

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Thursday, 26 March, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. S. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan, Doer, Harapiak (The Pas), and Penner

Messrs. Ashton, Dolin, Enns, Filmon, Manness, Orchard and Scott

APPEARING: Mr. R. Silver, President and General Manager, MPIC

MATTERS UNDER DISCUSSION:

1986 Annual Report of the Manitoba Public Insurance Corporation.

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MR. CHAIRMAN: The Committee on Public Utilities and Natural Resources will come to order.

Mr. Bucklaschuk, do you have any comments for the committee?

HON. J. BUCKLASCHUK: I don't have an opening statement, but I do have, I suppose, sort of a bridge between last Tuesday's committee meeting and this morning's meeting. Certainly one of the things I would like to do, as a beginning, is to provide an explanation of some of the documentation that relates to this rather complex field of reinsurance.

As a matter of fact, members in the House yesterday asked for an explanation similar to the one which I provided to the media some two days ago. I welcome the chance to clarify for all members of this committee some of the misconceptions that have taken place over the past week or so, and hope that this exercise will serve to eliminate the confusion and, I dare say, the innuendo surrounding this issue.

So, as I was able to do with the media, and that was a technical explanation of the document, I would like to explain in this committee the major documents which my friends opposite required and requested and were provided.

Prior to commencing, I would like to distribute to members opposite, indeed to all members in this committee, a copy of the report that was provided to the board in July of 1984, this particular document having been requested yesterday. That will now mean that the members opposite, specifically, have received all three major items referring to reinsurance that they requested: the October 19, 1984 submission; the board

submission of October, 1986; the board submission of July 27, 1984.

With respect to the dozens of other documents that members opposite have requested and the hundreds of pages, I can indicate that we are reviewing them as fast as we can and to the best of our ability with respect to corporate confidentiality.

I might mention that while we've been bending over backwards to provide information, unprecedented in the history of the Corporation, I, personally, fail to understand what connection a board submission on seat belts or a board submission on the bilingual program would have to do with the issue of reinsurance.

Nonetheless, these are some of the documents that the members have requested, and we are doing our best to accommodate them as soon as possible.

Now, perhaps, I could go into the technical . . . the document that was circulated just a minute ago was at the board meeting of July 27, 1984.

Could we now proceed into the overview of the document that was tabled last Tuesday, I believe it could be circulated, if members don't have copies, and we can basically go through the same exercise that I went through with the members of the media last Tuesday afternoon?

If all members of the committee now have that document in front of them I can, perhaps, go through it. The document indicates that the Corporation has been involved in reinsurance assumed in that business since the inception of the General Division in 1975. Since then, the assumed business has experienced an underwriting loss, before investment income, of \$2.5 million on total premiums written of \$54.7 million - keep in mind this document was developed sometime after September 30, 1984, and was first seen by me on October 19, 1984.

Continuing, it says: "During the past several years the financial results of the assumed business have deteriorated." And that's not unlike what was happening universally at that time. "Underwriting losses for the last three fiscal years were shown to be \$712,000 in '81-'82; \$546,000 in '82-'83; and an estimated \$3.2 million in '83-'84." And I trust that all members of the committee clearly understand that an underwriting loss is the difference between the premiums earned and the claims that have been incurred. It doesn't take into account investment income; it does take into account expenses though. It does not take into account investment income.

I think this statement, immediately below the table, is extremely important. The results can be attributed to long-tail losses on international proportional business from prior years that were not properly or adequately reserved for in the year they were underwritten. And as all members know, in the reinsurance retrocession business, it may take 3 years, 5 years, 10 years, 20 years for a claim to materialize and that is what is meant by the term "long-term."

In other words, the potential losses in 1983-84 - the potential loss of \$3.2 million - could well relate to an agreement that was entered into in 1976 or 1979. It goes back some time.

In May of 1984, the Corporation set up a reinsurance department to centralize the underwriting and accounting functions for reinsurance. By that time, the Corporation was able to hire a reinsurance manager, Mr. Amadou Dabo, who was introduced to the committee last Tuesday.

On the recommendation of the manager, the Corporation is switching its underwriting emphasis for assumed business from a predominantly international book to a predominantly Canadian book. The transition from the old book of business to the new book will have, as indicated, a significant impact on the expected results for the assumed business.

I won't bother going through pages 2 or 3, but I think that what is important is material provided on page 4. I want to deal specifically with the old book, that is, the agreements that were in place prior to roughly May 1, 1984. The table at the bottom unfortunately does not have a proper heading. It reads, "Claims Incurred." It should read, "Future Anticipated Claims." There's no way that we can say that a claim incurred in 1988-89 can be specifically determined to be 1.0 million, so that column really should have read, "Anticipated Claims."

You'll note that in 1984-85, the best guess at the time that this document was developed was that there would be \$8.3 million in claims - potential claims. In 1985-86, there would be something like \$7.0 million in anticipated claims, all the way down to 1988-89, which is \$1.0 million in claims, for a total of \$24.3 million in potential claims. All these claims related to agreements that were in place prior to May of 1984 and possibly stretching as far back as 1976. That is, I think, very important to understand.

Well, how would the Corporation pay off these claims? Despite the fact that the agreements were terminated in May of '84, or even a few months earlier, because Mr. Laufer had started terminating some, I think, as early back as '83, how would the Corporation honour these claims?

There were two proposals I made, and these are the ones that are shown to us on page 7. I don't know if the documents you have, have the exhibits attached to them, because the one I have here doesn't, and it's essential that those tables be there.

The options that were presented, as shown on page 7, is a decision as to when the assumed or anticipated IBNR should be incorporated into the financial statement for that year, and this also tells us how it would impact on the bottom line. Perhaps we'll get back to that because at this time Exhibit 1 is an explanation of how that \$24.3 million in anticipated claims could be accommodated within a five-year time frame.

You'll note on that page, Exhibit 1, we start off with the 1983-84 old book. You will notice for that year some \$12.1 million in claims incurred was projected. Now this was the best guess at the end of September of 1984. It is projected for the year ending October 31, 1984, that there would be \$12.1 million in claims; but beyond that, for the period from November 1, 1984, for the next five years, as was previously mentioned,

it was anticipated there'd be some \$24.3 million in claims.

This document provides an option as to how those claims would be accommodated. Perhaps the best way to understand that would be to take one reporting year and look at the new business. That is post-May '84 roughly, and the old business, the old book, prior to May of '84.

Let me walk you through this table. In the new book 1984-85, it was projected that the premiums written would be \$3.5 million and the premiums earned would be \$3.1 million. Stemming from those agreements, it was projected that there would be \$1.1 million in claim incurred during that year, \$0.9 million expenses, or an underwriting profit of \$1.1 million.

Under the old book, despite the fact that the agreements had been terminated, it was projected there would still be some \$5.8 million in premiums earned but as you recall, it was anticipated there would be \$8.3 million in claims, expenses would be \$2.1 million and so the operating loss for the old book would be \$4.6 million. If you combine the operating profit on the new book and the operating loss on the old book, you would get an operating loss for the year of \$3.5 million.

As I did with the media some two days ago, I think it would be helpful if you would circle that \$8.3 million in claims incurred for that period '84-85. We could go through the same procedure in '85-86, and in this case the projected claims for that year would be \$7.0 million. In '86-87, the projected claims would be 5.0. On the next page, projected claims for '87-88 would be 3.0 and in '88-89, 1.0.

If one takes those five figures, the projected claim of each of the years during '84 to '89 - the 8.3, 7.0, 5.0, 3.0, 1.0 - that would total up to \$24.3 million, the figure we used from page 4. That was one way of doing it.

There was another option, and that is what was displayed for us in Exhibit 2. Perhaps, before even getting into the '84-85 year, let's take a look at the '83-84 year. At that time, as I said before, the best estimate was that \$12.1 million would be incurred in that fiscal year.

The option was that to accommodate this \$24.3 million in anticipated claims, one would set up an IBNR reserve, an incurred but not reported reserve, of some \$12 million. So the figures then for 1983-84, that is for the year ending October 31, 1984, would have shown premiums earned of \$11.8 million, claims incurred, 12.1, a set aside of 12.3, that is incurred but not reported reserve of 12.3, expenses of 2.9, for an operating loss during that year of \$15.5 million.

As you recall, I'd indicated previously that it was anticipated that \$8.3 million of claims would come in 1984-85 from the old book. That figure appears in the 1984-85 projection, and perhaps I'll run through that one year, so we understand the new book old book, and how these claims were accommodated.

Under the new book, as in the previous exhibit, \$3 million of premiums earned were anticipated. It was anticipated there would be \$1.1 million in claims, \$0.9 million in expenses, and also \$1.7 million would be set aside for future claims on the new book, for an operating loss of \$0.6 million on the new book.

On the old book, again the same figure, \$5.8 million in premiums earned, \$8.3 million was the figure assumed

for anticipated claims, and I'm going to leave that 3.7 for the time being. You'll notice that there's an \$8.3 million in brackets. Now that figure would have been, in a sense, drawn from the provision. We would have already set aside monies to offset future claims, so that 8.3 would come out of the reserve, \$2.1 million was anticipated in expenses. There were \$5.8 million anticipated in premiums earned, 2.1 in expenses. The difference would be 3.7 and that money would be put into the reserve to accommodate losses in the old book. So the 3.7 figure is the difference between the premiums earned and the expenses.

The bottom line for the old book would have been zero, no operating loss, no operating profit, which is very reasonable, because that book had already been terminated and we would be running off claims against premiums earned and against monies that were being withdrawn from reserve.

