

**Fourth Session - Thirty-Ninth Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Crown Corporations**

*Chairperson*  
*Ms. Sharon Blady*  
*Constituency of Kirkfield Park*

**Vol. LXII No. 2 - 6 p.m., Tuesday, September 21, 2010**

ISSN 1708-6604

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Ninth Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

**Tuesday, September 21, 2010**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Ms. Sharon Blady (Kirkfield Park)**

**VICE-CHAIRPERSON – Mr. Bidhu Jha (Radisson)**

**ATTENDANCE – 11                      QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Lemieux, Struthers, Swan*

*Ms. Blady, Messrs. Cullen, Dewar, Faurschou, Graydon, Jha, Martindale, Mrs. Taillieu*

**APPEARING:**

*Mr. Kevin Lamoureux, MLA for Inkster*

*Ms. Marilyn McLaren, President and Chief Executive Officer, Manitoba Public Insurance Corporation*

*Mr. Jake Janzen, Board Chair, Manitoba Public Insurance Corporation*

**MATTERS UNDER CONSIDERATION:**

*Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2007*

*Annual Report of the Manitoba Public Insurance Corporation for the year ended February 29, 2008*

*Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2009*

*Annual Report of the Manitoba Public Insurance Corporation for the year ended February 28, 2010*

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**Clerk Assistant (Monique Grenier):** Good evening. Will the Standing Committee on Crown Corporations please come to order.

Your first item of business is the election of the Chairperson. Are there any nominations for this position?

**Mr. Gregory Dewar (Selkirk):** Yes, thank you. It's my honour to nominate Ms. Blady.

**Clerk Assistant:** Ms. Blady has been nominated.

Are there any other nominations?

Hearing no other nominations, Ms. Blady, will you please take the Chair.

**Madam Chairperson:** Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

**Mr. Dewar:** I'd like to nominate Mr. Jha.

**Madam Chairperson:** Mr. Jha has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Jha is elected Vice-Chairperson.

This meeting has been called to consider the annual reports of the Manitoba Public Insurance Corporation for the fiscal years ending February 28th, 2007; February 29th, 2008; February 28th, 2009; and February 28th, 2010.

Before we get started, are there any suggestions from the committee as to how long we should sit this evening?

**Mr. Doug Martindale (Burrows):** I recommend that we follow the usual procedure and sit until 9 o'clock, or earlier if we run out of questions, and reassess at that time.

**Mrs. Mavis Taillieu (Morris):** Yes, we would agree to sit till 9 o'clock and then assess at that time to determine whether we need to go longer.

**Madam Chairperson:** Is the committee in agreement? *[Agreed]*

Are there any suggestions as to the order in which we should consider the reports?

**Mrs. Taillieu:** I think I'd like to do a global discussion and questioning as we have normally been doing in committee.

**Mr. Martindale:** Does that mean that we might actually pass a report from, say, 2006, I believe we have in front of us, or maybe even 2006-2007? Would that be the intention of the committee?

**An Honourable Member:** Agreed.

**Mrs. Taillieu:** Well, I think we'll see how the questioning and answering goes and we will determine that later.

**Madam Chairperson:** Okay, on that note, then we will go with the suggestion that it will be a global approach to the reports, and we will see where things are at as things proceed.

Is the committee in agreement? *[Agreed]*

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance.

**Hon. Andrew Swan (Minister charged with the administration of The Manitoba Public Insurance Corporation Act):** Thank you, Madam Chairperson and committee members. As minister responsible for Manitoba Public Insurance, I'm pleased to present the four annual reports for the years ended February 28, 2007, 2008, 2009, and 2010.

Joining me today are several members of the corporation's board and executive, including the new Chairperson of the Board, Jake Janzen; President and Chief Executive Officer Marilyn McLaren; Vice-President Finance and Chief Financial Officer Don Palmer; General Counsel and Corporate Secretary Kathy Kalinowsky; Vice-President Community and Corporate Relations MaryAnn Kempe; Vice-President Claims Controls and Safety Operations Ted Hlynsky; Vice-President Strategy and Innovation Dan Guimond; and the Vice-President Service Operations Christine Martin. The Director of Finance and Corporate Controller Ottmar Kramer is also on hand with us this evening.

So I thank you for this opportunity to provide some general comments relating to the four outstanding reports and the operations of Manitoba Public Insurance. I'm very proud as the minister to state that this corporation continues to provide efficient customer service and affordable auto insurance for Manitobans.

There's been rate stability in Manitoba for more than a decade now. I'm pleased to remind the committee that in its most recent spring, 2010, general rate application to the Public Utilities Board, Manitoba Public Insurance has requested a 4 percent overall rate decrease and, if approved by the board, this will be the 12th year out of the last 13 in which MPI has either held the line or reduced rates.

This application, if approved, will also result in more than \$90 million being returned to ratepayers.

The average rebate returned to Manitoba vehicle owners will be \$115. This will be the fifth rebate in 11 years to Manitobans, totalling more than \$350 million given back to ratepayers, and I think it's fair to say there's not another auto insurer in the world that can make that statement.

\* (18:10)

In this application before the board, Manitoba Public Insurance is also proposing to raise the driver safety rating, or DSR, vehicle premium discount to a maximum of 30 percent from the current 25 percent discount, which long-time safe drivers now receive. And, additionally, the higher DSR levels, 11 to 14, are being implemented and will provide vehicle discounts of 26 to 29 percent, respectively.

Of the 673,300 vehicles that are eligible for vehicle discounts, 250,685, or about 37 percent, will receive higher vehicle discount levels; the remaining vehicles will see no change.

Customer service for MPI continues to be a priority. The corporation continues to make huge strides in its conversion to full-service centres throughout the province. The conversion process was piloted successfully with the Winkler claims centre in 2007 and has since been followed by Arbog, Beausejour, Brandon, Dauphin, Steinbach and Thompson. Portage la Prairie is in the process of being converted. MPI has also converted four Winnipeg centres: King Edward, St. Mary's Road, Pembina Highway and Pacific Avenue. And three new service centres were recently opened in Winnipeg on Main Street, Bison Drive and Gateway, with construction taking place right now in Selkirk. It's expected the Selkirk facility will be servicing Manitobans early next year.

And, of course, all of these new facilities are expected to meet the Leadership in Energy and Environmental Design or LEED silver status, so they're all energy efficient and environmentally friendly.

There's new products which have come on-line. Manitobans now have a one-piece driver's licence. They now have or will soon be receiving a one-piece driver's licence which is good for up to five years. Manitobans also have the option to get an enhanced driver's licence, which is an accepted document to enter our neighbour the United States by land or water.

A new streamlined renewal system for Autopac allows customers the option of not visiting their local

broker for up to five years, and I do want to say this was only accomplished through a strong and a co-operative partnership with the Insurance Brokers Association of Manitoba.

Manitobans believe in MPI. A recent poll reported that a large majority of Manitobans have a favourable opinion of the corporation. The province's public auto insurer has maintained that high level of support for many years. Manitobans are also impressed with MPI's coverage for vehicle damage, and a large majority say that Autopac, all things considered, provides good coverage for Manitobans.

Manitobans say if they can choose their coverage, they would choose the most complete coverage over the lowest price. They get both here in Manitoba; MPI's rates are among the lowest in Canada while still providing the most comprehensive coverage.

Marilyn McLaren, the president and CEO of Manitoba Public Insurance, and I are now ready for any questions that you may have. Thank you.

**Madam Chairperson:** We thank the honourable minister.

Does the critic for the official opposition have an opening statement?

**Mrs. Taillieu:** No, I don't have an opening statement, just like to thank all the staff for being here and look forward to proceeding through some questions as we go—move forward.

**Madam Chairperson:** We thank the member.

Ms. McLaren, would you like to make an opening statement?

**Ms. Marilyn McLaren (President and Chief Executive Officer, Manitoba Public Insurance Corporation):** No, thank you.

**Madam Chairperson:** Thank you. The floor is now open for questions.

**Mrs. Taillieu:** And I did say that we would go in a global manner, but I am going to try and move through the 2009 annual report, the one that says on the cover, 2009 annual report, and I'll pose my questions in sections as we go along. But I may come back and forth just—I may have forgotten a question in a certain section and come back to that. I know that I'm new to this critic responsibility, this role, so I may ask questions that have been asked over and over again. But I'm seeking information for my own knowledge of the corporation as well as answers to

some pointed questions, so you'll have to just bear with me if I repeat myself a few times.

So we start in the beginning of the book, the new driver safety rating. I wonder if you can tell me, to implement this system, is there a cost in implementing this new driver safety rating? Is there a cost, and where is that cost—where would we see that in the financials?

**Ms. McLaren:** Yes, definitely, the project itself had a cost, a number of different components. There was certainly some significant costs to modify our computer systems to operate this new way and to rate on this new basis. Some costs to provide different communications, information to Manitobans, even just brochures and information on our Web site to make sure that they understood it. There were costs to educate and train the brokers on the new system. So there are a number of different costs like that.

