some of what you've just said, what I indicated earlier was in the material I reviewed from the Minister of Crown Investments indicated a preference and the preference was that the adjustment be recorded in such a way that there'd be an appropriate matching of revenue and expenditure.

MR. G. FILMON: So is the Auditor indicating then that those senior accounting staff didn't approve the option that was selected, or didn't recommend it?

MR. F. JACKSON: My understanding of the material that I reviewed indicated that there was some academic perspective to the issue at hand if, in fact, the reinsurance operation never became profitable. However, if there was some thought of profitability, then there was a preference and that preference would be that there'd be an appropriate matching of revenue versus expenditures.

MR. G. FILMON: Can the Auditor tell me, is that the option which was selected? Is he referring to that when he says, "... an appropriate matching of revenue and expenditures."?

MR. F. JACKSON: It wouldn't be my interpretation of what was meant.

MR. G. FILMON: So, in fact, the officials, the accountants in the Department of Finance, didn't

recommend or approve that particular option that was selected by the Minister?

MR. F. JACKSON: That would be my understanding.

MR. G. FILMON: Oh, well, that places an entirely different light on it, Mr. Chairman, because we now have the Minister of Finance having been given technical accounting advice by his senior staff, and ignoring it, and going along with the political option that was chosen by the Minister responsible.

MR. D. ORCHARD: What a tangled web we weave.

MR. G. FILMON: Mr. Chairman, I wonder if the Auditor has any evidence as to the analysis or the summary that was done of this matter, and is it something that the committee could see?

MR. F. JACKSON: We don't have any analysis. We just were made aware of the communication and the documentation.

MR. G. FILMON: Was the documentation in writing?

MR. F. JACKSON: Yes.

MR. G. FILMON: The documentation of the analysis that was done by the Department of Finance officials?

MR. F. JACKSON: No, not of the analysis, of the recommendation that came forward from the Minister.

MR. G. FILMON: What documentation then was available that indicated what commentary or judgment was made or recommendation was made by the senior accounting officials of the Department of Finance?

MR. F. JACKSON: What we saw in that regard was written communication from the Minister of Crown Investments to the Minister responsible for the Public Insurance Corporation.

MR. G. FILMON: I see. Now this is obviously part of information that wasn't shredded, so is that able to be made available to this committee?

MR. F. JACKSON: The Minister responsible for MPIC made that available to us.

MR. G. FILMON: Okay, I wonder if I could ask the Minister if he would make that available to committee.

HON. J. BUCKLASCHUK: Mr. Chairman, as the Provincial Auditor has confirmed, it was I who brought this discussion to his attention. It was I who provided the Provincial Auditor with access to the particular correspondence, which is ministerial correspondence, and the Provincial Auditor has just spent some time in outlining for the benefit of this committee what was contained within that memo. I think, if there are further questions to be asked on that, the Provincial Auditor is here, but traditionally matters of discussion between Ministers or correspondence between Ministers is considered material that is privileged.

MR. G. FILMON: The Minister can take his own decision on this, but my understanding of it is that the Department of Finance officials were not recommending the option that he chose, the political option that he chose, not to report the \$12.3 million of loss. If that memo is anything to the contrary, that exchange of correspondence says anything to the contrary, we're going to have to assume again that it was not only this Minister but with the approval and support of his Minister of Finance who decided on a course, on an option, that was contrary to generally accepted accounting principles, and that in fact resulted in the cover-up of \$12.3 million losses from public attention for more than two years.

HON. J. BUCKLASCHUK: Well, I guess we have to go back a bit in history. I had indicated previously at a committee meeting, and I certainly indicated today, that there had been a meeting between myself and the chairman of the board and the president of the board at that time, at which time we discussed the potential losses for MPIC. Options were presented. I indicated a preference, and I had a discussion some weeks later with the Minister of Finance. I followed that up with written correspondence.

The fact of the matter is that my preference had been indicated to the general manager, the president of the corporation, on the 19th of October. The discussions I had with the Minister of Finance were, in fact, after the fact. It was a discussion with respect to seeking technical advice, not asking for a decision or a recommendation, but basically a confirmation that what preference had been indicated would be considered to be acceptable. As the Provincial Auditor has indicated, certainly within that response to me was the statement that, if the reinsurance branch was not to be profitable over the foreseeable future, then the question as to how the display was to be made was academic.

MR. G. FILMON: Is the Minister indicating that his colleague, the Minister of Finance, the Minister of Crown Investments, was agreeing with his decision in that exchange of correspondence?

HON. J. BUCKLASCHUK: I have said publicly before that there were a number of responses within that communication and one could almost interpret it to be noncommittal, depending on the circumstances. If the Reinsurance Branch was not to be profitable in the foreseeable future, then it was an academic question as to which method was used. If on the other hand, I believe, as the Provincial Auditor had indicated a few minutes ago, another way of doing it would have been through setting up of the appropriate IBNR. I don't want to put words in the mouth of the Provincial Auditor. That's an approach used by the Opposition, and I think maybe with the Provincial Auditor being present that one could ask that question again to be better advised of what the contents were of that communication.

MR. G. FILMON: Can the Auditor indicate whether there was an indication of agreement by the Minister of Finance in that exchange of correspondence?

MR. F. JACKSON: My understanding of that correspondence was that there was no agreement or

disagreement. It suggested under certain circumstances that the matter could be largely academic. However, it did also indicate that the preference seemed to be one that would provide a matching of revenues against expenditures, and that to my mind meant setting up the IBNR.

MR. CHAIRMAN: Mr. Filmon. Are there other questions?

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, before I ask some questions of clarification to the Auditor, there are two or three questions I'd like to ask directly to the Minister, starting out with page 19 of the Provincial Auditor's Report.

The Minister has indicated consistently that staff brought options to hide the loss to him without his request. The chairman of the board has reaffirmed what the dismissed general manager has indicated - that the Minister was informed of the size of the loss in reinsurance, 12.3 million; said it was inappropriate to report it at this time and requested options.

One version is correct. Is Mr. Sigurdson's version, as chairman of the board, the correct one, or are you still maintaining that your version is the correct one?

HON. J. BUCKLASCHUK: Yes. I can't speak for Mr. Sigurdson's recollection. I certainly stand by my account of what happened on September 19 and I again remind the member that this particular discussion, the meeting took place nearly three years ago.

I can imagine that there was no paramount importance attached to this meeting, one in the course of fulfilling his responsibilities has hundreds and hundreds of meetings - and this was one at which an issue had been drawn to my attention. Options were discussed and a preference was indicated.