MR. CHAIRMAN: Mrs. Carstairs.

MRS. S. CARSTAIRS: Mr. Chairman, a quick question. Is this the proposal that was actually accepted?

HON. J. BUCKLASCHUK: No.

The question that was being asked is which of the exhibits was accepted. The answer to that is Exhibit 1, although even it was modified.

I don't want to go through this exhibit year-by-year because I think you by now get the pattern. The \$8.3 million in anticipated claims that was projected is accommodated in the '84-'85 year; the 7.0 in the '85-'86; the 5.0, '86-'87; 3.0 in '87-'88; 1.0, '88-'89. In other words, all the claims that were projected in the early part of October for the next five years would be accommodated within that five-year time frame.

So the choice was how do you want to show these future claims being run off. I want to go back to page 7 now, because this will relate the significance of the exhibits to the bottom line in the General Division. As you are aware, you have the financial report, it has two sections: the Automobile Division and the General Division. This is how it would impact on the General Division. 1983-'84, if there had not been a reserve set up, the IBNR reserve, then with the operating loss of 3.2 in the reinsurance assumed section, the bottom line would have shown a \$1.9 million General Division loss. However, if the reserve of \$12.3 million had been set up in '83-'84, then the General Division would have been showing a loss of \$14.2 million.

I'll skip to the . . .

MR. D. SCOTT: Where does that reconcile with Exhibits 1 and 2?

HON. J. BUCKLASCHUK: Pardon me?

MR. CHAIRMAN: Mr. Scott.

MR. D. SCOTT: How does that reconcile with the Exhibits 1 and 2? What do you add for the - (Interjection)- Well, it does. I've been trying to match and I've been successful at matching the two schedules thus far and I've just lost on this one. The 1.9, does that come off of the . . .

HON. J. BUCKLASCHUK: The 1.9 figure would be the sum of the various sections of the General Division; that is, the property casualty, the liability, the reinsurance assumed. It is actually an aggregate of a number of sections within that division.

MR. D. SCOTT: Yes, I've got that.

HON. J. BUCKLASCHUK: However, if one chose not to set up the IBNR reserve in 1983-'84, but decided to do so in 1984-'85, because some of the anticipated future claims would have been paid off in 1984-'85, there would have to be less put into the IBNR reserve and the bottom line in 1984-'85 would have read \$11.7 million of a loss. This table could be projected to '85-'86, '86-'87, '87-'88. The claims would have been run off during that period, but in every case you would have a decreasing bottom line, all other things being equal. As the summary says, the decision as to when assumed IBNR should be recognized will impact the profit-loss of the General Insurance Division. That is the bottom line basically as it is anticipated.

Whether that IBNR was set up in '84, '85, '86, '87, '88 doesn't make any difference, wouldn't make any difference to the real financial situation of the Corporation. These claims that were projected were all emanating from agreements that had been entered into prior to May of '84. So this document provides you with the choices that were to be made in 1984 as to how you display the operations of the Corporation.

Now, if we can move to the document that was provided to all members, or to the House yesterday, and that is the document that was dealt with by the board at its October 1986 meeting. Do we have that document handy?

MRS. S. CARSTAIRS: Mr. Chairman, is that not the document we've just been talking about?

HON. J. BUCKLASCHUK: No, no. The document that we've just gone through is the October 18, 1984 document. Yes, all members wouldn't have it because it was only tabled in the House, 10 copies or so. So perhaps we could circulate that at this time.

Maybe just so we can keep our document straight, the document I tabled in the House yesterday and which has just been circulated should be identified as October 10, 1986. It's shown right at the very top, October 10, 1986. The document that you were previously provided with this morning for the first time - it's headed up Agenda No. 3 - that one should be identified as July 27, 1984.

Maybe, before we deal with the October 10, 1986 submission, we should deal with the July 27, 1984 submission so we can put those two documents in some sort of proper context. The background is fairly straightforward. The present situation outlines what volume of business the Corporation was doing in the reinsurance assumed field. Page 2, item 2 relates to actual losses.

Maybe we should go through this so it can be read into the record. It says: "The underwriting losses currently being experienced by the Corporation are basically coming from the International Proportional Book. Given the nature of these treaties, the losses

exceed the premiums over three to four years because of delays in the settlement of claims.

"It is estimated that the years 1980 through 1983 were the worst underwriting years that the international insurance industry had in its history. The Corporation's share of the losses for those years should come to full maturity in '83, '84, '85, '86 and '87. The Corporation has accounted for the premiums and losses paid in 1980 through 1983, and may have been partially advised about losses outstanding for those years."

It seems that no matter how many times one goes through this, there are still those who do not understand what we are trying to say. "Those outstanding losses" - and we're talking about pre-1984 business - "are being paid now and far outweigh the premiums being received in 1984." That's why the Corporation maintains an incurred but not reported reserve of \$5 million."

The question is: Was the \$5 million IBNR enough to cover past losses? Notice the wording: "It would appear not." But, as I've indicated a number of times: "The Corporation had undertaken a study of this aspect, the results of which will be the subject of a further submission to the board."

I would suggest that there is nothing very alarming in the material presented to the board about potential losses. It indicates as well that underwriting losses should be anticipated from a peak of \$3 million in '84, down to a break-even point in 1988, during which period the portfolio will be cleared of all undesirable treaties. Now with the information available at the time, with the short period of time that the reinsurance manager had been on the scene, that was considered to be a best estimate of what lay in store in the future.

The future policy was presented to the board in item 3. The conclusion was, you have an overview of what volumes of business had been written between 1979-84. It says on page 4: "Nevertheless, the overall premiums being approximately \$32 million from 1982-84, steps taken will correct the situation, and management is confident that the reinsurance department has the expertise and resources to return that portfolio to profitability over the next four years."

That is the basis on which the board would deal with this section of the General Insurance Division, "... management is confident that the reinsurance department has the expertise and the resources to return the portfolio to profitability over the next four years."

What follows are guidelines that were adopted by the reinsurance branch as to how future business would be done. I don't think there'd be much benefit at this time to take this committee's time to go through the guidelines. These were adopted at that time.

You'll note that, on page 2, I said and the document states: "The Corporation's presently conducting a study of this aspect, the results of which will be the subject of a further submission to the board." That submission to the board is the October 10, 1986 document that I tabled in the House yesterday. So perhaps, with that, we could deal with that.

I should also indicate that there had been no decision of any type requested in the document of 1984. It was basically there for information. Certainly, if one reads it, one cannot help but feel that the situation is under control.

October 10, 1986, I had a fairly lengthy introduction in the House yesterday. I know that the Member for

Tuxedo didn't hear everything I had to say because listened carefully to his words and there was some statement that had we moved sooner with getting the report in place, the losses would not have been significant. The fact that the Corporation lost millions of dollars because of the delay in receiving that report well that is ridiculous, because all the claims we're talking about in this report are emanating from treaties that had been cancelled two years previous, two-and-a-half, maybe three years previous, but the claim continued to flow.

Let's spend a little bit of time on this report. I think it's worth our while to deal with these reports so we clearly understand what the provision in this year's report is meant to cover. I think what's really important is the bottom of page 2, old book. These are agreements that had been in place prior to 1984, and were terminated approximately around May of 1984.

It says: "Over the years, an IBNR, an incurred but not reported reserve, of \$6.625 million has been developed and recorded. With the loss development taking place on the old book, it has become evident that the recorded IBNR has an approximate shortfall of about \$35.7 million." This was the first - I'm not quoting from the document now, but I'm saying that; this was the first indication that the board or I had of the magnitude of the possible future claims, claims that will stretch out for the next 5, 10, 15, possibly 20 years.

Back to the document, it says: "To estimate the amount, three methods of calculation were used. It should be noted that there is no exact scientific method or procedure available that would provide the exact ultimate IBNR." And that goes without saying. There is no exact scientific method available to the Manitoba Public Insurance Corporation, to Lloyd's of London, or any insurance organization. It is not an exact science. It is the best estimate with the information available at that time.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: I want to ask the Minister a question because I know that he's interested in ensuring that we all understand this completely.

What does the figure of \$35.7 million compare to the analysis or the presentation in October of 1986? Which figure - 12 million, 14 million or 24 million?

HON. J. BUCKLASCHUK: I'm quite prepared to answer that question or have Mr. Silver respond to that, but without getting into that right now, because I'm just at (Interjection) Yes, it will. We'll keep that question in mind and we'll certainly provide the answer, but we can stay with this 35.7 at the present time and follow this through to what is reported in this year's report and then we could get back, okay?

Now on page 3 of the document provided to the board October 10, 1986 - provided to the House yesterday - page 3 indicates that there were three methods that were used to arrive at this new IBNR figure. You'll notice firstly the reinsurance manager reviewed each treaty and estimated the IBNR for each treaty.

Secondly, the controller's department forecast future premiums and claims based on previous year's experience.

Thirdly, based on the premium and losses incurred development, an average-to-ultimate factor was used to estimate the amount of IBNR. There were three different ways to develop a figure which would, to some degree of accuracy, reflect future claims on the agreements that had been terminated in 1984.

You'll notice that the result of these three calculations ranged from \$35.9 million to \$42.3 million. The first and second methods produced requirements of approximately \$41 million to \$42 million, and therefore, to be on the conservative side, the figure - that's small "c" - that was ultimately adopted was at the high end, around \$41 million to \$42 million; but there already was six-point-some million in the reserves, so that brings us down to the \$35 million or \$36 million figure.

