



Fourth Session - Thirty-Sixth Legislature

of the

**Legislative Assembly of Manitoba**

**Standing Committee**

**on**

**Public Utilities**

**and**

**Natural Resources**

*Chairperson  
Mr. Peter Dyck  
Constituency of Pembina*



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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**

**Tuesday, December 15, 1998**

**TIME – 11 a.m.**

from the Nelson McIntyre Collegiate in S4 or Grade 12. Welcome here.

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Peter Dyck  
(Pembina)**

Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the committee will be considering the February 28, 1998, Annual Report of the Manitoba Public Insurance Corporation.

**VICE-CHAIRPERSON – Mr. Denis Rocan  
(Gladstone)**

**ATTENDANCE – 9 – QUORUM – 6**

*Members of the Committee present:*

Hon. Mr. McCrae

Messrs. Ashton, Dyck, Helwer, Maloway,  
McAlpine, Rocan

Previously, the February 28, 1998, report had been considered by the Standing Committee on Public Utilities and Natural Resources on June 9, 1998, but the committee did not complete consideration of this report at that meeting.

**Committee Substitutions**

*Substitutions:*

Mr. Penner for Mr. Tweed  
Mr. Fauschou for Mrs. Driedger

**Mr. Chairperson:** Prior to the consideration of the report before the committee, I would like to advise the committee that I have received the resignation of Mr. Tweed as member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mr. Tweed?

**APPEARING:**

Mr. Jack Zacharias, President and Chief Executive Officer, Manitoba Public Insurance Corporation

**Mr. Edward Helwer (Gimli):** Mr. Chairman, I would like to recommend Mr. Penner, the MLA for Emerson, to replace Mr. Tweed.

**MATTERS UNDER DISCUSSION:**

February 28, 1998, Annual Report of the Manitoba Public Insurance Corporation

**Mr. Chairperson:** Mr. Penner has been recommended. Is the substitution agreed to? [agreed]

\* \* \*

\* (1110)

I also have before me the resignation of Mrs. Driedger as a member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mrs. Driedger?

**Mr. Chairperson:** Order, please. Before we get started with the official words this morning, I would like to, on behalf of the committee, welcome our new page, Sarah Marchand. She is

**Mr. Helwer:** Mr. Chairman, I would like to recommend Mr. Fauschou, the member for Portage la Prairie.

**Mr. Chairperson:** Mr. Faurshou has been nominated to replace Mrs. Driedger. Is the substitution agreed to? [agreed]

\* \* \*

**Mr. Chairperson:** Did the committee wish to indicate how long it wishes to sit today?

**Mr. Steve Ashton (Thompson):** Given the late start, I would suggest we target one. I was hoping actually more for twelve-thirty, but I think we should start aiming towards one. We can assess around twelve-thirty.

**Mr. Chairperson:** Okay. We will assess at twelve-thirty. We will try for twelve-thirty. That is agreed to? [agreed]

Did the minister responsible have an opening statement? And would he introduce the officials in attendance from the Manitoba Public Insurance Corporation, please.

**Hon. James McCrae (Minister charged with the administration of The Manitoba Public Insurance Corporation Act):** Good morning, Mr. Chairman and members of the committee. I am pleased to be here to continue the review of the Annual Report of Manitoba Public Insurance for the period ending February 28, 1998.

The corporation has completed a number of steps that provide premium stability for Manitobans. As a result, this year Manitoba Public Insurance applied to the Public Utilities Board for no increase in revenue. The Public Utilities Board ruling made in early December supports the plan of Manitoba Public Insurance to hold its revenue requirement at the 1998 level next year. Consequently, nearly 400,000 Manitoba drivers will pay less for their insurance in 1999. That is 50 percent of all premium holders. I guess the rest either pay the same or slightly more. Even with a 1 percent rollback on the basic insurance rate stabilization reserve next year, substantial steps have contributed to building this fund that protects customers from high rate increases in the future.

I am indeed accompanied today by corporation officials who will assist us this

morning, and I would like to introduce them. Mr. Bernie Thiessen is chairman of the corporation's board of directors. Mr. Jack Zacharias, a long-time employee of Manitoba Public Insurance, is president and chief executive officer. We have with us as well Mr. Barry Galenzowski, vice-president of finance; Mr. Kevin McCulloch, who is general counsel for the corporation; and other officials from the corporation as well, should their input be required.

With your permission, Mr. Chairman, I would like to continue today with consideration of the 1997 Annual Report of Manitoba Public Insurance and have the report adopted. Thank you.

**Mr. Chairperson:** We thank the minister. Did the critic for the official opposition have a few comments?

**Mr. Ashton:** Mr. Chairperson, I was actually wondering this morning if we are going to have a new spokesperson replacing the minister, Nick Hill, after seeing the ads recently. I thought we might have had a slightly different approach to Autopac. I must admit, they are talking about creative marketing, sort of half the people of Manitoba are paying less. Of course, the minister let it slip that by definition that means half are paying the same or more. So I must say that the creative marketing types got particularly creative on that.

I will be asking some questions on rates because I am just wondering how many of the people, the celebrities appearing, for example, will be motorcyclists talking about what has happened with the motorcycle rates the last few years. People living in my area, north of 53, I notice there is going to be a northern celebrity, but I am wondering if the people will have the opportunity to express what they feel about paying much higher rates than other areas of the province.

As I said, I am really intrigued by this creative marketing device, but I could provide the minister with all sorts of people who would love to appear, and an ad says: why is, fill in the

blank, Autopac rates going up, and why have they gone up for the last number of years?

It does cut both ways, but I notice the minister did not say, "Come on down," so I guess he is not taking advice from Mr. Hill, although I certainly respect Mr. Hill. He certainly knows how to market various items.

So I am looking forward to asking some updated questions, because we are back now after the most recent rate increases, and I just want to indicate on the record, just to update people in terms of where we were at last time, essentially we saw last time—and I have a copy of the Hansard in front of me for anybody who is interested—what we have seen essentially in terms of rates is that the main reason for the current rates being stable, not for motorcyclists, not for certain categories of people, is because of the dramatic cuts that have taken place in terms of what people are receiving or, in this case, would have been receiving under the old system, bodily injury coverage, as compared to the new PIPP system.

I think one of the most important revelations at the last committee is that without PIPP the payout would have been about \$340 per coverage, per insurance coverage, as compared to what people are paying for and getting now, which is \$140. That is the reason, and there have been some adjustments on bodily injury. I would note that, according to the indication in the last committee, the Uskiw report did add, I believe, between \$2 million and \$3 million on the cost of bodily injury coverage, but it is certainly a minor factor compared to what is happening.

So, if MLAs are getting concerns and complaints about some of the difficulties they see with PIPP, that is the reason why. There is a bottom line here. You get what you pay for in terms of insurance coverage, and people are getting less bodily injury coverage under the current system, and I would say the reduction—and I have said this again as someone who has supported the principle of no fault, as did our caucus. The point, once again, is that the reduction in the amount going to people is far less than anything that can be attributed to legal costs. The maximum figure I heard was about

25 percent that was part of the court costs and legal costs.

Obviously, when you are dealing with \$140 versus \$340, \$340 is the figure of what we would be paying today, according to MPIC, and receiving in terms of coverage. So I say that because I continue to receive concerns from people about bodily injury claims. I think the minister is certainly used to getting letters from myself and many other people, both directly, and I am sure other MLAs, including government MLAs, have had similar concerns.

\* (1120)

So I look forward to the opportunity to ask these questions and particularly focus in on some of the issues we were not able to deal with last time. What I do want to do is finish off, though, with the fact that I always say this as a critic for our party and a number of Crown corporations that, when I make these comments, I am hopefully trying to improve what I consider to be a quite well-run corporation generally and a good concept, which, I think, is one of the greatest legacies of the Schreyer government in the 1970s that has withstood the time. It is out of that strong support for this kind of public endeavour that my criticism is not aimed at criticizing the concept of Autopac or even necessarily Autopac itself but trying to make sure that we have the best system possible for Manitoba motorists.

It certainly is still one of the lowest-cost providers of automobile insurance across the country. I think most estimates show as much as a 25 percent premium on average across the board because of the public utility aspect of MPIC. I want to note that on the record because for the next hour and a half or so I may be asking some questions that may be seen by some as criticism, but it is more in the constructive element and not certainly to criticize the concept of Autopac, which continues to be one of the best elements of public enterprise in this province. Thank you.

**Mr. Chairperson:** We thank the honourable member for those comments. Did the officials from MPIC have any opening statements? Okay, if not, then we will proceed. How did the

committee want to proceed this morning? On a page by page or the report in entirety? Report in entirety.

**An Honourable Member:** Yes.

**Mr. Chairperson:** Okay. It is agreed. Then we shall proceed with the report in its entirety. Are there any questions?

**Mr. Ashton:** Yes, what I would like to do to begin with since we do have this new information, I realize it is not covered in the '97 report, but since the minister has referenced what is happening, just to get an update on the current financial situation following the implementation of the rate structure for next year which involves, as the minister has said, some rate increases, some rate decreases for Manitobans.

**Mr. McCrae:** Before asking Mr. Zacharias to give an overview of the current financial position of the corporation, I would just like to respond to the honourable member for Thompson (Mr. Ashton), who has made it clear that he needs, as critic for this particular area, to express his feelings. I certainly accept that, and that is one of the ways that the corporation is able to be as responsive and successful as it is at this time in our history, because we do listen. We listen to Manitobans and we will also listen to the honourable member for Thompson.

Under initiatives brought in by the present administration, there is a requirement for this corporation to report and make application to the Public Utilities Board with regard to its rates. There is a requirement for this corporation to be accountable not only to this Legislature through this particular procedure we are engaged in today, but also accountable to the Crown Corporations Council with respect to many of the business activities of the corporation.