I remind the Member for Pembina that the former chairperson of the board indicates that there was a recommendation, and that particular statement implies that there were choices or options. When one has a fact provided to him or her in which there are no options, one doesn't recommend. It is a fact.

And "recommendation" implies that there are choices and that is consistent with what my statement was to the Provincial Auditor, and consistent with the statement that I have made with respect to this meeting from the very beginning.

MR. D. ORCHARD: That is a very interesting scenario that this Minister is now painting, because - and I quote directly from the Provincial Auditor's Report and I assume that this quotation is a correct one. It has said that Mr. Sigurdson recalls in late September or early October 1984, prior to the preparation of the October 1984 document, he and the president met with the Minister and recommended no discussion of options as the Minister has just tried to indicate, recommended that \$12.3 million be added to the assumed reinsurance IBNR provision.

The Minister informed him and the president that it was not an appropriate time to record this. The Minister then requested options be developed as to how this matter could be handled. That is clearly different from

Thursday, 25 June, 1987

the version you have consistently put on the record. Are you saying that Mr. Sigurdson is not telling the truth to the Provincial Auditor?

ION. J. BUCKLASCHUK: I am not saying that at all. I have known Mr. Sigurdson for many, many years. He is a man of integrity; he has been involved in the credit union movement, in the cooperative movement. I, at no time have questioned Mr. Sigurdson's integrity. I cannot speak for Mr. Sigurdson and his recollection of the events may very well be different from mine, and I am not questioning what the Provincial Auditor has indicated in his report. But I am certainly not making any aspersions on Mr. Sigurdson's character.

MR. D. ORCHARD: Mr. Chairman, I absolutely appreciate that coming from this Minister, because neither do we. We happen to believe in the integrity of Mr. Sigurdson. We happen to believe that he and he president of the corporation told this Minister he should report \$12.3 million in the 1984 statement and we happen to believe that this Minister would not allow that to happen, asked them to develop options so that he could cover-up.

We believe Mr. Sigurdson; we don't believe this Minister. We believe in the integrity, as he says, of Mr. Sigurdson, and that is what will come out of these committee hearings eventually, that this Minister did not tell the truth two months ago and has consistently tried to cover-up this. Mr. Sigurdson is the honest man with the integrity who's telling the truth.

Mr. Chairman, may I ask the Minister another question. When you gave the former Minister of Finance, the then Minister of Crown Investments, one Mr. Schroeder, your analysis in October 1984 that you referred to; you indicate you subsequently communicated with the then Minister of Crown Investments, one Mr. Schroeder, who also was the Minister of Finance - presumably the most responsible Cabinet Minister in any government - you said that you provided communications regarding the October 1984 document and its accounting ramifications. Is this the document you presented to Mr. Schroeder?

ION. J. BUCKLASCHUK: The document that was forwarded to Mr. Schroeder sometime in mid-November, after I had indicated a preference to the general manager as to what display I'd like to have used, is a document that was tabled at committee, last March. It's a document that the Member for Pembina has just provided us. There's nothing new about it.

MR. CHAIRMAN: If, just for the record, there's a reference to a multi-paged document saying the Manitoba Public Insurance Corporation, Financial Plan - Reinsurance assumed - and I don't know if it has a specific date on it - no there does not appear to be a specific date on it but it has some seven pages with a number of exhibits attached.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I just want to ask a few more questions of the Minister and then I'd like to just make sure I understand the Provincial Auditor's position on this.

Mr. Minister, the present Minister of Industry, Trade and Technology, Mr. Schroeder, has indicated that when he received this document - which you have confirmed is the one you sent to him - that he referred it to the Department of Finance, and presumably, on the seventh page, the three accounting options were reviewed by the Minister of Finance's staff, and the Minister further is quoted as saying that he referred the question to accountants in the Department of Finance, who said that all the options were acceptable. Is that correct, Mr. Minister?

HON. J. BUCKLASCHUK: Yes, I'm very glad the co-leader of the Opposition raised this question because, as the question was being asked -(Interjection)- well, isn't it the truth? As the question was being asked, I was making notes to respond, to amplify the answer I gave previously, because I am interested and I have been interested from the very beginning that the entire truth be known. May I just add what I wanted, to supplement my previous response?

It was during the discussion that I had with the staff from the Provincial Auditor's department, at which time we were reviewing my file on this issue, that it was the Provincial Auditor's staff who brought it to my attention that, insofar as the file copy is concerned, page 7 was missing. I don't know whether or not -(Interjection)- there you are, Mr. Chairman. The more one lays the facts on the table, the more one is open, the more the Leader of the Opposition jumping up and down, another gross coincidence.- (Interjection)- Yes, you've got another bridge to sell?

That's my answer.

MR. D. ORCHARD: Is the Minister saying then, after confirming just two minutes ago that the document I gave to him, including the summary with the three options, is not the document that went to the Minister of Finance of 1984, is he now changing his story just two minutes later?

HON. J. BUCKLASCHUK: No, I did not change my story. The Member for Pembina has this propensity for not listening or twisting the truth. I had indicated I wanted to add the remarks or the observation that, when this matter was discussed with staff and the Provincial Auditors - and incidentally that staff member is here, and I'm sure that he would be willing to confirm that observation. Staff from the Provincial Auditor's Department, which is sitting across from the Member for Pembina, will confirm that it was at that time that it was drawn to my attention that page 7 from that document was missing.

MR. D. ORCHARD: Mr. Chairman, is the Minister saying that the Minister of Finance then, the Minister of Crown Investments, Mr. Schroeder, sitting three seats down here, are you saying that, in 1984, page 7 was missing from his correspondence that you sent over to him? Is that what you're saying now?

HON. J. BUCKLASCHUK: No, I did not say that. The Member for Pembina doesn't listen very well. I had indicated that I had a supplementary response to make sure that the entire truth was laid before us. I noted

Thursday, 25 June, 1987

that observation. Maybe I should have just kept it to myself and not been open and forthright as I've been from the beginning. The fact is that was drawn to my attention. I have subsequently, however, been advised that the Minister of Finance did receive a copy of that page with his material.

MR. D. ORCHARD: Very good. I'm sorry the Minister confused the issue.

Mr. Chairman, then to the Minister, Mr. Schroeder has said that he referred the options, page 7, the three options to Finance Department staff. Is that your understanding of what the then Minister of Finance, Mr. Schroeder, did in 1984?