On the next page, page 4, Financial Implications, here are three considerations that are presented to the board. How do you deal with this situation of anticipated claims? No. 1, it says set up an additional IBNR of \$35.7 million. There already was \$6.2 million or \$6.3 million in the reserves. Set up an additional \$5.7 and you will then have \$42 million which will accommodate entirely the projected \$42 million in claims.

The second option is set up an IBNR of only \$25.2 million which will run off the claims for the next five years; and then at the end of the five years, you still have a problem because there were some claims anticipated but there are no funds in the reserve, so you would then have to set up another IBNR.

The last one, don't set up any IBNR and just run off the claims as they materialize over the next five years.

MR. CHAIRMAN: Mr. Dolin.

MR. M. DOLIN: I have four major treaties . . . Do we know that?

ION. J. BUCKLASCHUK: We can get that information in just a minute or two. It takes me a minute or two to finish off this document; then we can get that information.

So, clearly, there were three options that were outlined to the board and there is a recommendation. The recommendation, unlike the October 19, 1984 document - there was no recommendation there - the recommendation here, you set up an IBNR of \$42 million, that was what was done, and that is what is reflected in the 1984 Financial Report or Annual Report of the Corporation.

That pretty well completes the overview of the three documents that are before us. Are there any questions that are related to these specifically?

MR. D. SCOTT: That reflects what's reported in the 1985-86 report. Just in your last statement, you said that reflects the 1984 report?

ION. J. BUCKLASCHUK: I'm sorry. It reflects in the 1986 final report, the ones tabled two weeks ago or so.

MR. D. SCOTT: I just wanted to make that clear.

ION. J. BUCKLASCHUK: Perhaps we could respond to the Member for Tuxedo.

Mr. Silver, would you do that, please?

MR. CHAIRMAN: Mr. Silver.

MR. R. SILVER: The member asked essentially how does the \$35.7 million number compare to the 1984 report and to which number does it compare. I would have to say that they're not directly comparable. I can compare them for you, but there is no direct comparability because two years had passed, and in that two-year time frame, claims had come in. In addition, in the 1986 contemplation of our risk exposure, we did not foresee any significant future revenue generation.

However, to try and compare number to number the \$24.3 million in anticipated claims as shown on page 4 of that 1984 report, if you would reduce that by the net of the future premiums that were anticipated in that October 19, 1984 report, totalling 7.6 million, it left you with a net shortfall of 16.7 million in anticipated claims. That's a shortfall of anticipated revenue. There was in place an existing IBNR provision of 4.4 million which, netted out, left 12.3. So, in that sense, the 35.7, which was an approximate number at the time the submission was done and was later refined, compares to the 12.3 but they are not directly comparable.

MR. G. FILMON: They are comparable in the sense that they are the best estimate of what your shortfall was at that time?

MR. R. SILVER: I would have to believe that the numbers that were prepared in October 1984 were prepared with the best information available at the time.

MR. M. DOLIN: I don't know if the information is available. The four major treaties and the three casualty insurers mentioned on page 2, I'm wondering when those were taken out. I assume they were all cancelled. And when they were cancelled?

HON. J. BUCKLASCHUK: I'd have to refer to staff for that. I don't have the specific information, but Mr. Silver may be able to supply that.

MR. R. SILVER: Mr. Chairman, we really should take this question as notice. We do know when those treaties were entered into. I can tell you that the first one, Pine Top, was originally entered into in 1977. It was renewed in subsequent years, but I could return to the committee with the information for all four.

MR. M. DOLIN: Okay, if you're going to take that as notice, I am wondering if you could attribute the losses to each of those contracts, you know, perhaps so we get some idea of what they were worth. Is that possible?

MR. R. SILVER: Mr. Chairman, I think we can attribute the losses to various contracts. We are very loathe to bring that information forward, because we are in process with some several of these companies in negotiating our position. To the extent that we make this information available, it becomes public and it influences our negotiations.

MR. G. FILMON: I just want to respond briefly to that brief opening statement of the Minister's. I appreciate

his attempt to explain for the edification of this committee, as he has done each of the last couple of days for the news media, all of the complicated issues surrounding the numbers and the total understanding of the exposure, the losses, the liability and the nature of the reinsurance business that MPIC was doing.

It seems to me that this again is another attempt not only to explain but to justify the actions that he, as Minister, has taken, or indeed has instructed the Corporation to take, that involved an elaborate scheme to hide from public attention the losses on MPIC in reinsurance since 1984, since he became aware of it. Because even now, in response to my question, he is now talking about the fact that this best estimate of \$35.7 million that we have today compares to a best estimate of just over \$12 million in October of 1984. That's what Mr. Silver just said.

The fact of the matter is that we're back down to the Minister's statements on the record that began 10 days ago, saying that he wasn't aware of the seriousness of the reinsurance losses at MPIC in the fall of 1984. Yet clearly, the reports that he has tabled indicate that he was aware. We get into the discussion of semantics, which I don't believe are appropriate when you - (Interjection)- Well, okay, I'll use his words then to make my argument. He wasn't aware of the seriousness, and we are now aware that the best estimate that he had was over \$12 million. Now if that isn't serious, that massive a loss isn't serious, then I don't know what is. If he says that it wasn't serious at just 12 million but it is serious today at 35.7 million, I'll tell him that thousands of Manitobans would disagree with that. The fact is that he was aware of the seriousness and he looked desperately for a way not to have to report that publicly.

He says that "uninformed" may not have been the best choice of words, that's what he said. Well, the fact is he was informed; so "uninformed" was not the best choice of words. "Seriousness," well, if he wants to use the word "seriousness" or "magnitude," okay, he wasn't aware of the magnitude of 35.7 million but he was aware of the magnitude of over 12 million. If he doesn't think that's serious, then I take serious exception to that.

He has said further along the way that he was presented with the options and the information, he along with the chairman of the board at that time. Mr. Sigurdson, the politically appointed chairman of the board, and he were both presented with this information.

The point is that when we look through all of these comparable presentations, there is one major difference between 1986 and 1984. In 1986, the decision to report these \$36 million of losses was made because of proper accounting procedures, in accordance with proper accounting procedures. In fact, when the accountants were asked obviously as to how this would be dealt with, they said that it had to be reported. In 1984, he, as Minister, chose not to ask the accountants as to how to deal with this, so he says, and he made that decision on a political basis, along with the chairman of the board of MPIC. That's the difference, and that says to me that there is irresponsibility and indeed cover-up for political purposes on the agenda of this Minister and has been since 1984.

Now we're being given an explanation of figures, reconstruction of figures, to try and ensure that

everybody understands why the elaborate scheme add up. It may add up in an accounting sense; it doesn't add up in terms of responsibility to inform the public of a massive loss. Whether that loss be 12 million or whether that massive loss be 36 million, it is still a major significance and he still chose, for political purposes in 1984, not to make that to the public, and instead to embark on this major scheme that now has to be elaborately explained to the public by virtue of all of these presentations.

Now the board may have been shielded from the truth, according to the information that he tabled today and the auditors may have been shielded from the truth of the losses, but there is absolutely no question, and this Minister has not denied, that he and the chairman were fully apprised of the losses. Whether they be 1 million or 14 million or 24 million, whichever figure was accepted, because he said all three, he was apprised of the major losses in 1984. Rather than report it in accordance with proper accounting procedures, he instead chose this elaborate scheme to spread it out over years without consultation of the Provincial Auditor or the external auditor to see whether or not this was in accordance with proper accounting procedures, an error of negligence, a deliberate error on his part in my view because he made the choice in that meeting.

Now, the fact of the matter is that he continues with his contradictions. He continues with trying to play the semantics of whether "seriousness" was the appropriate term or whether "magnitude" was the appropriate term or what was the appropriate term but he doesn't deny that he was aware of some pretty major losses. He chose, rather than report them, to have a scheme that wasn't in accordance with proper accounting procedures being introduced in order to ensure that those losses were not reported publicly during that period of time.

Mr. Chairman, the Minister has said - and I want to ask him to clarify this statement that was just presumably made yesterday, and it's quoted in today's Winnipeg Sun. The lead-up statement to it is: "Laufer has accused Bucklaschuk of ordering a cover-up of the losses. Bucklaschuk denied it, saying he only indicated a preference and left the final decision to the board. This Minister's on the record as saying the board was never involved in that decision. It was never shown in the October report and wasn't apprised of the seriousness or the magnitude. We've seen it here, in his own words that this report doesn't convey the seriousness.

So tell me, which is correct? Did he leave the choice up to the board, or did he make the choice in connection with Mr. Sigurdson and, I believe, Mr. Laufer attended the meeting, and two of those three political people made the choice? Is that the way it happened, or did he leave the choice up to the board, the final decision up to the board?

I'll wait for the response, and then ask another question, Mr. Chairman.

HON. J. BUCKLASCHUK: I think that the Member in the Tuxedo has raised the issue of semantics in how we choose words. I admit it is difficult. I think we should appreciate that, when we're dealing with as complicated a subject as reinsurance, one has to be extremely careful with the words, with figures. I think there has

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been a lot of misunderstandings or confusion because one thing was said with all good intentions or integrity, and interpreted another way.

I take a bit of offence when the Member for Tuxedo talks about the reconstruction of figures. There has been no reconstruction of figures. The Opposition has asked for document after document after document. We have provided copies of original documents, no reconstructions. Therefore, I'm somewhat dismayed that the Member for Tuxedo would be so loose with his words as to make an allegation or innuendo of reconstruction.

MR. G. FILMON: That is semantics . . .

MR. CHAIRMAN: Order, order please.