The honourable member is right that the corporation is quite well run, and I am sure that the people who work at Manitoba Public Insurance will appreciate hearing that being said, in addition to the comments the honourable member said about separating his whatever criticisms he has from any attack on the people who work day in and day out to serve their

fellow Manitobans in their employment with this corporation. So that groundwork having been laid, we accept that, but we do say that there are many vehicles of accountability for this corporation, more than before the present administration came along. We do listen carefully to the feedback we get at the meetings that this corporation is mandated to have throughout the province on an annual basis. We obviously listen to the reports that are made by the Crown Corporations Council as well as the Public Utilities Board.

The honourable member made a reference to the Personal Injury Protection Plan and made the point that levels of claims per person are lower than they used to be under the tort system. I will ask Mr. Zacharias perhaps to comment on that point as well. I think that great efforts have been made to make the program somewhat more egalitarian in the sense of providing coverage to people who need it on a timely basis. Unfortunately, under the old system, which I recognize the honourable member is not asking that we go back to that system, but under the old system there were people who got precious little or nothing at all because of the fault system that was in place. We have, through the PIPP, addressed that, and I believe that any knowledgeable commentator on insurance programs would have to say that benefits overall are as generous here in Manitoba and certainly as comprehensive as anywhere on the North American continent.

We can be proud of that as Manitobans. In fact, I am not sure where we are today, but we may even be better than Saskatchewan or other publicly owned insurance companies that provide benefits, and we are certainly right up there at the top when it comes to our overall rates. The honourable member will note that I talked about revenue rather than rates. Due to the automobile rating system that insurance companies use, certain types of vehicles command a higher rate of premium, because they either are more expensive to replace or repair or they do more damage to other vehicles in collisions. Those words are meant as sort of a general response to the honourable member, but perhaps Mr. Zacharias could take us through the present financial situation of MPI.

**Mr. Jack Zacharias (President and Chief Executive Officer, Manitoba Public Insurance Corporation):** Thank you, would be glad to. At the end of last year, the surplus with respect to the basic program, the RSR, was just over \$20 million. Built into the rate is a 5 percent load earmarked to rebuild the RSR, and that will generate roughly \$19 million on an annual basis, so that at the end of this year we need the \$19 million to add to the rate stabilization reserve. In addition to that, we had budgeted for a modest—about a \$5-million operating surplus. At this point in time that is certainly tracking well that we will be able to achieve that.

The last few months without snow have helped, but our premium comes in on one-twelfth per month basis. Our claims costs vary considerably month to month with our winter months always being the highest, and we would be expecting to lose on a monthly basis from now through to the end of our fiscal year. So, depending on the weather, it very much can dictate how the bottom line will shape up, but at this point in time we certainly see that we would be able to put the \$19 million into the rate stabilization reserve that is generated by the 5 percent and hopefully a small contribution or a further contribution from the operating surplus.

**Mr. Ashton:** I would like to focus in on the rates because there are these cryptic comments about 50 percent are not getting any increase at all. It sort of reminds me of a bottle that is half empty; it is also half full. It is rather a cryptic way of looking at it. I am wondering if we could get some information on how many people will be seeing increases and what degree of increases will be in place in addition to the well-advertised fact that some people are going to be paying somewhat less.

\* (1130)

**Mr. McCrae:** Just while Mr. Zacharias is getting some information available to bring forward, I am not sure which messages the honourable member is referring to. I have seen one which I thought in a rather balanced way set out to the people of Manitoba the implications of the Public Utilities Board ruling. I do not know how cryptic it is, but it seems to me that that message that I saw was pretty clear that some

people are going to be paying more and—[interjection] Sorry?

In any event, there is nothing here for us to attempt to spin, if that is the word the honourable member is referring to or thinking about. Simply put, we are in a position where as a corporation we go to the Public Utilities Board, we make our application based on what the corporation thinks it is going to need to meet its commitments to the people of Manitoba, and we are examined and cross-examined and interventions are made by organizations who have the consumers' interests at heart. The whole thing has gone through extremely thoroughly, and the Public Utilities Board makes its decisions. Well, as it turns out, when you go in with a zero rate increase and you come out of that process with a zero rate—rate, I went and did it myself. Revenue increase is the word that I should be using. When you go in with that and you come out with that, that is a pretty good place to start when one compares it with the past experience in Manitoba where we have experienced different scenarios altogether. Because of the stewardship of this corporation in recent years, we are now able to speak with some confidence about rate stability for the foreseeable future, and by that I refer to at least three years that we can say to Manitobans that we are going to require zero revenue increases each year for the next three years, if not longer. I mean, it is pretty hard to go beyond that because we do not know what all the factors are going to be down the road.

The rate stabilization reserve is an important part of the delivery of an insurance product, and regulators across the country demand of insurance companies that they have a reserve there so that, should the worst happen, claims, rightful claims, are properly paid out. So this is sort of the business side of the equation, but I invite the honourable member to check with his relatives in Ontario or B.C. or his friends in Alberta and find out what they are getting and what they are paying. He will be pretty proud to return here to Manitoba next year when we come before this committee and tell us again that our corporation is quite well run.

**Mr. Zacharias:** There are two items that in conjunction with PUB hearings in the past we

are addressing. I think before I get into the actual numbers the principles are important. What we are trying to do is eliminate cross-subsidization so that each particular underwriting group is paying their own way. For instance, taxis in Winnipeg should pay enough to cover claims from taxis in Winnipeg; farm trucks in Territory 2 should pay enough to cover farm trucks. No matter what part of the province we are looking at in a particular group, what we are trying to do is eliminate the cross-subsidization. In some cases, that means that certain groups, based on their actual experience for that group, have to face an increase; in other places, there is a decrease.

So there is some adjustment that takes place and has been over the last three years as we try to balance that system out so everybody is paying what they should be paying. We are close to completion of that process. There will be some yearly adjustments that do occur based on experience, but the cross-subsidization is being very much eliminated.

The second major change that we have introduced and, again, are phasing in over a period of time deals with vehicles. It used to be that all insurance companies set rates for vehicles based on the cost of the vehicle. In actual fact, when you look at the claims experience, it is quite different. If you have a large vehicle that might have a considerable price tag attached to it, when you look at the injury ratio and find out that it is only half of what you might find in a small car that offers little passenger protection and that it has sound safety features attached to it such as ABS and padded dashes and locking mechanisms, the actual claims experience with that vehicle is quite different than the list price. So what we have done is combine data that we have with other data from across Canada to come up with a relative ranking of vehicles, a rating of vehicles, based solely on the actual claims costs associated with those vehicles. We are now starting to charge people a premium based on the risk that that vehicle brings to the table rather than the purchase price. That is another adjustment that is being phased in over a period of time, and we are, again, pretty much on the home stretch of doing that.

At the end of the day, our goal is to make sure that the premium everybody pays reflects the actual risk that they bring to the table, and we can actually quantify that. Through the PUB's process, our actuaries, their actuaries and others have spent a lot of time looking at the statistical data and satisfying themselves that this is indeed a fair method. As we move through those adjustments, while we have a flat or a decrease in actual revenue requirements, it does result that those people who have actually been overpaying, subsidizing others get a break, and their premium is going down to reflect their own risk, while those who have been subsidized are asked to pay more, which is actually their fair share.

So while this year we have 400,000 that will be decreasing, if we start looking at where the increases go, there are another 220,000 that will have an increase of less than \$25. So again we have tried to phase this in over a period of time so that there are not the big hits. Where you have a situation where a vehicle has a very poor claims record and needs to go up considerably and the experience for that group needs to go up too, then that could relate into some more significant increases, but we have capped those, so we are phasing it in for year over year. The experience adjustment that we are applying is capped at 15 percent, and the vehicle movement again is being gradually moved into their homes. Those people that are paying considerably different than what they should be paying, we are actually balancing that over a five-year period so that we can gradually move them to the home to try and avoid some of the rate shock..

**Mr. Ashton:** Rate shock, a term I know quite a bit about from another involvement, but I will not get into that. One of the things I would like to raise is this move to what essentially is an experience rating system for cars. What information is being made available to motorists? I mean, you have to understand first of all the frustration of people who bought cars, assuming they did check the previous insurance, it is quite a shock when this new system comes into place and, even with the cap over time, you are saying people are looking at a significant increase in what they are paying for insurance. But does Autopac have any plans to provide

information to motorists, sort of a consumer's guide? Because that would certainly help people who are purchasing now—it does not help those who currently have cars—make an informed decision as a consumer.

**Mr. Zacharias:** Yes, both in trying to get the public aware that the changes are being made, we have had a number of—it has been included in all our advertising materials for about the last four years. In addition, for about four years now as well, we have had brochures that list all the latest vehicle models in their relative ranking scale. For the last two years, or little more than a year ago, we have a publication that is available through all our broker offices or from MPI that gives the last five model years comparison by car. So if you are car shopping and want to have some idea what the insurance cost attached to that might be, you can stop in and pick up the latest five model years, which are all laid out. Then it will tell you the premium, because it varies based on whether you are living in Winnipeg, rural, or what you are using the vehicle for, but it gives you the relative ranking of those vehicles. So you know which ones will be the more expensive and which ones will give you a break on your insurance.

**Mr. Ashton:** I want to focus again in terms of the rate system and express some frustration at the current rate system. I understand the question of not cross-subsidizing, and that is an interesting concept in itself, because traditionally, you know, the public utilities had some level of cross-subsidization between different regions in the province. One of the frustrations that a lot of people in my area have is that we have a separate rate system north of 55 and, surprise, surprise, we paid more than even in The Pas and Flin Flon and certainly more than rural Manitoba. One of the obvious questions is why that specific rate grouping was picked. It is certainly not in the basis of population. Their mixture of communities there would have different claims experiences, but obviously you would end up with the same situation even within rural Manitoba. I mean, not all rural Manitoba communities are the same.

