



Legislative Assembly of Manitoba

STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman

**Mr. Warren Steen
Constituency of Crescentwood**



Tuesday, April 3, 1979 10:00 A.M.

**Hearing Of The Standing Committee
On
Public Utilities
Tuesday, April 3, 1979**

Time: 10:00 a.m.

**THE MANITOBA PUBLIC INSURANCE CORPORATION ANNUAL REPORT
OCTOBER 31, 1978**

CHAIRMAN, Mr. Warren Steen:

MR. CHAIRMAN: Does Mr. Dutton wish to make a few comments?

MR. J. O. DUTTON: Thank you, Mr. Chairman. First of all, I would like to introduce the members of my staff that are with me: Mr. Pereira, who is my Assistant General Manager; Mr. Hillier, who is Director of Finance; and Mr. Dribnenky over here, who is my Controller.

The Corporation last year, Mr. Chairman, had a reasonably good year, with the net premiums written reaching \$116.6 million and giving us a consolidated surplus of some \$9 million.

The Automobile Insurance Division, normally called Autopac, had a net surplus of \$8.2 million, while the General Insurance Division contributed a net surplus of \$800,000.00.

Corporation Assets now at \$119.5 million, which represents an increase of \$22.2 million, or 23 percent over last year.

Asset Growth was primarily concentrated in the Corporation's investment portfolio, which is now in excess of \$94 million, and with the exception of \$1.3 million, our long term investment portfolio of \$78 million is invested in Manitoba.

The Automobile Insurance Division, or Autopac if you will, had a net surplus of \$8.2 million, as I mentioned just a moment ago, and this has enabled us in AutOpac, to increase our catastrophe reserve to some \$7 million, a contingency reserve to \$2.8 million, and to allocate a further \$3.6 million to the rate stabilization reserve.

The premium Earnings for the year of \$105.2 million represent a 7 percent increase over the previous year.

The volume of claims, however, handled by the Corporation, rose to 212,000, which is a substantial increase over the previous year, in which we registered 183,000; and the claims incurred in dollars of \$85.4 million is a 12 percent increase over the previous year. You will all recall the severe hailstorm that struck the city during the year that gave us 9,000 claims, with a total in excess of \$3.3 million. However fortunately we maintain a reinsurance protection, and this combined with our existing catastrophe reserve fund established over the years, mitigated the financial impact on the Automobile Division.

Expenses of the automobile division were up \$1.8 million to \$20.2 million, with salary, premium tax, and commission costs amounting for the majority of this increase. Now, in the absence of any premium rate increase during the year, expenses escalated faster than premium income, and accordingly it moved the expense ratio from 17.6 percent last year, to 17.8 percent.

In connection with the General Insurance Division, we now have 90,000 policies in force; the net profit for the year was some \$800,000 and the profit permitted the Corporation to increase catastrophe reserve to \$1.5 million, and a \$300,000 in the contingency reserve, which now stands at \$812,000.00.

We had 3,600 claims as a result of that hailstorm, which cost us \$1.3 million. We have 3,600 claims as a result of that hail storm which cost us \$1.3 million. Now, I'm sure that if you've read the report which was tabled some time ago and what I've just read out to you, is probably not news. I think, Mr. Chairman, though, and it's been happening in the past and perhaps you'll permit me to give you the results of the Corporation for the first four months of this year. That takes November, December, January and February — unfortunately, I haven't got March results as yet or I'd give them to you.

The claims incurred for the first four months — and our fiscal year of course starts on November — have increased from \$33.4 million to \$35.7 million — an increase of \$2.3 million or 7.1 percent

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increase over the previous four months. This left us, therefore, with a deficit for the first four months of this fiscal year of 3.9 million compared to a deficit of 2.1 million a year ago. And the number of claims reported for the first four months have gone up from 73,214 to 79,696.

It would appear to be of course, at this stage an oblique picture, but I must remind you that the rate increase of 5.5 percent is not reflected in here at all, because the increase does not start until March 1st. So, this deficit is based on the old existing rates and also, I should point out to you, even though a year ago we had a \$3.9 million deficit at the end of the first few months we did end up with a surplus of some \$8 million.

And in the general insurance division, we find too, that the claims in dollars have increased the number of claims have increased, the premiums earned have increased; the general insurance division is in a surplus position, however, I anticipate that we will be making more reserves for unreported claims before the year is out, and the picture as I have it here is not necessarily the one that we will be seeing at the end of the year.

Mr. Chairman, that's just a brief overview of what has happened and, if you would like, Sir we can go into the report and I'm prepared to answer any questions that the Committee may wish to ask me.

MR. CHAIRMAN: The Member for St. George.

MR. URUSKI: Thank you, Mr. Chairman, I'd like to start off my questioning, Sir, with respect to the financial statement dealing with the premiums written primarily in the General Insurance Division. In 1976, the Corporation wrote approximately \$4.4 million in premiums. In 1977, it virtually double or just about doubled its written premiums to 8.1 million; and in 1978, it virtually went backward or actually froze as well to 8.1 million. Could the Chairman indicate his interpretation of the freeze on the premiums written by the Corporation?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: I guess, Mr. Chairman, a number of things are happening in the general insurance field, and it certainly reflects upon the Corporation as well. At the present time there is quite a rate war in the general insurance business in this country — not only in this province — and rates are being slashed quite substantially. This had an effect on the income of the insurance business generally speaking. However, one could argue that there should be a compensating factor in that inflation is still with us and insurable values ought to be going up.

I suppose the final analysis would be that we have decided, pretty well myself I suppose as the general managers decided, that it's probably not a wise situation for the corporation to get involved in a rate war, if you wish to call it that at this stage. I am sure the members here will realize that the corporation does not have sums of money invested by shareholders on which they can fall back, and any deficit that we would — if we did incur a deficit — would simply come out of the provincial Treasury. We are therefore ultra-conscious in this regard and we have not been aggressive; we have not in turn added a number to our staff to aggressively pursue this class of business. We believe that this situation will take care of itself as time comes because obviously the insurance companies are not in business for their health. If they start losing money over a number of years — if you recall, the question you asked when you were chairman of the corporation, that there were few years in which the insurance industry lost hundreds of billions of dollars, and perhaps the underwriting losses are going to get severe pretty soon if they continue with this type of rate war that is presently going on. As I said before, this is not just in Manitoba, it seems to be occurring all over the country.

MR. CHAIRMAN: The Member for St. George.

MR. URUSKI: Since there appears to be a rate war, in what classes of business is that fought primarily?

MR. DUTTON: Mr. Chairman, the class of business which is most pronounced is in the property business, commercial property for fire insurance if you will. It's basically what the coverage is. That is where we've seen the greatest rate battles going on.

MR. URUSKI: What proportion of your premium income would be in the commercial business?

MR. DUTTON: Just a moment please, Mr. Chairman, if I may?

R. URUSKI: Approximately, it doesn't have to be accurate.

R. DUTTON: Perhaps, Mr. Chairman, 25 percent.

R. URUSKI: Okay. If a quarter of your business is 25 percent, then three-quarters of your business could be in the home, farm, or non-commercial entity, then an actual decrease with inflationary costs, you have from your 1977 to 1978 statement, if you account for inflation, an actual decrease in premiums written in this area. Has this been a conscious decision by yourself as chairman to re-trench in the field of general insurance, or is there some other overriding reason? Have you been allowed — and I will be very specific — have you asked for and been allowed the necessary government action or is it government policy that has directed the corporation to re-trench in its business, and to refrain from being not even aggressive, but being competitive in the market, and being left open to deal in the marketplace as any commercial entity?

R. DUTTON: There has been no restriction placed upon management of the Corporation as to the class of business they will write, and the rates which they will seek business. The only thing that possibly could be stated as a . . . not restriction, it certainly isn't, but there was, as sure as you are all aware, a freeze put on personnel and not only in our department — apparently it hit every department of the government. And of course that did come about and was in place. I think the number of staff that we have, though, exceeds that which we had a year ago.

It's very difficult to tie down exactly the numbers, Mr. Chairman, because we work on an establishment basis, and at any given time we may have people who have left the force, and we've posted for new people, and they're not on staff at that time; so I can give you figures. They may be within two or three one way or the other at the end of a given year, but I think you'll find that the number of people we had has been pretty consistent. And in answer to your question about any restrictions placed by the government, placed by my Minister, that has not been the case.

I. URUSKI: Mr. Chairman, I'm not worried about the exact numbers. Your predecessor, or your Minister's predecessor, the Minister of Highways, when he was responsible for the Corporation, indicated that the automobile division lines had the priority and there were no restrictions on staff increases, but he did indicate that there was a staff freeze on the general insurance lines. Is this the case?

I. DUTTON: Yes, Mr. Chairman. There is quite a difference, if I may, between the automobile insurance division and the general insurance division. We did write, of course — and do write, and continue to write — every vehicle that runs on the road in Manitoba that is licensed. And with the number of claims increasing every year, which seems to be the case, it obviously made good sense that a priority had to be given to getting people on staff in the automobile insurance division so we could handle these claims — which is simply the product of the insurance business. And now that myself, when I put the case forward for an increase in staff, I certainly emphasized the necessity of building up the automobile division before the general insurance division, because we already had a lot of business on the books that had to be serviced, and serviced by means of

So the claims division . . . that's true, the automobile division did receive consideration at that time. But I've had no instruction with regard to replacing any of the staff in the general insurance division. Any one that leaves the government has not told me that I couldn't replace them.

I. URUSKI: Has the government told you that there is no restriction on hiring if you required staff in order to handle the business?

CHAIRMAN: Mr. McGill, the Minister responsible for Public Insurance.

McGILL: I think the Member for St. George has asked questions of a similar nature in the past, and I pointed out to him that, with respect to the general insurance business, that we would consider any requests for additional staffing that might come from the management of MPIC. My recollection is that one such application has been received and is presently being considered so that one specific request for staffing or staffing replacements are made by the general insurance branch of the Autopac Division and these are considered in the usual way.

There has been a restraint program in effect both as to government and to Crown corporations in particular with respect to Manitoba Public Insurance Corporation because of the announcement in the Throne Speech that a general review would be undertaken of the operations

and pending that review, of course, the same guidelines will apply.

MR. CHAIRMAN: The Honourable Member for St. George.

MR. URUSKI: Mr. Chairman, I'm glad that the Minister is taking part in the debate. I would like to ask the Minister since he has now indicated that he is prepared to and has indicated that I has intended to deal and get involved in the day-to-day operations of the corporation in terms of staff hiring and that all staff hiring are going through his offices. Can he indicate, since he is responsible for other Crown Corporations, whether staff hirings are also going through his office in the telephone system and the other corporations that he is handling?

MR. CHAIRMAN: The Honourable Minister.

MR. MCGILL: Mr. Chairman, the position with respect to MPIC is somewhat unique in that the government has indicated that they are about to conduct a review of the operation and pending the completion of that review the general restraints which will apply will be somewhat different from those which apply to the other Crown Corporation for which I am responsible, that is the Manitoba Telephone System.