Mr. Bucklaschuk has the floor.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: I think we all agree that this is a complex issue. We have provided - we've been very open about this, as has been indicated. Minutes have been requested, minutes have been provided. Where there has been confidential material within the minutes, even access to the Opposition has been provided. Documentation has been requested, documentation has been and is being provided. This term, word "reconstruction," I would suggest, is most inappropriate, and I wish the Member for Tuxedo would acknowledge that.

With respect as to whether or not this was a serious matter, I've already said that I was concerned about the reinsurance area. I have said that from the time I was appointed. Within a month or so, that was part of the first question I raised about the finances of the Corporation. I have maintained an interest and a concern about that area since that date. I've said, "serious." The Member for Tuxedo doesn't say "serious or world shaking"; "pretty major losses" were the words the member used. I agree there were major losses, whether it be \$12 million - and these weren't losses incidentally; these were anticipated claims. A loss is not a claim, an anticipated claim is not a loss.

I agree that whether it be \$12 million or \$24 million, it is a matter of concern. However, when a document is provided, a document that is not solicited, a document that says, here is a plan how these potential claims, anticipated claims, can be dealt with over the next five years. - (Interjection)- Mr. Chairperson, I'm being distracted somewhat by the Member for Pembina.

MR. CHAIRMAN: Order please, order please.

I have recognized Mr. Bucklaschuk, and I've reminded members of the committee before that when I recognize someone, they have the floor. Other members wishing to speak may seek recognition. When they are given the floor, they will then have the opportunity to make comments and put them on the record like any member of this committee. Could I please have some order? Perhaps we can delay our proceedings while members do come to order.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: The document provided to me in October of 1984, projecting anticipated claims,

was a matter of serious concern. However, as I indicated, options had been developed as to how those claims could be accommodated over a five-year period. There is a problem, there is a resolution. Is it still a serious matter?

It's still a serious matter but it's not earth-shaking, particularly in view of the July document that I tabled earlier this morning that indicated, and I quote: "Management is confident that the Reinsurance Department has the expertise and resources to return the portfolio to profitability over the next four years." Anybody in the industry knows that there are times when you do take losses, but you don't work on a one-year time frame. You work on a 5, 10, 20, longer time frame. When a problem has been identified, when a resolution to the problem has been developed which will resolve the problem in a five-year time frame, that I do not consider to be an overly serious matter.

However, when the report that is indicated under way in July of '84 materializes some two-and-a-half years later, and at a time when you would expect that some of the anticipated claims have been run down and run off and that the anticipated claim total should be less than what you start out with in 1984, when you find that it is \$36 million or \$42 million, whichever figure you want to choose - \$42 million - then the magnitude of the problem then is of major concern. Even if one wanted to continue with the past practice of a five-year program, one would still be facing a horrendous anticipated claims figure at the end of the five-year program.

No elaborate scheme was developed by this Minister. A paper was developed, unsolicited. Options were presented. The Minister indicated a preference for an option, fully believing it to be in accordance with accepted accounting principles. One would not expect that an option otherwise would be presented. That is not an elaborate scheme; that is a choice that was made.

Now insofar as the board is concerned, I would assume that discussions that I had with the chairperson and the general manager as to this particular area would have been conveyed to the board. I know there are no minutes to reflect that. I know there are no submissions to reflect that, but it's not unusual for verbal reports to be made. I did not direct the board. I don't direct the management of the Corporation. I don't sit in, I didn't at that time as the Minister responsible attend very many board meetings. That's why we had a board, and that's why we have boards.

So the comments, I think, made by the Member for Tuxedo can be responded to in that manner.

MR. G. FILMON: Mr. Chairman, we now have on the record another contradiction, because clearly the Minister said at the last meeting that the board did not make the decision. The decision was made by him and the chairman of the board and the president, and that two of the three of them, being the political people, made that choice.

The fact of the matter is now he's saying he thought the board was aware of it.

HON. J. BUCKLASCHUK: Assumed.

MR. G. FILMON: He assumed the board was aware of it. That's a total contradiction of what he said last night.

The second thing is now he has said on the record that the 12 million of losses, or as he says claims, was a matter of serious concern. Up until this point he said he wasn't aware of the seriousness. Another contradiction on the record.

Now, if a claim is not a loss, why is the \$36 million showing up on this year's statement but the 12 million wasn't put into the 1984 statement?

HON. J. BUCKLASCHUK: I just want to get back to the matter of how the decision was made as to which option was to be chosen. I had indicated that I stated my preference. I would assume that information would have gone to the board, because it is the board that has to adopt a draft annual report that is presented to the board for consideration. That annual report, I believe, was adopted by the board January of 1985 and I would have felt that it would have reflected that purpose. Having looked at the matter subsequently, in fact what happened was that the projected claims for 1983-84 did not materialize to be 12.1, but in fact were 14.9 and an additional provision - that was incorporated into the '84 financial statement - of some \$2.5 million was made in that year. It's reflected in the financial statement.

MR. G. FILMON: Who prepared the 1984 document - the October of '84 - and who prepared the October of '86 document?

HON. J. BUCKLASCHUK: Perhaps Mr. Silver could provide that information.

MR. R. SILVER: Mr. Chairman, it's my understanding that the corporate controller of the day together with the reinsurance manager prepared the October 1984 document. The October 1986 document once again was a collaborative effort involving the corporate controller, the reinsurance manager, the vice-president of finance and myself.

MR. G. FILMON: I wonder if I could have the names of these people.

MR. R. SILVER: In 1984, the corporate controller was Mr. Galenzoski; the reinsurance manager then and now is Mr. Dabo; the corporate controller currently is Mr. Dyck; Mr. Dribnenky is the vice-president of finance.

MR. G. FILMON: And reinsurance manager is still Mr. Dabo?

MR. R. SILVER: That's right.

MR. G. FILMON: Since Mr. Dabo is involved in both of those, why was a recommendation made in the 1986 document but not made in the 1984 document?

MR. R. SILVER: Mr. Chairman, I'm not clear which recommendation.

MR. G. FILMON: The recommendation as to how to show the losses.

MR. R. SILVER: Mr. Chairman, in 1984 in the document that was tabled this morning, the July board submission

MR. G. FILMON: No, we're talking about October '84

MR. R. SILVER: I understand.

MR. G. FILMON: The one that resulted in three options that the Minister chose with no recommendation.

MR. R. SILVER: In July 1984, Mr. Dabo had indicated or it was indicated in the board submission, the reflection of Mr. Dabo's advice and input and that was that further work needed to be done. I don't know who initiated the October 1984 report, under whose instruction that report was initiated.

Clearly, the reports that are prepared, I've indicated, I would believe are always prepared with the best information available at the time those things are done. In 1986, our information base was significantly better than the information base that existed in 1984. When the recommendations in 1984 reflected what was reflected, I guess I would have to say that I do not see any recommendations in that 1984 document. The 1986 document I believe very clearly sets out, and perhaps I might digress for a moment, it is management's prerogative presumably on behalf of the board to arrange their financial statements virtually any way they choose.

It is the responsibility of external auditors to review those statements, review the accounting practices and the financial practices behind the preparation of those statements, and then to state in their letter at the opening of the financial statements that they either agree with that presentation or that they do not agree in which case, the statements are qualified. Qualification of financial statements is really quite serious because it says that the external auditors do not accept that this is the true and consistent representation of the financial results of the firm.

In putting a recommendation forward to the board I was saying to the board that I had reason to believe that our exposure now - or the firm had reason to believe - that the risk exposure now totalled some \$3 million, and therefore, I would share that information with the external auditors.

Whether, notwithstanding that, I would share that information with the external auditors, I could then insist that I was going to set up minimal IBNR or no IBNR. The external auditor would then say we don't agree with that position and they would qualify our statement.

So the options, if you will, existed in 1986. The options show up all of the incremental provision or show us something less than our best estimate of the incremental provision and have qualified statements. That was the choice that I put forward to the board and the board endorsed the full disclosure and unqualified statement.

MR. G. FILMON: My point is that in '84 the board was not presented with a recommendation, that in fact the options were presented only to the Minister, the chairman of the board and the president at the time in committee and presumably that's how the decision was made by the Minister and the chairman of the board.

My point is that there wasn't a recommendation. There were only options. I want to know because a couple of times the Minister and now the president have said they don't know who initiated that report.

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wonder whether there's anybody among staff who would know who initiated that report, who could tell us.

MR. R. SILVER: It's my understanding that the previous general manager had, about July, asked for an analysis to be done on the portfolio. Beyond that there was no instruction given. The reinsurance manager and the controller took it upon themselves to initiate this report.

MR. G. FILMON: They also took it upon themselves to provide the options?

MR. R. SILVER: Mr. Chairman, they prepared the paper. I feel somewhat constrained about speaking about management practices in the past. Perhaps I would respond to the issue by saying that in MPIC today the recommendations that go forward to the board are the recommendations that I endorse, and I make a practice of putting recommendations forward to the board.

MR. G. FILMON: I wonder if I could ask that the general manager, or at least the president, do some research into that and try and attempt to show committee, or at least to inform committee, at its next sitting, as to how that report was initiated and who came up with the recommendations - the options, rather.

MR. R. SILVER: Mr. Chairman, I believe I've responded to that question to the best of my ability and the recollection of the people here. The report itself was initiated from the staff level. They prepared the options, as it were, and an earlier understanding is the report was then forwarded to the then senior vice-president of General Insurance. How it was dealt with from that point onwards is not known.

MR. G. FILMON: The options were prepared by the controller and the manager of reinsurance?

MR. R. SILVER: That's correct.