The cost of the program would have been capital—most of it would have been capital costs that would have been in the capital budget, and after it was implemented, just prior, so it would be very little of it, actually, the—we would begin to amortize the costs of this project after we implemented on approximately the 10th of January of this year. Our fiscal year on this report ended at the end of February of this year, so only about six weeks would be actually amortized and begun to be expensed, basically, in this fiscal year. So you'll see more costs—more of those amortized capital costs in this current year that we're in now and going forward. Projects like this are generally amortized over five years.

**Mrs. Taillieu:** What were the initial start-up costs then in capital?

**Ms. McLaren:** I'll have this confirmed and corrected on the record if I'm wrong, but it was approximately \$10 million.

**Mrs. Taillieu:** Then, what revenue are you expecting to generate from this driver-rating system?

**Ms. McLaren:** This project was not initiated and approved on the expectation that we would get more money. This is a compulsory automobile insurance program. This is part of the basic compulsory insurance program. So there's no real opportunity at all to generate more money. There is some possibility that if Manitobans have a better understanding and an appreciation for the financial impact of their driving decisions they may improve

their driving and therefore there would be lower claims costs. But we have not factored in claims cost reductions as part of this program. This program was initiated and approved on the basis that it is more understandable for Manitobans. It's more intuitive. It makes more sense. It has an enhanced ability to provide greater discounts through time, which the minister mentioned in terms of our application to PUB this year. And we believe at—the cost of the project, for the basic compulsory program, we had an obligation to make the merit discount and surcharge system more understandable and better for Manitobans. That's why we did it.

**Mrs. Taillieu:** So there's no expectation to recoup any of the \$10-million cost to start the program. You're not expecting to actually get revenue from this program, as I understand you saying, but it cost 10 million. So where is the 10 million? Where does that 10 million come from to provide this?

**Ms. McLaren:** It would be reflected as part of our operating costs for operating the basic compulsory program. If, you know, as our—sort of our financing model for the basic Autopac program is people pay premiums and most of that money is paid back out in the forms of claim payments. We also have an investment income. Our operating expenses would be largely covered by that investment income, so that at the end of the day, this would represent an increase to operating expenses that would not otherwise be there if we did not do this program. But we look at it in terms of the overall future. We go through a very detailed financial forecasting process for basic Autopac programs. So it's really critical for us, because we are administering a compulsory program, that we make sure that it is viable and sustainable over the long term from a financial perspective.

Some things we do reduce the cost of basic Autopac overall; some things increase it. But the key from our perspective is to be able to understand exactly the impact of the actions that we're proposing and make sure that the government's in a position to make a decision whether they want to proceed with this. The driver safety rating is something that, like almost every other aspect of the basic compulsory program, is not at the discretion of Manitoba Public Insurance. There's a driver's safety rating regulation under The MPIC Act. So we had to put this together in a way that we believed made sense to Manitobans.

\* (18:20)

This is an area of the basic compulsory programs operations for many years that people had real issues with—our customers had real issues with. We learned through time that people thought they understood how the merit discount program worked, and then when they encountered it, when they had an at-fault accident, for example, they found out they really didn't understand it and that caused a lot of frustration and a lot of dissatisfaction. And this is part of our effort to continue to improve the program, to make recommendations to government that will enhance the program's acceptability to Manitobans. And, as I also said, it has the potential—there's no possible way to legitimately forecast what these costs might be, but it does have the potential to encourage Manitobans to drive more safely and then potentially lower claims costs.

**Mrs. Taillieu:** Are you expecting, then, lowered claims costs?

**Ms. McLaren:** Well, the way we've talked about that within the corporation, with our stakeholders and a lot about—talk about this at the Public Utilities Board, who had a lot of interest in this change to the rating system, is that because there's no real legitimate way to predict or forecast what that might be, the best we can say is that we think there's a really enhanced likelihood that there will be some decreases in claims costs. And we would hope that Manitobans would use the system to drive down claims costs, but we have not budgeted to say, you know, we're going to spend \$10 million and over the next 10 years we'll save X amount in claims costs. There would be no real, legitimate, business-focus kind of way to ever put an estimate on that.

**Mrs. Taillieu:** I've heard it said that this is really—I mean, the way it's been marketed, I guess, is that good drivers will get decreased rates and bad drivers will pay more, which, you know, that does make sense. But I've also heard it said that it's not—it's really not going to impact that much on the good drivers but it's really going to impact on the bad drivers, and there's—therefore there's quite a potential for increased costs, I guess, to the driver.

I'm—you know, I'm not really sure that that's a bad thing, but it does sound like there may be some chance that there'll be some monies generated from this, but you're saying that there's not going to be any money generated from this. So—okay, well, I just will be coming back, I guess, next year and finding out if there's any revenue generated or any monies recovered.

**Mr. Swan:** I think it's important to remember that the Public Utilities Board keeps their hand in this, and you'll see even from the page you refer to, page 9, you'll see there's the grey area of plus 11 to plus 14. There wasn't a specific merit discount given at those levels in the first year of this program. MPI is now asking the Public Utilities Board to allow us to fill in those levels and to continue giving bigger discounts.

Similarly, it's expected that MPI will go back to the Public Utilities Board in future to ask that the additional premiums for the highest risk drivers continue to increase, but it's going to be an ongoing process. The plan is to move this over time and that'll be done only with the concurrence of the Public Utilities Board each year we want to make changes.

**Ms. McLaren:** I just wanted to comment on a couple pieces of that, because the strategy that we chose for the initial implementation of driver safety rating is that almost everyone would pay the same as before we implemented. It was really a base year because, you know, the mechanics and the language and so much was changing, we wanted to leave it as—with as little change as possible.

So in the first year, there still was only a 25 percent discount. In the first year, the maximum surcharge was \$1,041, which is exactly the same as the maximum 999 surcharge in addition to the basic premium that existed today. So there's no additional on the bad side of the ledger, no extra savings on the good side of the ledger.

But we really believe at MPI that it's critically important for us to properly balance that tilt between, you know, good drivers pay less, bad drivers pay more. The reality is that there is tens of times more good drivers than there are bad drivers. The number of drivers on the demerit side of the scale is probably not much more than about 20,000, and there are 700,000 licensed drivers in this province. So we know we cannot, you know, tilt too much in that direction.

We also know that it's critically important that we not have such high surcharges that people continue to drive. They continue to be licensed. They stay in the game. It's a very different system here than it is in other jurisdictions that don't have those same considerations, you know, with the registration insurance linked as it is here.

The maximum surcharge for the absolute, you know, worst risk that we have thought about and

have talked to PUB about is \$2,500, which is not unlike what someone could have paid if they had a lot of demerits in the old system and also a couple of at-fault accidents. So we understand that there's really a limit to how much extra you can charge the worst risks and we are trying to move this year to better discounts for the future.

But I guess at the end of the day the important thing I wanted to say as well is the basic Autopac rates—it's a net sum game. If we do get more revenue from the worst drivers, then we'll have more rate decreases or we'll have even better discounts for the lower risk drivers. It's—you know, we don't make money; we don't keep money; we're supposed to break even. This program is simply supposed to break even. So if there are higher revenues, it will reflect itself in lower costs for Manitobans overall.

**Mrs. Taillieu:** Yes, thank you. I'm just going to move on now to the—page 10 and the one-piece driver's licence, the enhanced driver's licence, enhanced driver's identification card.

Can you tell me then, as to date what has been the total cost to date of the enhanced driver's licence?

**Ms. McLaren:** The start-up costs were completed and finished off right in line with what we have—what we expected them to be. It was just slightly over \$14 million for the enhanced card program, and since the start up, we have basically been paying the costs of administering the program with the \$30 fee for—that customers pay to be part of the program.

**Mrs. Taillieu:** Of the 776,209 licensed drivers—I took that from this book here—how many of them have an enhanced driver's licence?

**Ms. McLaren:** I don't have the exact breakdown between enhanced identity cards and enhanced driver licences but generally, it's about 10,000 to 12,000.

**Mrs. Taillieu:** Could I get a breakdown then of how many of those are enhanced driver's licences and how many are the enhanced identity cards?

**Ms. McLaren:** Sure, we can provide that after the fact. I can tell you that the majority, a big majority, are enhanced identity cards because that's how we started the program. We could not introduce the enhanced driver licences until we could move to one-part driver licences so most people who wanted an enhanced card chose the identity card first. And now, since we've been transitioning to the one-part licence, most people who could have easily just

switched from an enhanced identity card to an enhanced driver licence chose to keep the two cards instead of going to the one card so most of the cards that we have in use are the identity cards still.

**Mrs. Taillieu:** Of the 10,000 to 12,000 then that would comprise both the enhanced driver's licence and the enhanced identity card, can you ballpark what percentage would be the enhanced identity card then?

**Ms. McLaren:** I expect someone can get that information pretty quickly before we finish here tonight but I don't have it right now.

**Mrs. Taillieu:** How much has been spent then advertising the enhanced driver's licence to—for more people to get the licence, the enhanced licence?

