

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Thursday, 25 April, 1985

TIME - 10:00 a.m.

LOCATION - Winnipeg, Manitoba

CHAIRMAN - Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Bucklaschuk, Cowan
Messrs. Fox, Malinowski, Santos, Scott

APPEARING: Mr. Carl Laufer, President and General Manager

MATTERS UNDER DISCUSSION:

1984 Annual Report of The Manitoba Public Insurance Corporation

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MR. CHAIRMAN: Committee, please come to order.
We were considering general questions before we start considering the report page-by-page. Are there any more general questions?
The Member for Minnedosa.

MR. D. BLAKE: Did I get all my questions answered last time, Mr. Chairman? I had a meeting and I had to drive back into town last night so I'm just not quite organized here. There were two or three important ones we had here.
Well, let's start out - where does the towing contract stand now, who has it and when was it tendered last?

MR. CHAIRMAN: Mr. Laufer.

MR. C. LAUFER: The towing contract is with Highway Towing, and I believe it's a little over a year into a three-year contract.

MR. D. BLAKE: What was the tender price?

MR. C. LAUFER: The annual cost of the contract is \$475,000.00. I'm incorrect when I said three years, it's a 30-month contract running from January 1, 1984 to June 30, 1986. The total cost of the contract is \$1,187,550.00.

MR. D. BLAKE: It's working satisfactorily with no problems. Was this the lowest tender of the tenders received, or the one that was considered best able to complete the work satisfactorily?

MR. C. LAUFER: Yes, this was the lowest tender received and fortunately, it was a very well established firm with a lot of towing units available, and they've carried out the contract to date in an excellent manner.

MR. D. BLAKE: I wonder if Mr. Laufer has any figures on the salvage operation, if he has it broken down in any way - the profits on the salvage operation - and if he has that broken down into what's recovered on the write-off vehicles. Maybe he could let us know just where we stand as far as the used parts setup goes with the hotline on using used parts for . . .

MR. C. LAUFER: Okay, for the 12 months ended October 31, 1984, the salvage division sold a total of \$6,801,476 worth of vehicles. The expenses in doing that, all in including salaries and advertising and premises and so on, was \$538,680, for a net return to the Automobile and General Divisions of \$6,262,796, which is up from a return of \$5,231,574 the year prior.

MR. D. BLAKE: How is it working out with the used parts? Are we salvaging some of our own, or are we ordering used parts from the salvage dealers?

MR. C. LAUFER: We don't do any recycling of parts ourselves. All the parts that we use are through the existing salvagers. We have set up in the claim centres what we call a hotline system, which is a broadcast system hooked into all the salvage operations. When a vehicle is estimated and it's deemed that used parts might be an alternate way of repairing the vehicle or indeed may be a way to save the vehicle from being written off, the estimator challenges the hotline, all of the salvagers get the broadcasts simultaneously, and those who have the parts respond, indicating what parts they have and what prices there are on that.

Our estimate for 1984 in savings over the retail price of parts is just slightly in excess of \$1 million.

MR. D. BLAKE: So there is good competition in the bidding for the recycled parts then?

MR. C. LAUFER: Yes. .

MR. D. BLAKE: On the Homeowner Insurance Plan, are there any special rates offered to the Manitoba Government Employees' Association?

MR. C. LAUFER: No, there are no special rates offered to the Manitoba Government Employees' Association. What we have done through the MGEA is made available a payroll deduction scheme for the purchase of MPIC homeowner and tenant products.

MR. D. BLAKE: But these are all published rates, and there are no other rates available.

MR. C. LAUFER: They are not discounted rates, no.

MR. D. BLAKE: It's been brought to my attention that MPIC is insuring a fleet of taxis in Edmonton that doesn't really have any Winnipeg connection. I wonder if Mr. Laufer could clarify what the situation is there.

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MR. C. LAUFER: Yes, the taxi company is Yellow Cab, which is owned by Grey Goose Bus Lines, and Grey Goose Bus Lines is headquartered in Manitoba. We insure the bus line and all their cabs and vehicles under one policy and that's how we come to write that risk.

MR. D. BLAKE: So they have a Manitoba connection.

MR. CHAIRMAN: The Member for River Heights.