I am wondering if Autopac has been willing, and I have raised this before, to look at a system that does not sort of cherry-pick out north of 55, which is about 30,000 people—a lot of communities do not have roads, et cetera, so it is just basically the city of Thompson and about four or five other communities with a significant number of vehicles—and look at the current rate structure geographically because, you know, I personally feel that that is one of the difficulties you run into if you just sort of select the small areas like north of 55. It is very easy to play around with the numbers, but the fact is we are no different from anywhere else.

I think the minister and I have a running battle in terms of correspondence on this, and I want to put this on the record too. There are obviously some of the concerns expressed by Autopac over the years have been the cost of autobody repairs in northern Manitoba, but another obvious one is the number of accidents.

Now, okay, we do have snow today; there is no snow here. We cannot control the weather, but the minister is quite aware too that we have raised numerous concerns about the condition of roads in northern Manitoba. We have a lot of gravel roads; we have some of the worst roads in the province. Actually, let me rephrase that. We have all of the worst roads in the province in northern Manitoba, and the accident rate is higher and I have the figures.

Well, I will tell you, we should be like Saskatchewan. They have a competition for the worst road. I will tell you, compare 391—compare 383, how many roads do you have where you run the risk of the road being closed in its entirety? Mr. Chair, 383 was a while ago.

The first time I drove to Cross Lake, by the way, I got stuck in the middle of the road in a pickup truck, okay? I could get into statistics I have from the Department of Highways. We have three and four times the number of fatalities. You know what happens? If you are in an accident, you get this little response that says, well, you know, driver error. I will tell you the roads that you cannot even drive 20 kilometres an hour and you are likely to get a stone chip or end up off the—okay, I am getting into an issue that obviously I could spend a lot of

time on. But I am sure the minister has the statistical evidence to show that. So what I want to ask again is how the minister in Autopac can justify in a way—and I will say this on the record. In any of the cost factors, if we have a higher claims experience, I will put on the record that is because of our weather, yes, but also our road conditions, something we have no control over. I am wondering how the minister can sort of pick a small area of the province and then coincidentally we end up with the highest rates.

**Mr. Zacharias:** Territory groupings that are within the province had been established based on the claims experience and the actuarial records from different areas. What we try to do is find groups of insurance that are similar. Certainly within Winnipeg you have similar driving conditions. Rural Manitoba, you have the same kind of scenario. We did introduce the commuter rate a few years ago for people from outside of Winnipeg that were driving in because their risk was different.

We have had the North as well, and statistically certainly there is validity in showing that the claims experience north of 55 is different than south of 55. We introduced another territory several years ago, maybe 10, which is basically the middle ground between 53 and 55 because again their claims experience as a group was different than north of 55. So the territories have all been set based on actuarial evidence and statistical evidence coming out of various regions to find where there are comparisons and where there are not.

We have looked at those periodically. PUB has looked at the territory issue and said: where are you drawing the boundaries, and are they fair? They have reviewed that practice and said there is some sense to what we are doing. But I guess with respect to roads or comments on that line, that is not within MPI.

**Mr. McCrae:** Yes, I think I heard the honourable member say he is not blaming Autopac for the condition of roads. As one who does not like to pass the buck, I am somewhat compelled, however, to say the annual expenditures for highways maintenance and highways is the subject of review on an annual basis as we address the estimates of the

Department of Highways. I believe I hear echoing the words of my colleague the honourable Minister of Highways and Transportation (Mr. Findlay) that, in terms of equity of spending per mile and all of that, he makes his case on an annual basis to people who have concerns about highways and roads in our province.

I know, for example, that at the annual meeting of the Association of Manitoba Municipalities—that is the new name for the UMM—he meets with various rural municipalities and municipal government officials on an annual basis at that venue as well as dealing with his Estimates and answers the questions that come forward. I know that he does the best he can with his department to provide the highest and best level of road conditions that it is possible to do, given all of the circumstances. Mr. Zacharias has made a response as well.

The territories, as they are laid out in the policy of the corporation, as I understand it and Mr. Zacharias has said, has been reviewed by the Public Utilities Board, but I also know that these territorial designations have been in effect for many years. It is not something that from day one—and Mr. Zacharias would know, he was there at day one—it is not that anything has happened in this past year or even the past number of years, that any new lines have been drawn on the map that somehow was designed to impact negatively on northern Manitobans. I think that when you consider insurance as a partnership between the ratepayer and the corporation, it behooves all of us to drive according to conditions, and those principles are not unknown to the honourable member.

So I have just added my comments to those of Mr. Zacharias in response to the concern.

**Mr. Ashton:** Every Estimates I have raised this. I have raised it in the House. The fact is that we are getting far less of a percentage of the capital budget than we have had in the past. It is only I think the last year where it started to go up somewhat from the historic low of 5 percent of the capital budget, and that does not meet the needs of northern Manitoba.

I want to ask a follow-up question of Mr. Zacharias in terms of the claims experience. I am wondering, in terms of the claims experience, is that the higher cost because of the cost of fixing vehicles or is it the number of accidents or is it both?

**Mr. Zacharias:** A combination. We pay more for labour rate to the body shops in the North than we do in the south. They are competing in Thompson with Inco. I know that body shops were losing all their trained people to Inco and we had to provide a labour rate that allowed the body shops to retain some of that staff. Freight costs to bring windshields and things of that nature to northern locations and have them arrive with no breakage adds to the cost of doing business in that particular area. Accident ratio per population stuff, I do not have numbers readily handy, available there, but I know that, again in terms of fatalities, we have more in the rural areas than we do in the city. Particularly glass claims on gravel roads, whether that be southern gravel roads or northern gravel roads, you end up with more stone chips on gravel roads than you do on paved, so there are some factors there.

So the cost of providing this service, the cost of claims as far as vehicle repairs, that all goes into the equation with respect to the ultimate cost that we are faced with and, consequently, the premiums are a reflection of that.

**Mr. Ashton:** I am wondering if it would be possible to get a breakdown of this. This is exactly what I have been saying, that if you net out some of the additional costs in terms of repairs, you are confirming what we have been saying. I look at our former Highways critic, and we have been saying for a number of years that when you have the number of gravel roads that we have in northern Manitoba, which is the case certainly north of 55, apart from Highway 6, which is supposedly paved all the way to Winnipeg, 391 is 90 percent gravel, 280 is 100 percent gravel, 383 is 100 percent gravel, those are the main arteries, let alone the winter roads, which are often somewhat rough. I know the former critic has had the experience of travelling into York Landing by winter road, so he can testify to that.

\* (1150)

The bottom line, you were saying there is evidence of a higher fatality rate and a higher accident rate in the North, and that is why the rates are higher.

**Mr. Zacharias:** No, I mentioned the fatality rate in rural compared to city, not particularly North, and gravel roads do play a factor with respect to windshield claims. Winkler is actually our windshield capital of Manitoba because of the gravel roads driven there.

But the average cost to fix a vehicle in the North because of extra freight and labour and parts costs.

**Mr. Ashton:** Well, I am just wondering why there is not a separate rate category for Winkler then. I mean, this makes my point. I will tell you, this cherry-picking of communities—if you just happen to be the windshield capital of Manitoba, but you are stuck in this big blob of a rate category that is called southern Manitoba, you are okay, but if you are up North, you pay through the nose. I get back to my point again about the arbitrary nature of that.

I would like to ask actually for Autopac to have that information, because I will tell you, my goal, quite frankly, I would love to see the roads improved to the point where I do not have to make this argument and it will then lead to a decrease in terms of that, but there is a lot of cherry-picking that goes on in terms of that. Winkler does not pay that much more.

The other thing I would like to ask too: in terms of some of the storm damage that has happened in recent years, hail and various other storms, is that then attributed to that rate category area, or has that been included in the overall rate increase? Are those assessed according to the geographic location in which those storms occurred?

**Mr. Zacharias:** The experience-based rating takes into account by territory, so if there is a storm in the south of Manitoba, then it would go against the south rating. That is where reinsurance comes in, and we have actually

recovered all the costs from the storms in excess of the \$5-million retention. So the reinsurance costs are applied, the costs of the premium, but we do not have to apply the \$50 million from the storm other than the \$5-million deductible.

So, when a catastrophe like that occurs, because of the reinsurance protection we have, it does not necessitate everybody across the board seeing an increase from that.

**Mr. Ashton:** Who pays for the reinsurance? Is that the general ratepayer or is that by region, again, based on the risk of the place?

**Mr. Zacharias:** It would be done per vehicle. The reinsurance would cover catastrophe losses as well as individual claims where there is a catastrophe type of injury involved. Once that injury cost goes beyond a certain limit, then, again the experience of that territory would be modified by the recovery on the reinsurance side. So it is more of a per-vehicle cost.

**Mr. Ashton:** Which then really means that, if you live in Thompson or if you live in Flin Flon or you live in Winkler or you live in Winnipeg, everybody is paying for that reinsurance. The reason I am asking that is because it is fine to say the additional costs that are above the reinsurance are assessed to that rate region, but if everybody is paying for the reinsurance, obviously the cost of the reinsurance, if it is being spread across the province, is being paid by everybody, regardless of the risk of those types of occurrences. Is that correct?

**Mr. Zacharias:** No, we are talking about some pretty small dollars. I am talking \$5, \$6, maybe \$7 at the most per vehicle. When you are talking maybe the south is more prone to a hailstorm than the North, but in the rural area, again, is where a lot of your serious fatalities and accidents occur, outside of the cities. At the end of the day, I have not done the calculation, but if I looked at where accidents are occurring in the North, how much they contributed and how much they got out of the reinsurance fund, and the same thing in the south, I think there would be pretty comparable numbers.