MR. URUSKI: Mr. Chairman, I have to agree with the Minister that the situation is unique. It is so unique in respect to the Public Insurance Corporation that this government is saying that they will no longer allow a commercial entity to operate, that they will meddle in the affairs of a commercial entity, that they will retrench by freezing out the staff and it's evident — and I intend to pursue this with the Chairman because he has indicated to me that the war on rates is in the commercial field; the commercial field is only one quarter of their business — that the main thrust of their business has been in the personal lines and farm properties, that the amount of premium written from 1977-78 there had been no increase when you take into account inflation, so that is, and the Minister has indicated, that there is an unwritten government policy of saying that even before the so-called study begins, we will retrench and we will not allow this commercial entity to survive.

We will close it off even before we do our study so that the Minister is now admitting that he is handling all the staff hirings for the corporation through his offices by not allowing — and it is quite apparent that he hasn't allowed new hirings in the corporation or allowed them to compete in the marketplace — that this government now is prepared to meddle in one particular area of a commercial entity in not allowing them to compete with other insurance corporations in the financial field. They now know where their philosophy lies, that they do not want effective competition with the private sector. If they are sincere, if they indicate that they are so keen on competition, why are they freezing out this corporation?

MR. MCGILL: Mr. Chairman, the Member for St. George does not accurately reflect the policy of this government.

MR. URUSKI: Tell us.

MR. MCGILL: He says we are not permitting the general insurance division to compete. That is untrue. The general insurance division, as the general manager indicated that division is continuing to compete. There has been a very substantial reduction in premiums because of the intense competition in that area as Mr. Dutton has pointed out. The words retrenchment that the members use are simply not true, the division is operating effectively.

We will continue to deal with any staffing requests that the administration of MPIC puts before us. We have dealt with them through government channels for the Autopac Division and increases were approved when these were considered necessary in times of heavy claim experience.

MR. URUSKI: Well, Mr. Chairman, could I ask the Minister specifically, is he handling staff requirements from other Crown agencies that are under his jurisdiction through his office?

MR. MCGILL: Well, Mr. Chairman, I pointed out to the member previously that the Manitoba Telephone Corporation is somewhat unique in that the government has indicated in its Throne Speech presentation that they were intending to undertake a review of the operations. Pending completion of that review these special measures will continue to be applied.

MR. URUSKI: Could I ask the general manager, Mr. Chairman, how long does he foresee the division operating at the rate that the premium dollars are coming now in terms of being ab

maintain its business and portfolio at the rate the premium, if using the assumption of 1977-78 of the premium increase, how long can he continue that division in a solvent position?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: It's very difficult to answer that type of question with the general insurance division. We do not have a large book of business, never have had, it's as large now as it ever was and there is always a danger, of course, of suffering a large loss of two or three in a row which turns what is a black figure now — and that's why I didn't give you the figures a moment ago for the first four months — into a red figure.

I think to answer your question, what we ought to do in any case is to aggressively pursue business out what class of business to make sure it's profitable, that becomes the answer. For instance, we talked about the percentage in commercial property which I mentioned. I should tell you that the competition in personal lines is not necessarily through rates but with coverages and the situation here is that there are even some companies now, at least two who apparently are going to get into the field of backup of sewers in the City of Winnipeg. Now the question is do we want to get into this area or not? As the general manager and therefore the chief underwriter of the company would say no. I've had considerable experience in that field. Now if that is the case and a company actively pursues that then we could lose more business and if we lose more business, what it will do to our profit picture is anyone's guess.

I would like to see more business on the books, naturally, it would give more room to play with the figures and build up a larger investment portfolio and of course the way the interest rates are now, one of the important things with any insurance company, is to have the money to invest.

MR. CHAIRMAN: The Honourable Member for St. George.

MR. URUSKI: Mr. Chairman, the general manager and chairman indicated that there is no rate war in the personal lines and I presume that includes the farm . . .

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: Yes, Mr. Chairman. The farm business is not a large portion of the premiums in the province; it's the commercial and the habitational.

MR. URUSKI: Have there been premium increases or decreases in the past year in the personal lines or the habitational lines as . . .

MR. DUTTON: I think it was a little over a year ago, Mr. Chairman, but it takes a while for those rate decreases to reflect in their income, and I would say that the whole impact of that is being felt in this past year.

MR. URUSKI: What is the market situation with respect to rest of the industry in this province relationship to the personal lines? Have they increased or decreased rates in order to get into a business, or is the rate situation fairly stable in the province?

MR. DUTTON: I think, Mr. Chairman, the rate situation on habitational lines on homeowners, etc. is reasonably stable. Some of them have decreased rates too. But I think our rates in the general insurance divisions are competitive with any of the companies operating in the province, plus the fact that we do give the discounts on, for instance, smoke detectors and so on and so forth.

MR. CHAIRMAN: The Member for Elmwood and the Member for St. Vital have both indicated they wish to ask some questions. The Member for Elmwood.

MR. DOERN: I wonder if I could ask the Chairman to comment again on the following: he said there was not much of an increase in staff in the past year, but if we could go back over the previous two years, could he give us an indication of what the staff was about two years ago and about a year ago, and about now?

MR. CHAIRMAN: Mr. Dutton.

MR. DUTTON: I can give you the total figures staffing. 1977 — October 31st, 1977 — no I'd better give you the February 28th — October 31st, 1977 as opposed to February 28th — October 31st

was 790 — '77, and February 28th, 1978 is 811.

MR. DOERN: And today?

MR. DUTTON: Well, I haven't got — today's figures? The establishment, I can tell you, was 81 that's what it is, but the establishment is 832. But we haven't got them all filled.

MR. DOERN: So, in the past two years or year and a half, it's increased or potentially could increase about 40-odd people. Has there been any expansion in terms of rentals of office space? Have you made any increases in square feet? Do you have any figures?

MR. DUTTON: Yes.

MR. DOERN: . . . on say what you had a year and a half or two years ago, and what you have today.

MR. DUTTON: There was constant movement when it comes to the rental of space. It becomes necessary to get service throughout the province, and if you refer to page 2, for instance, of the report, you would see that we have completed our drive-in claim centre in Dauphin. However, that doesn't necessarily add to the staff. But we have opened a claims office in Swan River during the year under review, and it reflects other areas that were opened within the last couple of years. Some of the following that are shown that were opened within the last two years. We have been continually opening offices throughout the province to improve service. We are, too, endeavouring to make changes in the city of Winnipeg to improve the service to the motorist here.

MR. DOERN: Has there been any increase in the square foot rentals in the city of Winnipeg?

MR. DUTTON: Yes, there has, Mr. Chairman. I can't tell you exactly how much in square feet now but I know there has been an increase.

MR. DOERN: A couple of years ago, I guess maybe three or four years ago, certainly about three years ago, there was a decision taken by our administration to build a new MPIC building that would contain the Motor Vehicle Branch, and at that time, I recall one of the discussions centered around the possibility that, rather than Public Works building the building and then leasing it to M and MVB that MPIC itself might proceed to build and pay for that building, and it seemed that MPIC had the financial means to undertake to construct its own major office in Winnipeg and then lease out the space to the MVB. So I assume that if you had the money at that time, from reserves and potential sources of earning, operating and so on and so on, that if you had the money that you still in effect have the money today. That if you were given a green light, or if you were given an option, that you could in fact construct such a building and consolidate your space in it.

MR. DUTTON: Mr. Chairman, it's not necessarily a case of money. Certainly, the money's tight for investment purposes, and building a building and leasing a portion of it, can be argued that is also investment. And one could also try to work back to where it would be cheaper to build your own and to pay rent in a structure. However, it's impossible for us to build a building and lease it because the Act will not permit it, the Act that incorporates MPIC sites, that we cannot hold real estate for investment purposes. And so therefore, we would not have been able to build a building and also lease a portion of it out to the Department of Highways.

MR. DOERN: Then I would assume that it would be a legal or semantic discussion on whether building your own building and occupying it is an investment, or whether it would be considered something else. In Saskatchewan, I assume that they have a major central Autopac building that is owned and paid for by the Saskatchewan General Insurance operation. Is that so?

MR. DUTTON: The Saskatchewan — similar to ourselves — we own drive-in claim centres, of course, as you are aware. We own quite a bit of property. We own a very fine structure in Brantford for instance. In Regina, they too, own claim centres, and they managed to buy a building a number of years ago, for their head office or the administrative offices, if you want to put it that way. They have recently, within the last two or three years, outgrown the building, and I believe they're selling it and building a new one. I have not been near it. I don't know what it really is like.

MR. DOERN: I gather that it is present policy of MPIC to provide discounts to homeowners.

have smoke detectors, and I wonder if you could just comment on that. Is that so?

MR. DUTTON: Yes, that is so. We were the first company, I believe, in Canada, to offer a discount of, I believe it is, 15 percent subject to a maximum of \$25. It is, I think, been instrumental in saving lives. I'm sure the fire departments would know more about that than we would. We simply pay the damage to the property. But we believe it is a good feature, and I'm sure that this is recognized throughout the country, because many companies are now doing the same thing. We can't say it's competition from ourselves, either, because it's being put in force in other provinces.

MR. DOERN: There was a recent announcement by the Minister of Labour which I personally welcome, that he was requiring in the new building code the installation of smoke detectors in new homes. I was just wondering that, as that takes effect, will the discount continue to be given or will the Corporation and the insurance companies take the position, since it's standard, it is no longer necessary to give any discount or incentive to smoke detectors.

MR. DUTTON: No, I'm quite sure, Mr. Chairman, that you will always see the competitive factor here. If insurance companies are convinced that it is in the best interest of their clients, and therefore themselves, to give a discount, they will continue to do so, whether the smoke detector that is put there is made mandatory by law or not. It simply will reflect in a lower rate, generally speaking. It would be the same way as if you said that every building had to be sprinklered as opposed to non-sprinklered, you'd find the lower sprinklered rates would be the one that would come into effect on all companies. And I'm quite sure that would be the case.

R. DOERN: The final point I wanted to raise was, I believe it was announced the other day in British Columbia that they were eliminating the age and sex categories in terms of drivers' premiums, etc., and I assume that this, of course, could be a straight political decision, namely, that we could give a political decision to include it and they could have one to exclude it. But aside from the politics of the matter, are there other jurisdictions in Canada, or the U.S., where they have eliminated those categories which some people think are . . . well, I guess the women's lib group may think they're sexist, or some group may think so, and others may think they're out-dated or unnecessary and that they are artificial in that you could have scores of other types of categories. So, my question are there other jurisdictions which have eliminated those age-sex categories?

R. DUTTON: I don't know of any jurisdiction, Mr. Chairman, that has eliminated the age and sex categories in automobile insurance — that's what you're speaking about. They're talking about I believe British Columbia has a committee looking into it. I don't think that it's reflected in the rates as such as yet. I'm quite sure that's the case. I know that I probably don't read all the newspapers; I read a lot of the insurance publications. I know that it is the type of thing that an insurance professional, if you will permit me to call myself that, it seems difficult for me to seize upon this is a fair thing to do, statistically speaking — because there's no question about it at all. Ten it comes to age, it's the fellow under 25 who's involved in more accidents than a more experienced driver, and there's no question at all that the young man under 25 is involved in more accidents than the young woman under 25.