MR. W. STEEN: Yes, Mr. Chairman, to the Minister or Mr. Laufer. Is Mr. Chisvin and his firm still the auditors for the Public Insurance Corporation?

MR. C. LAUFER: Yes, MacGillivray and Company is still the auditor for MPIC.

MR. W. STEEN: The other day, Mr. Chairman, when we were discussing the General Insurance Division, I believe I understood the President to say that it was the reinsurance aspect of the general business that created the \$4.8 million loss. What is the Corporation going to do in the coming year to avoid having such a loss in next year's annual report? What can the Corporation do? Can they be more selective in their participation in their reinsurance business?

MR. C. LAUFER: Yes, as you probably are aware, some of the treaties that have caused us the problem this year are treaties that have long tail claims' potential. In other words, there are claims developing at the present time that won't show up for payment for perhaps a year or two or even three years hence. So we'll have some runoff of that kind to contend with, the extent of which we're not exactly sure at this point in time.

What we're doing to try to avoid similar occurrences in the future is to change the mix of business. We found that we were probably too heavily involved in international business that had liability and casualty exposures.

Most of those treaties that are causing us difficulty have since been lapsed or cancelled. And the book of business that we're concentrating on now is a more domestic book, more heavily oriented towards the property side where the long tail exposures don't occur. That's not to say that we aren't writing any liability or casualty business, but we're changing the balance of the portfolio so that it's more that kind of reinsurance as opposed to the other.

MR. DEPUTY CHAIRMAN, D. Scott: The Member for River Heights.

MR. W. STEEN: To the General Manager, on two occasions, one from a general agent and one other time I, principal with one of the competing firms in the general insurance business in Manitoba, have raised verbally the issue with me that field men or representatives of the Manitoba Public Insurance Corporation - when visiting agents and agents that do write a fair amount of Autopac business or automobile insurance business, but perhaps they are not giving the lion's share of their general business to the Public Insurance Corporation - are being encouraged to place

more business with the Manitoba Public Insurance Corporation and perhaps being persuaded through the field man by saying that we will co-operate more with you in the area of your insurance business if you will give us more of your general business. This, as I have said at the outset, has been related to me verbally; it's never been put down on paper to me.

My question to the general manager is: has he ever had such a complaint? And if he hasn't, would he think it would be worthwhile having a discussion with the people from the general business that I don't blame them for being out trying to sell and encourage and trying to get more of the share of the market because that's the name of the business that they're in? By using the wedge of you are writing X number of dollar worth of premium of automobile business, but you are not placing enough in our opinion of your general business with us, and sometimes a little bit of coercion is being used, has the general manager had such complaints and, if not, would he discuss the matter with the people in the General Division?

MR. C. LAUFER: That question, as you put forward was raised a few years ago as you recall, when the Burns Report was published. That allegation was put forward at which time the then general manager did an extensive review of that and spoke to many agents and found no evidence to support it.

I might just clarify that for you. The contracts that the agents have to sell automobile insurance with Autopac are completely separate and apart from the general insurance contract, so that an agent can have Autopac insurance without having our general insurance book.

I don't know what kind of pressure could be brought upon an agent in those circumstances. I think, as you well know, the act protects the agent better than any agency contract issued elsewhere with respect to his longevity as an agent. He must actually do something of the nature of a major misdemeanour or a crime in order to lose his Autopac licence because he is protected by law. That being the case, I don't see where any pressure could be applied on an agent by saying if you don't write more general insurance, we are going to take away your Autopac appointment. It just can't be done.

I think the record also speaks for itself to see what has happened in the way of cancellations of Autopac agents over the past 13 or 14 years. Our guys go out there, as you have said, they try to market their general insurance product. We have agents that admittedly don't write the volume of business that we think we should get from them.

I'm sure that you're well aware that it costs money to service an agency. We have to put the manuals out; we have to put the forms out; we have to have that agent logged on the computer; we have to do training; we have to do error corrections; we have to have bank accounts. That all costs money. If an agent, in return for a general agency appointment, is writing 1 percent of his business with us, we can't afford to keep him.

So there are pressures like that put on agents, no doubt, but I don't think it's any different than anyone else does or done in an unfair manner. If it ever is done in an unfair manner, I would like to know about it because I'd certainly deal with it.