HON. J. BUCKLASCHUK: The Provincial Auditor's staff had a discussion or an interview with the Minister of Finance and I'm sure - I don't know how each Minister handles his or her material, but I do believe that the Provincial Auditor has responded to this and would again be willing to respond to provide the Member for Pembina with that information requested.

MR. D. ORCHARD: Mr. Chairman, since the Minister, obviously this is very pertinent information to determining the validity of this Minister's allegations and story. It's inconceivable to me that he hasn't discussed with his colleague, his Cabinet colleague, Mr. Schroeder, to make sure that he can tell the same story here today. But I will rely on Mr. Jackson.

Mr. Jackson, in your investigation with the former Minister of Finance, one Mr. Schroeder, did he indicate to you that he had referred the entire submission, as the Minister of MPIC has now confirmed he had in 1984, did he refer the entire submission to Finance Department officials, including the three options to those department officials?

MR. F. JACKSON: My understanding is that the matter in question was related by the Minister of Finance to the senior officials of his department, and that they were given sufficient information to come to a conclusion on it.

MR. D. ORCHARD: Okay, now being a layman in accounting terms, does that mean that the sufficient information included all three options that were present in that paper?

MR. F. JACKSON: I believe we took it that the paper was presented to the officials, but you might have to ask the former Minister of Finance for more specifics.

MR. D. ORCHARD: We'd be glad to do that, Mr. Jackson, but as an independent servant of the Legislature, we had hoped that you would be able to answer that question, whether all three options - did you not ask that of the departmental staff, because I don't think that this October '84 report is new to you? It was tabled two months ago.

MR. F. JACKSON: I believe I've already answered that, in that I suggested that the information in sufficient depth was available to the department so that they could respond.

MR. D. ORCHARD: Did I understand in previous questioning from my Leader that they were presented with a recommendation of an option, the Finance Department staff?

MR. F. JACKSON: Not as far as we're aware of.

MR. D. ORCHARD: Mr. Jackson, did the Finance Department staff give, as Mr. Schroeder has said in the paper, did they indicate to you that all three options were acceptable?

MR. F. JACKSON: We didn't get beyond the memorandum from the Minister of Finance to the Minister responsible for MPIC as to what was acceptable and what was not acceptable.

However, that memorandum that we saw indicated, under certain circumstances, it was only an academic difference. However, as I indicated previously, the memo seemed to indicate to me that the preference was for a matching of revenue and expenses, and that would mean to me that an appropriate IBNR be set up.

MR. D. ORCHARD: So, Mr. Chairman, your recollection is then that the version as offered by Mr. Sigurdson that a \$12.3 million provision for IBNR be set up was the one that the Finance Department staff said would be the most appropriate. Is that correct?

MR. F. JACKSON: That's my understanding.

MR. D. ORCHARD: Now, to your knowledge, did the Finance Department staff indicate that the other two options would not be appropriate in terms of accounting principles, that they would not follow accounting principles?

MR. F. JACKSON: As I indicated previously, what the memo did indicate was that, under certain circumstances, i.e., if there wasn't the potential for a profit in the foreseeable future, the other options were largely academic.

MR. D. ORCHARD: Mr. Chairman, to the Provincial Auditor, your comment on page 20 is quite definitive in that, if I read it correctly, the comptroller advised you that, in developing the options, the application of generally accepted accounting principles for the industry were not the primary consideration. Now, you know, that's presumably one of the three options which were chosen by the Minister.

Now, Mr. Chairman, the comptroller of the corporation indicates that they did not follow generally accepted accounting principles. Yet the Minister of Finance, the then-Minister of Finance, Mr. Schroeder, is saying that his department said that all three options were acceptable. There is a conflict of opinion here.

MR. F. JACKSON: That could well be. We weren't a party to any subsequent discussion, other than the one we had earlier with the Minister of Finance, and the discussion with the Minister of Finance was based on the review of the documentation that we had available to us.

MR. D. ORCHARD: Mr. Chairman, then I believe this is an area that the Minister should seriously consider

having the Provincial Auditor further investigate because we now have, not only the Minister responsible for the corporation, but the former Finance Minister of this government involved in choosing an option which the Provincial Auditor has said does not meet generally accepted accounting principles. The comptroller of the corporation has said it doesn't meet generally accepted accounting principles. Yet it appears as if the former Minister of Finance, along with his colleague, the Minister responsible for MPIC, said that's the one we should use.

HON. J. BUCKLASCHUK: There goes the Member for Pembina setting up straw men, straw persons, where there aren't any. I had indicated previously that I had discussions with the Minister of Finance, basically seeking technical advice as to whether or not a particular accounting display was acceptable or not. I think we should put this in proper timing because this casts an entirely different light on the scenario that the Member for Pembina is trying to build - nothing unusual, but he's very good at that.

My discussion with the Minister of Finance took place on November 1, and it was at that time that we had a meeting on an entirely different matter. - (Interjection)- Well, it had to do with the Provincial Auditor's Report. I take these things seriously, and there were a number of recommendations that I wanted to discuss with the Minister of Crown Investments for follow-up.

At that time, it was rather incidental that I raised the matter of potential losses within the reinsurance section of MPIC. I said - I would imagine, because my memory is not crystal clear, as the members of the Opposition would like us to believe; I mean, it's three years ago. But I would imagine at that time I would have said, look, I have been presented with a number of options as to how these potential claims can be displayed. One of them is to set up an IBNR of \$12.3 million. Another one is basically the pay as you go. What do you think of it?

Now that was a really serious matter, because I followed that up with a memo some three weeks later - that was the urgency - a memo that was wide open, wasn't marked personal, confidential or whatever, no rush, urgent. It was simply a matter for technical advice. This was on, I believe, November 17, as can be confirmed by the Provincial Auditor, who had full and complete access to my files.

The Minister of Finance then took this request for technical advice under advisement and a response, which was delayed - I have no idea why it may have taken that time and we may well have been doing Estimates for the forthcoming year. The Minister may have been tied up for some time but the response reached my office on January 15 I believe - I could get confirmation of that - January 15, 1985. That happens to be the reason why I still happen to have that particular correspondence. I have noted my initial appears on that paper on January 16, when I had reviewed it and passed it back to staff for filing.

Now, the sequence is very, very relevant to the scenario that the Member for Pembina has built, because the statement of representation to the external auditors, I believe, is dated January 6. In other words, confirmation of what I was seeking was simply a

reconfirmation or affirmation that the preference I indicated was not out of line; it was not meant as a recommendation which would then be a decision by the board; it was purely for informational purposes only.