You mentioned a while ago that there was politics involved, and obviously that is not in my mind, and if it's considered politically expedient to make the change, then that's a decision for the politicians.

R. DOERN: I would ask the Chairman if he could elaborate on other categories. I assume that there's geographic categories. What other categories are there, because, you know, the point's been made before that it could be true that men over six feet have fewer accidents than men under six feet, and if you could run all kinds of crazy computer categories then I'm sure you could find all kinds of interesting and bizarre features. But I'm just saying in addition to age and sex, and suppose geography and maybe rural-urban, what are the other standard categories, Mr. Dutton?

R. DUTTON: It used to be the vehicle too, Mr. Chairman, whether it's used for business or used for pleasure, or all-purpose; these are the factors that are considered. And I think what is really worked into by the underwriters is that they need a large enough group to make any statistical results they have meaningful. And if you mention a person over 60 years of age, maybe the group wouldn't be large enough here to give them a much lower rate or a much higher rate, whatever they're entitled to. So he goes with the rest of the category.

But we do have a large group of people, both male and female, under the age of 25, and a

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division that are over 25, and this is the general guidelines when setting rates. And incidentally, in this province, Mr. Chairman' the rate is not substantially higher for the under-25. It's not that there's a huge burden placed upon him. I would suggest to you, Sir, that the contrary is true; that even with the statistical figures we have, even today, without any equalization of the rates, the young male and the young female under 25 are being substantially subsidized by the older, more mature driver.

MR. DOERN: Also, I'd like to ask the Chairman about motorcycles. I've had a lot of complaints in the last six months, and in the past year or so, from people who are operating motorcycles who can't get insurance, and I've drawn a few of them to your attention. I assume that there must be some peculiar problems to motorcycles. They're now getting more and more expensive — \$3,000 is common; \$6,000 is not that unusual for new motorcycles — and I keep hearing the following type of argument, which I'm sure is not a complete argument, but the basic point is made that there are people who cannot obtain insurance for their motorcycles, assuming they are not restricted from operating them on the basis of accident records, etc., etc. But I assume that . . . my position is sort of along these lines — that assuming a person is eligible to operate a motorcycle, the arguer must come in the amount of the premium. They may feel that their premium is too high, or doubt what it should be, but I continually get complaints that they cannot obtain insurance, regardless of the premium.

Now I'm just saying, what is happening inside the Corporation in relation to motorcycles? Is this regarded as the sort of painful aspect of the business, and what problems are you encountering here?

MR. DUTTON: Mr. Chairman, I would point out that anyone that owns a motorcycle and has licence to drive the motorcycle, and has licensed the motorcycle, has insurance. The Corporation does not deny coverage from motorcycle owners, regardless of their records, if the Registrar of Motor Vehicles will register that motorcycle. I think there must be some misunderstanding on the part. The only thing that we do — and this gives them, incidentally, collision damage to the motorcycle, this will give them third party coverage — they are protected in effect and can drive on the highways and the protection is sufficient to permit them to drive on the highways in other provinces, because it matches their requirement when it comes to financial responsibility.

The only thing that we have excluded, and there may be three areas that have been excluded by ourselves on motorcycle coverage; one is passenger hazard, and this, Sir, was done a number of years ago at the request of the motorcyclists' themselves, because they said that many motorcycles do not carry passengers, and therefore it's improper for us to charge them a fee when they obviously would never require the coverage, because they can't carry passengers or don't carry passengers. So we excluded it.

The other area that is excluded is just fire and theft, which they can buy apart from — if you feel that they're insurable by us — apart from the compulsory coverage that they get automatically under the licence plates; we will sell it, and so does the private industry.

If anyone says that he cannot buy insurance coverage, he simply must be referring that perhaps he has not been able to buy fire and theft.

MR. DOERN: Do we have any provision for, let's say, the wearing of helmets in the sense that if a person is wearing a helmet during an accident in which they are personally injured, is that to their credit or are they given special consideration? Is there anything that you do to encourage the wearing of helmets in terms of settlements or premiums?

MR. DUTTON: Well, there is nothing unusual in the settlement of claims as to whether they are wearing a helmet or not, excepting that I am of the personal view that helmets ought to be worn. I used to handle a motorcycle myself many years ago, and I can tell you I wouldn't have driven around on a big Harley without a helmet. But it seems to be that a lot of them just don't want to wear helmets, and I think that the protection, or the coverage is the same whether they wear them or not. May I humbly suggest though, the damage they do to themselves is more severe than if they were wearing a helmet, but as far as the insurance coverage is concerned, we don't make any difference. We haven't put anything in to encourage the wearing of helmets; maybe we should but we haven't.

MR. DOERN: My final question is, is there a particular problem with motorcycles in terms of theft and vandalism?

MR. DUTTON: Any particular problems with them in regards to theft and vandalism? Well, I would

suggest that the ratio of thefts is out of all proportion as compared to what happens to motor cars, etc., and also when it comes to vandalism, there's a tendency to take parts off motorcycles and perhaps these things are very valuable and other people may wish to use them. It's a case of setting the rate of whatever the premium ought to be for them, as a group, to pay for the amount of loss we'll have in vandalism and in theft. There's quite a bit of theft on motorcycles, and quite a lot of fire damage on motorcycles.

MR. DOERN: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for St. Vital.

MR. D. JAMES WALDING: Thank you, Mr. Chairman. I didn't see any note in the Annual Report about the lack of revenue to the corporation because of the dropping of the two cents. I wonder if I could just get that clear with the General Manager as to when that came into effect. What was the last month that MPIC. . . ?

MR. DUTTON: This section, 36(3) of The Gasoline Tax Act; this section was repealed April 1st, 1978.

MR. WALDING: So was March of 1978 the last month that revenue was received under this?

MR. DUTTON: We didn't receive it in March. That's right; we didn't receive it in March. The legal interpretation of Section (2) of Bill 26 does not authorize the corporation to receive the gasoline tax for the month of March of 1978. It went to a legal interpretation; we didn't get it for March.

MR. WALDING: Can I then ask the General Manager, for how many months of this fiscal year did the corporation receive money under this section?

MR. DUTTON: November, December, January, February; four months.

MR. WALDING: Four months?

MR. DUTTON: Yes.

MR. WALDING: Can I then ask how much was received under this amount for those four months?

MR. DUTTON: In the report on page 11, it showed the figure for the year 1978 on page 11: the gasoline and motive fuel tax premiums received was \$2 million.

MR. WALDING: I notice on the previous year, it was 6.7. I would like to ask what was Autopac's estimate for the 1978 year for income from that source?

MR. DUTTON: About \$7 million is what we estimated we would receive.

MR. WALDING: I would like to ask then of the General Manager up to the time that they lost this amount of revenue, was MPIC planning for any rate increase in this year?

MR. DUTTON: For this year?

MR. WALDING: Yes.

MR. DUTTON: The rate increase was planned this year as we would under any normal year. We do not plan that far in advance as to what may happen, because as I pointed out earlier, this year we're showing a deficit right now. But our rate increase has not taken effect as yet, and a person in a project, if you like and as I do, that we'll probably not suffer too badly this year because of the rate increase. But we do not set the rates, or do not look for increases or decreases or stabilization of rates until we get a good handle on what the total year was. You see, our year ends on October 31st, and our new rates do not come into effect until March 1st of the next year. So we wait until we do complete the year and this gives us a breakdown of whether our profitability or the loss ratio has increased or decreased in all the various categories we have as to what we

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are going to do in a given year. And then it goes to the board, and the board either approve or disapproves, and then because any change requires an Order-in-Council then it must, of course go to Cabinet.

MR. WALDING: I'd like to ask the General Manager if Autopac has any estimate of how much extra revenue the 5.5, I believe it is, rate increase, will bring in in this fiscal year?

MR. DUTTON: It's about 3.4 million. That is in the fiscal year; that's not in the entire year, because the rate increase starts on — we only get that for two-thirds of the fiscal year.

MR. WALDING: I'm referring to the corporation's fiscal year ending October 1979. It would seem, Mr. Chairman, that if Autopac lost approximately \$5 million because it lost its two cents a gallon, and the rate increase would bring in 3.4, that had the two cents been left in there, they could have been no need for any rate increase. Can you confirm this, Mr. Dutton?

MR. DUTTON: Well, it's a matter of figures, obviously. If we got \$5 million, which we're not getting we're getting 3.4 million in rate increase, it's a matter of mathematics.

MR. WALDING: That's what I thought. I just wanted it confirmed by you and made quite clear. I wonder if we move on now to the General Insurance Division, if I can and ask, how many agents does Autopac have throughout the province?

MR. DUTTON: We must break the two down, Mr. Chairman, when it comes to number of agents. We have both Autopac agents and General Insurance agents. The two figures are not exactly the same.

MR. WALDING: And some handle both?

MR. DUTTON: There are 350 Autopac and roughly around 300 General Insurance agents.

MR. WALDING: You say 350 Autopac agents?

MR. DUTTON: Roughly, I'm giving you round figures.

MR. WALDING: Of whom 300 also serve the General, or is it a separate. . . ?

MR. DUTTON: Some of them may be separate. They do not necessarily follow. Some people who are Autopac agents, are licensed only by the Superintendent of Insurance to write automobile insurance, and these people haven't got general insurance contracts, but there are also some people who have a general insurance contract who do not have an Autopac agency, so it doesn't necessarily follow that some of these, or 300 of these people would have both contracts.

MR. WALDING: The licensing by the Superintendent of Insurance: is this a prerequisite to their selling Autopac insurance?

MR. DUTTON: Yes, that's a prerequisite, Mr. Chairman, to selling any form of insurance and that includes Autopac. We cannot appoint an agent for Autopac, unless he has a licence or is in other words adjudged to be qualified by the Superintendent of Insurance. They write an examination.

MR. WALDING: I see. It would presumably follow that, if the Superintendent of Insurance took away the licence from any agent, they could no longer sell Autopac, would that be correct?

MR. DUTTON: That would follow, Mr. Chairman, yes, that would follow. If a person loses his licence then we couldn't give him a contract.

MR. WALDING: I'd like to ask Mr. Dutton about his experience with agents in the year under review whether they were found to be generally satisfactory; were there many problems with them; were there any agents who lost the right to sell Autopac? What generally was the experience?

MR. DUTTON: I know of no agent who was cancelled during the year under review. I think Autopac agent . . . incidentally there were General Insurance agents, that may be the case, I don't

know offhand. But if I may answer your question in this fashion, stick with Autopac first. Autopac agents are appointed and they are protected by the statutes really. A person is appointed in perpetuity in his own name as an Autopac agent, and he cannot be cancelled unless he is guilty of a major misdemeanour of some type, at which time he receives a letter from myself and asked to show cause why, listing the problems we've had and show cause why he should not be cancelled. He's given a period of time to respond. Then they respond and the case is listened to, a grievance procedure almost if you will, and if he shows that this was indeed a misunderstanding or that we misunderstood the situation or whatever, he's reappointed.