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MR. W. STEEN: To the general manager, what percentage of your agents in the province that have the right to write automobile insurance would be general agents? Is it a large percentage of them that carry both lines, or is it . . .

MR. C. LAUFER: I'll give you the actual numbers, rather than trying to do percentages if that's satisfactory.

MR. W. STEEN: Okay, that's fine.

MR. C. LAUFER: We have 286 agents as of October 31, 1984 that write both automobile and general insurance; we have 83 agents that write automobile only, that do not have a general insurance contract; we have 23 agents that write general insurance only, do not have an automobile insurance contract, for a total of 397.

MR. D. BLAKE: I just have a few tag ends here, Mr. Chairman. What company represents the Corporation in the United States now?

MR. C. LAUFER: Is that on the fronting for the truckers?

MR. D. BLAKE: Yes.

MR. C. LAUFER: I believe it's called Transport Indemnity, just let me check. Yes, Transport Indemnity.

MR. D. BLAKE: Transport Indemnity, eh, and that's working out satisfactorily?

MR. C. LAUFER: Yes, to this point in time, it's working okay.

MR. D. BLAKE: The previous company we had down there, what terminated that agreement? INA or something, they called it.

MR. C. LAUFER: That was the Insurance Company of North America, and they elected not to renew the contract that they had with us for those fronting arrangements.

MR. D. BLAKE: Was there any particular reason for that, or they're business reasons?

MR. C. LAUFER: I would call them business reasons. They're a bit speculative so I would hate to, you know, really put them forward.

MR. D. BLAKE: On the investment portfolio, is that still being handled by the Finance Department, or does the Corporation have some say now in where they invest their surplus funds?

MR. C. LAUFER: The investments are handled by the Department of Finance.

MR. D. BLAKE: By the Finance Department, it hasn't changed. Is there any indication that may be changed at all in the future?

MR. C. LAUFER: I have no indication of that.

MR. D. BLAKE: Maybe the Minister might like to comment on that. Has there been any indication of the Corporation being allowed to do their investing of surplus funds?

MR. DEPUTY CHAIRMAN: Mr. Bucklaschuk.

HON. J. BUCKLASCHUK: No, there has not been any consideration up until now to have anyone but the Department of Finance make the investments.

MR. D. BLAKE: On the premium side on the volume breakdown of the general business - property, 5 million; casualty; personal lines; SR&E which I want to get some clarification on - it's the first year that's been included; a total of 24.683 million, and there is a total report of 32.671, so there's a difference of about 7.988 million. I assume the difference would be the reinsurance under the . . . The difference would be reinsurance?

MR. C. LAUFER: Yes, the difference would be reinsurance.

MR. D. BLAKE: I wonder if the general manager could give us any indication of what the losses were on that portion of the reinsurance, or would that be too difficult? Are they spread over a . . .

MR. C. LAUFER: The losses on the assumed portfolio, after investment income, were just in excess of \$4.8 million; before investment income, they were 5.9, well \$5,901,866.00.

MR. D. BLAKE: Under this reinsurance scheme it appears we're playing with the big boys on this side of the ledger. I wonder if Mr. Laufer would care to comment. Does he feel that we should be in this business of reinsurance as extensively as we are? Are we equipped, through the Corporation, to deal with the larger insurance people that are in this field?

MR. C. LAUFER: It's our intention to continue with this portfolio. I think I mentioned earlier that we made some significant changes in our approach to underwriting the assumed business. We've also now established a full reinsurance department properly staffed with proper expertise in there to give the necessary attention to a portfolio of this size and hopefully that will, in the next two to three years, show some good results.

MR. D. BLAKE: Mr. Chairman, just while we're on general business. The Insurance Corporation of British Columbia have sold off their general lines. I understand that FTIO would like to do also. In view of the losses being suffered, is there any consideration given to selling off this particular part of the insurance portfolio with MPIC?

MR. C. LAUFER: There is no consideration to my knowledge. The General Insurance Division over the years, since 1975, has been relatively successful, and there is no reason to believe that it won't continue to be successful.