It was not used to direct management of the MPIC as to how potential claims were to be displayed in the '84 report. That time line is extremely important and I would hope that the Member for Pembina keeps that in mind when he builds his scenarios.

MR. D. ORCHARD: Mr. Chairman, the Minister has a great deal of difficulty building his case on his position when he's faced with the statement by the then Chairman of the Board, Mr. Sigurdson, that he was asked to report \$12.3 million. He said it was inappropriate, asked him to go back and develop options. That's where the Minister's case breaks down.

Mr. Chairman, I would like to ask the Provincial Auditor if he could investigate with the Department of Finance officials, to which this document was referenced, to see whether indeed those department officials indicated, as Mr. Schroeder has said, that all options were acceptable. Would that be a reasonable request of the Provincial Auditor?

MR. F. JACKSON: It could be. For the purposes of the report and the reinsurance operations of MPIC, we didn't consider that aspect particularly relevant.

MR. D. ORCHARD: No doubt, Mr. Chairman, at the time it may not have been particularly relevant. It is now, that the former Minister of Finance has said all options were deemed to be acceptable from professional accountants and . . .

HON. V. SCHROEDER: Mr. Chairman, on a point of order, please.

MR. CHAIRMAN: Mr. Schroeder.

HON. V. SCHROEDER. Yes, Mr. Chairman, on a point of order.

MR. CHAIRMAN: I'm sorry, you'll have to speak up. I can't hear you.

HON. V. SCHROEDER: I suppose as soon as the microphone is on, you might be able to. The Member for Pembina is making some kind of illusion that somehow there was something improper about the correspondence and I think that it's only fair that I be given an opportunity to raise that issue.

Here we have very clearly, from the Provincial Auditor, a statement that says that there was . . .

MR. CHAIRMAN: Mr. Schroeder, you're debating facts. What is your point of order?

HON. V. SCHROEDER: Mr. Chairman, the Member for Pembina is attempting to smear the reputation of the Minister in charge of public insurance and now is attempting to smear my reputation by misinterpreting and totally distorting information which has been provided to this committee, pursuant to which the Provincial Auditor has said he has read the memo which

Thursday, 25 June, 1987

I sent to the Minister. The memo indicated - and it was prepared by Finance staff, indicated very specifically that none of the options were unacceptable.

MR. CHAIRMAN: Mr. Schroeder, that is not a point of order. You are debating a matter of facts. I have you down on the list to ask questions. I'm sorry, it's not a point of order.

Mr. Jackson, I believe you were going to be answering the question? Or was there a . . .

MR. D. ORCHARD: Mr. Chairman, I believe the point of order came at a point when I was indicating to Mr. Jackson that possibly at the time, the opinion of the Finance staff may not have been important; but it is now because, as you've indicated in your Report, on page 20, the course that was proceeded with in '84 and in '85 did not follow generally accepted accounting principles, and we have the former Minister of Finance, in the public news records, saying that the Finance Department officials indicated to him that all the options were acceptable; and as professional accountants, one would presume from the former Minister of Finance's answer that they believe they were all in accordance with generally accepted accounting principles.

Since one of them was chosen - and you have said it's not in concurrence with generally accepted accounting principles - someone's right and someone's wrong; and as this committee and this Minister has said so often, all we want here is the truth, and that's why I think it would be important to determine what is the facts between what Mr. Schroeder has said today versus what the Finance Department gave him as recommendations.

MR. F. JACKSON: The matter that's under discussion at this present time was not considered to be particularly relevant to the reinsurance operations of MPIC, at such time as we undertook that special audit. To me, at least, it seems to be a separate issue that may have some relationship to concerns of certain of the members, but it has nothing to do, as far as I'm concerned, with the reinsurance operations of MPIC.

MR. D. ORCHARD: Mr. Chairman, possibly within your narrow terms of reference, but surely if a former Minister of Finance is saying that all options presented to him were given an acceptable rating by his senior staff and you have turned around and said that the one chosen of those three options does not meet generally accepted accounting principles, somebody is not correct, and I think that's very important to determining why and how IBNR was not reported properly as \$12.3 million in 1984. I think it has every relevance.

MR. F. JACKSON: I don't believe so, and I don't believe so because, in particular, the timing that was involved in the correspondence that we reviewed, my understanding is the memo that I saw which was relevant from the Minister of Finance to the Minister responsible for Public Insurance was in fact after the test auditors had completed their work on the certified financial statements and those statements had been approved by them.

HON. J. BUCKLASCHUK: Well, since the Member for Pembina has such an interest in this matter, I just

wanted to restructure the time frame, because here it another example of where a response is provided, where as much information that I have at my disposal is given to this committee, there goes the Member for Pembina off on another tangent.

You provide the information, substantiated by the observations by the Provincial Auditor; if that's not good enough, let's develop another fabrication. That is a typical tactic. We are interested in dealing with the problem, as certainly the Provincial Auditor was throughout his report, of our reinsurance losses.

The Member for Pembina doesn't like the truth, pays complete disregard to the truth and wants to deal with something else that seems to be opportune at the time. The fact is that the correspondence with my colleague, the Minister of Crown Investments, was seeking technical advice. It had no bearing whatsoever on the way in which the anticipated losses in the 1984 reports were displayed.

MR. D. ORCHARD: Mr. Chairman, to the Provincial Auditor, just to correct my understanding. You never did talk directly to those Finance Department officials to determine whether in fact they said all three options were acceptable to them, as the Minister has said.

MR. F. JACKSON: No, we did not.

MR. D. ORCHARD: And it's not relevant to determine whether the former Finance Minister is giving us factual information, that all of them were reviewed and given certified, or acceptable standards by the Finance Department, that's not relevant?

MR. F. JACKSON: It may very well be relevant. Certain members of the committee may have more of an interest in that than others; but for the purposes of the reinsurance operations of MPIC, it was not considered to relevant.

MR. D. ORCHARD: Mr. Jackson, did you have access to submissions made to the ERIC committee of Cabinet by the Crown corporation, MPIC?

MR. R. MAYER: We received information from ERIC which was presented to them.

MR. D. ORCHARD: What dates was that information presented to them, and are you at liberty to provide those submissions to this committee?

MR. R. MAYER: They had asked us not to provide any information about the documents.