So, they can carry on as long as they behave themselves and do a reasonably good job. There's no reason to even worry about cancellation. And when it comes to General Insurance agents, we have them on the same form of a contract as the private sector has all agents, and that the contract can be cancelled by either party and some of them have been cancelled. Usually what we cancel them for is they're not productive; they're not producing business for them and we feel that perhaps they really don't want the contract, because it costs us money to service all contracts unless we're getting a certain amount of business out of them, perhaps we don't want them on our books.

MR. WALDING: Can I ask then, how many agents received "show cause letters" from the manager last year?

MR. DUTTON: Maybe three or four. About three or four. I can't recall, very few anyway. It's an occasion when it happens.

MR. WALDING: And in the General Division, how many cancellations were there, from one side or the other?

MR. DUTTON: About a dozen, about a dozen.

MR. WALDING: It seems a pretty good record if I might say so, Mr. Chairman.

MR. DUTTON: I think it's fairly stable, Mr. Chairman.

MR. WALDING: One other thing that I wanted to just touch on, Mr. Chairman, that was the matter of the fire coverage on government buildings. I would like to congratulate MPIC for securing the contract on these buildings for I believe it's two years. I did experience a little bit of difficulty in getting this information, Mr. Chairman. People who should have had that information seemed rather reluctant to give it me and I finally managed to secure it from the minister in quite a different form from the previous year if I might just mention that. For the calendar year 1978, the government apparently put this insurance coverage out to tender, and when the low tender was a private concern, the minister involved issued a press release in the middle of December of 1977 proudly announcing that the coverage for the first time had gone to a private concern, but the following year when Autopac was the low tender in a public tender, there was no such press release —(Interjection)— I found it a little odd, Mr. Chairman, that the government seemed a little bit embarrassed almost at its own agency in the insurance business had secured such a contract. And I might just mention in the interest of members of the Committee that there were nine agencies who were requested to tender, and of that number, four submitted bids in the amount of \$43,000, \$31,900, \$35,000 and \$39,900.00. That was on an annual rate of a two-year contract and I was very glad to see that MPIC was the low bidder.

I would also like to ask now, on a similar matter, the fire insurance coverage on MHRC buildings. The minister, another minister, made reference to this without going into detail that the insurance coverage was in the past supplied by MPIC and is now being supplied by a private insurance company. I'd like to ask Mr. Dutton if he has any information on this and can he tell me perhaps, last year for which MPIC provided coverage for MHRC, or is it on the other hand, covered this one bid on all "government buildings"?

MR. DUTTON: I don't think so, Mr. Chairman, and I can't offhand give you all the details of it, if you like, Sir, I can get the information for you later. I just don't have it at hand here; I didn't get all the details of any particular . . . We do, I'm sure you'll appreciate, bid on many contracts but I just can't keep them in mind. The ones that we're successful in I can usually remember with a great deal of joy, but I'd probably try to forget the ones that were beaten out.

MR. WALDING: Can I then first just get it clear whether this contract for coverage of government buildings includes MHRC?

MR. DUTTON: No, I'm quite sure that it doesn't, Mr. Chairman, I'm quite sure that it doesn't.

MR. WALDING: The sort of information that I would be interested in receiving on that, if you can maybe take it as notice, Mr. Dutton, would be the last year for which MPIC was the coverer; whether it went out to public tender or whether it went to certain companies as an invitation to tender whether it was for calendar year or . . . ?

MR. DUTTON: We can tell you when we're on the risk, whether we're still on it or not, and we can give the information as to what our rates would be. I can't tell you though, Sir, whether it was put up for public tender and what companies were invited — obviously we wouldn't know that. We only know what we do, we don't know what the customer and we simply call him that — in this case, what he is going to do.

MR. WALDING: But you would know whether it was up for public tender or whether there was an invitation to you to tender?

MR. DUTTON: Yes, we may know whether it's advertised or not as public tender, but if it was not, people were simply asked to bid on it, we wouldn't know who was asked.

MR. WALDING: No, I realize that. The other thing that I would be interested in knowing, is whether it was a block coverage for all MHRC properties or whether it was done on a site by site basis.

MR. DUTTON: I've been making notations of that, Sir, and we shall write you about it.

MR. WALDING: Thank you.

MR. CHAIRMAN: The Member for The Pas is the next person on my list.

MR. RONALD McBRYDE: Mr. Chairman, I had a few questions along the line that the Member for St. George was asking. I'm not quite clear. I wonder if Mr. Chairman could indicate, of the other than commercial property section, the other 75 percent he was talking about, could he give us the increase in that business or the decrease in that other than commercial business or whether it's staying the same?

MR. DUTTON: I think it is pretty well proportionate — it remains fairly constant. I would think and again, these are just bluntly written down, but I think it's a pretty good idea, about four-and-a-quarter million were personal lines and about one-and-a-quarter million are casual about three-quarters of a million dollars in what we call assumed business and one-and-three-quarters million were in commercial property — that's roughly the percentage. I wouldn't want to say that it's exactly right on, because we haven't got the figures, we're just speaking from memory, but I think that's roughly it.

MR. McBRYDE: The decrease, when you take into account inflation, would be then about equal in all the other things.

MR. DUTTON: Inflation. I think the increased inflation is roughly equal, excepting in some minor instances, casualty business inflationary factors are governed by what court awards are, in minor instances and so on.

MR. McBRYDE: I'm not clear then . . .

MR. DUTTON: Casualty can be a liability coverage, people carry liability coverage in case someone has an accident on the premises and being sued, that type of thing. And, of course, it can include bonds and can include many other factors. It's a catch-all for many other coverages.

MR. McBRYDE: Well, in these other categories, what would be the increase or decrease from year and the year before?

MR. DUTTON: I think that the increase has been nominal right through.

R. McBRYDE: So, then the reason of the competitiveness in the commercial property as a reason for the decline in this section or the retrenchment, as the Member for St. George called it, wouldn't apply because we're not looking at the same sort of competitive situation in regard to the other percent of the business.

J. DUTTON: But I should, Mr. Chairman, if I may draw other factors to your attention. Personally, we're a big writer in this province on personal lines, and while we haven't hit the saturation point, I can tell you that we do not visualize the rapid increase that we've had in the past from personal lines because we've captured a good bulk of it in the province. We have something like 1,000 policyholders, which a great number would be on personal lines — I haven't got the exact numbers; whereas on commercial property, it's a field that we would like to be able to, as time goes on, to get more active and that is where the increase in premiums should come from. Not much from personal lines, because as I say, we are a big writer now and it's pretty tough to pick some of the rest of the field, because the writing was some of our competitors who have been doing a good job for them over the years, and people are reluctant to change if their agents tell them, "Perhaps, you should stay with whatever the name of the company is." The only reason I don't mention a company is that I don't want to advertise any of them.

I. McBRYDE: Mr. Chairman, what percent then of the Manitoba market would the MPIC have on personal lines?

J. DUTTON: I'd say a good 15 percent, I would think so. And, you must appreciate too, there have been companies here doing business now for many, many years in personal lines. When you crack it, you crack a good percentage of it, as we did at first, but from here on in it's up hill, taking any more business away from them.

I. McBRYDE: Mr. Chairman, the chairman, when he was talking earlier, he used the phrase "we would lose more business", when you talked about the possibility of some companies getting into a backup. I wonder how much business has been lost already since . . .

J. DUTTON: Well, we haven't lost it. Maybe I'm advertising for them, I saw a copy of their coverage, I know the names of the company, but I understand that that's going to be on the market soon. We haven't lost anything as yet, but I'm telling you that if we have pretty heavy rains this year, and the rapid melting of the snow that we have, there can be back-up of sewers. As at this time, I don't know of any insurance companies that cover them. If people start suffering losses and they realize there is a company that's going to write this type of thing, not only themselves but other companies are either going to have to comply with it or join with the coverage simply perhaps, lose some business for a while.

McBRYDE: I wonder if I could get the Chairman to comment — my personal experience has been that with a claim for automobile that the claim centres have been quite fast and efficient. In the claim on my home insurance policy, it was very difficult even to get through on the telephone that number and I wonder if it is the situation now where they are providing poor service to people in what is called the personal lines of insurance.

CHAIRMAN: Mr. Dutton.

DUTTON: Mr. Chairman, I can't understand why you couldn't get through to that department. I realize that during the hail storm that we had they were certainly overtaxed, no question about that but not only ourselves there were other companies writing property insurance or home owners coverage. But right now I know that they are not very busy and I'm very pleased to see that any adjusters are not busy it augurs well for the company and I'm sure that if anyone was to get through to our general claims division and couldn't get through I'd be astounded. At one point of time they were very busy, I agree, and there's not much you can do in cases like that where everyone was phoning in and reporting their claim and they'll run into, as I say, about 3,500 claims reported within a few minutes, it all happened a few minutes one day and someone's trying to get in. You know what that does, it plugs up the whole works.

McBRYDE: It wasn't during the bad storm.

DUTTON: Yes, but it takes a while to run them off. People, you know, our experience, Mr. Chairman, has been that people don't realize that they have hail damage until they hear that maybe

a neighbour has and all of sudden they want you to go out and inspect their building to make sure it isn't damaged and you get these claims coming for some time afterwards. '

MR. McBRYDE: I wonder if the Chairman could indicate. . .

MR. DUTTON: However, Mr. Chairman, if I may, I would like to, if you will give me the period of time later, it comes an administrative problem I would like to know about it because I certainly won't tolerate anything like that if there is something wrong.

MR. McBRYDE: All right. I wonder if the Chairman could comment being called upon as an MLA when people have complaints and then forwarding those complaints on to Autopac, or the concern that constituents have over their insurance. I get the general impression that it's on serious claim that things are back where they were to some extent with the private insurance companies and that is if somebody has a large claim in terms of personal injury, etc., etc., that it seems to take an awful long time to deal with it. That was apparently a deliberate strategy at one time. I mean the longer you take the more desperate they become for their money and the more likely they are to settle. And certainly these were the debates we had back in 1969-70 and I wonder if the Chairman would care to comment on that if there is some policy change to try and drag out some of these settlements so that they can settle for a lower amount.

MR. DUTTON: Mr. Chairman, I'm very happy to comment on that. That is definitely not the policy of the corporation, it never has and it is not now. What you must be talking about is injury claim. Any damage to vehicles is handled — as you know people go into a claim centre and report their to the claims office. We're very proud of our record of the speed of which these things are handled and we know they must be handled with dispatch because I'm sure that the automotive industry themselves would be loud in their complaints if that was not the case.