MR. G. FILMON: And there's no way of finding out from the two of them, who I believe are still on staff, why they would have taken it upon themselves to prepare those options?

MR. R. SILVER: Recollections do fade over time. It appears that in all likelihood there was some direction given from senior management as to the preparation of the documents. The options were options that were created by the staff. They were stated in the manner that they were and without reference to external auditor, because staff recognized that those numbers were soft and that the data base was soft, and more work would need to be done before a proper representation of risk exposure could be done.

MR. G. FILMON: That leads directly into the comments that are in the 1986 report that we got yesterday, comments about the reference to external auditors, the data being soft, and so on.

On Tuesday, the Minister indicated that the external auditor hadn't been involved with the knowledge of the magnitude of the losses, that 12.1, and -(Interjection)- Well, he's shaking his head, so maybe I should read what he said at that time.

I can't find it at the moment, Mr. Chairman, but I'll accept his assertion that the external auditors were involved. So the question then becomes . . .

HON. J. BUCKLASCHUK: Mr. Chairman, just on that, I have no idea. I think that's what I said. I don't know what discussions took place between senior management and external auditors.

MR. G. FILMON: The report that was tabled yesterday says, "None of the above . . ." referring to the options that were used in order to determine what action would be taken in reporting the 36 million loss in this year's financial statement. It says and I quote, "None of the above has been discussed with or tested by the external auditors. It is certain that the external auditors will be seeking our calculations for IBNR. To set up any amount that the auditors do not agree with could result in a qualified audit report. For the year ended October 31, 1984, an additional IBNR of 2.25 million was set up at their request."

My question then becomes, who discussed with them the losses that should be set up, that resulted in a determination of 2.25 million IBNR, and on what basis did they approve that amount? What information were they given? Were they given the full information about the 12.1 million of projected claims?

MR. R. SILVER: The vice-president of finance would certainly lead the discussions with the external auditors. That's a normal function of that position. Those numbers were not shared with the external auditor. It was a recognition within the Corporation that the numbers were soft and there was some question as to how firmly anyone should interpret what was represented there.

The statement in the October 10, 1986 submission to the board is not entirely accurate. I would correct it now because I am more fully aware of the facts. For the year ended October 31, 1984, management of the firm had proposed an IBNR provision of \$1.5 million. The external auditor had debated the points of IBNR with management, and as a result of those discussions, an additional IBNR of \$750,000 was established for a total IBNR provision in fiscal year 1984 of \$2.25 million.

MR. G. FILMON: The discussions did not involve revelation of 12.1 million of potential claims to them, so they were just picking a figure, more or less, at that point in time?

MR. R. SILVER: The discussions did not reflect that, but the discussions and the considerations of IBNR in that year did reflect the past practice in the Corporation.

MR. G. FILMON: Mr. Chairman, I know that there are many others who want to get the floor and ask other questions. I just have one final question to leave with the Minister, and that is, that his report which was tabled - the October 1984 report upon which he made his decision - chose one of the three options to spread out the losses and not show publicly the 12.1 million loss.

The second sentence in it says, and this is the Minister's explanation as to the fact that they were starting to demonstrate the knowledge of major losses,

the second sentence says, and I quote: "Since then, the assumed business has experienced an underwriting loss before investment income of 2.5 million on total premiums written of 54.7 million." All right.

That statement was provided for him and he is fully knowledgeable about that in October of 1984, that the assumed reinsurance business has experienced an underwriting loss before investment income of 2.5 million. I have a copy of a letter which this Minister wrote on June 25, 1985 to somebody, because at that point it was already becoming a public concern. There had been, in fact, newspaper stories, questions at committee and an editorial written on it.

Because an insurance agent questioned the wisdom of being in this reinsurance business, the Minister wrote to him saying, and I quote: "Despite the losses caused by poor market conditions in 1983-84 fiscal year," that was losses of over 4 million, ". . . despite those losses, for example, the assumed reinsurance portfolio recorded a modest underwriting profit of approximately 260,000 between July 1, 1975 and April 30, 1985, not including investment income."

So he was telling the public and somebody that 10-year period had resulted in a modest profit, not including investment income, and clearly he has a report that tells him that that fall, earlier - six months earlier - he has the report that says that they had experienced a loss before investment income of 2.5 million since 1975. That's what's shown here because the first sentence says, "1975," and then it goes on.

So he didn't even tell truthfully his response publicly on this issue, six months later. I have great difficulty with this Minister's credibility and his constant attempt to cover up along the way. It's been going on since the fall of 1974, when the matter was raised publicly in 1985, in June during the committee discussions, or at least in April. It was the committee discussions and then it became a public matter. He was then telling people that the 10-year period up to that point had resulted in a modest underwriting profit.

At that point he knew that it had an accumulated loss of 2.5 million, both times they referred to not including investment income and, in fact, it was going worse because he had undertaken a scheme to now try and hide the claims, the potential claims and the losses. I have some difficulty with this Minister's credibility.

HON. J. BUCKLASCHUK: Mr. Chairperson, I have a chance to review this letter. I know the letter that is being referenced. I have a copy of it here and it was . . .

MR. D. ORCHARD: Where'd you get that? I thought your files were shredded.

MR. CHAIRMAN: Order please.
Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: For the information of all members of committee, this letter is dated June 25, 1985. I make this point, Mr. Chairperson, in view of the chirping from the Member for Pembina, who says, "I thought your files were destroyed."

MR. D. ORCHARD: That's right.

HON. J. BUCKLASCHUK: . . . who knows very well the files that are missing are 1984. The innuendo, the perpetual innuendo is being manifested even at this meeting, Mr. Chairperson.

I will have to review that particular correspondence, but as the member knows, having formerly been a Minister of the Crown, one doesn't necessarily always draft responses to complex issues. This was the information that was provided to me by the then general manager. I would dare say that this letter was even drafted by the general manager in response for my consideration and my signature.

Mr. Chairperson, I suspect that each year I respond to several hundreds, if not thousands, of letters that are prepared for my consideration and my signature. I have to assume in many, many cases that the information provided is factual, has some basis, as I suspect there is in this letter, but it's a matter of interpretation of some figures. Therefore, I will take the comment that was made by the Member for Tuxedo, review it, and we will report back with the clarification as to how that letter was developed at a subsequent meeting.

MR. G. FILMON: Mr. Chairman, the Minister had to make no assumptions because he was in possession of the report from the previous fall, October of 1984, that clearly on the record was telling him that in that 10-year period there had been an experienced underwriting loss before investment income of \$2.5 million.

I'll turn the floor over to somebody else. I have a number of issues that I'll discuss later with the Minister.

MR. R. SILVER: One clarification, if I may, with respect to the October, 1984 Report, the staff who prepared the report who were on staff in '84 and who are my staff now, in defence of those people, if indeed it is presumed that there is any defence that is required, they believed that report to be interim. They did not believe, in the preparation, that it was an action document. It was an interim report.

MR. G. FILMON: Is Mr. Silver telling us that, by June of '85, there were current figures that had updated that and that it was now a \$260,000 net profit before investment income?

MR. R. SILVER: I'm sorry, Mr. Chairman, I was simply interjecting a point of clarification on an earlier discussion. I have not read this letter.

MR. G. FILMON: Then if Mr. Silver hasn't read the letter, then I think he should hold his comments until we get the Minister's response. We don't need an edited version of anybody's response on this.

MRS. S. CARSTAIRS: I don't know whether the Minister would like to have Mr. Dabo ask some questions directly, or whether he prefer that I went through him or through the general manager. (Interjection)- Through Mr. Silver?

I'd like to know exactly when Mr. Dabo came to work for the Corporation, and what exactly was his job. Was he brought in as the reinsurance manager from Day

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One, or was he brought in specifically to prepare a report on the reinsurance industry within MPIC?

MR. R. SILVER: Mr. Dabo was brought in on May 1, 1984 to be the reinsurance manager.

MRS. S. CARSTAIRS: When exactly was Mr. Dabo informed that Mr. Laufer had concerns about the reinsurance industry? When did he begin his own internal study of that industry?

MR. R. SILVER: Mr. Chairman, his own internal study commenced at Day One. Mr. Dabo had been in the reinsurance brokerage business. He had industry familiarity with what MPIC was involved in, and from Day One he immediately began his review.

MRS. S. CARSTAIRS: Presumably, the review was begun because of the general manager's concern with losses which seemed to be getting higher and higher and higher. For example, the general loss, if one goes back to 1983, was only \$6,000 but, by 1984, it had hit \$4.8 million. Was that the rationale for this, presumably, in-depth study?

MR. R. SILVER: Mr. Chairman, at this point, one can really only speculate on Mr. Laufer's motives. Mr. Dabo does not have any recollection of any direct conversation with Mr. Laufer that would lead him to understand what the purpose was or what the concerns were.

(Mr. Deputy Chairman, M. Dolin, in the Chair.)

MRS. S. CARSTAIRS: But, presumably, one of the first things that Mr. Dabo did, having only been employed in May, was to prepare this report which was then submitted to the board of MPIC on July 27, 1984. Is that correct?

MR. R. SILVER: One of the very first things he did was put input into that July 27, 1984 report, correct.

MRS. S. CARSTAIRS: In this report, it is already a serious question posed, is the \$5 million IBNR enough to cover the past losses, followed by the sentence, "It would appear not."

MR. R. SILVER: Mr. Deputy Chairman, I can really only respond to this in sort of Monday morning quarterbacking on a document which I did not prepare. The document does say that it would appear, as recollection because I have now lost my copy of it, but the document does say that the losses would tend to peter out from a high of \$3 million. "Underwriting losses should be anticipated from a peak of \$3 million in '84, down to a breakeven point in '88."