MR. D. ORCHARD: So in other words I cannot ask you - on the prohibition by the ERIC committee of Cabinet, the former Minister of Finance, Mr. Schroeder being the lead member of it - I cannot ask you whether ERIC committee of Cabinet received any documentation, such as the October report, the July 1984 submission to the Board of MPIC, all of which identified substantial IBNR losses.

MR. R. MAYER: I would assume that you could ask that question and I would assume that we can answer it.

Thursday, 25 June, 1987

MR. D. ORCHARD: I've asked the question. Could you answer it?

MR. R. MAYER: We did not see any indication that they received those documents.

MR. D. ORCHARD: What nature of documentation did they receive?

MR. R. MAYER: There were discussions on MPIC, very limited discussions, up until November of 1985, when there was an indication that there may be long-tail losses. There was a request by ERIC for MPIC to come back with additional information. Our understanding is that that never happened and that in October of 1986, the IBNR was established.

MR. D. ORCHARD: Mr. Chairman, to Mr. Mayer, you have indicated that you've reviewed documents provided by the ERIC committee. Are you of reasonable assurance that you received all of the documents they received from MPIC?

MR. R. MAYER: We have no reason to think that we would not receive that.

HON. J. STORIE: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Yes, Mr. Storie.

HON. J. STORIE: Mr. Chairperson, you know the Member for Pembina is clearly on a fishing expedition.

MR. CHAIRMAN: Your point of order, please?

HON. J. STORIE: My point of order is that the Provincial Auditor has already indicated that, from his perspective, the questions being asked by the Member for Pembina are not relevant; in fact, they're irrelevant. The member is on a fishing expedition.

Mr. Chairperson, I would ask you to rule that this line of questioning is out of order, even given the Provincial Auditor's . . .

MR. CHAIRMAN: Mr. Storie, that is not a point of order.

Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman.

HON. J. STORIE: Excuse me, on a second point of order.

Mr. Chairperson, I have asked you to rule whether his questions are in order, given the response of the Provincial Auditor.

MR. CHAIRMAN: Your point of order is not a point of order, it's a debate.

MR. G. FILMON: . . . muzzle the staff.

MR. CHAIRMAN: Mr. Filmon, please let's continue.
Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Chairman, I'd like to ask Mr. Silver some questions.

Mr. Silver, I guess the first question I'd have to ask you is, do you consider yourself to be a competent administrator?

MR. R. SILVER: Yes.

MR. D. ORCHARD: As a competent administrator, how long were you serving as Deputy Minister of Crown Investments and attending MPIC Board meetings?

MR. R. SILVER: I served as Deputy Minister of Crown Investments for an approximate three-year period, beginning in the summer of 1983. I believe the first board meeting that I attended at MPIC was December 22, 1983.

MR. D. ORCHARD: Mr. Chairman, what was the role, as Deputy Minister of Crown Investments, you were given in attending MPIC board meetings?

MR. R. SILVER: One, the function of liaison for purposes of improving the administrative framework within the Crown corporations.

MR. D. ORCHARD: Basically then a similar function that you performed in attending MTS board meetings?

MR. R. SILVER: A similar function to the role that I endeavour to play at any of the boards that I happened to attend.

MR. D. ORCHARD: Mr. Chairman, as a Deputy Minister attending board meetings of MPIC, were you given the agendas and the submissions to the board of MPIC? -(Interjection)- Did you receive then the submission in July 1984 that went to the board?

MR. R. SILVER: I presume I did. My records have been left at Crown Investments.

MR. D. ORCHARD: Mr. Chairman, I run the risk of interjection from government members of this committee, if I were to say that your answer is in the affirmative, that you did receive that board submission, that I would be correct?

MR. R. SILVER: Can you be specific? I said I presume that I did receive it. I would have no reason to suspect that, as it took the form of a submission to the board, I was not copied in with it.

MR. D. ORCHARD: Mr. Chairman, did you discuss as Deputy Minister with your Minister, and I'm making a presumption - I should possibly ask the question. Did you report to your Minister of Crown Investments on what you observed during board meetings of MPIC?

MR. R. SILVER: Certainly not on any regular basis. It would be little point in that.

MR. D. ORCHARD: Mr. Silver, you are saying that you never reported on a regular basis as Deputy Minister of Crown Investments - and a competent one you just told me earlier on - you didn't take the opportunity to brief your Minister of Crown Investments on what was

Thursday, 25 June, 1987

transpiring and going on in the corporation? Is that what you indicated?

MR. R. SILVER: No, that's not what I indicated. I indicated that I did not, on a regular basis, discuss the agenda items of each board meeting of each of the corporations of board meetings that I attended.

MR. D. ORCHARD: Well, Mr. Silver, presumably as Deputy Minister of Crown Investments and now that has been expanded to a major Crown corporation control group, the Minister indicates the bill hasn't passed but certainly government's intention has been that Crown Investments be the focal point for Crown corporation operation; and indeed I believe the Premier has even said on a number of occasions that they have had more involvement with Crown corporations; and presumably the Premier was indicating that the presence of the Deputy Minister of Crown Investments at board meetings was a more hands-on approach to Crown corporation controls - I'm making that presumption. You can correct me if my impression of what the Premier is indicating is wrong and that you weren't there to do that. But, Mr. Chairman . . .

HON. G. DOER: On a point of order, Mr. Chairman.

MR. CHAIRMAN: The Honourable Minister.

HON. G. DOER: The statement of the Member for Pembina, in terms of the Premier's commitment and the intent of the bill in terms of increased financial accountability, is totally out of context.

MR. CHAIRMAN: That's not a point of order.
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, can I ask the Deputy Minister of Crown Investments whether he discussed with his Minister of Crown Investments, Mr. Schroeder, the indications of significant losses in the reinsurance division, and particularly the indication on page 2, where it indicates actual losses. Now the question is: Is the \$5 million IBNR enough to cover the past losses; and the next line says it would appear not, indicating that the losses are somewhat higher than \$5 million. Did you discuss that potential loss with your Minister?

MR. R. SILVER: I have no recollection of that.

MR. D. ORCHARD: Could you check your files that are back in Crown Investments, and see if possibly you did discuss that with your Minister at that time, after July meeting?

MR. R. SILVER: I could certainly check the files, but if I had a discussion with my Minister, I rather doubt that there would be anything on file.

MR. D. ORCHARD: Now you don't remember whether you discussed a \$5 million loss, and higher, with your Minister?

MR. R. SILVER: You have alluded to a \$5 million loss that had been previously provided for.

MR. D. ORCHARD: Right.

MR. R. SILVER: It would scarcely be an item that would take anybody's attention.