**Ms. McLaren:** I believe the total amount that we've spent on—okay, let me back up just a second. This is the information about the split between EDLs and EICs. We have almost 11,000 enhanced identity cards and about 3,000 enhanced driver licences. So there's about, almost 14,000 in total with 11,000 EICs and 3,000 EDLs.

\* (18:30)

In terms of the advertising, I believe since all—and we have not spent very much just promoting the enhanced driver licence since it became available this year, but all in, we spent about \$300,000 advertising the enhanced card program in total, both the enhanced identity card when it first rolled out a year and a half ago or so and the EDLs more recently.

**Mrs. Taillieu:** Yeah, it seems like an awfully low number—3,000 enhanced driver's licence doesn't seem like that was something the public really wanted to do. Did you do any focus groups ahead of time to see whether this was something the public would be interested in?

**Ms. McLaren:** No, not specifically focus groups, but we knew that there was lots of concern and many governments in Canada were determining that this was an appropriate approach to dealing with changing border rules at the U.S. border. I don't think it's fair to look at the number of EDLs in isolation. I can tell you that if we had rolled the program out at the same time, people could have had an EDL or an EIC at the same time when it first began, the split would probably be different. But I think the fact that about 14,000 Manitobans have this card, I can tell you that on a per capita basis Manitoba has at least as

much demand, if not more, than other provinces like Ontario and Québec, given the size of our population and the number of people who have opted for the cards. So I think it's a legitimate alternative that was important for the government and MPI to provide for Manitobans, and I think we need to look at the numbers in total.

**Mrs. Taillieu:** I think there was some market research done, and of 790 respondents, 74 percent said that they were not interested in an enhanced ID card. And I think MPI would have been aware of that market research, and yet MPI chose to proceed with the enhanced ID cards and enhanced driver's licence. So was this on the direction of government to proceed with this initiative?

**Mr. Swan:** I think it's important to remember that included in those numbers would be people who already have a passport. If you have a passport, it is unlikely that you would choose to get an enhanced driver's licence which allows you to enter the United States only by land or water. So for Manitobans who have passports, they really aren't in—they aren't the target market for doing this.

I think it's important to look at the bigger picture. When Canada and the United States tightened up the requirements for crossing the border, there was a concern by provinces and also by border states that this was effectively going to slower and stop tourism and trade between Canadian provinces and border states. Manitoba was one of the first to get on board to provide this. We'd been working across the border with some of our partners to make sure that they're just as interested.

I can tell you one of the first meetings I had, when I was the Minister of Competitiveness, Training and Trade, was a meeting with Minnesota legislators. They were frustrated that there were these new requirements. They were concerned about losing Canadian tourists. They were also concerned about their own citizens being unable to cross the border. I'm happy to tell the committee that Minnesota has now announced that it will be pursuing an enhanced driver's licence so that we can continue to have Manitobans going down to Minneapolis. We can have Minnesotans coming up to great events like the Folk Festival or Dauphin's Countryfest or many, many other events that happen here in the summer. I think you've got to look at the big picture, that this is about keeping the border open. This is about giving in Manitoba the option for people who don't want to get a passport, for whatever



reason, to have documents that will let them cross the border.

And I think it's borne out: The greatest take-up of the enhanced drivers' licences and the enhanced identity cards are in the southernmost part of the province. And I know for the individuals that are here tonight that it's many of your constituents who found this a very handy document to have to cross the border and I think it is important that that option be given. If people want to get a passport, it's—we're never going to argue with them. If they believe there's a chance that they'll be flying or they'll be visiting another country, there's no question they should get a passport and I don't think anybody at Manitoba Public Insurance has an issue with that. There is a certain market and we think more people will be getting both of these cards as we continue to go along.

**Mrs. Taillieu:** Thanks for that very long answer. We are going to be here a lot longer than I thought.

I know—really, you know, I don't dispute the fact that they're a valuable card, but when you spend millions of dollars on something that you know in advance that there isn't a desire to have, and it's because governments need to do it, or think they need to do it, then, you know, there's some accountability and responsibility to make sure that that money is spent wisely. Because, this is a public money and, you know, taxpayers are wanting their governments and their Crown corporations to be accountable. So, this is why we ask the questions, when so much money is spent and it's not recovered, there has to be some good stewardship of public dollars.

I'm wondering—you said that you thought there would be more uptake in these driver's licences. At what point will they become mandatory?

**Ms. McLaren:** I can't imagine that they would ever become mandatory. There's nothing I've seen on the radar that they would ever become mandatory.

**Mrs. Taillieu:** Okay, thanks very much.

So at this point, then, if no one else wants an enhanced driver's licence, will there be a time when other forms of a driver's licence are phased out so that would be the only option to choose?

**Ms. McLaren:** No, not at all. And, you know, we're still getting about 150 applicants a week for either the enhanced ID card or the enhanced driver licence. So they continue to be sold on a fairly regular basis.

**Mrs. Taillieu:** I just wanted to ask some questions about the new service centres. And I note that—well, I'll just—without going back to the book—the new service centres that are proposed, this is referred to as an opportunity presented by the fact that the driver vehicle and licensing was transferred in 2004 to MPI to administer.

I'm wondering what opportunity you are referring to, because when you look at these service centres, these service centres were basically collision repair or—not repair, but these were centres where someone would take their vehicle to be looked at when somebody had an accident and, you know, adjustments—adjusters were adjusting your claim for your injured vehicle.

But now that the drivers and vehicle licensing is a responsibility of MPI, it doesn't seem like it's an opportunity more than a necessity to have these new service centres, because where would you be able to provide the services that you now provide if you didn't expand and build these new service centres, which is going to be a huge cost to MPI.

So, if you did not have the driver and vehicle licensing rolled into MPI that happened in 2004, would you say there'd be a need to develop these new service centres?

**Ms. McLaren:** I think we need to—I need to carefully separate the two issues.

I mean, we have built and opened three new service centres in Winnipeg and are building a new service centre in Selkirk. Those three buildings in Winnipeg and the one in Selkirk were determined to be important to Manitobans—Winnipeggers, particularly—to improve our ability to deliver claim services. Those three new buildings in Winnipeg were required separate from the merger.

\* (18:40)

The analysis that we did as to how far people were driving to attend claim centres, and if we were to build one of them, where should they be located in the city, was all completely done from a claims perspective.

So we have not built a new claim centre in Winnipeg since 1985. The city has changed enormously. It has grown enormously. Suburbs have grown and we knew that it was an important thing to do to serve Winnipeggers who have Autopac claim. That's why we built those new buildings.

In terms of converting many other existing claim centres into full-service centres, first of all, there was—the two key things that we've done since the merger that have saved money is the new driver licensing system that was introduced in '06 and the move to service centres. Those two things together will save us, annually, between four and five million dollars on the cost of running The Drivers and Vehicles Act administrative responsibilities that we have.

So the opportunity that you mentioned first is—we talk about that actually on page 22 of this annual report that we're looking at. The government really had three objectives that they established for the merger. They wanted to improve customer service, you know, reduce costs and efficiencies and really use this as an opportunity to have a significantly improved service experience for Manitobans when it comes to their driver licensing. You know, those are the regulatory functions and their insurance functions.

Communities like Winkler have full-time access to driver testing now that they didn't have before we opened that service centre as a service centre in Winkler. So we have significantly expanded access to service and different kinds of services. We've worked with the brokers to do it. So that's the opportunity that we spoke of. The board of directors of the corporation really chose to leverage the opportunities to do something new and different for Manitobans.

Every province that has public auto insurance in this country also has responsibility for administering the licensing activities. Manitoba was the last one to move to that model and some of these jurisdictions have continued to operate it exactly like they always did. You know, for example, we have just very recently closed the driver and vehicle licensing office that was on Nairn. We closed the one on Corydon. We closed the one on McPhillips. So that's where we would have continued to provide service, is where it was always provided, if we had not chosen to provide this integrated enhanced service approach.

We no longer have staff providing service out of 1075 Portage here in Winnipeg. We don't have a separate DVL office anymore in Thompson, or in Dauphin, that used to be in the provincial government buildings. They've moved into the claim centres which have now become full-service centres, and the service available to Manitobans across the province is significantly enhanced.

**Mrs. Taillieu:** What are the total costs of these claim centres in terms of building them and or renovating them, then, and is this a cost borne specifically by MPI?

**Ms. McLaren:** First of all, yes, the costs are definitely all borne by MPI. The three new buildings in Winnipeg were all approximately 10 to 12 million dollars each to build those buildings and the costs of those buildings will be borne by the different lines of business administered by MPI according to the share of the building that they use.

So The Drivers and Vehicles Act administrative responsibilities will pick up a share of those costs, as will our basic claims, as will our extension lines of business claims. So we have—it's critically important to organizations that operate one line of business where the rates are regulated by something like the Public Utilities Board and also operates other lines of business that are not regulated. They have very clear and accountable cost allocation policies. So determining how the expense is associated with building and with operating those buildings will all be done according to our cost allocation policies that we have at the corporation.