It may indeed be possible, on Monday morning if you will, to read some element of concern out of here. I think, and I really try to be neutral on all of this, it is equally possible to read some amount of comfort provided in this. The losses will work themselves down to a breakeven point in '88. Management is dealing with the issue; the steps have been taken. I don't think I would consider this an alarming document.

MRS. S. CARSTAIRS: I regret that Mr. Silver has to play Monday morning quarterback, and that's why I asked if he wanted us to ask questions directly to Mr. Dabo.

In page 3 of that report of July 27, 1984, I would like it explained to me just what is meant by: "The Corporation's losses are very manageable." Then the Corporation wrote: "Between 1979, I would assume losses from \$2 million in that year, or 2.2 million, up to 11.1 million in 1983, or an anticipated 11.6 million in 1984." Is that a correct reading of that document?

MR. R. SILVER: Mr. Deputy Chairman, I am confident - and I can clarify my confidence with a question to staff - but I am confident that a submission to the board was prepared by senior management, and the wording there would be senior management's wording, not Mr. Dabo's. I will clarify that point.

Mr. Deputy Chairman, I wonder if I might ask Mrs. Carstairs or a member of the committee for repetition on the question, please.

MRS. S. CARSTAIRS: I just wanted a clarification of page 3, which says: "The Corporation's losses are very manageable, because the size of the book was fairly small until recently, indeed the Corporation wrote." Now are those losses or, as the member of the committee seems to indicate, they are premiums. What are they?

MR. R. SILVER: Those are premiums.

MRS. S. CARSTAIRS: What has not been clear to me, going through all the annual reports of the General Insurance Section of MPIC, is just what were the reinsurance losses year after year, because they get buried somewhere in the middle. I ask that question because, going back earlier in other reports, interestingly enough, 1976, 1977 and 1978, there is a statement of just what those reinsurance losses are. All of a sudden, in 1979's annual report, that line in the figure disappears.

Now I understand that was not this government's but I wonder why it disappears, particularly when the accounting guidelines which are published for property and casualty insurance in November 1981 state very clearly: "It is desirable for a property and casualty insurance company to disclose in summarized form reinsurance." It goes on to actually give an example of the type of disclosure which should be followed: "In addition, the company has obtained reinsurance having an upper limit and which limits the company's liability in the event of serious claims." Why is that kind of accounting practice not followed, since it is prescribed in accounting guidelines?

MR. R. SILVER: I am given to understand, Mr. Deputy Chairman, that those guidelines relate to ceded reinsurance, not assumed reinsurance. If that is not the case, I certainly can't speculate on why accounting guidelines and practice may not have been followed in the past.

MRS. S. CARSTAIRS: Mr. Deputy Chairman, the accounting guidelines changed in April of 1986. They

now refer to reinsurance disclosure as, “. . . information which should be disclosed with respect to the following.” Did that change in accounting guidelines have any influence on the publication this year of reinsurance losses by MPIC?

MR. R. SILVER: No.

MRS. S. CARSTAIRS: There is throughout much of this information that we have a quantity of figures, some of which certainly question the credibility of the Minister, but can we go for a moment to the missing files of 1984.

Presumably, those missing files were picked up, as I understand it, on February 24, 1987, and delivered to the Government Records Centre. Is that correct?

HON. J. BUCKLASCHUK: I believe that's correct.

MRS. S. CARSTAIRS: The General Manager-President of MPIC was dismissed on Friday, June 13, 1986. Shortly thereafter, Mr. Laufer indicated that he was going to sue the Government of Manitoba. Did the Minister not at that point order his staff to go through his files to extract all information having to do with MPIC and Mr. Laufer in light of this lawsuit that was going to be launched?

HON. J. BUCKLASCHUK: No, I did not.

MRS. S. CARSTAIRS: Why?

HON. J. BUCKLASCHUK: The matter is currently in the hands of the solicitor representing me. That information has never been requested.

MRS. S. CARSTAIRS: Would the Minister not agree that prudent behaviour when one is being sued would be to look at all correspondence between the individual who is suing and themselves?

HON. J. BUCKLASCHUK: As the Member for River Heights well knows, the dismissal was based on the Provincial Auditor's Report of 1986. That report is intact, and I'm sure there are dozens of copies.

Furthermore - and there seems to be a misunderstanding about the Provincial Archives - any document that is lodged within the Provincial Archives can be retracted or retrieved by the Minister. I dare say that a document is likely more safe in the Provincial Archives than it is in my office, in my possession, or in a briefcase, with the exception of the three boxes.

MRS. S. CARSTAIRS: Mr. Deputy Chairman, is it possible for the Corporation to provide the committee with the actual reinsurance losses from 1981 to 1986?

HON. J. BUCKLASCHUK: I would hope that information will be provided in the Provincial Auditor's special audit. Certainly the terms of reference have asked the Provincial Auditor to examine the Reinsurance Section of MPIC from its inception to the present date. So when that report is prepared, and I believe it'll take a couple of months because there's a tremendous amount of work that has to be done,

we will then have the information available to members of the committee, all Manitobans, as to what has transpired in the Reinsurance Section from the time it was started.

MRS. S. CARSTAIRS: Is it not possible, because the Auditor will obviously be looking at a lot of documentation leading up to those losses, to just give us the simple dollars of what we lost in '81, '82, '83, '84, '85 and '86, as was provided in earlier reports of the Corporation?

HON. J. BUCKLASCHUK: We'll take that question as notice, and provide the information as soon as it's available.

MRS. S. CARSTAIRS: Mr. Deputy Chairman, in the report which we received this morning - I think it's the fall '86 report - on page 4, there were three financial implications. Three considerations are outlined very similar, I would suggest, to the three considerations outlined in October of 1984, which somebody prepared and gave to the Minister and was discussed by the Minister and the chairman of the board and the general manager of the insurance company.

In those three considerations, under No. 3, it says "Do not set up any IBNR for the old book of business," although it's indicated that there is a methodology which could be used for the actual establishment of that. Then the sentence: "This approach would not be acceptable to the auditors." If this approach was unacceptable to the auditors in 1986, why was it acceptable to the auditors in 1984?

MR. R. SILVER: Mr. Deputy Chairman, as I indicated earlier, how the Corporation's financial statements are very much the prerogative of management, how those statements are presented are very much the prerogative of management, and is a prerogative of the external auditor, to qualify the statements, if the external auditor so chooses.

It is not my understanding that the external auditor was made aware of the report, that we now identify as the October 1984 report, and as I mentioned in, guess my untimely interjection a few moments back it was the opinion of the staff of MPIC who remain today that this was an interim report and that the database was too soft to be able to establish a sound case for the external auditors.

MRS. S. CARSTAIRS: In the fall of 1984, the Minister and these two gentlemen made a decision as to how the presentation of the financial statements would be given for the 1984 annual report, which was then distributed some time in March, presumably of 1985. Sometime between that meeting and the publication of that report, there must have been an approval of that report by the members of the board. Were the members of the board not given the documentation given to the Minister, upon which they could base their decision to approve or not approve?

HON. J. BUCKLASCHUK: A review of our records indicates that the board of directors approved the draft annual report on January 29, 1985. I was not at the

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meeting, so I have no way of knowing whether or not the board had seen this document that was under discussion on October 19, 1984. I am led to believe that they were unaware of that document.

MRS. S. CARSTAIRS: Is it not inappropriate for a Minister and, in turn, the general manager of a corporation to present to a board, financial documents upon which they have to give their approval, without presenting them also with the documents upon which that decision was based?

MR. CHAIRMAN: Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: That question, I don't think, is properly worded. The Minister does not, at any time, provide a submission to the board. The submission is provided by management.

MRS. S. CARSTAIRS: But, Mr. Chairman, that is the whole point. In this case the Minister made the decision as to how those financial documents would read. Having made the decision about how the financial documents would read, he then, through the general manager, submitted them to the board but the board wasn't given the information upon which to make their decision.

HON. J. BUCKLASCHUK: The Member for River Heights forgets one thing, that the chairperson of the board was one of the members at that meeting, and therefore, when we are discussing a matter, whether it be a financial statement or a policy matter, if the board chairperson is there, the general manager is there; I can only assume that the substance of those discussions is transmitted to the board. I cannot confirm it, because I didn't attend the board meetings at that time, I would only assume the substance would be transmitted.

MRS. S. CARSTAIRS: Did the Minister, Mr. Chairman, at any time, indicate his desire that the board, and indeed the external auditors, should be brought into full knowledge of the basis upon which the decision was made?

HON. J. BUCKLASCHUK: That would be an assumption that goes without saying, that whatever I was privy to, certainly the board would be privy to. The chairperson of the board being present at the meeting represents the board. I would expect that the chairperson shares any and all information with the board.

MRS. S. CARSTAIRS: The chairman, Mr. Chairman, is a political appointee. The Minister controls that political appointment. If the Minister gives a signal that he does not wish information to be given to the board, is he not aware that that signal may be accepted by the political arm of his government?

HON. J. BUCKLASCHUK: Mr. Chairperson, the Member for River Heights makes an assertion that the chairperson is a political appointee. I dare say that all chairpersons, whether they be at the municipal, federal, provincial levels, are political appointees. I mean that is so obvious.

However, the member, implying that somehow I would direct the chairperson of the board to withhold information from the board, is something I do not accept. That direction was never provided and will never be provided by me either.

MRS. S. CARSTAIRS: Mr. Chairman, we now have a 36.7 million loss in MPIC. Is that loss for the year 1985-86, or is that loss a cumulative loss from the period 1981 to 1986?