**Mr. Ashton:** Well, I want to get to the bottom line again, such as Winkler has the lowest rates

of any rate category, and Thompson has the highest, even though we now hear that Winkler is the windshield capital. I want to point again to the—however you set up a rate structure and whenever you put communities in, you end up with some arbitrary decisions. I am not saying this is a new factor necessarily, but when you move towards experienced rating, it has that much more of an impact on a particular region if you happen to pick a region that is considered higher in terms of claims and risk. So, believe you me, it is a concern in my area, and a lot of people say, for example, why not just have one rate for all of the North or rural Manitoba because in fact rural Manitoba pays less despite some of the other factors that you have raised. This is where I get back again to the fact, yes, there are some cost factors that are higher in northern Manitoba—that is always recognized. But also it is clear that if you get a higher number of claims, I think that can be pegged directly at the road conditions. I mean we talked about windshield claims in Winkler and accidents and gravel roads in southern Manitoba, but even given all of that, the claims costs and the assessment of Autopac rates is lower in rural Manitoba than it is anywhere else in the province basically, and it traditionally has been.

So I would urge once again that there be a review of these structures, and I will tell you what frustrates me. On the one hand now we have the newly privatized MTS talking about eliminating rural and northern rates entirely. Their latest application would make you pay the same costs in Winnipeg as you do in rural and northern areas. Of course that means that rural and northern consumers are going to be bumping up on their phone rates. With Hydro you actually pay marginally more if you live in a rural or northern community, and how it frustrates people; it comes from our own backyard. Of course with Autopac you pay more again if you live in the North, although that is not the case in rural Manitoba. I would like to ask the minister for a review of this.

Once again, it is much more of a problem if you make a decision that there is no “cross-subsidization,” however defined. You then have a region that is in that category, and I will get into some other categories of motorists that are also facing the same kind of pressure on rates.

So I would like to ask the minister—I think we have had about four letters back and forth from this—he has had letters from Leaf Rapids, I know from the council and I believe from the Chamber of Commerce. I believe the new mayor of Leaf Rapids has been very vocal on this. People just do not think it is fair that we are sort of arbitrarily picked out north of 55 and we end up paying higher rates than anyone else in rural and northern Manitoba. I would like to ask the minister to review it.

To my mind, again, if you are making a decision to switch to this experienced rating system, you obviously have made a conscious decision to shift the rate structure. Well, I am arguing that if you do that, you should also at least look at the regions to look at the fairness of that and the fairness on individual motorists. I would like to publicly ask for that review. I obviously know what I would like to see the result of it, but I understand what would have to happen in terms of that. I will tell you a lot of my constituents, a lot of people living in Leaf Rapids, Lynn Lake, Gillam, Split Lake, Nelson House, Cross Lake, Norway House, a lot of communities in the area would be very much interested in that kind of a review.

**Mr. McCrae:** Mr. Chairman, I will respond to the honourable member in the affirmative. I think that it is safe to say that the rates in the various regions and territories as set out in the Autopac plan are the subject of review and on an annual basis by the Public Utilities Board. There is nothing to prevent anyone from making the kind of case the honourable member wants to make before that body. The Manitoba Public Insurance does its best to provide comprehensive and fair coverage for Manitobans. Sometimes at the end of the discussion it may be that the honourable member and I or the honourable member and MPIC might differ on this or other matters, but to suggest that these matters are not the subject of ongoing review not only by the corporation but by its regulator would be an incorrect assumption that this is something—and besides that, the honourable member raises this and his colleagues do and others from the communities in northern Manitoba on a fairly regular basis as well. So it is not that the issues are not being taken into account in the rate-setting practices of the corporation.

\*(1200)

Since the honourable member also has mentioned Winkler probably half a dozen times in the last few minutes, I just want him to know that I have been doing my best sitting here next to our Chairman to keep him from getting involved in the discussion because, as Chairman, I think he is supposed to be neutral. It has really been hard, but I have been trying very hard to keep our Chairman, the honourable member who represents the Winkler area, from getting too involved in the conversation.

**Mr. Ashton:** I think it is a slightly different situation. Because the honourable member represents Winkler, he does not have to pay the highest rates of anyone in rural northern Manitoba for Autopac. He may want to just let sleeping dogs lie on this one, I suspect, so he may actually be at an advantageous position being in the Chair.

In terms of the rate structure shift, before getting into some questions about auto theft, I raised some questions back in May about motorcycles. Believe you me, motorcyclists know what rate shock means. They have been experiencing rate shock for quite some time. One of the questions I want to ask is: are they going to be shocked even further in the upcoming years? Has the full brunt of the increase been received by motorcycle riders at this point in time?

**Mr. McCrae:** In a moment I will ask Mr. Zacharias to perhaps break out, if it is possible to do so, the impact this year on rates for motorcyclists but, again, it has to be underlined and it is on an annual basis—I talked to my friend and colleague the honourable member for Gladstone (Mr. Rocan) and the member for St. Norbert (Mr. Laurendeau) and some members of the motorcycle association about this issue.

It is through the clear rating system we can show where the costs are happening, and those things are reflected in the rates that are set. It is not an easy pill to swallow. I am looking at my colleague from Gladstone, who has been known to take a ride on a motorcycle in his time. He also knows, the honourable member for Gladstone and the honourable member for

Thompson (Mr. Ashton), that there is not as much protection for the driver of a motorcycle as there is for the driver of a motor vehicle, some of the heavier ones where you are surrounded with steel and you have the benefit of seat belts and the benefit of airbags and all of these things that tend to cut down on the damages to human beings that can occur. It is a tragic situation in some cases, and sometimes it is not the fault of the motorcyclist. I know as a motorist myself that if you are not thinking about motorcyclists you can miss seeing them if you are pulling away from an intersection. I know that because I have had to remind myself a few times about that.

So no one is suggesting that all accidents or all collisions are the fault of motorcyclists or that they are the fault of anybody else for that matter. The clear rating system is set up based on facts, based on experience, loss experience, and all of those factors. Mr. Zacharias can answer the question much better than I can, but my point is that the concerns are not unaddressed; they are not something that we simply do not want to account for, because we do. The fact is that when it comes to subsidizing, there are some policyholders over the years that have subsidized other policyholders. To the extent that we can fairly address that, we should do that for the sake of fairness across the system, but the specifics I will ask Mr. Zacharias to respond to.

**Mr. Zacharias:** There are two issues on motorcycles. One is how they pay their insurance as far as earn their premium. At one point in time, if we billed the motorcyclists for \$500 worth of premium, he would pay that in the spring. The premium would be used up by the end of the motorcycle season, and if he turned in his plates at the end of the season he would get nothing back, because the premium was deemed to be earned during the riding months. That was changed at the request of the motorcyclists, because they wanted to get a refund if they turned in their plates at a certain point during the year. So if we then send him the same \$500 bill and he only had the plate on the machine for six months, he in effect would now get a \$250 refund. So the contribution went from \$500 to \$250. That process which they requested resulted in the premium we actually earned from motorcycles being cut in half, which meant that

there was a significant shortfall in the amount that they were paying because the claims cost did not change because all the claims still occur in the summer. In order to get back to a place where they were more or less paying their way, there had to be some significant premium increases go out in the bills because at the end of the day they are still only paying half that bill.

This particular year the increase that motorcyclists will see in the bill that goes out will be 13.9 percent. The question that PUB and ourselves have been struggling with is how much extra car owners should pay so that those who like to ride bikes continue to enjoy that privilege. Or should they pay for that privilege because even with this rate increase the actual cost associated with motorcycles—they are going to be paying about 60 cents on the dollar based on the claims dollars going out.

In our discussion with PUB and the motorcycle coalition, which is represented there, we have indicated that we will look at some ways to try and mitigate some of their obligations by maybe capping some of the large losses, that if they have, say, a motorcyclist who leaves his bike and we have a \$2-million PIPP claim, should that whole \$2 million go against motorcycles or should we use some kind of cap and move the rest to the general fund? Clearly doing anything of that nature means that car owners are subsidizing motorcycle owners, and that is against the principles we have been instructed to deal with in our rate-setting applications in front of the PUB where they want to eliminate cross-subsidization. But we are working with the motorcycle coalition to try and address some of the safety issues, try and first of all reduce the number of accidents, education. We are spending a lot more dollars and working much closer with that group but also from the underwriting side during this year, exploring some further opportunities that we will take back to the Public Utility Board to see if there is a way that we can mitigate some of the increases that they had been faced with because they are still significantly short on dollars contributed compared to dollars going out on their claims.

**Mr. Ashton:** One of the concerns, though, and I raised this before, is that if you have an accident the cost of the accident goes with the vehicle,

regardless of fault. I know you pointed out that there are a lot of single-vehicle accidents, but I have seen cases where—one of the reasons I stopped riding a bike myself is because of numerous cases where I was almost in an accident because people did not see me. Now, of course, what happens if you are in an accident, the question then becomes—the bike suffers a greater degree of damage than a vehicle; that tends to be the case. In some cases you get vehicles that have virtually no damage, but is it fair to assess that to the motorcyclist or to the car driver? If I had the Hansard, even though you are right to point to the single-vehicle accidents, there are cases, obviously, where you end up with a mixture of fault or a number of cases where the motorcyclist is not at fault, the car driver is at fault. I believe there are still more cases where that is the case. That is one of the big concerns I know with motorcyclists, being assessed for any of the costs where they are on the road, and I do not think it is a luxury issue. I personally feel that people have the right to ride motorcycles, period. There should be a much greater onus on car drivers to be aware of them, and I would certainly encourage MPI to do a lot more public education.