The separate issue, in terms of how did we fund the costs to change the interior of the existing claim centres to turn them into service centres, which we've four buildings in Winnipeg and other places like Thompson, Dauphin hasn't happened yet, Winkler. Those project costs to move from claim centres to service centres in the existing buildings was part of a—part of one of the projects that we did to leverage the opportunities of the merger with DVL.

It overall cost—again, I'll ask for my staff to correct this if I'm wrong—but I believe it was about \$25 million overall to make these changes, to run the projects, to do things like having a new on-line version of the drivers knowledge test, many, many components of the project other than just the interior construction costs, but the overall project not only allowed us to enhance service across the province, but allowed us to reduce a number of largely clerical positions that had worked in the DVA line of the business of the corporation and ended up contributing to this \$5-million-a-year savings that I'm talking about.

**Mrs. Taillieu:** Well, I think the point I'm trying to make is you wouldn't be having to do all of this if these functions had remained with the government, and when it was remained with the—when it was with the government the government was paying for these

services. But now, you just finished saying, MPI is now paying for all these new service centres. They're closing down the other centres, which I presume were going to be a cost savings to government, but it's going to be picked up by MPI. Right?

**Ms. McLaren:** No, when the corporation took over responsibility for the DVL functions, we took over the cost of paying for space in the provincial government buildings—paying to run and administer 1075 Portage. So all of those things were part of the costs that we—more of our—for our responsibility under that change. But the government also began to transfer \$21 million to the corporation for administering the driver and vehicle licensing functions, which is what the government spent doing it themselves in 2003. So that's the approach that was taken, and what the corporation did by deciding to really invest some significant money in improving the DVL services, they took retained extra—retained earnings from the competitive lines of business, that were not required, to ensure that those two lines of business continue to be very financially strong and viable. So there is excess retained earnings that they took in order to really, truly do something exceptional for Manitobans.

Now, things could've stayed as they always had; that's always an option. But the government chose to do something different. Most of the population of this province thought that DVL and MPI were one and the same anyway. They thought it was absolutely ridiculous that they had to tell the two organizations that they moved. We didn't even talk. We had no computers that would even talk to each other. So that the extent to which the model was ready to be brought together that created opportunities for efficiencies and improving service only made good sense from the corporation's perspective. And, as I said, we were the last of the four public auto insurance provinces in this country to move to that model where the insurer administers the programs that are so, so closely tied to its insurance responsibilities.

**Mrs. Taillieu:** With the devolution of DVL to MPI from the government, MPI is now responsible for driver- testing knowledge, practical road and vision testing, driver licensing, insurance renewal and photo, applying for enhanced driver's licence and enhanced ID card, and Manitoba ID card, insurance issuance and renewals as well as claims estimating and adjusting which was the initial purpose of MPI. So all of these additional functions that have been handed to MPI that the government did before, now

you are required to expand your space in—with these new service centres—to be able to provide these services because you couldn't provide them in the service centres or the centres that were there before, because they were basically adjuster centres. So you wouldn't have the room or the expertise or the staff or the computers to do the services that you're now doing. So there's got to be an extra cost, a huge cost to MPI to provide these additional services that you would not have had had that function remained with the government, and if that function would've remained with the government, Manitobans would be paying through their taxes for that. But now it appears that they're paying double because they're still paying their taxes, but Manitoba government has devolved the costs of these services to MPI ratepayers. So ratepayers are now having to pick up extra costs.

\*(18:50)

What would be the savings to Manitoba ratepayers if they didn't have to be paying the extra that has got to be being paid to increase the services through these service centres?

You talked about 21 million being provided annually from the government. Well, we know that 21 million has not covered the cost of the driver vehicle licensing. We know that—we've talked about that at committees before and we've done FIPAs to get the information, and I think the Public Utilities Board even says that there's \$83 million in additional costs that this—just the driver vehicle and licensing has costs just to do that program. So under the old system, that cost would be borne by government, but under this new system, it's borne by MPI, which has to reflect in what is being paid by ratepayers.

**Ms. McLaren:** We've been very transparent about the fact that excess retained earnings, basically profits from our competitive lines of business, have—and if the number is \$83 million that you're working with, that's not an unreasonable number—but it has been profit from the extension, competitive lines of business, that have funded those extra costs of the DVL operation. The majority of those extra costs are not related to simply administering the program like it was when we inherited it. A majority of those costs have been associated with the decision of the corporation to really, truly invest some money to make those services better for Manitobans.

The annual report, as well, on page 39, and later, talks about the fact that the government, beginning next year, is increasing its funding to the corporation.

We will break even beginning to next—we believe that; we will break even with the money that will—the increased money that will be provided by the government next year, and it was the difference between what the government has paid us so far is largely related to the money that we decided to spend to really do something different and better for Manitobans.

Other jurisdictions have kept the licensing quite separate. They don't provide services out of one facility; they have not integrated driver licence renewals with Autopac renewals. They have not allowed brokers to do the driver licence renewals like we've done. We've done a lot of things to make this a much more straightforward, simple, better process for Manitobans, and they support it almost to a hundred percent. Manitobans say, like, 90 to 95 percent people tell us that they think this renewal process makes more sense, that they believe the service is much better and they believe it is highly, highly satisfactory to the needs that they have to get this work done. They're not making two trips per year anymore; now they'll be making one trip every five years.

So we've significantly made changes to improve the experience for Manitobans. And the fact is that the \$21 million, if not for the improvements that we've done, would probably cost well over \$30 million just to do it the old way. The population has increased, there are more rigorous standards of identity verification that the corporation has now to line up to a line with national standards. Basic inflationary processes: there are more people going for road tests, there are enhanced driver improvement and control processes, all of which has happened since 2004, that would have driven the cost up significantly, no matter whether the government did it or MPI did it. But we've put money into this line of business so that it's better for Manitobans and that we will do it far more cost-effectively at a significantly enhanced level of service.

**Mrs. Taillieu:** Well, you know, you did mention that word "transparency," and, you know, I think when you look at MPI's basic and extension and SRE lines—and this is just not me saying this, but, you know very well the Public Utilities Board has been seeking more transparency just to assure themselves because, as you know, they are not totally confident that they are able to be the—fulfil their mandate in looking after the public interest because they've been unable to have full disclosure and full transparency from MPI.

And I think when you say whether it's the government or MPI is footing the bill—the issue there is if Manitoba taxpayers are paying the government for a service, that's one thing, but they're still paying that tax to the government, and they're still paying through the rates because of the increased costs at Manitoba Public Insurance. You are spending more money. You're spending a lot more money to provide all these service centres and all the additional services here and you're not recovering that money from the government. Eighty-three million dollars wouldn't cover this. I mean, that's the additional amount that isn't even accounted for.

But I need to ask some more questions on this.

So, can you tell me what the cost of the computer hardware, software, and training related to the start up of this driver vehicle and licensing project would have been?

**Ms. McLaren:** First, I think I really need to reiterate that it's simply not true that ratepayers are paying the cost of DVL. They're not.

Through the Public Utilities Board process, through Public Utilities Board-approved cost-allocation policies, basic ratepayers are held completely free of anything remotely resembling a cost to administer DVL responsibilities.

You talk about citizens paying through their taxes for the DVL services. That's absolutely true, and the government gives us the money to administer the services.

There is a shortfall. The shortfall was limited for a period of time, and the vast majority of that shortfall is because we chose to take some duly-earned profits that we made in a competitive environment and not charge excess money on those competitive lines but take extra profits, unexpected profits that we had available to us, and use that to make things better for—I mean, the other point is that these are exactly the same people.

People have to have a driver licence that has a mandatory insurance component to it. People have vehicles that have to be registered, and basic Autopac happens along with registration. That's inextricably linked. Extension is sold the same way. They had no understanding as why they—talked to, report these things to two different organizations. And as I said, they used to have to go two times a year; now they can go once every five years. These are cost-saving initiatives.

The other piece of that that we haven't talked about, that the savings that have come to ratepayers because of the merger is related to the streamlined renewals that we're talking about. Through working very closely to the Insurance Brokers Association, we have negotiated a new commission agreement that's been in force now for—I guess, close to two years. That basic Autopac ratepayers, after having been held completely safe from any costs of the DVL responsibilities, are now about to start saving \$20 million a year because of streamlined renewals, because of the new agreement with the brokers, never, ever would have been possible without the merger. So the real winners, in terms of a financial winner, of this merger with DVL are basic Autopac ratepayers.

The driver safety rating never would have been possible without the merger. There's huge potential in terms of enhanced understanding and enhanced satisfaction, maybe some cost savings.

But in terms of the commission savings that will flow directly—directly to Autopac, basic Autopac ratepayers, they will begin saving \$20 million a year every year for the foreseeable future. That never would have been possible without the merger with DVL.

So from a financial perspective, basic Autopac ratepayers are winners. Extension ratepayers have not paid a penny more than they otherwise would have, and we've chosen to use some extra retained earnings from those competitive lines to fund these improvements.