Now when it comes to damage or injuries to the person. We break this down into two sections that is Part 2 Section or payment regardless of fault which is \$75.00 per week and other benefits that are paid out of that are made as a routine matter just as soon as we get the doctor's report and we can establish that a person is indeed incapacitated. Now if there is a wrongdoer involved here or the innocent party feels that the Part 2 payments we're making are not sufficient they usually go to a lawyer. Now when it gets into litigation or in legal hands sometimes there is very little we can do about that. It depends upon the dispatch in which that individual's lawyer is handling the case and we have seen many instances, not many but a number of late, particularly where the claims have gone beyond the prescribed period which is two years and that is the claimant's own lawyer have allowed the matter to slip by.

I would say to blame Autopac or to say that there is any tendency on behalf of Autopac to withhold payment of claim so that a person will settle for a lower amount is totally incorrect, and if you ever run across any specific occasion I would like to hear about it because it is definitely not the policy. I can't say it more strongly than that and that is the fact.

MR. McBRYDE: I'm sorry for my unfamiliarity with this particular area of the business. Is there a policy where a disagreement over a claim or disputed amount where Autopac will pay part of that amount before final settlement or is it always the case that final settlement has to be reached before any payout takes place.

MR. DUTTON: No we have, Mr. Chairman, depending upon the situation I can't give you a hard and fast rule at this time. There is always the Part 2 settlement that a person is entitled to if he is injured that he gets anyway which — if it's a permanent disability and it seems to me that the matter is going to court there usually is a degree of total disability — it's \$75.00 per week he's getting anyway as long as that person is disabled. And so there is, in effect, a partial payment going out to that individual regardless of what the courts are going to say at the end of this period of time.

There's also other situations, you know it's not just cut and dried when a person is injured. Many people, of course, will be in a hospital for months and I really mean months, before they can really establish what the extent of their injuries are then what the amount that we should pay. We may be in total agreement with their lawyer, their solicitor, that X Party was at fault and therefore they ought to be compensated. It's a matter of quantum, how much should you pay them, how long they are going to be disabled and you can't tell until the end of that period of disability to what the payment ought to be. So it's not a case again in saying of anyone trying to withhold payment, it's a case of trying to find out just what the payment ought to be.

R. McBRYDE: Yes, I wonder if the Chairman could explain the prescribed period that he was talking about. How does that work and . . . ?

R. DUTTON: Which?

R. McBRYDE: The prescribed period, you said two years.

R. DUTTON: Well a prescription period, Mr. Chairman, is the two years that a case must be brought before the Courts, it's just roughly speaking. There are other technicalities involved but an injured person has two years in which to establish their case, to make a statement of claim, other words and sometimes, and this has happened, sometimes the lawyers go beyond that period time.

Now I want to tell you this, that if an individual through their own innocence, and have not got a lawyer involved go beyond the two year period, we don't hide behind that two year period at all. We simply say, okay, when did it happen, we open the file, we look into it and we'll make the argument. However if a lawyer is involved, it becomes a different situation because this person then goes to a lawyer with the view of getting the thing properly settled to compensate him properly and now the situation is that in law they have not a case at all, it's statute bar and the argument is this person getting his full compensation because, the courts do not decide.

R. McBRYDE: Mr. Chairman, I'm having some difficulty with the early part of the questions, understanding why the corporation is not being more aggressive. I can understand it in the commercial property field where the Chairman and the corporation are worried about the low rates they are now and the risk of getting involved in those kinds of low rates. I can see that maybe in fact some leveling although I'm assuming that with an aggressive approach that in the personal sense that the corporation should be able to set the goals of a certain percentage increase each year.

And the Chairman has already mentioned the benefit. I mean the more business you have then you have more flexibility you have in terms of doing the business and in fact of getting more business because you have that kind of backup investment behind you. And I would just wonder if the Chairman could indicate why the corporation is not being more aggressive at this stage with this sort of the operation?

R. DUTTON: It's a very difficult question to answer, Mr. Chairman. You know, when it comes to setting a rate my underwriters, Mr. Pereira, my assistant general manager, this division comes under his responsibility can simply say, "All right we're going to write a large book of business", because he's got a pencil which is as sharp as anyone else and he can simply cut the rate. It's a matter of what figure you write down. But the end result is that in two or three years from now, is it going to make a profit or not? And what he's been cautioned that, maybe I'm wrong here, don't think so, but I've been cautioned that the name of the game here is to make sure that the bottom line is black not red and that is what we are doing. And maybe we can be criticized if it but that's the situation.

R. McBRYDE: Well, Mr. Chairman, I assume that part of an unaggressive policy, and as my colleague for St. George says, the continuation of an unaggressive sales policy, is in fact your advertising and your sales. Could the Chairman comment on why they are not being more aggressive in terms of sales?

R. DUTTON: I don't think we really did have an aggressive advertising policy at any time. Maybe it's where we have to start, I agree. What we have done over the years is to make sure that our sales outlets are recognized and you see our signs up all over the place. We give assistance to agents by use of fieldmen closing the sale of any of the prospects they have, these type of things. I think really what the problem is right now, as I've stated before we can assure you, honourable member, that we can put as much business on the books as you want. It's a case of do we want to put it on and run the risk of running this company in the black when it has not got a large amount of money or shareholders' investment in it to protect it. And what we wanted, to do, you know, and what the act was originally set up to do with the general insurance business was to that we ought to acquire our assets be 125 percent of our liabilities. We have not reached that stage as yet and I think it will be a little imperilous to get too aggressive at this particular time in our operation. It's a judgment call and I could be wrong.

McBRYDE: You know, Mr. Chairman, I can understand the Chairman's comments in terms

of the commercial property section. I have some trouble placing his comments in the context of the personal lines or the other 75 percent of the business. It doesn't mean the more insurance they sell the more protected they are.

MR. DUTTON: I subscribe to that. I think, Mr. Chairman, that that is quite right. If we could build a larger book of business then we do have more of a cushion to fall back on.

What are you going to do to get business though in a general insurance in the habitational field? Our rates are competitive, the commissions we pay agents is competitive. I am quite sure that our adjustment procedures are in line with what the other companies do. I think if it comes to the habitational risk, it's going to take us a while longer to build that up. If you wanted a rapid increase in the business I think it would have to come through commercial property. It can come through such areas as assumed reinsurance but that again, is dangerous, too, and we are very very careful of what business we will assume. Assumed reinsurance simply means assuming business from other insurance companies who want to cede off a portion of the business they have without taking too big a blow themselves in case of loss.

MR. McBRIDE: Mr. Chairman, I'm making an assumption that if in fact the corporation is going to increase its business in this competitive area of insurance where they are competing and thus far have been competing quite well with the other companies that they are probably going to have to do some advertising because of the atmosphere that's been created by the present government. And that is with their constant questioning of the concept of the people of Manitoba insuring themselves through their own insurance corporation. What I'm finding in my discussion with people is that at this stage, people do not want to switch their insurance coverage, because they don't know what's going to happen to their insurance, and I think the most effective campaign to increase the business of this section is for the government to make up its mind what it's going to do. And if the government is going to stay in this field in a competitive way, then they're going to have to make that commitment firmly and publicly. And then you'll be able to sell your insurance. The your advertising will have some effect. But with the indecision or the decision to deliberately try to get out of the business, or the indecision, this section is not going to be competitive, and in fact, what I suspect is that the government is allowing it to become less competitive by their public statements and by their restrictions on staff, so that they can just let this section die out and say "Well, it's no longer economically feasible to operate the competitive section of the insurance business, and therefore, because it wasn't such a good idea because it's not working, now we have a good excuse to get out of it".

And Mr. Chairman, if that's the general approach, then they should probably get out of it now. They should probably get out of it where they could make a profit in getting rid of the company to somebody else. Instead of killing off the company and forcing it into a slow death, or slowly strangling the company, the government would be much further ahead to say it was a successful operation, but because of our rigid, dogmatic, philosophical point of view, we're going to sell the company and we're going to make as much from selling it as we can. Instead of going through the back door method, or underhanded method or undercover method of slowly strangling the operation, slowly killing it off so they can say, "Well, it was not successful, and that proves our philosophy, because we've made it not successful and we've proven ourselves to be right, like self-fulfilling prophecy," that it would be better for the people of Manitoba, for the taxpayers of Manitoba, if they would sell it outright right now, when they could get a good price because you have a good going concern here, instead of playing around in a less than forthright manner, disposing of the property because of their rigid positions, allowing it to wither on the vine so that they have a good excuse to get rid of it and can tell the people how ineffective it was since it was started by the former government, etc., etc., etc.

So I would like to urge the government and the Minister responsible that they either let the company do its job and compete and back this up with public statements that this company going to compete and going to be active and aggressive in the market, or that they directly sell it off and make some money for the people of Manitoba. They sold off the Minago Contracto and made a good profit, made a good profit for the people of Manitoba, and certainly they could sell off this piece of successful business venture and make a good profit for the people of Manitoba again.

MR. CHAIRMAN: I trust that was a statement rather than a question. The next person on the list is the Leader of the Opposition.

MR. PAWLEY: Mr. Chairman, first I would like to obtain advice from Mr. Dutton as to the terms of lease on the present Bank of Montreal building. I gather that lease is a 5 year lease. The lease

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is renewed in 1977, for a 5-year period, to terminate in 1982? —(Interjection)— 1981. Could Mr. Dutton advise us as to the rental terms, the cost of that lease?

1. CHAIRMAN: Mr. Dutton.

2. DUTTON: Yes, Mr. Chairman. I've got all the figures here. If you like, Mr. Chairman, we will give you all these figures as to the cost of the lease, or are you just looking for 330 Portage, or other properties? But I can give you whatever you want. I can get it for you.

3. PAWLEY: I would like the rental cost in the normal basis, standard criteria per square foot. I'd also like in comparison to the rental value prior to the renewal of the lease. Mr. Chairman, I'd like to ask Mr. Dutton to indicate when the new building for MPIC would have been completed, if it had been permitted to proceed as per the plans of the previous government.

4. CHAIRMAN: Mr. Dutton.

5. DUTTON: Mr. Chairman, we were not really actively involved in the plans on the building itself. I would have had my director of administration sit in some of the meetings with the architect with a view to that portion that would be rented to us, would suit the needs of the corporation, but I can't tell you when the completion date would have been, but it was on the assumption that the present lease would not have to be extended beyond its present expiry date.

6. PAWLEY: Are there any present plans insofar as movement of the headquarters of the MPIC to any other accommodation?

7. DUTTON: There are no concrete plans for the movement of the office, the administrative office in Winnipeg, to any other structure.

8. PAWLEY: I'd like to then direct this question to the Minister. I can recall very vividly in 1971-72, various members of the then Opposition sharply and critical of the then government for renting space in the Bank of Montreal building on the basis that it was too favoured a location. It was downtown, that it would be better to rent or to obtain accommodation elsewhere in a less central location insofar as a downtown area. Has the Minister or his colleagues revised their thinking from the time of the first, initial movement in of MPIC to the present premises, that in fact they have decided not to fit now to cancel any plans for any movement?