MR. R. SILVER: Mr. Chairman, the 1986 annual report reflects the . . .

MRS. S. CARSTAIRS: Excuse me, Mr. Chairman, but I find it very difficult to hear.

MR. CHAIRMAN: Order please.

I've reminded members previously that if they have comments to make, they seek recognition, and make it at that point. If people have private conversations, they will have to continue them outside of the committee rooms.

Mr. Silver.

MR. R. SILVER: In response to the member's question, the 1986 annual report and financial statements include a provision which has been established in respect of future potential claims that we anticipate will come to the Corporation, arising from business that had been transacted by the Corporation in reinsurance, or perhaps more appropriately, retrocession agreements prior to May 1984.

It is to be determined by time whether or not the claims will in fact total \$36 million.

MRS. S. CARSTAIRS: Mr. Chairman, there has been the statement by the Minister on a number of occasions that he received this preliminary report in October of 1984 and the further report was received in November of 1986. Is that correct?

HON. J. BUCKLASCHUK: The board minute in November 1986 reflects receipt of the document in October of 1986. I'm out one month.

MRS. S. CARSTAIRS: Mr. Dabo, Mr. Chairman, was brought on in May of 1984, and one of the first things he did was to commence a re-examination of our reinsurance portfolio. I find it incredible to believe that in a fast-paced industry like the insurance industry, that he prepares a preliminary report in July of 1984 and no other report is prepared between July of 1984 and October of 1986. Were there no reports on the reinsurance industry submitted to the board between July of '84 and November of 1986 or October of 1986?

HON. J. BUCKLASCHUK: As I indicated previously, the Corporation did not have expertise on staff in the reinsurance field prior to the arrival of Mr. Dabo in May of 1984. There were a number of steps that were taken during the time of our administration to try to address this problem, starting with a review being carried out by the former general manager in 1983, recognizing that there was a potential problem, and with the hiring

of Mr. Dabo in 1984, the report in 1986, the reporting in our 1986 financial report.

MRS. S. CARSTAIRS: Mr. Chairman, I congratulate the government on having put an expert into place in July of 1984, but I cannot believe that they did not avail themselves of this expert's help for almost two-and-a-half years, in that at no point in that period of time was Mr. Dabo asked for a further update of what may not be serious - we can argue semantics here - but there was some indication in July '84 he had a concern. So you leave him with that concern from July of '84 and you do nothing about his concern until you get the final report in October '86? I don't understand that.

HON. J. BUCKLASCHUK: Well, for one thing the matter did just not lie dormant for two years. Reviewing the existing treaties is not something that is done overnight or over a month or two, but took, I believe, discussions with insurers involved, gathering of information from all different sources. The final report was not ready until the fall of '86. In the meantime though, certainly the question had been raised as to how we are doing, basically, and we had been - certainly I had been - of the impression that things were in hand.

MRS. S. CARSTAIRS: Mr. Chairman, they got a report in July of '84. Some concern was expressed. An annual report went out in the fall of '84. Did they not receive any documentation in '85 which would lead to the report of '85 indicating that maybe the reinsurance problem was even greater than it had been anticipated in July of '84?

MR. R. SILVER: Mr. Chairman, the realities are that when Mr. Dabo arrived upon the scene in May 1984 he had to build his department. He had to, indeed, in arriving in May '84, establish himself in the community which is something of a task, and a time-consuming task. He had to meet the people with whom MPIC had been dealing over a number of years and in that current year. He had to assess the treaties as best as he could from the paper that existed within the Corporation. In March of 1986 an audit was undertaken of one of the major retrocession treaties that the Corporation had. It was deemed in some respects to be typical of some of our more troublesome retrocession agreements. It took six months to negotiate with the particular company, to permit MPIC officials to audit that company's books. There really does not appear to have been any further update from the report that was done in October of 1984 until the summer of 1986.

Just a further response to the Member for River Heights. While this was going on, and I had indicated I was under the impression that there was no serious problem, one has to be reminded of the letter that was referred to previously by the Member for Tuxedo, a letter prepared for my signature in, I believe, June or May of '85, in other words saying, things are okay.

And it should also be important to note that regardless of what the outcome of the report was, regardless of what the date, regardless of what the date of the report was, whether it be '85-'86, nothing would have changed because we are dealing with future

claims emanating from agreements that had been cancelled in May of 1984.

MRS. S. CARSTAIRS: Mr. Chairman, I think the Minister makes a mistake right there and he says nothing could have been done. He had an '85 report in which he could have, indeed, documented some of this. He chose not to do it in July of '84 and he has given his reasons. He hasn't explained why he didn't book any of that in 1985, but to go back to Mr. Silver's reply for just a minute. Mr. Dabo is hired as an expert. I mean I congratulate the company in having that kind of foresight. He's brought on staff May 1 and by July he's already prepared a report. He obviously has a pretty good handle on what the situation is and is already concerned that \$5 million IBNR is not enough. But he somehow loses his handle on the situation because he can't report another report out of the Corporation until October of '86. I mean, it's not credible. Presumably this man was preparing reports and giving them, or else the entire Corporation and the Minister responsible for that Corporation said reinsurance losses are a back-burner issue and they are no longer of concern to this government or to this Corporation.

HON. J. BUCKLASCHUK: I think that Mr. Silver just explained how long it takes to deal with some of those individual agreements. Nothing happens overnight and it would not have materially changed the size, the total of the future claims, because we are dealing with agreements that have already been terminated. Agreements that had been in place prior to May of 1984.

MRS. S. CARSTAIRS: Mr. Chairman, this is my final question.

In July of '84 a member of staff, hired specifically for that purpose, indicates that he sees a genuine concern about the reinsurance business. The general manager has hired him because he, too, has seen a concern about that business. We don't see that reflected in the annual report of '84. We don't see it reflected again in the annual report of '85 and I would like the Minister to tell us why.

HON. J. BUCKLASCHUK: The 1984 report does reflect the financial situation as it was understood to be at that time. The 1986 annual report reflects the financial situation of the Corporation as we understood it to be at the time that the report was being prepared. Nothing is being hidden. What we are doing is we are trying to show the situation as we best understand it to be. I have done whatever I can to provide all members of this committee with the information that's been requested. Clearly, it should be obvious by now that the statements I've been making for the past week or two reflect what was the information best known at that time. Nothing's been hidden.

MRS. S. CARSTAIRS: I'll use my prerogative and ask one more question.

MR. CHAIRMAN: This is a final, final question.

MRS. S. CARSTAIRS: This is a final, final supplementary.

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The Minister has already said that he is a political animal, as are all of us gathered 'round this table, and he made a decision in 1984, and yes, his political mind was brought to bear on that political decision. Is he also prepared to say he made a political decision the 1985 annual report?

ON. J. BUCKLASCHUK: The political decision that he made reference to is basically what is outlined in the options in the October, 1986 board submission. How do you show your financial statement?

Do you show a series of small losses over a number of years or do you show one large loss? That was the political decision. I have indicated what my preference has been. I have never hidden that from Day One. But what I have been trying to do over the past week or so is to indicate what steps we have taken, as a government, to get this problem in hand. I have a feeling that many of the words that I have been speaking haven't been listened to very well by, particularly the members of the Opposition.

Let me just recapitulate what has been done over the past number of years. Fact No. 1, I had raised questions concerning potential reinsurance claims shortly after I assumed that portfolio, within a month or so, but I had been assured by management over the years that the situation was under control.

The former general manager had cancelled a number of treaties and agreements. The former manager had undertaken a search for a competent person with that expertise. That individual, Mr. Amadou Dabo, was hired in May, 1984. A document was given to the board in July, 1984. That's the document that has been provided to all members of this committee this morning. A follow-up detailed submission to the board was promised and came in October, 1986, and members opposite have that report.

That certainly was one of the first things we've done to deal with a situation which was occurring worldwide. The other issue is the report of October 19, 1984. That's the report that I tabled in the House yesterday. As I've indicated time and time again, an unsolicited financial report, showing some \$12.1 million in claims incurred for that year, for '83-'84, and an estimate of \$24.3 million of potential future claims over the next five years.

That document contained two options on how these potential claims might be reported in the financial statement. One of these options could be described as pay as you go, in a sense, and that's the option I chose, the Exhibit 1. The other option was to make a lump-sum provision for potential claims. On all of these, Mr. Chairperson, one fact is clear. Regardless of what method of accounting one uses, the financial obligations incurred between 1976 and 1984 stayed the same. Let's not have this comment from the Member for Tuxedo yesterday in the House, that if you had moved faster you had a report within a year or so, that Manitobans would have saved, I think the figure was \$12 million.

The fact is that the claims are being incurred as a result of treaties or agreements that were cancelled in May of 1984, treaties and agreements that their administrations are responsible for and some for which the first Pawley administration is responsible for. Let's not take the blame; let's be honest for a change.

MR. D. ORCHARD: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Order please, order please. Mr. Orchard on a point of order.

MR. D. ORCHARD: Mr. Chairman, I do wish the Minister would, from time to time, not completely change his story as often as he does. He just . . .

MR. CHAIRMAN: Order please. I will hear out Mr. Orchard, to determine whether he has a point of order. Mr. Orchard, could you please state your point of order.

MR. D. ORCHARD: Mr. Chairman, I've got a letter dated March 23 from the Minister responsible for MPIC.