**Mrs. Taillieu:** I seem to have struck a nerve here. But I did ask a question in that and I didn't get an answer, so I'll ask the question again. What was the cost of the computer hardware, software, and the training related to the start-up costs of DVL?

I just also have to say, though, that, you know, if the government had fulfilled the requirement to cover the shortfall in the cost of the DVL, then the profit that you realized from extensions could have been used to lower rates.

So, you know, that's—I'm trying to look at it from another point of view here. But, anyway, I do have some questions here, so, sorry. *[interjection]* Yes, I know. May I—shall I repeat the question?

\* (19:00)

**Ms. McLaren:** I apologize. As you started to talk, I did remember that you had asked a question, yes.

The first thing that we did as part of the merger was to replace an old, redundant, out-of-date driver licensing system including, you know, the photo ID system that was part of that old system with the new driver licence system that was integrally part of Autopac On-line. So there was system costs associated with that. We had to buy digital cameras so the brokers would take new digital pictures of driver licence applicants, training associated with that, all of that. So that project itself which was completed in mid-2006 cost about 25 to 30 million dollars, and that project itself is the other component of the \$45 million a year savings that we talked about.

Because the old DVL, driver licence system, was largely administered by DVL staff, brokers in small towns in this province were able to renew driver licences but not in any of the major centres. That all changed with the new computer system so there were staffing savings associated with that and again, the enhanced service. But there were cost savings associated with that new driver licence system that account for about half of the \$5 million a year in savings I talked to you about.

So that project was the first big project we did as part of the merger. It was about 25 to 30 million dollars, and the service centre initiative which had a number of components, system components, an electronic online knowledge test, changing the interior of existing claim centres so that they could service service centres, that one cost about \$25 million as well. So that was the second project that really allowed us to save about \$5 million from those two projects so now we're around somewhere between 45 and 50 million dollars in total. The other things related to—projects related to the merger are some of the things that we have not quite completed yet, like getting rid of the old mainframe computer system, will be funded as well with part of that \$83 million that you talked about that's been set aside from the excess retained earnings, the profits from the competitive lines of business.

So if—that's pretty much the money that has—and again, it's referenced in this annual report that we've been talking about. We have spent about \$48 million to date and may spend a few more million dollars to finish up some of these other projects, but it's all within this envelope that you talked about of the \$83 million.

**Mrs. Taillieu:** Well, again, these are costs that are borne by MPI. And when you talked about

decommissioning the mainframe from the previous driver and vehicle licensing, why would that be a cost to MPI? Like why would you have to pay to dismantle that system and do a new system? Like wouldn't that be a government expense? And now you're saying, well, you're paying for it from the profits realized through extensions, but you could have used those profits through extensions, realized through extensions, to benefit ratepayers in rebates if you had recovered these costs from the government. Like why would it be your cost to decommission the mainframes and pay for all these start-up costs?

**Ms. McLaren:** The reason they are our costs is because they are our responsibilities under The Drivers and Vehicles Act which was passed by the Legislature, you know, following the merger, to delineate the corporation's legislative responsibilities for administering these programs. But the other part of that answer is because the corporation has chosen to take a particular approach to doing these things that provides long-term benefit to Manitobans. There was no compelling reason to improve the way these services were handled other than the government really set an objective to do something new and improved for Manitobans, but other than that, we could continue to do it the way it's done.

We have a staff—you know, I mean, unlike probably just about every other modern, progressive organization in this province, we have a staff of, basically, key punch operators still entering data into the driver licence system, and we don't think that's in the best interests of service for Manitobans. We think that approach is redundant; it doesn't belong anymore in a modern world. We know that we can eliminate the mainframe computer system and eliminate the need for that kind of work. Those positions will become redundant. We will have savings related to that, and the people in those positions will have opportunities for different kinds and probably more rewarding work within Manitoba Public Insurance.

**Mrs. Taillieu:** How many employees were taken from the Manitoba government and added to the staff at MPI for the DVL?

**Ms. McLaren:** Approximately 300.

**Mrs. Taillieu:** What would be the annual wages of those 300 staff every year from 2004 to date?

**Ms. McLaren:** It would have been the majority of the \$21 million. Like many, you know, those are service—it was a service organization much like Manitoba Public Insurance—operating expenses

heavily weighted towards staffing costs. I can give you something more specific, if you need it, but it would have been the majority of that \$21 million would have been in staffing.

I can tell you today that to date, we have reduced that by 75 positions. So through these initiatives that I've been talking about, that's the large part of the reason we've had the \$5 million a year in savings is, basically, we have reduced staffing resources doing those functions.

**Mrs. Taillieu:** Well, somehow that doesn't seem to add up because if the projection was that this—the cost as you said earlier—the cost of this DVL was going to be \$21 million and now you just said you knew that was going to be mostly staff costs, what did you think was going to pay for then all of the computer start up costs, the dismantling or decommissioning of the mainframe, the cost of housing the, you know, the service centres to do all the functions that you're now doing? Obviously, \$21 million just wasn't going to cover it; that was just going to cover the staff costs.

**Ms. McLaren:** That was the decision on the part of the corporation that I've been talking about where they decided to use some profit from the competitive lines to really, truly change the way these services were provided.

**Mrs. Taillieu:** So you chose to use profits realized in the corporation to offset costs that were incurred because the government downloaded some function to you instead of choosing to use those realized profits to decrease rates to Manitobans?

**Ms. McLaren:** I guess the short answer is yes. It doesn't quite work that way. I mean, we have not changed our expectation of what rates need to be on a going-forward basis, but I suppose there is some possibility that the corporation could have chosen to do the same thing with its competitive lines one year only that it has done a number of times on the basic side of things, where if the retained earnings are more than you need, you give it back in the form of a rebate.

This is—you know, we were talking now six years since the merger that the total that has been set aside for this is really, you know, about the equivalent to one basic Autopac rebate that's been held, if we're talking—if you want to talk about the \$83 million. And we really believe that the benefits to Manitobans far outweigh the advantage that they would have had for a one-time rebate. That was the

decision that the corporation made; that by putting this money aside and spending it to really, truly improve the mandatory services that everybody needs if they're going to drive a car and they're going to have a driver licence and they're going to do these things as most people do in modern society, that we could improve it for them over the long term by a one-time investment, and that's what the corporation chose to do.

**Mrs. Taillieu:** I'm just wondering, would that be the mandate of the corporation to decide that—what they can do with the excess retained earning? Maybe it is, but wouldn't it be, as you said earlier, you planned to break even, so any excess profit should be returned to the ratepayers.

\* (19:10)

Is that not the mandate of Manitoba Public Insurance, to serve the ratepayers? Is that not the first mandate?

**Ms. McLaren:** Well, absolutely, our mandate is to serve ratepayers, but that—we absolutely know that Manitobans believe they require a lot more of us than just cost considerations and price considerations. First of all, we are expected to break even in terms of the basic compulsory program. We do expect to make a small profit on the competitive lines of business, just like anyone else does selling non-compulsory insurance products in this province. We sell them on a competitive basis. We expect to make a bit of profit. That is the objective. That's very different from the basic compulsory program. People have a choice as to where they buy these extension products. We've very pleased and continue to work very hard that the majority choose to buy them from us.

And we know that Manitobans expect high-quality service. They expect significant access to our services through both the hours and the towns and the locations where these services are provided. They expect high-quality coverage and they care about price. All of it matters. They are not—believe me, we know by what Manitobans choose to buy from us beyond the basic compulsory program, they are not motivated to simply put their car on the road for the lowest possible cost. They want to make sure that they are properly covered and they demand high-quality services in all aspects of the things that they expect from us.

**Mrs. Taillieu:** I wasn't going to go here yet, but you gave me a segue there. You said that the majority

purchased extension products through MPI and yet you maintain that this is your competitive line. So who would be your competitors in this and what percentage of Manitobans would buy from competitors—so you said that the majority purchased extension services from MPI?

**Ms. McLaren:** I believe some of the competitors for our—some of our optional auto insurance coverages—I have not checked this recently, but it used to be Saskatchewan Mutual, Royal & SunAlliance, ING, Viva as well. Those are some of the companies. Some of them are international companies with a presence in Canada; some of those are national companies. But those are some of the competitors.

The competition tends to be much more aggressive and volatile, quite frankly, on our Special Risk Extension line of business. In terms of our, your know, customized insurance coverages for fleets, trucking companies, things like that, other insurers will come into this province and decide that they really want to take up as much market share as they can and then, a few years later, they'll disappear, move out of the province again. So it's very volatile. It's challenging for those fleets to have a stable market. That's a big part of the reason that many of them choose to do business with Manitoba Public Insurance because we provide stability. They care about that as much as those of us with private passenger vehicles. Some of the names that I talked to you about, though, really compete in terms of Autopac extension, you know, the basic buy extra liability, buy down your deductible, and we do have a very large majority of that business, but there is active competition and we work hard to make sure that they choose us.