9. CHAIRMAN: The Minister.

10. MCGILL: Mr. Chairman, what the government is doing is attempting to determine what space the government does now own and has available and is renting, and to get some clear picture of just how much space we do have available, and that apparently was never done by the previous administration. And the Minister of Government Services is undertaking to do that. In the interim, we are retaining what space is available for MPIC, and considering what additional space may be necessary. But there have been plans suggested and proposals made by various agencies for new different space for MPIC, but until we have a complete understanding of the total space available to the government under owned or leased at the present time, we will continue to occupy the space that is now being used as the headquarters area for MPIC.

11. PAWLEY: I am really compelled to pursue this further with the Minister, because there must be some breakdown some way or other in the Department of Public Works or elsewhere. We've waited a passage of 18 months and the Minister tells us that the government is still attempting to provide an inventory of the rental space that's available to ascertain whether or not there are alternative accommodation for Autopac to move in. Well, I say to the Minister, there's been a passage of 18 months. I don't know where the difficulty has occurred, the blockage, that after 18 months of information still apparently is not available to the Minister, that he is still proceeding, ignorant whether or not there are any alternative facilities for MPIC to move into, and I find this somewhat surprising, after the passage of this period of time.

12. MCGILL: Well, Mr. Chairman, there still is no clear inventory of space owned and leased, and apparently up to this time there never has been an inventory. That inventory is important to the future planning of this government. There is also the general overview and review of MPIC operations that will be going on concurrently with this. Pending that completion of that review and the clear

inventory of space available, owned and leased, we will continue to occupy present premises:

MR. PAWLEY: Is the Minister advising us that he is indicating that his government is unable to provide information at this point whether or not there is alternative accommodation of the square footage that would be required for MPIC to move into? Because the government hasn't completed inventory after 18 months, to ascertain whether there are X number of thousand square feet for MPIC to move out of accommodation which they once criticized as being too costly, too posh, within the government framework after this period of time.

MR. MCGILL: Well, Mr. Chairman, the government is prepared to remain in the present arrangements until those clear decisions are made with respect to what the future of MPIC requires, and to endeavour to extend leases as being the most economical means of continuing operations at the required levels, rather than to embark upon either building or leasing new space for the corporation.

MR. PAWLEY: Mr. Chairman, I think I really must assume from the Minister in all reasonable terms that there is no alternative accommodation for Autopac within the existing government inventory and that in fact if Autopac was to move, that arrangements would have to be made either to build or to find alternative rental accommodation. That apparently has not taken place, and therefore it would appear that earlier criticism that was launched at one point by the then Opposition was very very unfounded, as I believe is being demonstrated by the conduct of the present government.

If I could proceed beyond that, Mr. Chairman, to ask the Minister, insofar as the approval of new staff for the general line, did I understand the Minister to indicate that approvals of additional staff must reach his desk, that he as Minister approves the hiring of additional staff?

MR. MCGILL: Well, Mr. Chairman, I think we covered this area earlier in the questioning. The procedure with respect to MPIC is that the administration makes recommendations to the Minister who in turn puts them through channels for consideration and approval, otherwise by government. Where additional staffing is required, a recommendation is made by the general manager, and reasons for that are communicated to the Minister, and this in turn is submitted to the Treasury Board.

MR. PAWLEY: Are the actual applications processed at the administrative level, or are they dealt with at the Ministerial level?

MR. MCGILL: When you speak of actual applications of individuals, no. These are dealt with in terms of numbers and categories and the recommendation is received by the Minister for MPIC.

MR. PAWLEY: Mr. Chairman, then I must, and I don't want to appear to be too curt, but I thought that the Minister was interested and this government was interested in operating the general line as any other insurance company would be operated, on a business-like basis. And thus decisions would be made by the management of MPIC in the same way as those decisions would be made for Portage la Prairie Mutual or Wawanesa, any one of a number of other companies. So I'd like to ask the Minister whether he first has any insurance background to make these kind of decisions or whether he relies upon individuals of insurance background to assist him in determining whether or not additional staff is required in order to carry on a commercial operation of this nature.

MR. MCGILL: Well, Mr. Chairman, I have great confidence in the qualifications and abilities of the chairman and general manager and his administrative staff, and we receive their recommendations and consider them very seriously. These are the kind of experienced people that are providing recommendations to the Minister.

MR. PAWLEY: Well, if the Minister has such confidence, which I must tell him I share, in the General Manager and staff of MPIC, then why are these decisions not finalized at MPIC level in the same manner as decisions are finalized with any other insurance company, so that MPIC is free — to operate and to compete on the same type of basis as any other insurance company in the province of Manitoba? Why is the Minister insisting that there be some element, some degree of political control?

MR. MCGILL: Mr. Chairman, the Leader of the Opposition, I feel, was not here when we ead

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scussed the method of dealing with MPIC requests for additional staffing. There is a review of the total operation being undertaken by government, as indicated in the Throne Speech, and pending completion of that review it's the position of government that we wish to deal with recommendations for staffing, which would include both the Autopac Division and the General Insurance Division, in this fashion. And we have the complete support of the administration of MPIC in this method, and we deal regularly and discuss these matters with them as required.

R. PAWLEY: Mr. Chairman, I fail to see how my questions would be at all irrelevant, in view of the Minister's just completed answer. He states that there is a review under way; we know there's a review under way; that's well known to all Manitobans, but what the Minister is indicating, that during the period of this review, when Autopac is being tested, and MPIC is being tested and evaluated as to its operation — and I suppose some sort of yardstick that's being used is the private industry — that the Minister continues to insist that he has the right to approve or disapprove the recommendations that are arrived at from management of MPIC itself. Mr. Chairman, I find it to be a situation by which two boxers in a ring and you tie the arm of one boxer behind his back so that the outcome is predetermined. I believe that my colleague, the Member for The Pas, cited other instances which further provide evidence of this intention by this government to do what it can to ensure that MPIC is not operated as any other company operating an insurance in the province of Manitoba.

I would like to just make reference, Mr. Chairman, if I could to a question to the Minister or the General Manager, whether or not, on the other hand, funds of MPIC are used to purchase memberships in the Manitoba Club?

CHAIRMAN: Who is that question directed to?

PAWLEY: I will direct it to Mr. Dutton.

CHAIRMAN: Mr. Dutton, do you wish to answer it?

DUTTON: Yes, we have one member of the Manitoba Club, as we do members of other clubs.

PAWLEY: When was the membership taken out in the Manitoba Club?

DUTTON: Just about a month ago, I think.

PAWLEY: Could Mr. Dutton indicate the cost to MPIC of that membership?

DUTTON: I haven't got the cost available here with me, but I'll get that for you.

PAWLEY: Mr. Dutton indicated that MPIC has membership in other clubs. Would he indicate the nature of some of those other clubs?

DUTTON: Yes, Carlton Club is the other club and we are also members of the Chamber of Commerce, Press Clubs, and a few things of that nature.

PAWLEY: I wonder whether Mr. Dutton could indicate the rationale for MPIC joining the Manitoba Club?

DUTTON: The rationale for joining the Manitoba or any other club, is strictly to obtain more business; I think it's well known that both the Carlton Club, for instance, and the Manitoba Club business clubs, and it's where you do run into a lot of the leading people in the business community in this city.

PAWLEY: Mr. Chairman, I want to then pose a question as to if the desire is to obtain more business, be more aggressive in obtaining a larger share of the business — and I believe this question should be posed to the Minister rather than to Mr. Dutton — can he then explain why, in view of the need to join the Manitoba Club to obtain more business and be more aggressive in the joining of business, why on the other hand I believe both he and Mr. Dutton have indicated that it's important not to expand too rapidly the general line at this point, but to maintain a status quo?

MR. CHAIRMAN: The Minister.

MR. MCGILL: Mr. Chairman, I think that's the point Mr. Dutton was making, about the intense competitive situation in the general insurance business, and that to go out and try to obtain a large share would mean further, perhaps, cutting rates and he is concerned — and I hope I'm paraphrasing him properly — he's concerned that this might not result in the kind of end figures on the balance sheet that he would like to see. So that because of the intensely competitive nature, he has some reservations about that approach. On the other hand, Members of the Opposition here have suggested that we are somehow tying the hands of the Public Corporation, and not giving them a free opportunity to compete. Certainly memberships in clubs, where they are able to meet and discuss and exchange views with other individuals in the same market is certainly one way that I would think that the government is — and it's not involved directly of course in these kinds of decisions, these are Board decisions of MPIIC — but it seems to me that this is a reasonable one to enable that corporation to have the same footing as other general insurance companies in that field.

MR. PAWLEY: Mr. Chairman, I wonder if we could have information from Mr. Dutton as to the progress made in regard to the review which Autopac was going to undertake of the Quebec plan?

MR. DUTTON: Yes, Mr. Chairman, we certainly did review the Quebec plan; both the material that was submitted to us and at first hand by visiting with their Regie and their General Manager President, Mr. DeCoster.

The plan itself is unique. It is much different than any plan that's in force anywhere that I know of, in that it is, in fact, total no-fault and dispose entirely with the tort system. If a person is injured in Quebec, they do not go to court; they are compensated for their injuries on a set level of payment now subject to a maximum of \$20,000 a year if a person is totally incapacitated, less such things as normal income tax deductions, etc. The principle being that a person will receive there what would normally be 90 percent of his take home pay, if he is totally injured. The plan itself is very simple in its operation, and has, as a result, a very low acquisition cost; it is not written through agents; premiums are paid to the Caisse Populaire, the adjusting is handled by certain societies that they have plus advice they get from their Workmen's Compensation Board. The flow of payment is handled by their Motor Vehicle Branch. What I saw of it, the system seemed to be operating very smoothly. I was quite surprised, frankly, after a few months to see that they had a hard time on the thing.

If a person believes in or supports the no-fault system, they would probably see a very good working model of how no-fault works by looking at Quebec. We have, as I'm sure the Leader of the Opposition is aware, worked out an agreement with Quebec with a payment of injuries to people from Manitoba, if they are injured in an automobile accident in that province, and the agreement simply is that a person from Manitoba in Quebec will be compensated equally as well as a Quebec motorist would be.

MR. PAWLEY: Could I ask the follow-up question to the Minister, whether or not in the review which was announced in the Throne Speech, pertaining to auto insurance in Manitoba, whether or not this review will include a complete and comprehensive evaluation of the cost benefit of a compensation system versus a tort system?

MR. MCGILL: Well, Mr. Chairman, I wouldn't attempt — nor should I, at this stage — to go into the terms of reference, because these are not completely established. This whole matter of review is under active consideration at the moment, but I'm not able to provide you, at this time with any outline of how or in what areas the review mechanism will consider other schemes or other systems. You're referring particularly to the no-fault system, which is part of the Quebec plan. I can't see how that could be avoided as part of the area of consideration by the review mechanism.

MR. PAWLEY: So the Minister, then, is really answering that no-fault compensation system will be part of the evaluation, as compared to the tort system, is that correct?