MR. D. ORCHARD: Mr. Chairman, I just simply remind the Deputy Minister of Crown Investments, who has indicated he's a competent administrator, his entire department budget was \$650,000.00. A \$5 million loss and higher would run his department for 15 years, and he's not saying that that is something that he, as a competent administrator, would take to his Minister?

MR. R. SILVER: If the amount were an allowance for doubtful accounts that had been set up and had been proven to be actual and correct, I would not be surprised at that. In fact, I would take a degree of confidence that the amounts that had been budgeted had, in fact, been correct. If there was a provision for \$5 million set up and announced, we're now looking to be \$5 million in actual cost, then there is no cause for alarm.

MR. D. ORCHARD: And it didn't cause you alarm where it said, presumably - and correct me if I'm wrong - Mr. Dabo was on staff for a short few weeks prior to this and his analysis of the reinsurance portfolio led to this presentation to the board, and there was nothing alarming in the fact that it would appear not that \$5 million was sufficient.

MR. R. SILVER: I will have to take a look at the submission and see if there's anything there, in terms of quantum, that would appear to be out of order. As I seem to recall that particular document, it spoke of the prescriptive changes that has been brought about and how that matter was to be managed away.

MR. CHAIRMAN: May I remind both you gentlemen to refer remarks through the Chair to each other, rather than directly?

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, can Mr. Silver indicate, at any of the board meetings, etc., etc., whether he had seen the October Report, which indicated losses - October 1984 Report which is indicating losses that could go as high as 24.3 million?

MR. R. SILVER: Mr. Chairman, I'm sorry, I missed the first part of the question.

MR. D. ORCHARD: We've discussed earlier at this meeting, the 1984 October analysis, seven-page analysis, in which they're talking about claims incurred reaching \$24.3 million. As Deputy Minister of Crown Investments, attending at the board, were you aware of that?

MR. R. SILVER: Mr. Chairman, to the best of my recollection, I did not see this document until I arrived at MPIC.

MR. D. ORCHARD: So then, Mr. Chairman, can we presume from that answer that your Minister, the Minister of Finance, received this document in 1984

Thursday, 25 June, 1987

from the Minister of MPIC, \$24.3 million is discussed in here as potential claims incurred - subsequently, I might add, it rose to \$36 million - and you're saying, as the competent Deputy Minister of Crown Investments, that your Minister never shared this document in 1984 with you - as an attendee since December of 1983 at the board - for your comment as to whether it had been discussed with management. You're saying that you never had that discussion with your Minister?

MR. R. SILVER: Mr. Chairman, I would hope that no one would make a practice of presuming from responses that I give. The reality is, to the best of my recollection, I did not see this document nor had it been referred to me. The member continually refers to my previous role as Deputy Minister of Crown Investments.

I would say that the role of Crown Investments was, at that time, one of endeavouring to establish better communications with respect to policy items between the government and the Crown corporations; to endeavour in a subtle, perhaps, but effective way to improve the role and effectiveness of the boards of directors; to endeavour to have the boards or the corporations submit in a fashion that would be comparable, from one corporation to another, their capital budgets, to move them in the direction of preparing corporate strategic plans.

I thank the member for referring to my competence, but it was not at that time the role of Crown Investments to become involved in second guessing management nor to become immersed in the operational detail of the corporations.

MR. D. ORCHARD: Mr. Chairman, then I'm at a loss here because during the MTX hearings, constantly staff said we cannot recall. Mr. Silver, on two issues you have just indicated to me, you cannot recall.

Now, Mr. Chairman, what I have to presume from that is that the October, 1984 report which was forwarded - presumably to your Minister in November of 1984 - for his perusal that he did not take the time, as the Minister of Crown Investments, to discuss with his Deputy Minister, who had been at MPIC board meetings for 11 months prior to that, and ask you for comment about what is this document which may expose us to \$24 million of loss that your Minister of Crown Investments never asked you, as the Deputy Minister attending the board, to do the things you are saying. He never asked you, you don't recall him asking your opinion of this document which demonstrates the corporation could be exposed for \$24 million? That, Mr. Silver, is what you're telling me?

MR. R. SILVER: That is correct.

MR. D. ORCHARD: You don't recall. So, Mr. Chairman, can I ask the former Deputy Minister of Crown Investments and now the chairman of the corporation; do you recall Agenda Item No. 168463 submission to the members of the Manitoba Public Insurance Corporation attached to this, being a July 10, 1984 letter from the Deputy Minister of Crown Investments asking - I'll read the letter in case you don't recall.

This is to Mr. C.A. Laufer, re: Crown Corporation Presentations. "The Ministers of the ERIC committee of Cabinet have directed that each corporation prepare presentations which will inform and update Ministers on the activities in which the corporation is involved; its major programs and the current and potential issues which need be addressed and resolved by senior decision-makers." I'm presuming the senior decision makers are the ERIC committee of Cabinet, the former Minister of Finance, Mr. Kostyra, Mr. Cowan, Mr. Parasiuk and the two other Ministers there. Presumably the senior Minister referred, would be the Minister of MPIC, who is responsible for the corporation.

"These presentations should also provide Ministers with information as to the financial structure of the corporation, its history of operating profit and losses and projections on the likely profitability of the corporation in the near medium term."

The letter goes on to indicate a list of reporting times from the corporation. Do you recall that letter that you sent to Mr. Laufer?

MR. R. SILVER: Yes, I recall that.

MR. D. ORCHARD: Uh-huh. Mr. Chairman, presumably that letter was written by yourself as Deputy Minister at the behest of your Minister. Is that a fair assumption - the Minister of Crown Investments?

MR. R. SILVER: Mr. Chairman, I believe the letter refers to a direction from the ERIC committee.

MR. D. ORCHARD: Oh, so now we've got six Cabinet Ministers giving you this direction: Mr. Schroeder, Mr. Parasiuk, Mr. Cowan, Mr. Kostyra, and the other two that were there, okay.

Mr. Chairman, what you're saying is that on July 10, 1984 - Mr. Chairman to Mr. Silver - what you're saying is that on July 10, 1984, you wanted from MPIC a history of its operating profit and losses and projections on likely profitability of the corporation in the near to the medium term. That's the specific direction you've asked of MPIC in this letter. You're saying that when a report comes in to your Minister of Crown Investments, basic . . .

HON. J. STORIE: On a point of order, Mr. Chairperson.

MR. CHAIRMAN: Mr. Storie.