So I would say, overall, the competitive lines of business in total probably generate about maybe 150 million dollars a year in revenue. That's not—the profit is a tiny, tiny fraction of that, but that is the overall revenue. Information that the Superintendent of Insurance in Manitoba publishes on an annual basis says that non-Manitoba public insurance auto insurers do about, depending on the year, maybe between 8 and 15 million dollars of business.

So there's definitely competition. They choose where and how they want to compete with us. They do not have a mandate to provide guaranteed access, which we do, on the Autopac extension line like the basic compulsory program. We don't turn people away. They do. So it is—it's meaningful. It's not a

significant percentage as opposed to, you know, 50, 60 percent or anything, but we pay attention to it and we make sure that, to the extent we can, Manitobans prefer to deal with us and that they continue to buy this extra insurance from us.

**Mrs. Taillieu:** Sounds like your competitors are about 5 percent of the market and you'd work hard to get that market so you're fairly competitive in your rates, I guess, so that doesn't sound like you have a lot of competition. I mean, yeah, there's competition there but if you, you know, if you're doing 150 million and the others are doing five to 15 million, it looks like about, you know, a very small percentage that would be your competitors. But when you said they're aggressively looking at fleets, who insures all the fleet vehicles in Manitoba?

**Ms. McLaren:** Well, lots of different insurance companies. You know, many of the national businesses that you might think of do virtually no business with Manitoba Public Insurance. You know, I think there's very few sort of—you know, I mean I think, for example, many of the large new car dealers, you know, they have opportunities to be part of large insurance programs across the country through GM or through Honda, things like that. We don't—they don't purchase from us in terms of anything other than the compulsory insurance for the most part.

But I mean—I think the companies that I mentioned to you before, the companies that do business in competition with us, some of them will be going after fleet one year and maybe they'll focus on something different the other years. So it's really difficult to be too specific about exactly who is insuring what. You know, I mean—I know the fleets that we insure, I'm not sure they would appreciate it if I made that public but I don't know who has the business that I—that we don't have at MPI.

**Mrs. Taillieu:** So MPI does insure all the government vehicles and all the Crown corporation vehicles and all the public—all the publicly owned vehicles?

**Ms. McLaren:** The basic compulsory insurance absolutely is—the only category of vehicles of which there's any significant number in Manitoba, that I can think of, that are not required to be insured in the basic Autopac program, the mandatory program, are federal government vehicles, and they have a national system for themselves. But other than that, in terms of basic compulsory insurance, the Province, the City, Hydro, private businesses, any

private individuals, we all have to register and insure our vehicles in terms of the basic compulsory program.

I can tell you that when I talk about how much of the market we would have in terms of Autopac extension, that's really for the most part is, you know, private passenger vehicles insured by individuals and families. Large fleets that you might think about in terms of the province or other large organizations like that tend not to buy down their deductible and they may have some other form of coverage to extend their liability coverage if they needed to.

**Mrs. Taillieu:** You know I have a lot of questions in my head about what extensions does and what SRE does but I think I'm going to move along because I'm not going to get all the questions—I'm not going to get through everything unless I do that.

So just returning a little bit to the service centres: When these service centres come on board—I mean some of them are open now and some of them are—will be, what are the anticipated staffing increases related to staffing the new service centres over and above the staff you have now?

**Ms. McLaren:** If—are you talking about the—for example, the three new buildings in Winnipeg?

\* (19:20)

**Mrs. Taillieu:** Yes, the new service centres that are being built now, I guess. I mean, there are staff already in the ones, I guess, that you have staffed and built and staffed already. So I guess I could ask that in two ways or in two parts. How many more staff are needed for the service centres that are already open and how many more staff are going to be needed for the service centres that will be opened?

**Ms. McLaren:** Okay, the ones that we're working on right now, we're working to convert our Portage la Prairie claim centre into a service centre, and that would simply mean moving the DVL staff who are still working in the provincial government building into that claim centre and that we expect to do exactly the same work with the same number of people housed together. We don't expect to have any more staff. That's also true in Selkirk. The building that we're building in Selkirk, we don't expect to have any more people there than we do today as well.

In terms of the conversion of existing claim centres that we've done already—four in Winnipeg



and a number across the province that we've talked about—it was through that service centre project that we have gained probably 25 to 30 of the staff savings, of the 75 that I talked to you about earlier, because by having people who can do some clerical support for claims as well as work at the counter to handle a driver licence renewal, it's more efficient, it's more effective, and we've had staff reductions that way.

In terms of the three new buildings in Winnipeg, for the most part, we have exactly the same number of staff in Winnipeg. We've probably added maybe a total of somewhere between seven and 14 new positions for those seven buildings here in the city of Winnipeg, only because with the changes we've also expanded the service hours. In those seven buildings, we have 14 shifts, two shifts, two different shifts, because they operate more than an 8:30 to 4:30 day, those seven buildings, and some of those additional staff, if it's as many as 14, is on a temporary basis, and we expect to be able to really refine our processes and reduce that back to the norm as well.

So we're really operating—we expect to have the same number of claims, we have the same number of drivers; we don't expect to fundamentally need more people because we've got two extra buildings, three new buildings and more services being provided in the buildings.

**Mrs. Taillieu:** So are you saying, then, that you do not need any more staff to staff these new service centres?

**Ms. McLaren:** Yes, exactly, fewer overall. There was many people working at 1075 Portage. There were people working on Nairn and Corydon, the other DVL-only offices, and overall we need, you know, for the basically—the two large initiatives that we've talked about and some other efficiencies, we've got 75 fewer people doing that work on the DVL side of our business.

And in terms of our claims servicing, we—quite frankly, last year, because we had such a mild winter, we had fewer claims. We've got 10,000 fewer theft claims—not quite that many, but eight to 9,000 fewer theft claims in the city of Winnipeg than we used to have. So we—just because we have a couple of new buildings doesn't mean we need more staff.

We have four buildings in the city of Winnipeg that have about between 25 and 30 people working there that before we opened our new buildings had between 50 and 60 people working there. So we're

doing the same amount of work in better locations, in more efficient locations, with the same number of fewer people.

**Mrs. Taillieu:** I can understand that, you know, if you had increased number of policies that you are writing every year that you might have an increase in staff, and there was a 2 percent increase in the number of policies from 2009 to 2010, 2.1 percent.

However, at that—during this time, MPI created 65 new management positions. Why was that?

**Ms. McLaren:** Well, we don't have 65 more managers than we used to have in the corporation, but, overall, positions—this is a very different organization. It continues to change; business continues to change. We refine our jobs, we change our jobs, we create new positions where we didn't have a particular position before.

But, overall, we have more people working at Manitoba Public Insurance than we used to have and we have more management positions than we used to have. So it's relative in terms of the overall numbers of people. As I said, we added 300 people when DVL joined the corporation. We have also added a lot of project-based resources over the last few years because we've been doing these significant changes to the way we run our business. We've talked about two that are related to DVL, but we've also talked about streamlined renewals and driver safety rating.

The government made some changes to the PIPP benefits that we had to reflect in our way of doing business. We've introduced a new computer system for our PIPP case managers to use to better administer those critically important claims, so we've had a lot of project work going on, and sometimes that means new positions to be created, but many of those are temporary. We have fewer people here now than we did a year ago, and we'll have fewer people again next year than we have right now. And, so, if new management positions are created, it's really just to reflect the business as we need it.

You know, we work closely with the Manitoba Government Employees Union. Out-of-scope positions need to be vetted through that process with the union, and we believe that the positions that we have are relevant and necessary.

**Mrs. Taillieu:** Well, you know, I think that, first of all, you kind of said there was no increase in staff and now we've determined that there has been an increase of staff—65 management positions—that could mean a lot of money. I think probably in the

neighbourhood of, well, I don't know what they would make, but an annual salary of 100,000 might be average. I don't know.

I'm just wondering why the need for 65 new management positions. Like, how can you justify that? Is that a cost that has to do with the driver vehicle and licensing that's been given to MPI from the government because now you have to do more services, you have to provide space, you have to provide cars for these people. Is it just an increase in cost to the whole organization? Obviously, with more staff, more computers, more service centres, more space, more cars, more people, it's got to cost MPI a lot more money.

You keep saying, well, we're paying for it through our profitable lines, but you didn't really say—make much of a case when \$150 million is your profit in a year. Or that wasn't even your profit that was what you did in extensions as I understood it. You can correct me if I didn't get that right. But, really, there's that any money that you could've realized could've been used to give back money to ratepayers of Manitoba. But there's just this huge cost that has increased over time with what MPI has evolved into. So, you know, you've got 65 new management staff, I don't—

**Mr. Swan:** I'll let Ms. McLaren answer. There's a—boy, there was a lot in that question. I think the member should, again, keep some perspective and realize that MPI's operational costs are about 50 percent of private auto insurers across the country. So Ms. McLaren will give some more detail, and I see she's huddling with some of her experts to give more detail to answers. But I think we should all be very proud in this province that MPI, compared to other auto insurers across the country, is actually very efficient. But I'll let Ms. McLaren give more detail on that.