The situation that we're in, while it is distasteful to us - I guess it is to anyone to lose some money - is

a situation that I think almost all the general insurance companies in North America, and certainly a lot of them in Europe, are suffering. It's been a marketplace in which rates are unrealistically low. That's gradually catching up with all the insurance companies. They simply can't afford to put the business on the books at those kinds of rates. This year already has shown some strengthening of rates in that area and I'm sure that will continue and correct; and that we'll see black bottom lines again in the next two or three years as the situation corrects itself.

MR. D. BLAKE: I suppose we could look at the companies that haven't been successful in this field that are no longer in the field. There are a few, I guess, in the past year or two that have gone by the wayside. Would that be from going after too much business at an unprofitable rate just in order to garner the business, or would you have any idea of what the major reasons are for the companies that have gone by the wayside?

MR. C. LAUFER: Well, it would only be speculation on my part, but I would think that it's probably a combination of things. When the interest rates were high, people were after the premium dollars to invest and get those kinds of profits. They did so, as I said earlier, at unrealistic rates and perhaps they loaded the book in that fashion, even picking up risks that they might not ordinarily pick up.

The other thing could be that they neglected to maintain their loss reserves at a level that truly reflected the exposure. In other words, perhaps as claims developed, they didn't enhance their reserves to reflect those developments of claims over the years, and that eventually has a very startling effect on the bottom line when the right reserves are put in place.

MR. W. STEEN: Mr. Chairman, to Mr. Laufer, and I'm glad to see that the Minister of Business Development is present, because at the time of the year that Autopac renewals occur, in late February, and there is a great rush by the motorists to purchase their automobile insurance, you hear from time to time other businesses saying that the glut of money that is taken out of the economy by the purchase of automobile insurance at that one time of the year has a great effect on small business in particular, and in the retailing market with retailers.

Obviously the Corporation in the past has looked at the possibility of perhaps having persons renew their public insurance for their automobile at the time of their birth date, or some other means of spreading it out over the 12 months of the year.

From studies that you may have done, what would this cost the Corporation in extra dollars by not having all your money coming in at one time?

MR. C. LAUFER: Okay, there are a number of cost areas that we've identified and I won't try to recall them all, but I'll address some of the major ones for you.

By getting the premium income in, in one lump sum at the beginning of the licence year, we're immediately able to invest those sums for the entire year and generate investment income which, again, goes towards paying claims. If that's spread out on a cyclical basis,

that is a monthly basis, the revenue from interest that first year will be reduced by 50 percent.

But when you're talking in terms of between \$16 million and reduce a one-year return by 50 percent you can see the cost is substantial, and the only place that you can pick it up is to put it back into the premium structure. In other words, if we lose \$20 million or \$3 million in - well, maybe half of that - \$10 or \$15 million of interest revenue by moving to a cyclical system we have to get \$10 or \$15 million back from the motorist public through increased premiums.

The other thing that happens is that you have to have some way of identifying the expiration of the plate each month - and I'm not saying that's a difficult or impossible task, there are places where that's been done - but it does give you stock control problem: Instead of the agents having one sticker to control they now have 12 expiry stickers and they have 12 monthly stickers and stock control gets to be a problem in those jurisdictions where they do have that, the kind that the agents are saying, "Gee whiz, I'm out of February stickers. Have you got some? I'll trade you for some Marches," and stuff like that and it just gets all screwed up.

The administrative effort in doing it every month is greater, too. I don't know exactly what the cost is, but I think we figure it out roughly, computer time and additional administrative costs would run in the area of \$1.5 to \$2 million. So the overall costs, plus a number of peripherals, would be fairly substantial to the motorist. The way it's done now is quick and easy everybody knows about it and it doesn't take long for the retail trade to pick up again once the renewal wave over, if indeed there is a substantial drop in business

MR. W. STEEN: Mr. Chairman, I'm told that in British Columbia they work on the 12-month basis. Did they at one time work with the same system that applies here in Manitoba and switch back, or were they always on the 12-month payment period?