I will tell you what happened one time when I got hit with my—I had a friend of mine on the bike. Someone said, oh, they did not see you. I guess you have a right to be on the road. Well, it was sort of like it was something that was not taken for granted. I thought I paid for my licence, paid for my insurance, took my test. I had a right to be on the road. I still think, and maybe it is our culture here a bit because we have such a winter normally, not recently, but you know it is sort of like you can only ride a bike on a seasonal basis. I know a lot of places where bikes are an essential form of transportation, period, and motorcycles are driven 12 months a year. So there may be this sense here that it is a luxury item or it is a hobby or whatever. I do not believe that. I think if you are on the road and you pass the qualifications—and what I want to suggest is that that should be reviewed, where the cost of the accident is allocated. I do not think it should be going—especially in the case of where the car driver is at fault, I believe the cost should go to the car driver pool not the motorcyclist pool.

\* (1210)

The second thing is that there is a lot of advertising, a lot of work that is being done in terms of safety. Why not make safety for motorcyclists a top priority? Third, and I know that other members have had similar ideas about this—I know the member for Gladstone (Mr. Rocan) and others—it has been something that I have been raising for a number of years. You know, I remember a number of years ago when motorcycle helmets were brought in, some people as an alternative talked about graduated licensing, various items of that nature, and I would be interested to see if Autopac has any statistics on this because my sense has always been that the greatest risk tends to be with new motorcyclists. I also, by the way, question, and as someone who has ridden a motorcycle, whether the blood alcohol content, especially for new motorcyclists, is sufficient. I actually believe that if you are riding a motorcycle for the first time—and you have to remember, you can go and pass the written test and you have a motorcycle licence or the learner's. You can then go to the bar; you can then drink and be quite marginally inebriated but not within the confines of the law; and you get on your bike. I tell you, I know the minister and I exchanged sort of details about machines we had and even on the relatively small machine I had, not quite as small as the minister's 50 cc, you have more torque than you have in a car. You get on a Harley, and you have more torque than any car on the road.

So I am wondering if we might want to consider, instead of this across-the-board approach, having graduated licences. I would say even alcohol-free licences for motorcycles, most definitely alcohol-free licences for learners, understanding that you are by yourself, you have no one else on the motorcycle, you are not required as you are in the car, and build in an incentive, I would say a greatly enhanced incentive, for people who have been riding a motorcycle. In many cases, I know people who have ridden for 30 years without an accident, without a claim, and yet they are lumped in with somebody who can go and pass a written test and ride on the same motorcycle the next day, partially under the influence—and I want to throw that out because we often get accused of

the opposition not coming up with constructive alternatives. I note that not all of it was within the confines of Autopac, but I want to ask specifically whether you will consider following up on the education and the graduated insurance premiums giving a much higher percentage benefit to motorcyclists who have a safe driving record.

**Mr. Zacharias:** With respect to loss transfer, where the costs go with the vehicle that is responsible, that has been a topic of considerable discussion at the Public Utilities Board, but I think we have to remember that the motorcyclists have been very strong on the point that those costs where they are not liable should be transferred away from their pool. They have not talked about where they cause an accident with a car and that the car cost did not have to go to the motorcyclist as well if you are going to move based on responsibility. Even if we did that, if motorcycles—and these are not the exact numbers, but I think order of magnitude—are short 40 percent today based on actual experience, if we did the loss transfer both ways, they would still be short somewhere around 32 percent. So it does not make a big difference to them because the costs that go out are almost offset by the costs coming in. There is a bit of a savings that they gather there, but not a big savings.

With respect to graduated licensing and things of that nature, those are not within our purview. We would respond to whatever the rules of the law are, but as the insurance provider we have to take the situations as they sit today.

**Mr. Ashton:** I would appreciate too getting some statistical information, because I want to stress again that, apart from the graduated licensing, one thing that I am throwing out as an option here would be to look at much more of an experience-based system based on the experience of the rider, because I know that most motorcyclists I know feel that there is a direct correlation. You would have those statistics available. If you do not have them, I would suggest it is something that should be determined, cross-referenced with the Motor Vehicle Branch, when there is an accident

whether it was caused by an experienced rider or an inexperienced rider.

I am not saying that experienced riders do not get into accidents. That does happen. It happens with car drivers as well, but we know that with car drivers, there is a big element of it, but I think in the case of motorcyclists, my sense would be, not having information but just from people I know, that it would be even greater. So I understand that graduate licences are not something MPIC can bring in, but you can look at better incentives for safe riders based on the obvious fact that I would say that you would find that experienced riders have fewer accidents.

**Mr. McCrae:** I believe Mr. Zacharias was going to comment. I have a comment when he is finished.

**Mr. Zacharias:** We cannot lose sight of the fact that most people who ride motorcycles in the summer also drive cars in the winter, and there has to be a carryover of driving record of an individual. You cannot isolate his summer motorcycle record from the rest of his year driving record. Consequently we do have the discount program, where people can get discounts based on claims-free driving records and conviction-free driving records. Whether that should be deeper or wider or something is certainly—where we sit today, that program has been approved by the Public Utilities Board. It does get reviewed from time to time, and it may well be that over time that is one of the areas that we could look at again to see if there is some merit in moving those parameters.

**Mr. McCrae:** Mr. Chairman, I appreciate the accommodating response made by Mr. Zacharias to the suggestions made by the honourable member for Thompson (Mr. Ashton). We will see what comes of that, but I know that there is an openness on the part of the corporation to try to deal fairly with its customers, many of whom are motorcyclists. We simply are not of the mindset set out by the honourable member when he referred to the motorist who admitted that the motorcyclist did somehow have a right to be there. That is not our mindset at Manitoba Public Insurance.

My reason for wanting to comment was simply on the issue of motorcycle safety education. We are mandated by the Public Utilities Board to engage in safety education issues and campaigns. RoadWise is a major part of our strategy, and we will take that comment to heart with respect to motorcycle safety education and look at what we can do in that area.

As a publicly owned insurance company, I maintain that it is entirely appropriate that Manitoba Public Insurance be involved in public road safety campaigns. It has spawned and assisted in some very meritorious activities such as Operation Red Nose and assistance with police departments in trying to catch impaired drivers and keep them off the roads. The honourable member knows very well from his experience the tragedy and calamity that can befall people because of drinking and driving. I believe that the MPI RoadWise message is being well received by Manitobans, and Manitobans are responding positively. Unfortunately we do not have a perfect record out there yet, but we are moving in the right direction. It is very supportable.

But I support what the honourable member said about road safety messages and education respecting motorcycles, and I think the corporation does as well.

**Mr. Ashton:** I will just move on to a couple of other issues, and I know Mr. McAlpine indicated he has some concerns he wants to raise too. I want to ask some questions on the advertising, if the minister and MPI can indicate who has been doing the advertising and what the basis of the selection of the advertising agencies was and the cost of the various advertising programs that MPI is currently undertaking. If the information is not readily available, I can take it as notice.

**Mr. McCrae:** Mr. Chairman, I know that Mr. Zacharias and his staff will be reviewing Hansard from this committee meeting. If we do not get total detail on all of the answers, we will certainly be making it available at a later date. With respect to this particular question, that falls into that category. We will get the information the honourable member is requesting and make it available to him by letter.

**Mr. Ashton:** Thank you and I appreciate that. I would like to move on. I raised a series of questions at the last committee hearing on the epidemic of auto thefts in this province. I noted at the time the shift from the original position that the government took which was to penalize the victim with the assessment of deductibles. Believe you me, I have talked to a lot of angry motorists who have had quite a few things to say about that. We are now in a sort of an in-between position whereby if you buy coverage to reduce your deductible, you are essentially buying extension coverage which covers the antitheft portion. That is sort of a halfway move, but it certainly I think did respond somewhat to the concerns that are out there.

\* (1220)

I did raise back in—I believe we sat in June, if I remember correctly, on Tuesday, June 9, in terms of antitheft because, for the life of me, the thing that we should be doing is fairly obvious and that is, given the epidemic we have, in addition to some of the things that the government has brought in, the additional police resources and whatnot, which deals with the back end, is start giving motorists an incentive to install antitheft devices. Now we raised the issue of the club at the time. Since that time I have read several articles of new technology involving everything from satellite tracking to sort of the equivalent of a DNA transcription for the car itself that cannot be destroyed with auto theft. Given the fact that certain cars are particularly subject to this, and I would assume that under this new experience-rating system that one of the elements we are dealing with is if a car is more likely to be stolen, your rates go up.

I am wondering when the government and MPIC is going to get to the point of doing what I think makes sense which is give people incentives to prevent auto theft, prevent, not necessarily deal with it at the rear end, or at least incentives to put in devices that will help in the tracking of automobiles because we are increasingly dealing with not just the joy-riding aspect, which is a problem, I think we all know that. I am sure there is some correlation with some of the gang activity as well, but the classic joy-ride situation, but when you have vehicles and I pointed out last time the vehicles that have

resurfaced in Bulgaria from Manitoba. There are international auto theft rings and they particularly target such vehicles as, for example, Jeeps, Mustangs, the member for Gladstone (Mr. Rocan) points out. There are some that you know from your experience rating and I am wondering if certainly those vehicles—it seems to me that given the high rate of theft of Jeeps, for example, it would make sense to set out a system whereby people have an incentive to put in a device. It may cost several hundred dollars, but if it can be proven to be somewhat successful, I think is the case, and by the way, I even get back to the Club. I know there has been some question about whether it is used or not, the fact is I believe that most Manitobans, if they got an incentive to use any sort of device, would use it. I really do not understand the logic of dealing with that. I think those devices have been proven to have some effectiveness. But when we are dealing with the new technology, I think there is every indication that they do work. So I am wondering, will the government bring in incentives for motorists who will take their own initiative, either through purchase or installation of equipment, to prevent theft?