I believe just a second ago he indicated that these losses were as a result of treaties incurred prior to, presumably, 1982 or thereabouts. I asked in a letter to that Minister to give me, on each treaty where losses were incurred, the date of the event leading to the claim, i.e., be it the explosion of the shuttle, be it the freezing of the orange crop in Florida, be it Bhopal, the Dow Chemical problem in India, and I asked him also what date was MPIC notified of the claim, so they were put on notice that there was an unreported loss.

I want to tell you that since the Minister now has indicated that he knows that information, he knows which claims they come from, I want to read to you the last paragraph of the Minister's letter of March 23.

MR. CHAIRMAN: Order please. Mr. Orchard, would you please state your point of order. I would point out that I tend to try and be lenient with members to allow them sufficient time to give a preamble to the point of order, but I would quote from our Rules which indicate quite clearly that, "Points of orders are questions raised with the view of calling attention to any departure from the standing orders or the customary modes of proceeding in debate, or in the conduct of legislative business."

Could you please state in what terms you are suggesting that there is a point of order?

MR. D. ORCHARD: Mr. Chairman, the Minister has indicated he knows from whence the losses came. His quote from the letter of March 23, 1987, to myself - this is a quote: "Information requested such as the date of the events leading to the loss claims and the date when MPIC was notified of the claim are not available through the Corporation's computer system. It is estimated that it would take approximately two to three staff months of effort to determine this information from the paper files of the Reinsurance Division."

Yet the Minister has led us to believe this morning he has that information. Now was he correct in March 23 when he told me he doesn't have it or is he correct today . . .

MR. CHAIRMAN: Order please. It is not a point of order to ask a question or to debate items. A point of order, as I stated before, is a departure from the standing orders.

I would caution members. Once again, I've attempted to be lenient in allowing members to state points of order, but I would caution members not to abuse that

leniency. If members wish to ask questions, I will recognize them, as I have done throughout the sitting of the standing committees, and if members have statements to make, I will recognize them too, but I would suggest that we not abuse points of order.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Thank you, Mr. Chairperson.

The fact of the matter is that we instituted action in 1984, and that action was culminated in 1986 when the final report came in. Once we received that report, the findings of that report were incorporated into the 1986 report.

As I indicated, a final report on the reinsurance portfolio was brought to my attention in October of 1986. Potential claims against the Corporation had risen to \$37.6 million. This necessitated a change in the reporting methods inasmuch as potential claims of this magnitude could no longer be accommodated with any previously determined five-year time frame. The '86 annual report of the Corporation was compiled showing the known extent of those potential claims with an immediate provision.

The other fact I want to make with respect to this issue is that the cash flow and anticipated profits from post-1984 agreements will offset future claims. I make this statement in view of remarks that have been made that the taxpayers of Manitoba will have to bear this \$36 million obligation. Very clearly, the potential claims, the future claims resulting from treaties and agreements entered into prior to 1984 will be paid from the cash flow and anticipated profits from post-1984 agreements.

Despite attempts by the members opposite to discredit me, to claim that I have fiddled with numbers, I have been consistent and I have been accurate. It's been pointed out in the media that the basis of a lot of Opposition questions is unfounded. These are salient facts, Mr. Chairperson. There is nothing sinister, there is nothing of which I or the Corporation should be ashamed of. I think that my truthful statements have dispelled any notions that I misled anyone or concealed any information.

Just for one moment, Mr. Chairperson, because all these accusations or allegations about political interference and muddying the waters, and so on, basically stem from a story in the Winnipeg Sun, I believe, a week ago today.

A MEMBER: The old blame-the-messenger business.

HON. J. BUCKLASCHUK: I want to lay to rest another innuendo which I found to be particularly spiteful, as a few others since, and we will deal with those in due course. This innuendo in last Thursday's paper, although it didn't concern me directly, does bother me. It is reported in the Winnipeg Sun that the former president of MPIC as having said that the board ordered copies of a particular document destroyed to avoid exposure, and also that orders were given for specific discussions of that board not to be reported in the minutes. Mr. Chairperson, I would like at this time with respect to those allegations, because I think the air does have to be cleared, to table before the committee a sworn affidavit. I think this is indicative of the kind of unsubstantiated allegations that have been taking

place during the past week or so.- (Interjection)- Tim will tell.

I had held off releasing this document. I had it for some time but, in the face of constant innuendo and misstatement of the facts, both by members opposite and by people outside the Legislature, I feel I have no choice but to make this public at this time. The affidavit is signed by Mr. Henry Dribnenky, former corporate secretary to the Board of Directors. Mr. Dribnenky took the minutes of board meetings. If I may, Mr. Chairperson I'd like to read this short affidavit into the record.

It reads, 'I, Henry P. Dribnenky, of the City of Winnipeg in the Province of Manitoba do solemnly swear that 1) I am employed with the Manitoba Public Insurance Corporation in the capacity of vice-president in charge of finance and administration; 2) in September of 1984 a report was prepared in relation to reinsurance assumed, IBNR, which report was entitled "The Manitoba Public Insurance Corporation Financial Plan Reinsurance"; 3) to the best of my recollection, copies of this report were not submitted to the Board of Directors of the Manitoba Public Insurance Corporation 4) in relation to the 1984 fiscal year, I do not recall any discussions where either the Manitoba Public Insurance Corporation Board or Mr. C.A. Laufer requested the suppression of board minutes relating to reinsurance assumed IBNR matters; and 5) I have no knowledge or recollection of the destruction of this report at the request of the Manitoba Public Insurance Corporation Board or Mr. C.A. Laufer. I make this solemn declaration conscientiously believing it to be true knowing that it is of the same force and effect as if it were made under oath and virtue of The Canada Evidence Act.' That is signed by Mr. Dribnenky before a notary public in the Province of Manitoba. I think members opposite may want to rethink their position, Mr. Chairperson. I think that they will realize that they owe an apology to me to the Manitoba Public Insurance Corporation and to the people of Manitoba.

I might add that these statements directly contradict all accusations made by individuals and reported in the press.

Members say they didn't make these charges against the board. Well perhaps they didn't originate them, but they certainly brought them into the House and they can be checked through Hansard, despite the traditional admonition that they have an obligation to ascertain the truth of the statements they bring into the House.

I'm not sure that members opposite have the courage to apologize face to face. Whose integrity will the Opposition question next? That of the Provincial Auditor? That of the Provincial Archivist?

MR. CHAIRMAN: Order please, order please.

Several times in this meeting and at previous meetings of this committee, I have cautioned members of the Committee about making statements when they are not recognized. I will caution members again. I have recognized Mr. Bucklaschuk and Mr. Bucklaschuk only Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: This side of the House has refuted and rebuffed the assaults on the truth mounted by the Opposition. The Member for Pembina told a radio reporter that the NDP is lying to the people (

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Manitoba if certain allegations were proven true. He said this government was famous for that. Now that's integrity.

He asked whether this government was elected through sheer dishonesty to the people of Manitoba. The Honourable Opposition Leader says on 1984, MPIC report proves I had known of the losses and covered them up. Mr. Chairperson, I don't care what your party affiliation is, be it Conservative or Liberal or New Democrat, no honest person makes those kinds of responsible statements.

We have before us a sworn affidavit as to the facts of allegations made in the Winnipeg Sun . . .

MR. D. ORCHARD: That's what you've been saying.

MR. CHAIRMAN: Order please.

ION. J. BUCKLASCHUK: . . . this past Thursday in which the Opposition has developed its full case.

MR. CHAIRMAN: Mrs. Carstairs, on a point of order.

MRS. S. CARSTAIRS: Since this Session's begun, and again today, I am, as an individual member of the Opposition, lumped with the Opposition and I resent it. I am very cautious about the kinds of statements that I make, the kinds of questions that I ask. I try to treat people with the kind of honesty and integrity that in turn, hope to be dealt with, and I wish that members of the NDP and the governing party of this province would learn to distinguish between what they think is the Opposition, and understand that there are two Opposition parties in this House.

MR. CHAIRMAN: That is not a point of order.

ION. J. BUCKLASCHUK: Mr. Chairperson, if the Member for River Heights felt that my barbs or my comments were aimed at her, I do apologize. They were meant for members of the Official Opposition.

Mr. Chairperson, we all recognize that in politics, one has to have a thick skin, but I do feel in the past week certain members of the Opposition have gone way beyond acceptable bounds. It is for that reason that

I felt I really didn't have much choice but to deal with this affidavit to discount allegations made in the Winnipeg Sun, on which their premises were based.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please.

Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: Mr. Chairperson, we have made available as much information as has been possible to provide up to this moment. There are still some outstanding requests, as indicated in my opening remarks this morning. I know what one of the responses will be, but we don't have all the information. That will be provided as soon as possible, but I do have to raise the question as to what is the relevance of seat belts to the reinsurance issues; what is the relevance of the bilingual policies of the Corporation to the reinsurance issue?

Mr. Chairperson, I believe that the Official Opposition does not wish to face the truth. The facts are being presented. An honest decision was made or an honest direction was being provided. A preference was indicated which was believed to be in accordance with accepted accounting principles; regardless of whether Exhibit 1 or Exhibit 2 was chosen, the material financial position of the Corporation doesn't change one iota, because the anticipated losses or claims that are reflected in the 1986 report emanate from treaties, agreements that were entered into, were renewed prior to 1984; entered into, renewed during the period of the first Pawley administration and entered into during the period of the former Lyon administration. I have never said it's entirely an either/or situation, but one has to understand when there is a responsibility, not to fudge, not to mislead or attempt to mislead, but to deal with the issues and the facts, as we have tried to present in the past two days.

Thank you, Mr. Chairperson.

MR. CHAIRMAN: The hour is 12:30, our normal hour of adjournment.

Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.