MR. C. LAUFER: I was just confirming with my colleague. We believe that they started out on an annual basis. The problem I think there is that they do a little better than three times the number of automobiles that we do, and what they found they had difficulty with is the turnaround time of the documents. In other words getting them out was no problem, getting the agents to handle them was no problem, but once they go back to ICBC to get those millions of transactions up onto the computer in a reasonable time was a problem. That created difficulties in verification of coverages; it created difficulties for the law enforcement people who accessed the computer to determine whether registrations and drivers licences are valid and in force and so on. I think that is really what prompted them to change to a cyclical system, as opposed to any other consideration.

MR. W. STEEN: Has the Manitoba Public Insurance Corporation done any in-depth studies as to the desirability and profitability of entering into the life insurance or the pension field on behalf of the Minister responsible for the Public Insurance Corporation?

MR. C. LAUFER: Yes, we completed a feasibility study on that question at the request of the Minister.

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MR. W. STEEN: Mr. Chairman, to the Minister. Can he tell me whether that document has ever been made public?

HON. J. BUCKLASCHUK: No, that document has not been made public.

MR. W. STEEN: Is it the Minister's intention at some date in the near future to table that document in the Legislature?

HON. J. BUCKLASCHUK: The document prepared for me by the Corporation is really a document outlining the implementation of going into the life insurance pension management business and, as such, is really a confidential type corporate document. For that reason, it would not be my intention to table that report.

MR. W. STEEN: To Mr. Laufer, do you have any employees at the Public Insurance Corporation who, today, are currently engaged in the establishment or writing of review reports for the possible entry into the life insurance and pension field?

MR. C. LAUFER: We have no employees engaged in those activities.

MR. W. STEEN: Do you have any persons who are working at arm's length or on a contract basis for the Corporation that are carrying on studies as to the feasibility of entering into the life insurance pension field?

MR. C. LAUFER: No, we have no consulting or contract people engaged in that effort.

MR. W. STEEN: Mr. Chairman, to the Minister. Can the Minister, since he considers the report, or the document, an internal private matter, can he enlighten members of the committee as to what his intention is to do with the report? Is he going to move in the direction of the establishment of a life insurance department or a pension department, or has the report stated that it's not worthwhile getting into that field?

HON. J. BUCKLASCHUK: For one thing, the report certainly did not state that it was not worth getting into that field. The report was a very thorough study of the feasibility or economic viability of the Corporation becoming involved in those areas. It was quite positive, however, as the member is aware, the Premier in the House had indicated that it is not our intention to enter into the life insurance field.

MR. W. STEEN: I would ask the Minister then, in light of the Cabinet document that the Member for St. Norbert tabled in the Legislature approximately a week ago, would he consider entering into the life insurance and pension field to be too risky at this time, on what we might consider the eve of a general election?

HON. J. BUCKLASCHUK: I certainly would not consider it too risky. The fact is that the survey indicated there was considerable support for the Corporation becoming involved in those fields. It is a conscious

decision that we will not enter into the life insurance field.

I will be meeting with the Canadian Life Health Insurance Association within the next two or three weeks and we will discuss the matter with them.

MR. W. STEEN: Since the document that was prepared by the Corporation for the Minister is not available to members of the Legislature, and the Minister has said that it's his intentions over the next few weeks to meet with the private sector of the insurance industry, can I be assured by the Minister that no decision to enter into the life insurance field has been made as of this date?

HON. J. BUCKLASCHUK: That is correct. No, I should say that there has been a decision not to enter into the life insurance field, however, the industry, through the Canadian Life Health Insurance Association, has requested a meeting with me, and I certainly intend to hold that meeting and discuss how they might be able to contribute more to the Manitoba economy.

MR. W. STEEN: I see.

MR. D. BLAKE: I have a few tag ends. The time payment program, I just had a look at the receivables. How has that been working out; are we having any problems collecting time payment premiums?

MR. C. LAUFER: The time payment program has been working very well. We have about 195,000 people this year that took advantage of that, and annually we do have a collection problem, but not of great magnitude. There are a number of people who overlook making their payment. There are some people that move and don't get their notices and we have some problems like that, but we don't consider it a major problem.

MR. D. BLAKE: The body unit now that's out, is this causing us any problem in repairs? They tell me if those vehicles aren't aligned properly that they could be unsafe on the road. Is there any problem showing up with the unit body construction?