\* (19:30)

**Ms. McLaren:** Excuse me, just for a second. Thank you. Maybe you can give me a reference to this 65 because it makes—it's—I don't recognize it at all. I have no idea where a number like that would come from. I can tell you that we published some information—I think this is with the public—yes, with the—as part of our Public Utilities Board application this year, it's on the public record. It shows that a year ago we had 122 management positions and we now have 138, so I think that's 16. So I don't have any idea where a number like that would come from.

I can tell you that since the merger with DVL, the corporation has seven executives and it used to have eight. So that's a significant reduction right there. We had a number of managers at 1075 Portage that were part of DVL. None of those management positions exist any more. A fraction of them continue to exist.

We've got people—we had managers, junior managers in all those offices in—whether it was Nairn or Thompson and different parts of the province, those positions don't exist any more. So there's no relationship whatsoever to the DVL merger and any increase in managers. We have better ratios, fewer executives, than before the merger. The business continues to change and we don't have claim centre managers any more; we have service centre managers. So if there's some link between positions disappearing and new positions coming on board, it certainly doesn't net out to 65.

**Mrs. Taillieu:** My source is the MPI 2011 general rate application, round 1, information request, PUB/MPI 1-55, and I think that shows a corporate chart with greyed—the new positions or positions with significant changes were marked in grey.

**Ms. McLaren:** But I guess that's my point. New positions or positions with significant changes, so, you know, the information I just gave you saying there's 13 more management positions came from the same general rate application. So in terms of the delta, the new management positions this year compared to last year is 13.

**Mrs. Taillieu:** So you are saying there's 13 new management positions?

**Ms. McLaren:** Yes.

**Mrs. Taillieu:** Are those new management positions the result of more services required now through MPI now that the government has devolved the driver licensing vehicle registration to MPI?

**Ms. McLaren:** No, not at all. Not at all. The corporation has largely gone—you know, I think there's always more people in an organization like ours in this day and age, large number of managers and staff, for that matter, who can retire in a very short period of time, but we've gone through a very large bubble of very senior people retiring. Like, I can tell you, since almost to the day six years ago, since I became president, it's an entirely different executive group except for me. All of, except one person, left for a new opportunity. Everyone else retired.

So sometimes what happens is if you have someone with 30 years' experience on the job, occasionally you might replace that one person with two more junior-level management positions. So some of it would be related to just succession planning and finding a way to deal with very senior people leaving the organization and still put ourselves in a position where we can build capacity for the future. But, no, there's no argument to be made that those 13 positions would be related to DVL.

**Mrs. Taillieu:** So if you did not have—if this had not happened in 2004 and you were not responsible for driver licensing, then you would still have those 13 new positions?

**Ms. McLaren:** I believe the majority of them, absolutely. You know, I mean, I think there might be one or two doing work related to Drivers and Vehicle Act administration but the majority are corporate management positions that we need to continue to serve the needs of Manitobans. You know, I mean, I think there's a good case to be made that we are doing more not related to Drivers and Vehicle Act administration, but in terms of areas like simply communicating better with our own employees and the public, working hard on the road safety aspect.

I can tell you that one of the things that's happened in the last few months at Manitoba Public Insurance is that we signed a historic, long-term, four-year agreement with the Automotive Trades Association, Manitoba Motor Dealers Association. I can tell you that one of the issues that Manitoba Public Insurance is focussed on and dealing with for the future is related to finding ways to continue to ensure that Manitobans' vehicles are repaired to a high, high standard of safety and quality in a world where vehicle construction is changing extremely fast. New materials and new components make it that much harder to make sure that the dollars that we pay to the tradespeople are spent wisely and the work is done at a very high quality, and we've got a couple more managers focussed on that. So we have some—a couple of new management positions on that.

At the end of the day, at the heart of the matter, most Manitobans think of Manitoba Public Insurance as the organization that pays to fix their car when it gets crashed. It's incredibly important to us that we do that safely, that we do it to a high level of quality, and in a changing automotive technological world, we have to spend more resources doing that.

**Mrs. Taillieu:** What has been the increase in the number of policies written then, every year, from 2004 to present?

**Ms. McLaren:** A little while ago you mentioned about 2 percent. I think that's in the ballpark. Generally, we have, you know—sometimes it changes a little bit more than that; sometimes it's as low as 1 percent, but, generally, every year there are more vehicles registered and insured in Manitoba than there were the year before—about 2 percent.

I can tell you, though, one of the unusual things that we've noticed over the last while is we always tend to look at the vehicle fleet as a whole. But, if you break that down a little bit and look at the vehicles that are sort of the core vehicles used on Manitoba's roads and highways and separate out off-road vehicles, trailers, you know, kind of—more of a recreational sort of thing—they are growing far, far faster than the actual Highway Traffic Act road use—private, passenger and commercial vehicles.

**Mrs. Taillieu:** Well, if policies aren't—number of policies aren't increasing that much, the basic operating expenses from 2004 to 2010 increased by 43 percent. Why would that be?

**Ms. McLaren:** Well, lots of different reasons. The big part of operating expenses are commissions, and because there's more vehicles every year and because people continue to give up lower-rated older vehicles and replace them with higher-rated newer vehicles that cost more to insure, commissions grow, revenue grows. I think that's part of the reason.

We also have the cost of some of the projects that we've done. Things like the driver safety rating that we talked about would be something that would be paid for through operating expenses as well. But, for the most part, we have to make sure that we continue to provide service that Manitobans believe is adequate, is relevant.

We have probably added staff over the last while, in the call centre, as an example. The call centre has helped administer programs like the immobilizer program. We needed to add staff in areas like that. So it shows up in operating expenses. We know that the immobilizer program has saved \$30 million a year in savings related to auto theft but the costs to administer it show up in operating expenses.

So there's a number of different reasons that costs have increased but we believe that we continue to have operating expenses that are approximately

half the rate, at a percentage basis, of any other insurer in the country and that the operating expenses provide services that Manitobans feel is important.

**Mrs. Taillieu:** Again, I'm trying to go in a logical order but you keep leading me in another direction here.

So, you mentioned immobilizers, and I did want to talk a little bit about immobilizers. Is there specific immobilizers that are in use at MPI and that are—I don't know if accredited is the word, but acceptable?

\* (19:40)

**Ms. McLaren:** That's exactly the word, "accredited," and it's not MPI that accredits them.

When we started this program, we looked at the, you know, Canadian national standards, the underwriter laboratory. So there were national standard, aftermarket immobilizers, and there were two companies producing aftermarket immobilizers that met the national standard. And both of those companies are providing immobilizers in the Manitoba market that we're funding through the program.

**Mrs. Taillieu:** How does MPI, then, market or sell these immobilizers?

**Ms. McLaren:** We don't market them. We don't sell them. What we do is we administer the program whereby the government has, based on advice from Manitoba Public Insurance about—in terms of what was causing theft, what vehicles were being stolen. There are two groups of vehicles that have been identified as far, far higher risk of being stolen than most of the vehicles being operated in Winnipeg and the rest of Manitoba. Those vehicles are required to be immobilized under the HTA, and we administer that program. And when people take those vehicles to get the immobilizers, they can choose from—there used to be a couple of dozen in the province; I know there's less now because the immobilizer program is winding down—but they go to the installer of their choice, and we reimburse the cost of installing that immobilizer for vehicles that are on these most-at-risk lists.

**Mrs. Taillieu:** Who, then, sells the immobilizers in Manitoba?

**Ms. McLaren:** Companies that have either added immobilizer installations to existing businesses or there were actually a number of companies that were

created to simply install. I think they've branched out to a certain extent as well, but companies were created to install immobilizers for Manitobans.

**Mrs. Taillieu:** But who's the distributor of the immobilizers?

**Ms. McLaren:** I think there were two different companies that basically had the distribution rights in Manitoba. I know CAA Manitoba was one of them, and I'm thinking the other one was distributing the Auto Watch device, but I, off the top of my head, I can't remember that company's name. But there were two companies that had the distribution—*[interjection]* Thank you. Auto Watch and CAA Manitoba had the distribution rights for the two different kinds of national-standard immobilizers for the province of Manitoba.

So these companies had the distribution rights and they would provide the product to whichever companies were set up—decided to do business through the vehicle standard—vehicle safety installation bureau, which is a national accreditation body. They would accredit the shops. They would also accredit the installers working in those shops, all of it done with a lot of support and involvement of Manitoba Public Insurance, but we were not the organization setting the standards and accrediting these facilities.

**Mrs. Taillieu:** How would one acquire the distribution rights to an immobilizer? Who decided that? Was that a contract tendered or how would someone—because there's CAA and one other, so there's two people or two organizations that have the right to distribute immobilizers. How was that arrived on?

**Ms. McLaren:** Well, again, not through Manitoba Public Insurance. This was not something that we have any say in. Those two organizations, Auto Watch and CAA Manitoba, went to the manufacturers of those devices and in some fashion negotiated distribution rights, just like any other business would do who wanted to have the right to distribute a particular product in a particular geographic area.