MR. MCGILL: Well, I'm suggesting, Mr. Chairman, that I have no specifics in the terms of reference to give the Leader of the Opposition, but it would seem to me that that would be an important part of the kind of review that any mechanism would undertake.

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PAWLEY: But then I want to make a point, Mr. Chairman, of commending the Minister, because I'm very pleased to hear that there will be a complete evaluation of the existing tort system of the province of Manitoba with serious consideration being given to the replacement of that tort system by a no-fault compensation system.

McGILL: Mr. Chairman, I can't let the summation of my remarks by the Leader of the Opposition go by. He has said things which I did not say, and we simply . . .

PAWLEY: No, no, no.

McGILL: . . . yes, when you asked for the terms of reference, and the examination of the existing tort system and no-fault, I simply said that I couldn't conceive of any review not including a no-fault as a consideration.

PAWLEY: Mr. Chairman, then I really don't know where we are. We must be in some form of semantics because if the Minister indicates that it's inconceivable that the review would go ahead without such a review, then I don't know how I can assume but that the review will, in fact, include such a review. If there's some degree of doubt, then I have to withdraw my earlier remarks congratulating the Minister; it appears that it may be premature and we don't know yet what the review, in fact, is going to embody. Either it includes or it doesn't include, and I had assumed, I think reasonably accurately from the Minister's earlier answer, that it did include a complete review of the existing tort system in Manitoba, with not the replacement but the possible replacement of same by a no-fault compensation system. So I guess we are still up in the air, then, if that's the case, if that isn't an accurate interpretation of the Minister's remarks.

CHAIRMAN: Does the Leader of the Opposition have any further questions at this time, or should I move on to others?

PAWLEY: Yes, the Member for St. George will proceed, and then I may . . .

CHAIRMAN: No, the Minister of Highways has been patiently waiting and he's the next person on my list.

ENNS: Well, Mr. Chairman, I just have one question through you to the General Manager.

You indicated in response to the Member for Elmwood, I believe, that the Corporation in their General Insurance Division continues to offer a premium rebate of some size with respect to providing insurance — fire insurance — for dwellings. Is the Corporation — and I believe you indicated that do that for your benefit as well as for the benefit of the insured party — are you prepared to carry that same policy forward with respect to the encouragement of the wearing of seat belts?

CHAIRMAN: Would Mr. Dutton care to comment?

DUTTON: Well, I think the honourable member well knows that I'm an advocate of the seat belts. What can be done on our part to encourage it by way of — as we're doing with some other things — by way of reductions, I don't know about in premiums, but I think study must be made, not only of seat belts and the usage thereof. And, of course, there are many systems throughout the province and many other places, and very substantially in Germany, we're given to understand, that as the law says you ought to wear seat belts, there's no penalty if you're found driving without them, excepting if you have an accident and you weren't wearing your seat belt, it has a bearing on the severity of the amount of money that you receive from any injuries you may have received strictly on the basis that they're assuming that wearing of the seat belts would have reduced the injury. So there's many ways of approaching it, and yet what the answer is — it's certainly not in my field. Not enough for me to answer.

ENNS: Can the General Manager confirm that one of the larger, private automobile insurers in the United States — I believe it's Allstate — they have a specific premium reduction for their members who wear seat belts?

DUTTON: Allstate have spent huge sums of money in trying to convince everyone that the use of seat belts, along with the air bag, would substantially reduce injuries. I believe that they

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have some very high officials in the United States convinced that this is the route they ought to go. I think one of the problems right now is convincing the automobile manufacturers to put air bags in their cars when they're building them, and I can't foresee anything happening in this area for a few years. From the pictures and the materials that . . . I have the film that shows exactly what does happen with air bags, and from the material I've read, there's no doubt in my mind that this would be a wonderful system to have, because one of the problems with seat belts is that people won't buckle up. But if the air bag is there, it just activates automatically — you do not have to think about it. If you have any kind of a collision from the front of the vehicle, that bag inflates immediately and it prevents any injuries, prevents people from going through the windshield or banging their head on the dash, and many of these things.

MR. ENNS: Mr. Chairman, the decision by Autopac to join or not to join various organizations and/or clubs in the City of Winnipeg are made by the management of the Corporation with the direction from government?

MR. DUTTON: The decision is made by the Board, and I might say the decision on joining the clubs was the unanimous decision of the Board.

MR. CHAIRMAN: The Member for St. George.

MR. URUSKI: Thank you, Mr. Chairman. I'd like to ask the Chairman of the Board as to what the projection of business in the general insurance field did the Corporation anticipate over the next three to four years of business? Is it a figure of roughly \$10 million?

MR. DUTTON: I think we're about \$6 million light right now — roughly in that figure.

MR. URUSKI: Could you indicate, if you are about \$6 million light, has it been because of a conscious decision that you have made in terms of not writing that business?

MR. DUTTON: Well, yes and no. There are lines that we could have obtained that we decided that we would not compete for, and some of these were rather large premium lines, too. But we just simply didn't quote on them because we knew through our connections what the industry was going to do. And I think that they have simply gone too far. The pendulum will swing back again. Their rates are very low, and if I was a businessman in this province right now, I'd shop around for my fire insurance, I'll tell you that, because there's some tremendous bargains going.

MR. URUSKI: Have you continued your advertising program to the same degree as you have when you started out?

MR. DUTTON: I don't think there's been any . . . it's been pretty constant, and I don't think we were advertising during the last few years.

MR. URUSKI: In terms of handling claims and the like, would you require additional staff with the corporation to handle the claims and the volume of business if you were to write the additional business that you had hoped to write.

MR. DUTTON: If you're speaking of the general business . . .

MR. URUSKI: Yes.

MR. DUTTON: . . . the answer would have to be in the affirmative. If we wrote, next year — what did I say? \$6 million — 5 or 6 million obviously we'd need more staff.

MR. URUSKI: What would be required from your point of view to write that kind of business in terms of putting that kind of business on the books?

MR. DUTTON: Perhaps another half-a-dozen people, I would think . . .

MR. URUSKI: I'm really speaking about, in addition to staff, if you were advising the government today and indicated that you anticipated that the corporation should write an additional \$6 million worth of business as you had projected, what type of a program would you present in terms of being able to put that business on the books, to make the Corporation, as you've indicated, solely

get on a solid book of business; to make sure that the investment portfolio of the Corporation creases, and so that you are able to move towards the ratio in premium dollars of I think it's 15 percent of premiums written to get that on the books, what would you have to do?

R. DUTTON: Well, I think aggressive advertising is an area to put more premiums on the books at we will have to look at, there's no question about that. We've always been way behind in this area. I'm sure, when we look at the entire operation of all the Corporation, including the Annual Report, you'll realize that our efforts at advertising or spending money to show the Corporation one of those gilt-edged organizations has never been the case. And I would suggest that if . . . incidentally, if you want to compare our Annual Report and do it through the years, you want to look at STIO's new one, which is all printed with coloured pictures and it's full of everything else. I don't know what it would cost them. Well, we don't do that, but I suppose that if we wanted to really go after and pursue business for the first time, we would go out and have to put on a big advertising campaign.

I don't want to give an impression that we don't go after business. We do have new package deals and arrangements for the general business that is having its effect too, and we're not just idly marking time and letting everybody walk right by.

R. URUSKI: If you have all these packages, in what way does the public, or do your prospective clients, get to know about what you've got on the books.

R. DUTTON: That's just what I said, Mr. Chairman. We are not advertising to the public in these matters. We go through the agents. We have held this year a conference in which half the day is spent with our agents, and it was spent on new package sales arrangements that we have with commercial accounts. But we haven't advertised it to the public.

R. URUSKI: In order to become aggressive, you would require the necessary direction of putting extra advertising and extra staff. Are you constrained in any of these areas at the present time from doing what you indicate should become a solid book of business?

R. DUTTON: Mr. Chairman, I don't think the constraints have been any different than what they've been all along. I'm sure as the former minister and Chairman of the Corporation, you are aware of any advertising that we did wasn't necessarily approved by ourselves. It had to go in another department of government. That still applies, and it's not necessarily what we would agree is for the best interest of the Corporation to follow that procedure, and I'm sure you're well aware of it, because I used to complain about that in the past. Well, that procedure is still there, and I haven't got the free hand for advertising as we would like to have.

R. URUSKI: Well, Mr. Chairman, there's no doubt that you would have liked to have increased advertising when you began, and no doubt that there were . . . as Chairman and General Manager, you probably felt the same way. But we see in the last year of operation a virtual decline in premiums, and that only tells one story — that you're really placing the Corporation or that division of the Corporation in financial difficulty by the non-writing of additional premiums. You've indicated yourself that by not writing additional business, you will have a hard time maintaining the premium-to-claims ratio, and the expenses will continue to climb. As a result, that division will be put into a straightjacket if it really has no return unless you put or attempt to put more business on the books. While I agree with you that the old advertising may not have been enough; however, it did initially double the premium every year virtually from the beginning; but what you have given us now, that the situation is the same — I want to know what is required to at least put on the books an amount of business from you that would see a growth that you would consider at least normal in these times of government restraint. Because if you have been restrained, you would at least, I would think, and I would ask you whether you would have kept up with inflation; but your premiums do not even show that you have kept up with inflation on the statements that you have presented to us.

R. DUTTON: Well, of course, if we're going to put more premiums on the book, we have to be more aggressive. We'd probably have to cut the rates. We should do more advertising. If you're talking about a strictly business proposition, I think that any company would look at it in that way.

R. URUSKI: Yes.

MR. DUTTON: They'd also weigh the factors and say, is this really what we want to do at present time; do we want to go into new lines, for instance, should we start writing for the first time a performance bond for contractors; aviation in a big way? There's many other fields that we haven't had. Whether we should be doing that . . . of course, you're suggesting that perhaps we should.

MR. URUSKI: I'm asking you what you would do to keep it up?

MR. DUTTON: Well, then, I'm just telling you, Mr. Chairman, what we would have to consider if we're going to build up a book of business, then we would have to do these things. Of course with the increase in business would come requirements for an increase in staff. And I think the Minister has indicated that a request has been placed before him for an increase in staff, and has not been rejected and is under consideration . . .

MR. URUSKI: Could I ask the Minister now, Mr. Chairman, in light of the comments that have been made in terms of trying to at least maintain a portfolio that is healthy rather than in the sense that it has been where there is a dropping off of, not only premium volume, but not even keeping up with inflation — is the Minister prepared to indicate to this committee that he is prepared to allow this division of the General Insurance Portfolio to continue unrestricted and allow the Board of Directors, as he has said that he would do, the freedom to make the management decisions that are necessary in order to have this division continue. Can he give us that assurance?

MR. MCGILL: Well, Mr. Chairman, the comments that have been made by the Member for St. George seem to me to ignore perhaps the earlier explanations of the General Manager of the Corporation in respect to the highly competitive market when he says they have been unable to maintain even the normal growth in premium income. I think he described it as only a telling story. It isn't quite only one story that's being told here. There is an intensely competitive market and I suggest to him that if he were to compare perhaps the competitive tender of M.P.I.C. for government buildings that was accepted this time with the amount of the premium that applied previously, he'd get some idea of how competitive this market is and how the premium income has been reduced simply by the corporation having to compete in a market that is very tight.