MR. C. LAUFER: We have a considerable concern over that ourselves and, to that end, have developed a program, together with the manufacturers of front wheel drive vehicles to train, not only our estimating staff, our road adjusters, but also members of the auto body repair trade here in Manitoba. We do this on weekends, and we are trying to ensure that quality repairs are carried out to those vehicles to overcome the very problems that you mentioned. Yes, it's a little more difficult to deal with those cars.

MR. D. BLAKE: What increase have the body shops received in their costing? When was the last one and how have negotiations been with them on their rates?

MR. C. LAUFER: We negotiate annually with the automotive trades, and they have committees that are made up of representatives of the two major associations. One is the Manitoba Motor Dealers and the other one is the Automotive Trades Association

who represent most of the repair agencies in the province. The Winnipeg labour rate, effective March 1st, we negotiate in conjunction with the licence year so that we can budget properly for our loss expenses. The charge-out rate in Winnipeg rose by 5.6 percent.

MR. W. STEEN: That's how much an hour now?

MR. C. LAUFER: It's \$29 an hour now.

MR. D. BLAKE: Mr. Chairman, I should have asked this before when you mentioned the time payment figures. Is that up substantially from previous years, this year?

MR. C. LAUFER: I would say, less than 10 percent.

MR. D. BLAKE: Okay. On the Driver Education with the 15-and-a-half year olds now, I understand there is quite a waiting list now. Is that being addressed in any way to either put on more instructors, or is that strictly with the Motor Vehicle Branch, or is that some responsibility of the Corporation?

MR. C. LAUFER: I'm not aware of there being a waiting list, but the whole Driver Education and Training Program per se is handled through a division of the Motor Vehicle Branch.

HON. J. BUCKLASCHUK: Yes, Mr. Chairman, just to respond to that, I believe that the problem has been partly the difficulty we have in obtaining qualified driving education instructors. That is within the purview of the Minister of Highways and Transportation.

MR. D. BLAKE: Just while we're on that, I think we covered that fairly well under those Estimates on the licence suspensions with the recent court decision. Is the Corporation involved in that at all, in notifying drivers of suspension, or is that strictly a Motor Vehicle Branch responsibility?

MR. C. LAUFER: We're not directly involved in issuing the suspensions. We are indirectly involved in some areas for suspensions taking place.

MR. D. BLAKE: I just have one or two tag ends, Mr. Chairman. I notice in this publication of the Underwriters of Saskatchewan, the results weren't in. Would Mr. Laufer know offhand - they made some type of a rebate to the motorists this year - could he give us some indication of what their profit picture was in the past year? It must have been substantial because, if I recall, they had some pretty heavy losses over a few years, and they must have recovered very very rapidly in order to make a rebate payment.

MR. C. LAUFER: I don't unfortunately have the annual report with me, so again I'll go by memory.

Saskatchewan's plan carried a \$200 deductible on physical damage coverage as does the Manitoba plan, I believe three or four years ago. They had run, as you said, some fairly substantial losses and in an effort to correct that, three years ago raised the rates by some 24 percent; and they raised the physical damage

deductible from \$200 to \$350.00. In the last complete fiscal year, I think they had at that time raised their rates by 28 percent, and raised the physical damage deductible to \$500.00. As you can appreciate, that changes the picture entirely and they ran a very substantial surplus this year, but I would suspect it would be in the area of \$20 million.

Some of the reserves that they had set up were re-evaluated and found, in the eyes of certain people, to be overstated, and I think that's the money that they're dealing with.

MR. D. BLAKE: The list of commissions, Mr. Chairman, that were paid out to the agent, is a list of that available to members of the Legislature, or would that be considered confidential information for the Corporation?

MR. C. LAUFER: I'm not quite sure. Did you mean the compensation to each individual agent?

MR. D. BLAKE: Yes, the commissions paid to each individual agent.

MR. C. LAUFER: We have such a list and whatever the Minister is disposed to do with it is fine with us.

MR. D. BLAKE: Mr. Chairman, we can put that question to the Minister then.

HON. J. BUCKLASCHUK: I would consider the income that the specific agents derive from sales of Autopac Insurance or General Insurance to be of a very confidential nature. Certainly we wouldn't want to divulge to the public what incomes were of individual agencies.