HON. J. STORIE: The member is quoting from a letter and intentionally, in my opinion, distorting it. It was not directed to MPIC.

MR. D. ORCHARD: It was.

HON. J. STORIE: It was a general direction to all Crown corporations asking for a general overview of Crown corporations operations.

MR. CHAIRMAN: Mr. Storie, that is a debate on the facts. It is not a point of order.

HON. J. STORIE: He is attempting, again, to lead us down the garden path, developing a straw man which is inaccurate, inappropriate and unacceptable.

MR. D. ORCHARD: Mr. Chairman, the young Minister didn't hear me indicate that I said this letter went to Mr. Laufer - Mr. Laufer, MPIC.

MR. CHAIRMAN: Mr. Orchard, please carry on with your questioning. We won't deal with that matter.

MR. D. ORCHARD: Yes, I would very much appreciate carrying on with the question. Mr. Silver, after sending this letter, at the behest of ERIC committee of Cabinet, and then your Minister gets this October report indicating up to \$24 million of losses - he didn't take enough interest in it to discuss that with you is what you don't recall. Is that correct?

HON. J. BUCKLASCHUK: Perhaps before the president responds to that, as a follow-up, the Member for Pembina is not even listening, as usual.

HON. J. STORIE: Yes, well he's got his own agenda.

MR. CHAIRMAN: Mr. Storie, would you give courtesy to the Minister when he makes his answer, please.- (Interjection)- Mr. Schroeder, would you also give the Minister courtesy to respond to the question, please? Thank you.

HON. J. BUCKLASCHUK: The Member for Pembina introduces to this committee that which, I'm sure, the whole world has been waiting for, this revelation is here. All of Cabinet now knew about the cover-up.

MR. D. ORCHARD: I'm glad you finally admit that, hear, hear.

HON. J. BUCKLASCHUK: The Member for Pembina reads into the record a letter of July 1984, I believe, requesting that all Crown corporations provide to ERIC, a strategic planning document, which would outline, I suppose, the role and mission of the corporation, its plans for future, its information about all aspects of the corporation.

Just a few minutes ago, the Member for Pembina asked the question of the Provincial Auditors, whether or not they had access to the ERIC material, and I believe that was responded to in the affirmative. The Provincial Auditor, who had open complete access to all documentation within MPIC, to the Minister's files, to Cabinet material, which I believe is unprecedented, makes reference to the strategic planning document on page 5 and specifically says: "Although there is a corporate role and statement included in the current strategic planning document, this role and mission statement only addresses ceded reinsurance." The role and mission statement does not address reinsurance assumed. Also there is no indication that aspects of the planning process have been developed and documented for either assumed or ceded reinsurance.

Yet the Member for Pembina conveniently goes from "a" to "e" to "k" to "z," and concludes that not only did the Minister responsible for MPIC know about this 12.3 million, but of course the Minister for Crown Investments did, I've admitted that. I've assisted the Provincial Auditor in that respect. But now we have the Minister of Finance, who else? -(Interjection)- We

have now not only two Ministers knowledgeable of this, but half a dozen. This is what we have all been waiting for, for the last couple of nights after we viewed the Leader of the Opposition - that Leader of the Opposition - on television saying, that I have good reason to believe . . .

MR. G. FILMON: Just reason to believe.

HON. J. BUCKLASCHUK: Just reason - not even a good reason - but I think I have, maybe, possibly, could be, that all of Cabinet. This is the kind of innuendo that we have been putting up with for the last four months.

Instead of dealing with what is a very serious matter that we have been aware of since 1984, and certainly as the Minister, I started raising questions about in 1982, something that did take place under the previous administration. You should be aware that between 1979 to 1982, the volume increased three or fourfold . . .

MR. D. ORCHARD: That isn't what the Provincial Auditor said.

MR. CHAIRMAN: Please gentlemen, the Minister is speaking.

HON. J. BUCKLASCHUK: . . . but is there any reference in the board minutes about any concerns about reinsurance? They simply didn't know or, more likely, they didn't care.

It is that financial bungling in the latter part of the Seventies, in 1980-81, and yes, I will take responsibility for the first two years before we were able to arrest the situation, a complete lack of knowledge - I shouldn't say complete lack - a very definite lack of knowledge of what the reinsurance industry is about and that is what has precipitated the declaration of a \$36.7 million provision for future claims in the '86 report. And a good portion, possibly even a major portion, of those provisions can be directly traced back to treaties that were initiated, possibly renewed under this administration - I've never denied that - but the \$36.7 million can - the Member for Tuxedo, the Member for Pembina, should be big enough to take at least some responsibility for these claims that we'll be paying for the next 5, 10 or 15 years. But no, they do not do that. They would like us to . . .

MR. G. FILMON: . . . the responsibility for the cover-up too?

HON. J. BUCKLASCHUK: There has been no cover-up. I have indicated from the beginning there has been no cover-up. The Provincial Auditor's Report does not reveal any cover-up. The only cover-up is in the mind of the Member for Tuxedo.- (Interjection)- Oh now, I know this is what I find so interesting. Everybody waits with bated breath for the Provincial Auditor's report - I mean there was a question raised, I believe, in the Minister of Finance's committee review, when can we expect the Provincial Auditor's Report. The Provincial Auditor's Report is received. No doubt about it, there is a cover-up.

Now that every allegation that has been made has been refuted; now that any questions the Opposition

ly have had with respect to the Provincial Auditor's view has been answered in this committee, this is longer any good. The terms of reference were too narrow. I suppose I should review again what we have done to be as open as possible so that all Manitobans will recognize that from the very beginning there has been no cover-up. We have been open and truthful and will continue to be so and we will over time repair this problem.

We made a beginning in 1984. Even better improvements have been made in the last year, but that's not good enough. We will continue to deal with the real issue and that is problems that were started in the 1970's, continued through to the 1980-81-82-83 and were finally arrested in 1984 and that is confirmed over and over and over again in the Provincial Auditor's report. Interestingly enough, and I saw my colleague waving the Burns Commission Report, flowing from that report which I believe was at a cost of hundreds of thousands of dollars, when the Opposition did everything they could to find reasons to get rid of the MPIC, and I think of the good fortune of Manitobans that my colleague in Rossmere was in a by-election and it was just totally inopportune at that time to go ahead with the dismantling of MPIC.