Now, as far as the restraints go, these have been in place for some time. They will continue to remain in place, and we will listen with interest to the professional recommendations and guidance from the Chairman and General Manager and his staff, and these will be dealt with as they are received. We are not running the internal matters nor the internal decisions of the organization. We are receiving his recommendations and under the guidelines of general restraint these are being dealt with.

MR. URUSKI: Now, Mr. Chairman, we have heard nothing but double talk. First of all, the Minister gets up and says that he certainly appreciates and is in general agreement with the advice and the expertise within the corporation. We, all of us in this room, agreed with him; that the expertise in the insurance field is very much in evidence with respect to the corporation. On the other hand he turns around that, although he is receiving this expert advice and the restraint program freeze on this — at least this division of the corporation has been in effect for quite some time — it's quite evident that it has been in effect for quite some time. We see it by the premium volume, we see it by the revenues that the province will be receiving; we see a drop of more than 50 per cent in the premium taxes to the province from 1977 to 1978, directly as a result of the government restraint program and now the Minister is saying that he is not interfering in the manager's decisions of the corporation. Who is he trying to string along? I want an assurance from the Minister and he admitted to us today that he is screening the applications — or, not the applications, the staff request — he is saying that we will allow them to compete. I'd like to know what the Minister is really saying. Is he prepared to allow this division to compete, or is he admitting he is interfering and his government is interfering, and has totally muzzled this corporation in the insurance field?

MR. MCGILL: I can certainly tell the Member for St. George that we are allowing them to compete and as evidence of their competition and their ability in this field, they have been the successful tenderers for government insurance on buildings. You asked the same questions in the House and I gave you the same answer, and the Chairman, I think, has given you the same general reply that they are competitive. They are making certain decisions not to proceed into certain areas of government insurance because of the risks involved. They have made certain decisions not to be aggressive.

certain policy areas, certain coverage areas, because of the present low rates which now apply. He said it's a buyer's market, and if he were buying fire insurance, he'd be out there canvassing the market. And if the Member for St. George, who has had quite a bit of experience in this field; the Chairman of the Board of MPIC during his term in government, is now saying that that judgment is somehow faulty; I'd be very surprised at that.

R. URUSKI: The Minister has not only misinterpreted; has not even listened to what his chief executive officer and Chairman of the Board has been saying. He certainly hasn't heard a thing at the chief executive officer has said. The Chairman of the Board has indicated to this committee, at in order to continue a healthy portfolio, that certain things have to be done in order to build the business and have that division in a healthy situation, in spite of all the turns in the market, in spite of the risks that are involved. That's exactly the nature of insurance: you are dealing with risks, and dealing with risks in a competitive market. And the very nature of attempting to put a book of business that is necessary to have this division continue in a healthy way, has certainly been not only hampered, has been stalled by your decisions, by your meddling, by your indecision about some hifalutin study that your government has proposed that you don't even know what it's about, because you can't even tell us what the study will entail.

Those are the decisions that you have made and have handcuffed this corporation by not allowing them the necessary decisions, and the board, for which the Member for Minnedosa is now saying: "Who made my speech?" The Member for Minnedosa sits on that Board of Directors, and he can come to this committee, Mr. Chairman, and say honestly that he sits on that Board and he can't read a financial statement, being a banker, and see the premium volume go down in this corporation, and see the expenses rising; see the net revenues to the province going down and indicate that at branch of the corporation is in a healthy position? What a bunch of nonsense.

Mr. Chairman, you owe it — I believe, Mr. Chairman, — that the Minister owes it, not only to this committee, but to the people of the province, to indicate what their intention is with respect to this corporation, to this division specifically, with respect to the continued operations, because there is no doubt, if the government itself cannot indicate that it is prepared to support this corporation, that no one will want to write any business, and they will allow this division to flounder. The private sector will pick it up by default; they will not have to sell it off and make any money for the public because they don't have to. They will get it by default.

So, Mr. Chairman, the Minister, I believe, if he is going to be candid, he cannot sit on the fence and take both sides of the argument. On one side he is saying we're allowing the corporation to manage its own affairs, and on the other hand, we are screening the requests and we are considering the requests as they come in and we're handling them. Mr. Chairman, if that ever was a non-answer, and the Minister being totally unequivocal, and maybe he should get involved in the day-to-day operations of the corporation, and find out himself; not rely on the Member for Minnedosa to tell you everything is fine, but listen to what the General Manager and the Chairman of the Board has been saying to this committee in indicating that in order to put a healthy book of business, we have to get down to work and make the investments that are necessary.

L. MCGILL: Mr. Chairman, the predictions of gloom and doom notwithstanding, the corporation will continue to be competitive and to deal with management decisions as they come up and a few will be undertaken, as we have told the member and the House, and when the results of that review are evaluated and other decisions are made, those will be announced. But in the meantime, the corporation continues to work actively, to be competitive, and that's the way it should be.

R. URUSKI: Mr. Chairman, my words of doom and gloom. I ask the Minister to tell me, why there has been a reduction from \$121,600 in premium taxes in 1977, to \$57,600 in this year; a more than 50 percent drop in premium taxes. Is that an indication of competitiveness on the nature of the corporation?

L. MCGILL: Mr. Chairman, I think that's a question that would properly be put to the Chairman or General Manager, as of a technical nature.

DUTTON: Mr. Chairman, they shouldn't be read as the premium taxes. That's a provision we have under the general insurance division for premium taxes, and doesn't relate necessarily to what was paid one year the other will be.

R. URUSKI: Mr. Chairman, is it not the case that the corporation paid \$121,600 in 1977?

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MR. DUTTON: No. We can get the figures, perhaps, for you. The premium taxes, Mr. Chairman that were actually paid as they relate to 1977 to 1978 for the corporation as a whole: in 1977 they were \$2.3 million; in 1978, \$2,375,400, and this provision for premium taxes is the amount yet to be paid.

MR. URUSKI: Mr. Chairman, could you indicate what the amounts were with respect to the general insurance division?

MR. DUTTON: The general insurance division of course, the rule of thumb, to quickly relate is based upon the premiums written at the premium tax of 2 percent, roughly 2 percent, on the total amount, and we've got them here. The premium taxes paid in 1977 under general insurance were \$223,754; for the year 1978, \$269,564.00.

MR. URUSKI: Mr. Chairman, could I ask the Minister, when he indicates that a review is being made; who is drawing up the terms of reference for the review?

MR. MCGILL: Well, this will be done by Cabinet, Mr. Chairman.

MR. URUSKI: Could I ask the Minister what kind of advice, what type of experts that the government has in terms of drawing up the reference of this review?

MR. MCGILL: Mr. Chairman, the government has available the professional experience of those who are presently in MPIC, and these abilities and experiences will be certainly drawn upon as well as others which the government may determine.

MR. URUSKI: Yes. Could the Minister indicate whether MPIC staff have been called and asked for advice in this matter?

MR. MCGILL: Well, this process of drawing up the terms of reference is under active consideration but that is yet to begin.

MR. URUSKI: So that there has been no involvement of MPIC staff.

MR. MCGILL: Mr. Chairman, nor involvement of any other persons up to this point.

MR. URUSKI: Is the Minister indicating that at this point, nothing is happening?

MR. MCGILL: Mr. Chairman, I said that this was under active consideration by Cabinet and these matters are under immediate consideration.

MR. URUSKI: We've had the announcement in the Throne Speech that there will be a review. Could I have the Minister's advice on the need for the review, on how the government perceives its need for the review? What is the need?

MR. MCGILL: This is simply, Mr. Chairman, a matter of government policy, that the general review of the whole Manitoba Public Insurance Corporation has been a policy decision of government and that will be undertaken to determine in an objective way, what the present service to the public is and how that might be improved.

MR. URUSKI: Yes, Mr. Chairman, could the Minister indicate that since it is government policy that in order to arrive at certain government policies, there have to be certain assumptions made on the need for a review, and what has been the government policy to establish the need for a review?

We've already gotten from the Minister indicating that they want to review the service that is being provided to the public within this corporation. Could the Minister indicate what other needs were there that the government felt that there is a review required of the corporation?

MR. CHAIRMAN: The Minister.

MR. MCGILL: Well, Mr. Chairman, the experience of this government in public insurance is some years old. This government feels that it's an appropriate time to consider whether the service is, as it's now being provided to the public, is as good as or better than any other service

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ing provided, and if there are areas in which improvements can be made. It's in this vein that government has determined to conduct such a review and to make decisions, if they are deemed to be appropriate as a result of the review.

URUSKI: Mr. Chairman, the now premier and the then Leader of the Opposition, about a year before you were elected, indicated that it was his pledge that the public insurance system in Manitoba would remain intact, and that what was required was the ability to run that corporation efficiently. Has the government now changed its mind and changed its approach or changed its thinking, that the corporation now is not run efficiently?

McGILL: Mr. Chairman, the government has no preconceptions of what the review committee determine or recommend.

URUSKI: Well, Mr. Chairman, when the Minister indicates that the government has no preconceptions, certainly there has to be a preconception to undertake a review. You want to at least look at some aspects of the corporation, specifically because of either some problems that foresaw or some area that you are concerned about, and to this date, although you've announced a study, we haven't heard, number one, who is involved in the setting up of the terms of reference, what is being considered. But we don't even know the rationale behind the need for the study.

I'm prepared to say that that's fine, because you would not even admit to the Leader of the Opposition that you wanted to review no-fault insurance in this province. You wouldn't even admit that. We really are at a loss to know what you really want to study, if you are looking at service, that's fine. That's one aspect of it. But we want to know then, is there a lack of service? I mean the corporation not providing the service that is desired by the motorists in the automobile insurance field, and to its clients in the general insurance field?

McGILL: Mr. Chairman, I'm sure every person in Manitoba who has an automobile or drives one would be as interested as the Member for St. George, in trying to ensure that the kind of service we're getting from MPIC is as good as any that is available in our country. And again I only say to him that the purpose of the review will be to either establish that that is a fact of its present organization, or to consider what recommendations might be made for further improving the service being provided to the public.

URUSKI: Could the Minister indicate whether members of the committee have been selected? Has his review committee? Has the Minister selected a review committee?

McGILL: Mr. Chairman, I indicated in the House that when that review mechanism had been established, that it would be announced in the usual course.

URUSKI: Mr. Chairman, is the Minister prepared to table at the time that he makes the announcement of committee the terms of reference of the review that will be established?

McGILL: Well, Mr. Chairman, without any comment on the specifics, it will be done in what is considered to be the normal method of reporting to the House, when a review committee has been established.

CHAIRMAN: Before the Member for St. George continues on, the hour being 12:30, is it the intention of the committee to pass the report now, or recess and meet at another time? —(Interjection)— Government House Leader will make the announcement in the House as to when we will convene.