MR. D. BLAKE: My colleague tells me that the Liquor Commission make available how much product was sold by each hotel, so that would fall in the same category of being considered maybe of a confidential nature. Would it be possible to obtain the amount of insurance written by each agent? Then we could do our own homework.

HON. J. BUCKLASCHUK: Well it certainly would not be my preference to make that sort of information available. However, I'll take that question under advisement.

MR. D. BLAKE: Thank you. In this statistical report, Saskatchewan isn't in here, but the Manitoba expense ratio on Autopac was 12.71 percent and on the general business, 42.68; IBC was 14.88 on the Autopac and 45 on the general. Why would the expenses on the general business be so much higher, or substantially higher than the expenses on the Autopac business? Is it because of the compulsory nature and the package deal of handling it all at the one time that keeps the expenses extremely low on that phase of our business?

MR. C. LAUFER: There are two primary reasons, the first one that you've already mentioned. The delivery system under Autopac by making a coterminous document with the Motor Vehicle Registration is a very

very economical way of distributing an insurance product, and that shows up in the expense ratio.

The fact that the volume of automobile business is so high allows for very sophisticated computer systems to deal with it, again reducing the cost per transaction substantially.

The final factor is the commission rate on the general insurance products is quite a bit higher. Automobile runs in-between 5 percent and 12 percent. The General Insurance products, homeowners and the like are at 25 percent, and most of the others are around 20 percent. So those are the factors that influence the expense ratio.

MR. D. BLAKE: Mr. Chairman, I think that covers everything. My colleague for River Heights has one or two questions.

MR. W. STEEN: Mr. Laufer, following up on the previous question about the administrative costs in the general being higher than in the automobile industry, if you had a monopoly in the general field in the Province of Manitoba, how much could you reduce your administration costs by? Would it be substantial, or would it be a nominal amount?

MR. C. LAUFER: That's a very difficult question to answer without actually studying it, but I think there could be some cost savings affected, yes.

MR. W. STEEN: A question to the Minister, I am pleased to hear that he's going to meet with the people in the private sector of the life insurance and pension field. Does the Minister feel the report that he considers an internal document might be made available to the members of the Legislature after the Freedom of Information legislation has passed?

HON. J. BUCKLASCHUK: I would have to take a look at the freedom of information legislation as it pertains to Crown corporations. I think there is some provision in there for not making available to the public, information that is considered to be of a confidential nature or a business nature.

MR. D. BLAKE: I just have a question, Mr. Chairman. On the annual report another major development was transferring the CSRs from the Autopac Division into the General Insurance Division. What really brought this about? If this hadn't been done, what would the

profit picture or the loss picture of the general business have been?

MR. C. LAUFER: The special risk extension business was always handled by the General Insurance Division out of our Brandon office. It was underwritten by them, marketed by them, and serviced by them. Their claims, though, were adjusted through the claims centres and it was really a bad mix. They were doing all of the work and getting none of the credit for it, so we undertook the decision to, indeed, transfer that whole division to where the work was being done, and we did a calculation as to the cost of claim servicing that portion of the business, and that is charged directly to VSRE because the claims centres are generally handled by the Autopac side as you know. So they've been properly charged for each of the claims that arise in that area.

MR. D. BLAKE: A fairly substantial amount, around some \$8 million or \$9 million, it would have made quite a difference in the general insurance picture, if that switch hadn't been made.

MR. C. LAUFER: Yes, the premium that was moved from the one division to the other was between \$8 million and \$9 million; that's correct.

MR. D. BLAKE: Where are negotiations now with the Motor Vehicle Branch on cost-sharing, is that proceeding satisfactorily from your point of view; the Motor Vehicle Branch think it's proceeding satisfactorily from their point of view?

MR. C. LAUFER: The negotiations are proceeding, they're slower than I would like them to be.

MR. D. BLAKE: My colleague and I have no further questions and, with that, we're prepared to accept the report as presented to the committee.

MR. DEPUTY CHAIRMAN: We'll pass the report just as a report, instead of going page-by-page. Report pass? (Agreed) Okay. That concludes the business of this committee.

The committee shall reconvene upon calling in the Legislature for the next corporation to come before the committee.

Committee rise.

COMMITTEE ROSE AT: 10:56 a.m.