**Mr. McCrae:** Mr. Chairman, as with any problem that confronts an insurance company, responses to that problem are always the subject of study and review by the corporation. Obviously Manitoba Public Insurance wants to do the right thing by our policyholders. That should go without saying and it is really part of the mindset of the corporation, and we are reminded that customer service issues are important and we are also told from time to time that we do a good job with respect to that.

Any discussion of auto theft that leaves out the issue of gang activity in the city of Winnipeg is not a complete discussion. I was heartened in recent weeks to learn of the arrest of 35 or so alleged gang leaders. It is to be hoped that will have some impact and the work of the Winnipeg police in partnership with Manitoba Public Insurance will continue to show some results. We always want more results and we keep the pressure on

But with respect to antitheft devices, this matter has been looked at very carefully, and it is still the subject of study. There will be in the

future, I would think, all cars rolling off assembly lines going to be equipped with devices that would deter theft, and, of course, we lobby and press for these sorts of things to be happening. To this point, it is not happening everywhere, so we still have the issue. The honourable member referred to this device called the club, and we have discussed that before as well. Suffice it to say, the whole issue of auto theft remains a concern for us at the corporation. It costs our policyholders lots of money, and that is a matter of concern to us.

I think I will leave off at that point and ask if Mr. Zacharias has anything more specific to add.

**Mr. Zacharias:** Yes, I am pleased to advise that we have been working very hard on this issue, not only in Manitoba but as an industry as a whole—we as part of the industry, I guess. For the first time ever, Canada now has an antitheft device standard for vehicles. This comes about as a lot of work by the insurance industry, manufacturers, the police, the fraud coalition all working together and coming up with some definitions as to what is a satisfactory antitheft device.

The manufacturers have bought into this, and they have been part of that discussion and part of the agreement. Based on the rating system that we now have, as vehicles come to market equipped with this particular device, we have built right into our base rates, because it is part of the rating system, a credit for vehicles coming to market with those devices, so they, in fact, will have a lower premium than vehicles that do not, not as part of a discount but part of the underlying rate structure.

After-market equipment, and there is lots of it out there, the national testing labs have now been appointed to any manufacturer of after-market equipment can go there and have their device appraised to see if it meets the Canadian theft standard or not. If it does, then through the clear rating system, again, there are guidelines being built to reflect that in insurance premiums.

If we look at our car theft costs going from roughly \$3 million to a little over \$20 million, that is a big increase. With 750,000 registered units, that works out, though, to just over \$30

per car, and if I offered you a 10 percent discount on the theft portion of the premium, which is part of the basic program at this point in time, it would be \$3 or \$3.20. That is not going to be a big incentive for people to spend several hundred dollars to put an antitheft device in their vehicle. If I gave away the full \$32, that means I have nothing left to pay theft claims, and we know there is still going to be a number because the thief walking down the street, while he may avoid your vehicle if it has the club, he is going to take the next one. So at the end of the day, I still have the same number of dollars in theft claims as I did before I started giving the discount. So what I have to do to start with is I go to the Public Utilities Board, apply for a premium increase which leaves me enough slack in the premium to give part of it away, and I am not sure that everybody would appreciate a premium increase in order to fund a discount program.

But we have looked at the tracking devices for certain types of vehicles. Certainly, there are some manufacturers who have come out with some excellent models that we previewed just a few days ago, and I think there are some big strides being made, but when you look at nearly 40 percent of the vehicles being stolen still exhibit no degree of protection by the owner, either leaving the keys in the car, the keys under the mat, the doors unlocked, things of that nature, public education, that they have a duty to protect their vehicles and can make a difference is still a theme that I think needs to be further explored. Working on that theme in conjunction with some greater enforcement with the police, which we have supported and worked quite closely with, and working with the industry as a whole to make sure there are some standard devices that are going to be used and recognized that are certified as being effective. Those are the areas that we are pursuing at this point in time rather than a discount program where it is very hard to administer and in fact would require a premium increase in order to fund something like that.

**Mr. Chairperson:** As previously agreed, at 12:30 we were to assess the situation.

**Mr. Ashton:** I indicated before that I think we can finish by one. We did start a bit late, which I think is a bit unfortunate, but we can proceed.

\*(1230)

I just want to stress again, by the way, that I have no problem if someone leaves their keys in the car and the car is running that they would be dealt with in a different situation where there is an auto theft as compared to someone who takes precautions, uses the club, sets up another kind of a device, locks their car. I still do not quite understand, when we are dealing with an epidemic of auto thefts—we all know it is a major problem—why we do not get down to the root, which is to provide some incentives for citizens who take precautions. You know, that can be dealt with in the same way we deal with other issues as well. I believe if you leave the car running with your keys in downtown Winnipeg on Portage Avenue and the door is open, that is like an open invitation. I tell you, I have talked to enough people who had to pay the deductible initially who took all the precautions. I talked to one guy who got his car broken into twice, and he had to pay the deductible two times. In that case, he had the vehicle locked. It just happened to be the wrong underground parking lot and what not. He said what happens to the person who has the car running, the keys are in the car, the door is wide open. It is very difficult for me to respond because I know what the answer is. So I think you have to deal with theft through having prevention, and other insurance companies are doing that, I know, in some cases, some companies in other jurisdictions.

So I will leave it at that. I will tell you I will be raising this again and again and again. I know our colleagues will. We want to see some ways of getting that down, and I think the way, by the way, is to make a hundred percent of motorists aware that theft is at a pretty high level, especially in certain areas such as the city of Winnipeg and that maybe 20 years ago you did not lock your car, nowadays you have to do it. You certainly do not leave the keys in the car. It is just crazy to do that.

I have a couple of other issues I want to deal with, but I want to indicate too that I will not have time today to deal with some cases that I have been dealing with, and I know the minister has been receiving letters. By the way, I want to give the minister credit for responding. I do not

always get the answer I want, but I do get answers. I want to credit Autopac because I know they are the ones that often are dealing with that. There are some departments of government and ministers that I do not get responses back as quickly from. I am not trying to criticize them right now. I will do that at the appropriate time. Sometimes this gets lost in the shuffle where you do get answers, and I want to give the minister credit. I know I have raised issues such as I have had a number of people who have different concerns about release of information, both medical and income tax. I think Mr. Thiessen and Mr. Watts are both well aware of the cases that are involved there. I have had some rehab issues, and this is an issue that is ongoing, Paul Beaudet, but I have had other rehab issues that have been raised with myself and with our caucus. Elba Redhead, a case I will be raising directly with the minister following a traffic accident involving her son, a very difficult circumstance. Gary Enns, I have raised. It is involving a leasing situation and denial of coverage in that case. Maurice Pankhurst [phonetic], who ended up having his licence suspended because—he says he has proof of payment that was not acknowledged at that time and I intend to pursue it.

I would like to ask specifically, getting back to the issues of release of information, whether the minister will review a couple of the cases where it has basically been admitted that information was released that should not have been, certainly income tax information, and also a look at the release of medical information. This is an issue we dealt with Workers Compensation a number of years ago. We brought in legislation that allows injured workers to have access to all medical files that have been received by Workers Compensation from their doctors so they know what is being said. There were many cases where people were not told what the doctors were saying privately to Workers Compensation. I am wondering if there would be a review within Autopac of procedures. I mentioned a couple of specific cases, but I would at this point ask if there would be a review of that because I have received concerns of people who felt that in some cases they were not getting access to their medical records, and in other cases Autopac had far greater access than it needed to both income tax

records and medical records. So there is an imbalance between the claimant and Autopac on that basis.

**Mr. McCrae:** Mr. Chairman, I appreciate the comments of the honourable member. There are times when dealing with issues related to our constituents that it is quite easy to put aside all partisanship and just deal with what is the right thing to do for our constituents. I think the honourable member feels that way too.

With respect to information, Manitoba Public Insurance, to my knowledge, unless there have been any matters come forward to the contrary that have been the subject of allegations, is bound by the law of the land and it attempts to work within the limits of all regulatory and legislative restrictions there might be with respect to the sharing of information. They attempt to share only that information that they are supposed to under the law or to release information—only that which is governed by law. Sometimes it is not always that clear what the rules are. I know that in one case—I remember the name of the case—but we, I think, issued an apology to somebody because information was either released or not shared. I cannot remember the details at the moment. But the routine work of this corporation is done in accordance with the applicable laws and regulations of this jurisdiction.

If the honourable member has specific allegations, then we will deal with them on a one-by-one basis, but if they should point to a conduct of our business that needs review and it is indicated by these particular cases, that would then happen, and I would direct that that be done. I invite the honourable member to stay in touch with me on these matters. If concerns arise with sufficient frequency that some type of review is indicated, I would be the first to want to see that that was done.

**Mr. Ashton:** I thank the minister. I believe Mr. McAlpine and Mr. Maloway have some questions, and I have a couple of final comments.

**Mr. Gerry McAlpine (Sturgeon Creek):** Mr. Chairman, an issue I want to deal with is—there

are a couple of issues, and they are mainly to do with interpretation by MPIC and legislation—

**Mr. Chairperson:** Order, please. Could you pull up your mike so we can hear a little better.

**Mr. McAlpine:** Thank you, Mr. Chairman. Is it on now?

**Mr. Chairperson:** No.

**Mr. McAlpine:** Thank you, Mr. Chairman. What I want to deal with here is a matter of interpretation. I think that it is serious enough that it is going to—I look around this table here—affect every one of you in terms of serving your constituents at some time or another. It is to do with what is classified an interpretation of permanent residency and education. I have had the occasion to work with a particular young hockey player that has been playing hockey in Alberta. This particular hockey player had a claim on his car. Actually it was registered in his father's name. This particular hockey player had a claim with a broken window, the back window in his car. When the father reported the claim, the adjuster indicated to him that, well, he has been out in Alberta since October or late September, whatever the case was—but the adjuster had indicated to him that because it was a vandalism claim they would cover it, but if it were a more serious claim, they may have a different interpretation of that.