But nonetheless, MPIC did survive. We have this headline, "Dismantle MPIC, Government told," and I know that they would dearly have loved to have implemented those recommendations. But nonetheless, flowing from the Burns Report were recommendations to the board about reinsurance, incidently, and it commended that matters with respect to brokerage fees - but that wasn't very important to them, we know that, the Provincial Auditor's report comments on that the matter of brokerage fees and reinsurance related matters should be dealt with at the board level and what they do in 1979? They did nothing. They left it virtually entirely with management and that was what inherited and as I indicated previously within a matter of a month of assuming the responsibility for the corporation, this loss in September of '82 as compared to the loss in September of '81 stared out at me and immediately started asking the general manager questions as to what is going on here.

It is regrettable that it took that long to arrest that situation but it was done in 1984. We, as I indicated, are fortunate enough to have a reinsurance expert; for the first time, in the history of the corporation, we had been provided with the Provincial Auditor's report. There are many very good recommendations and I can assure all members of this committee that we will be carrying those recommendations out because it's not our interest to cover-up. I mean, it would be totally stupid. What are we covering up? We are covering up dry losses. Had we even set aside -(Interjection)- I will say why in a minute. Had we even set aside the \$12.3 million - well, Mr. Chairman, there we are, I'm trying to deal with the real problem, the reinsurance, and the Member for Pembina is busy laughing. Well what is a laugh is the performance of the Opposition on this issue.

In 1984, we took steps to get this situation back in hand. We could have very well declared the \$12.3 million potential claims and you know what it would have shown? It would have shown that the Manitoba Public Insurance Corporation with a bottom line profit of \$4 million. Not bad when the insurance industry was reeling

MR. G. FILMON: Why didn't you?

MR. CHAIRMAN: Mr. Filmon, please.

HON. J. BUCKLASCHUK: Not bad when we could be in a position to offer Manitobans a decrease in auto, which is not related; whereas the rest of the country was increasing by 10 percent or 15 percent or 20 percent, not bad performance. I take full responsibility for that.

MR. G. FILMON: Why didn't you, why didn't you recover that?

HON. J. BUCKLASCHUK: Why didn't we? I think the key word is "appropriate" and I am going to use that word because -(Interjection)- Oh, they laugh. They're not interested in hearing an explanation, but they laugh.

Mr. Chairman, you have seen the document that was tendered for examination earlier today by the Member for Pembina, who is not listening again, but he had that document in front of us. That is a very poor document on which to make any decision. Was that \$12.3 million a valid figure? Could it have been 6.2, or could it have been 16.3? It was a soft figure.

Recall - and the Member for Pembina also submitted his documentation today, the July 1984 board submission - what did the board submission say? Well there may be additional losses of \$2 million or \$3 million. You know things aren't really that bad folks. We have things in hand, we do have a reinsurance manager; we have review treaties; we have cancelled treaties. We seem to be dealing with a situation the board felt - we've been waiting for about a year-and-a-half or so for a reinsurance manager. We now have this individual, things are in hand.

MR. CHAIRMAN: Please, please control yourself.

HON. J. BUCKLASCHUK: Recall that at the end of July, the board would have been left with the impression that maybe a couple of million dollars, maybe \$3 million, I don't know, we would have to add to the IBNR; but, comes the middle of October, and the general manager says, look, we have a problem . . . -(Interjection)-

MR. CHAIRMAN: Mr. Orchard, please contain yourself. Mr. Storie, please.

HON. J. BUCKLASCHUK: We have a problem, we appear to have \$24 million worth of losses this year, and where do these losses come from? Well I know reinsurance well enough that the claims don't materialize the year after a policy is written. I know it takes 5, 10, 15 years for the losses to be written.

MR. D. ORCHARD: 8.3 in '84-85; 7 - '85-86 . . .

MR. CHAIRMAN: Mr. Orchard, please.

HON. J. BUCKLASCHUK: The fact of the matter is that \$12 million of those losses was shown in the 1984 report. But you see the situation, a few months previous, it may be a \$2 million or \$3 million problem, mid-October with - what I think the Provincial Auditor has

Thursday, 25 June, 1987

commented on - a very poorly drafted document, not signed, not dated, no idea where the information comes from, questionable methodology . . .

MR. D. ORCHARD: But you had it and you gave it to your Minister of Finance.

MR. CHAIRMAN: Mr. Orchard, Mr. Orchard please.

HON. J. BUCKLASCHUK: That is the basis on which you're going to set aside an additional \$12 million? No, that was an inappropriate time, particularly since the July document said there will be a further submission to the board, and that further submission to the board did not arrive until October of '86.

MR. G. FILMON: No, no, no, no.

HON. J. BUCKLASCHUK: Well, no, no, no. Mr. Chairman, here is the Member for . . .

MR. G. FILMON: . . . and Sigurdson and . . .

MR. CHAIRMAN: Mr. Filmon.

HON. J. BUCKLASCHUK: Mr. Chairman, the Provincial Auditor is here. The Provincial Auditor had full, complete access to the board material, to corporation material. I think the question was asked earlier this morning - the Member for Tuxedo has a poor memory - the question was asked earlier this morning whether or not there was anything significant with respect to reinsurance brought to the attention of the board, and I believe the Provincial Auditor replied no, and not until October 1986, which is what I have said over and over and over again.

The same applies to me. I was made aware of some problems in 1984, October of 1984, but the next indication was October of 1986 and we did the responsible thing. We have shown those potential claims in the 1986 Report. We have been responsible, from 1982 right through to 1987 and we will be responsible right through to 1997. We're not going to be so cowardly as to not deal with the real issue and to run off in tangents as the members of the Opposition have been.

The fact of the matter is we have been fortunate to have the Provincial Auditor spend some considerable time reviewing all aspects of this reinsurance. The Provincial Auditor has provided us with numerous recommendations and we will be following those up. We have already started on some of those.

We have already advertised, I believe, for additional staff within the reinsurance department so Mr. Dabo has more staff to more adequately review the existing treaties we have on hand. That is a recommendation and we have acted. We have already acted on the recommendation we bring in an outside independent reinsurance expert. We have approached a number of consultants in consulting firms in Winnipeg with the terms of references, saying: Do you have that expertise at hand? Are you prepared to assist the corporation in Manitoba in getting a better handle on this reinsurance issue?

As vacancies on the board occur, we will take the Provincial Auditor's recommendations into consideration and try to appoint persons who have expertise in insurance or actuarial sciences.

MR. CHAIRMAN: It is now after 12:30. What is the committee's wish, to rise? (Agreed)

Committee rise.

COMMITTEE ROSE AT: 12:32 p.m.