This gives me serious concern. My concern here is whether or not MPI is making interpretations on the basis of claims, the size of claims, or is it based on the interpretation of residency and education, because I think I can address the issues in both these cases in terms of permanent residency and education. I guess really what I would like to do is to get an answer, if there is any interpretation made based on the matter of the type of claims that there are, whether it is a claim that has no liability or just what the situation is.

**Mr. Zacharias:** I hope I can shed some light on that issue. For Manitobans moving away or temporarily moving away and things of that nature, first of all there is provision within the legislation and The Highway Traffic Act where

students, people who move to, say, Manitoba and go to Toronto to go to university. While they are attending university they can maintain their Manitoba registration, and we will provide the full coverage.

But our act also says that individuals, when they move away or are in another jurisdiction for a considerable period of time, they have to comply with the local registration requirements. For instance, if an individual moves to Alberta and Alberta law says that you cannot operate a vehicle registered in another jurisdiction there for more than 30 days or whatever the period of time is, after that you have to register in Alberta. Once that vehicle is required to be registered in another jurisdiction they are no longer entitled, that vehicle is no longer entitled to also be registered in Manitoba and consequently therefore is no longer entitled to the coverage here.

\* (1240)

I am not familiar with the individual case, but if the Alberta law said that that particular vehicle was required to be registered in Alberta because of the length of time it had been there, then we would be bound to take that into consideration, meaning that he is no longer entitled to be registered in Manitoba. That is a situation we do run into from time to time, where people move out of Manitoba and want to hang on to their Manitoba plates for extended periods of time because usually the premium where they are moving to is going to be more. It is all governed by the local legislation. If it is Alberta, we would have to go by Alberta law; if it is Ontario, we go by Ontario law. Once the law where they move says that they have to change the registration, that is the determining factor. That is written right into the MPI act, that we have to turn around and look at what are the registration requirements. Are these people still entitled to be registered here? If wherever they are operating the vehicle says that they cannot be operating there without registering there, then that is the determination as to whether we should continue to provide coverage or not.

**Mr. McAlpine:** Mr. Chairman, I hate to give some challenge to what Mr. Zacharias has indicated here. According to Polks, Canadian

International Registration Manual, Volume 3: Vehicles operating in Alberta must be registered after three months of residency in that province except for vehicles operated by an out-of-province student.

Now, my question is here, if that is correct, and we often refer to these organizations that make interpretations on behalf of all Canadians across the country, if that is the case, then to me it boils down to a matter of what is residency and what is education. According to what Mr. Zacharias is saying—I want to have some understanding of this, I want a clear understanding of this, and I do not want to leave this to the interpretation of an overzealous adjuster who is going to make an interpretation based on what the claim is. That is my concern. I mean, there is a potential here for a constituent of any one of us here to be caught between the interpretations of the various legislations, whether it be Alberta or Saskatchewan, British Columbia or Washington, D.C., or Spokane, Washington, and I am talking about hockey players who are, in many cases, registered to an education. What is the interpretation of education as far as the MPI is concerned? To me, this hockey player is being educated in the profession of hockey by playing in the Western Hockey League or any other hockey league in order to gain employment at a higher level and to be paid for that.

So I am looking at this with these concerns in mind, and I think that there has to be some clear understanding and clear direction in terms of what MPI is doing, because it is going to affect every one of us. Now, this has been going on for a long time. I mean, this just has not happened. These hockey players have been in this situation not knowing, but when this was brought to my attention, I had serious concern, and I have serious concern for these people today because of interpretations.

**Mr. Zacharias:** As I mentioned, we are bound, and whether he is allowed to operate that vehicle in Alberta is bound by Alberta legislation. Alberta says that if you are a student and you come here, you can hang on to your Manitoba plates. They also define student, and nearly all the highway traffic acts are very clear on the definition of student, and that means a person

who is there for education, and as a student, nearly all jurisdictions say you cannot earn income simply for education. If this individual is getting paid for his occupation, whether it be as a hockey player or something else, that would mean that he is no longer considered a student under Alberta law, and therefore the Alberta legislation would say that he could not operate that vehicle there for more than I think it was 90 days that you mentioned.

This is not an unusual problem. A student leaving Manitoba to go to school in Toronto, Waterloo, wherever, out of province, as long as they are a student, and again the Ontario definition—in fact, the Manitoba definition for people coming here to university also says that if you are a student and very clearly not earning income, you can hang on to your Ontario plates, Alberta plates or wherever you come from; but, once you start earning income, then you would have to register here.

So that is a pretty universal requirement across the country. I am not familiar with the case, but from what has been said, after 90 days operating that vehicle in Alberta, he would not be entitled to the student exemption because he is earning some income and, as such, has to register in Alberta and therefore would no longer be entitled to Manitoba plates. Certainly, because of maybe not knowing or some gray areas, if the adjusters said, we are not going to hit you over the head on this, but point out to them that they have to make this change or that there is a requirement to be changed, then I believe that it is their duty to do so.

But, again, it is not our interpretation; it is what the law of the land says. When you move to another jurisdiction and are going to spend some time there, you have to comply with the laws there. If it is as a student where he does not earn income, he is allowed to keep Manitoba plates. That is fine; we will continue to provide the coverage. But, if he does not fall into that category, and the law of where he is operating says you have to register here, at that point that is when the issue would become that he is no longer entitled to our registration because the law has said he needs to comply with the province jurisdiction of where he is at the time.

**Mr. McCrae:** In any event, Mr. Chairman, as I listened to the exchange between the honourable member for Sturgeon Creek (Mr. McAlpine) and Mr. Zacharias, I was struck that there are probably two main points here: there may or may not have been some discretion or interpretation involved by an adjuster, and then there is the issue of the definition of what a "student" is. I would simply remind all honourable members that, when disputes arise between customers and MPIC, we have stages beyond the initial contact with the adjuster. We have internal reviews that are possible to be done. We are setting up the system where we are going to have a fair practices officer in the company more or less to work as an ombudsman-type of thing between clients and the corporation. At the end of the day, we have the independent auto insurance appeal commission. So those things are there to assist when it is alleged that discretion is improperly applied or interpretation has been incorrect or some such things. So there are ways to resolve disputes, and if it is about the policy related to what is going on in Alberta or some other jurisdiction, we are simply not able to do very much about that.

**Mr. McAlpine:** I thank the minister for that. I do not want to be in the situation where a constituent is caught between interpretations of two different jurisdictions, but Mr. Zacharias has indicated another concern and an interpretation that I raised here today and then what the interpretation of "income" is. Would you consider a hockey player who is given \$85 or \$50, which is an honorarium kind of thing for whatever reason, every two weeks for some spending money—would you interpret that as income? This is unusual from the aspect of these circumstances, and I guess really I do not know how you deal with it on an overall basis. Maybe we have to deal with it on an individual basis. I just do not know, but there are people out there that are really going to be caught between a rock and a hard place because they want to know who is going to interpret what and what the interpretation is of the various jurisdictions.

\* (1250)

**Mr. McCrae:** Mr. Chairman, I do not profess to be an expert on what a student is, but I have seen definitions for various things that include being enrolled in a full-time course of study, and I do not know if I am agreeing or disagreeing with anybody here. This is obviously a matter that can only be taken care of on an individual case basis. We have policies at Autopac that I think withstood the test of time. If the honourable member has a constituent who is having a rough time over something, I can only recommend the avenues of review that I have. I simply do not know how much further we can take this discussion.

**Mr. McAlpine:** I appreciate the minister's comment on that, and I would be prepared to work with the MPIC and the department on an individual basis to make sure that the people are getting the proper interpretation before a claim actually happens. I think that is really what the concern is. We do not know—they are in kind of a no man's land in some of these situations. So I would be prepared to try to work with MPIC and the minister to find some resolve for this on an individual basis. I thank the minister for that.

**Mr. Zacharias:** Just one comment. Our normal advice and what we have asked our agents to tell people is that, when they go to another jurisdiction and are going to spend some time there, the best advice that we can give them is to go to the local authorities and say what is the local requirement. For instance, whether this individual in Alberta requires to be registered there or not would be a determination of the Alberta motor vehicle branch because they would say, yes, you have to change the registration, or, no, you don't. It is their legislation and their interpretation of "student," things of that nature. So the best advice that we can offer and do offer both ourselves directly and through our brokers is that, when you are going to spend some time in another jurisdiction, check with the local authorities. Some have 30-day grace period, some 90, some six months, and some special provision for students. But it is up to the individual to make sure that they are complying with the laws of wherever they are residing.

**Mr. Jim Maloway (Elmwood):** Mr. Chairman, I would like to ask the minister several questions, the first of which concerns the accounting changes that have occurred at the MPIC vis-a-vis the reserve funds. Ever since 1972, it was deemed appropriate, I believe, that 15 percent of earned premiums was a proper figure to establish the reserves of the corporation, but recently, I believe, I noticed that these standards have now been changed, and a new standard that results in a higher limit has been adopted. Could you tell me when these changes were made and where they are noted in the financial statements?

**Mr. Zacharias:** The 15 percent of premium was not there since '72. That came about as a result of the Kopstein review and some of his recommendations in about '86-87, and the corporation has maintained that target level. What has occurred in the last year is that we have looked at where our vulnerability is, and basically it is more on the claims side than on the premium side because that is where you have the large fluctuations.

We have looked at what protection might be needed there, and, certainly, with our board of directors we have said that a target between 15 percent to 20 percent of claims liabilities made more sense than 15 percent of premium, because, again, we wanted to reflect where the vulnerability was. In our rate application, we advised the Public Utilities Board that we were trying to come up with a target that was a little more meaningful and reflective of the actual risk and put forth the fact that the target should now be 15 percent to 20 percent of liabilities. In their order they have said we are not sure that the numbers you have are acceptable to us and during the next year we would like you to do some more work with respect to changing that target as far as satisfying them that they should be using that target for rate setting. Certainly within the organization, at this point in time, the corporation has the policy that the target should be 15 percent to 20 percent of claims liabilities rather than premiums.

**Mr. Maloway:** Well, given that information, then, I understand that using the old standard, 15 percent of earned premiums based on last year's premiums would mean that you should have

around \$69 million or so in the reserve. Now, using your new standard with those same premiums, what would the figure be then using that new standard?

**Mr. Zacharias:** The range would run from about \$80 million to \$100 million.

**Mr. Maloway:** Mr. Chairman, I really question why you would have to change the standard, and you give as your justification for it the argument that there is more volatility on the claims side, and that, as you probably know, is certainly not true compared to what would have been the case before no-fault.

I mean, let us look at what we have done here. We had volatility before because we had open-ended liability claims, but we took care of that back in 1994 by bringing in no-fault. So we eliminated the volatility, we restricted it very tight so we would roughly know what our claim costs are going to be from one year to the next. On the other side of it, we have reinsurance treaties which cover volatility on claims side as far as disasters are concerned. We have a situation where the corporation, no matter how bad the snowstorm is, no matter how bad the hailstorm is, we will not be hit for more than \$2 million at a time.

We know that, so I do not buy the argument that somehow there is more volatility today than there was before. That is not true. There was more volatility before. You have taken steps to tie down the volatility. You have done that. You should be reducing, using that argument, reducing the amount that is to be put in the reserve under those conditions, not increasing it.

**Mr. Zacharias:** If we go back to the 15 percent target—and it has never come under a lot of scrutiny—I believe that Judge Kopstein in writing that report said: we think the corporation should have some kind of reserve. We know that private companies need roughly 30 percent or a little better. Autopac would probably need less than that, so 15 percent was the magic number that popped out.

There was no science around it. Nobody ever looked at it. We had never been in a position where we were going to be close to achieving that target and therefore the validity of that

target, while used over a period of time, was never really scrutinized. When we did try to look at what could happen, and certainly on the injuries side, PIPP versus tort, there are arguments that can be made. If we have a severe winter, if we have a catastrophe, we have reinsurance, but if we have a severe winter where we have a multitude of accidents everyday for an extended period of time, it can have a drastic impact on us on claims' costs that is not covered by reinsurance because it is not one occurrence. It is an ongoing event. Also with respect to PIPP, while the payouts are known, we are going to be paying people for lifetimes and for a youngster that could be 40, 50, 60 years, and the money we have set aside today has to cover that liability. When we are looking at discounts and interest rates and what is going to happen over time, we have long-term trends, but there is vulnerability in those calculations too to make sure that at some point in time you will have enough money to cover that liability for its entire duration. So a lot of work has gone into that process to try and determine what a safe number might be with respect to both how much you need and the confidence level. That work is still going to be ongoing to try and come up with a number that says there is a reasonable degree of certainty here that the corporation can carry on without having some major exposures.

\* (1300)

**Mr. Maloway:** Mr. Chairman, I would like to ask the minister what meetings, studies, conversations are currently going on or that are contemplated as far as the proposition that the private insurance companies would be getting back into the tin and glass portion of the insurance. This has been an issue now that keeps resurfacing a couple of times a year. We keep hearing stories about representations being made to the minister, to the board, to the Tory caucus with the view to getting back in. The latest information seems to indicate that they have been told just to wait until the next election and then it would be open season. I just wondered what can be added by the minister at this time.

**Mr. Chairperson:** Before we proceed, it was determined before that one o'clock was going to

be our—I want to know whether we are proceeding.

**Mr. Ashton:** I think we can pass the report with just a few more minutes. We were fairly generous—

**Mr. McCrae:** I noticed the honourable member for Elmwood did not tell us who said that. Maybe he wants to put that on the record.

**Mr. Maloway:** I do not think I wish to divulge my sources on this issue at this point in time.

**Mr. McCrae:** I listened with interest to the discussion between the honourable member and Mr. Zacharias about the level of the rate stabilization reserve. I hope there is some comfort for Manitobans in knowing that this is very carefully gone over chapter and verse every year as we address what to put into our rate application and then as we address the application itself. We are examined and cross-examined on it every year and everything like that. So I hope the honourable member is comforted by knowing—I know he wants us to risk more. The honourable member wants us to cut down the size of that rate stabilization reserve and subject Manitobans to the potential for problem, problem in not being able to meet our claims' responsibilities or problems with respect to rate shock.. Manitoba has been there and done that, Mr. Chairman. We have seen the wisdom of not proceeding in that risky, risky, walking the tightrope type of fashion that is being proposed by the honourable member. So with all due respect to him—and I can see he understands issues and analyzes them carefully—he simply puts two and two together and comes up with six or something, and it does not work for me and it does not work for most Manitobans.

Now, with respect to the other question about the tin and glass, again the honourable member has failed to reveal his source, which is all very sinister but, Mr. Chairman, we have found that not running this corporation into the ground is a good way of gaining the confidence of Manitobans, and we have found that Manitobans do have confidence in this corporation. The honourable member for Thompson (Mr. Ashton) has basically said that himself, and we are not

interested in the sort of surreptitious stuff going on as suggested by the honourable member for Elmwood (Mr. Maloway).

**Mr. Maloway:** I am not sure that I believe the minister, but I have to take him at his word.

Mr. Chairman, I would like to ask the minister, in view of the fact that Ontario I believe yesterday or within the last few days announced a plan to renew drivers' licences through the Internet, I wonder what is happening vis-a-vis that particular idea here in Manitoba and whether or not the whole concept of renewing Autopac transactions via the Internet has also been considered by him and the board.

**Mr. McCrae:** Well, I am certainly not the one to respond with respect to issues related to information technology and systems and those sorts of things. I do know that significant activity and effort is going on with regard to ensuring that MPIC is well able to take on all of the challenges of the next millennium and the passing into thereof and all of that. With respect to licence renewals, that still remains a department of Motor Vehicles responsibility. With respect to how we can improve our services to our customers and make products easily available to them and all of those things, Manitoba Public Insurance continues to be very much on the cutting edge of providing the newest and latest innovations to our customers. We have been given credit by regulators for the way we have been handling our customer relations. The question put by the honourable member will no doubt be looked at by the corporation. If there is something going on today in that regard, maybe I cannot comment on that, and I do not think there are any immediate plans to use the Internet in the way suggested by the honourable member.

**Mr. Maloway:** I would like to ask the minister to tell us, update us on what the status of the Y2K program is with MPIC. We have a Free Press article today with a picture here of what the Y2K computer bug looks like, so you will all see a copy of it. You may see a lot of those in the next year. But here you have Windows 98, which has just been out a few months now and is supposed to be Y2K compliant, and now we are

finding dozens of problems with this software. So it really kind of shakes your faith in the ability of the computer industry to evidently solve these problems. I would like to know just how much money—I know you are referring to \$50 million in your statements—but how much has been committed? How much has been spent? What is the current situation regarding the Y2K compliance program in the corporation?

**Mr. Zacharias:** The corporation has been very proactive in dealing with all Y2K issues. I can refer you to a couple of items, page 42 of the annual report, where we speak about year 2000 issues as to money that had been spent and, again, the \$50 million is there. This year we have continued working on those particular projects, and I am pleased to advise that they are coming in at this point ahead of schedule and under budget, so our costs look like they might be a little less. At this point in time, if Y2K occurred today, I believe that all our critical systems would continue to operate. While there is still further testing going on, we do not see that as an issue. The whole item of Y2K expenditures was very thoroughly reviewed at the Public Utilities Board, and in the board order they very clearly indicate that the actions we have taken are prudent, that we have made good decisions which have been well managed and that the organization is significantly complimented with respect to the initiatives on that particular front.

I guess, having read and seen enough, that I do not know if there is an ironclad guarantee, but we are moving to get as close to one as we could possibly humanly do within our organization.

**Mr. Maloway:** Well, that was really my question, whether you would be prepared to resign if it does not work, but I guess we will see the results.

**Mr. McCrae:** It would be my advice to anybody around the table not to be asking or answering such hypothetical-type questions, extremely hypothetical.

**Mr. Maloway:** Mr. Chairman, the member for Transcona (Mr. Reid) wanted to know some information about the advertising contract that

MPIC has, the names of the bidders and the size of the contract, whether or not it was submitted to an open tendering procedure.

**Mr. McCrae:** Mr. Chairman, yes, the honourable member for Transcona did indeed ask about this, and we said that we would get details and make them available to him.

**Mr. Maloway:** I would like to ask also, while you are doing that, whether you could provide me information on the Y2K contracts that were granted. I would like to know who got them, the size of them and what stage they are at now in terms of their completion dates and also the testing program that you are employing.

**Mr. McCrae:** Yes, Mr. Chairman, we will take note of that question and provide whatever information we are able to do. We undertake to do it sometime before the year 2000.

**Mr. Ashton:** That completes our questions. I do look forward to some of the written

responses, and I just reiterate what I said at the beginning, the comments that we believe MPIC is a tremendous asset to Manitobans and, apart from some of our constructive criticism, very well run, and I want to state that on the record in terms of both the senior management and the employees of MPIC, that we all in the Legislature appreciate the work they are doing on behalf of Manitobans.

**Mr. Chairperson:** Shall the February 28, 1998, Annual Report of Manitoba Public Insurance Corporation pass—pass.

The time being—what is the will of the committee?

**An Honourable Member:** Committee rise.

**Mr. Chairperson:** Committee rise. Happy holidays to all.

**COMMITTEE ROSE AT:** 1:10 p.m.