So what we had to make sure is that we were only going to help Manitobans get national-standard immobilizers into their vehicles. We had to make sure, to our satisfaction, that the people doing the installations, the individuals as well as the shops themselves, were accredited and were performing at a high level of quality, but we had nothing to do with

those two organizations getting distribution rights from these manufacturers.

**Mrs. Taillieu:** Would either CAA or Auto Watch have had any prior knowledge to the advent of the immobilizer program?

**Ms. McLaren:** I'm trying to think back to what we knew at Manitoba Public Insurance and when we knew it. We understood that there were two devices available in the Canadian market that met the national standard. We knew that much, and we knew that prior to the announcement of these—of, you know, the MPI-funded immobilizer programs, I believe both—they may have already had those distribution rights before we got involved in this. They may not have; I don't know that for sure.

But what we did is started to figure out how we could support Manitobans in getting immobilizers into their vehicles, and the program was announced very early in the process jointly by the government and MPI. And it took a very long time and many iterations of the program. The initial program was offering a 50-50 cost share available to anyone; and then there were free immobilizers for some of these most-at-risk vehicles, but they weren't mandatory; and then it was mandatory for people who had the most-at-risk vehicles if the vehicles had been stolen.

So it went through a very long process of evolving the program in a way that Manitobans found acceptable and relevant to them. As I say, there really was no, you know—we went public on it very early. There was no installation system in this province. You know, when we first went live with it, we then had to start working with this Vehicle safety Installation Bureau, you know, the VSIB, to make sure that we had the standards in place and things like that.

So this really evolved through time; this was not sort of a—anything that would remotely—could remotely be described as some sort of a plan hatched in secret before anyone else would have notice of it. And as I say, those two organizations may very well have had the distributions rights before we did anything. I'm not sure.

**Mrs. Taillieu:** Could you just give me a bit of a time frame then when the immobilizers were first brought in, I guess, as—

**Ms. McLaren:** I would say it was first in the early part of this decade. Before 2004, people could go to places in Manitoba and get these after-market immobilizers installed, and what MPI did at that

point would be to give them a \$40 discount. That was the extent of our involvement in it and that happened. But they were, at that point, still national-standard immobilizers, and it was very—kind of a rudimentary program. We had no—there was no standards bureau at that point; there was no overall certification that we were engaged in. And so that happened years before 2004.

Sometime in 2005 is when we decided that we were going to more aggressively help fund immobilizers for Manitobans; that would have been in 2005 sometime. I think it was late 2006 or into 2007 that they—immobilizers became mandatory for vehicles that had been stolen. It was in '07 and '08 that the two most-at-risk lists that required immobilizers prior to renewal started to take effect—the first list, and then the second list. And so it really took from '05 to '09 to really complete the iteration of the very formal significant funding program that MPI did, but people were putting immobilizers in and saving \$40 a year before 2004.

\* (19:50)

**Mrs. Taillieu:** Thanks. Again, I'm going to have to move on to get all my questions in here.

With the new responsibilities of MPI with the driver testing, just—now I don't believe that that's on-line yet. Just when is that on-line? Or maybe it is on-line. Yeah, with MPI.

**Ms. McLaren:** Knowledge tests are on-line and have been for quite some time now.

**Mrs. Taillieu:** I didn't really mean on-line as in computer on-line, I meant on board with MPI.

**Ms. McLaren:** We've been administering driver testing since the fall of 2004.

**Mrs. Taillieu:** I'm—I guess I'm getting the terminology wrong, but the testing, the actual testing in the car, the driver testing—is that not something that you just took over? You've been doing that since 2004?

**Ms. McLaren:** Yes, we have been doing that since 2004. We call those the road tests.

**Mrs. Taillieu:** Can you tell me how many people then that were employed by the government in doing road tests before 2004 are now employed by MPI to do the road tests?

**Ms. McLaren:** Not off the top of my head, but I think someone will get that for me quickly—the number of driver examiners. That's what the position

is called. I can tell you we have approximately the same number of driver examiners than we had when we first came to Manitoba Public Insurance. One of the things that we thought we would be able to do with the move to the service centres and make things more efficient would be to reduce the number of driver examiners, and we would have been able to do that except there is close to a 50 percent increase in the number of driver road tests that are being done these days. I think that comes to increasing population, more people getting multiple kinds of—multiple classes of driver licence. People will get their basic private passenger licence and then they may get sort of a trucking licence. So we have far more road tests today than we did in 2004 and so I believe we have about the same number of people, but the workload has increased.

**Mrs. Taillieu:** So, once again, there's these additional staff that have been employed by MPI that were employed by government, so now they're on the MPI payroll. So are these part of the 300 staff you originally said transferred over with the DVL process or are these additional staff?

**Ms. McLaren:** Absolutely. They were part of the 300 that came over with the DVL in 2004. And I'm told we have about 37 driver examiners in—working for MPI in the province of Manitoba and the number had really—really has not changed much since 2004. So those positions were moved. Their salaries were part of the \$21 million that we started getting, so there was—it was part of the overall movement.

**Mr. David Faurischou (Portage la Prairie):** I want to welcome Mr. Janzen to his first committee meeting. I hope we're not boring him to tears. I was looking at the mannerisms to which no questions were coming his direction, so I will focus on a couple of policy questions that I want the board to response perhaps.

It is the situation of reregistering written-off vehicles. Has there been discussion at board level that pertains to this particular situation as it currently exists in the province?

**Mr. Jake Janzen (Board Chair, Manitoba Public Insurance Corporation):** No, no, I'm sorry. I was having trouble hearing the question.

**Mr. Faurischou:** I'll repeat the question. As it currently exists in the province of Manitoba, the vehicles that are written off, if they are repaired and qualify through reinspection of the—and road worthy, they are reregistered. I am asking whether or not the

board has considered making this practice no longer eligible for reregistration.

**Mr. Janzen:** Yes, that has been the subject of discussion, yes.

**Mr. Faurischou:** Well, seeing it's been discussed, is the board looking to take any action in the near-term future?

**Mr. Janzen:** There currently is a practice in place in which older vehicles that are—I think it's pre-1994 vehicles—the reregistration of those vehicles is no longer permitted, or at least discouraged.

**Madam Chairperson:** Minister Swan?

**Mr. Swan:** No—

**Madam Chairperson:** Oh, I'm sorry. My apologies. I thought—

**Mr. Swan:** I have nothing to add to that.

**Madam Chairperson:** Okay, my apologies.

Mr. Faurischou.

**Mr. Faurischou:** I'm looking at vehicles that Autopac adjusters have considered non-repairable and they're writing them off, doesn't matter what year they—of registration or vintage that they are. Looking at the reregistration of written-off vehicles, is the board considering changing this policy or—insofar as once a vehicle is written off, it goes for salvage and parts only, it's does not have eligibility for reregistration?

**Mr. Swan:** Yes, you know, Mr. Janzen obviously is now really enjoying his first appearance at committee. You know, the board does consider a number of different policy issues. Mr. Janzen has quite appropriately said that it is something that's being reviewed. I don't think it's fair for Mr. Janzen to speculate on what the board may or may not decide in its upcoming meetings. But suffice to say that it is being considered. But if you want more specifics that perhaps Ms. McLaren can answer, we'll continue to do our best to give you the answers tonight.

**Mr. Faurischou:** Well, I—there have been a number of sectors within the car industry or automobile industry that are concerned about vehicles getting back on the road that have been previously declared as ineligible for registration because of damages.

I'd like—also like to go to the—you've mentioned quite a number of times your competitive line of insurance and that it has been designated at

200 percent of your capital or maximum capital test. Where is your non-competitive line, your basic monopolistic line of insurance, where are you seated with that litmus test?

**Ms. McLaren:** First of all, with respect to the write-offs, for a long time now Manitoba has been part of a national program where written-off vehicles are—they must be determined as to whether they can be repairable or whether they must be parts only. So there—I can tell you there are no vehicles in Manitoba today getting back on the road where an MPI estimator or vehicle inspector has determined that it cannot be safely repaired. So the only ones that are repaired are those that can be considered to be repairable according to the standards of this national-level program.

You know, there's a lot of vehicles that are written off in Manitoba because they're older vehicles and they just economically—it economically doesn't make sense for us to put the extra money into them; doesn't mean they're not safe.

So in terms of a policy change with respect to not allowing any vehicles that were written off to go back on the road, that would be a significant policy change that we—I just wanted to highlight that we do have that program today that's been in place, I believe, since about 1995 where we have to state whether we think it can be repaired safely or whether it simply must be parts only. We have that today.

\* (20:00)

With respect to the non-competitive, with the basic Autopac, the compulsory line of business, as you've said, we believe that we need to have 200 percent of our minimum capital test, in terms of the MCT. With basic Autopac, the corporation has taken the position that because it is a monopoly, it doesn't need anywhere near 200 percent, that it would be appropriate for the corporation to have set aside for the basic compulsory line of business between 50 and 100 percent. The corporation took that position a number of years. We have recently, kind of, refined our risk assessment for the basic compulsory program and use a very—it is something that OSFI, the Office of the Superintendent of Financial Institutions, has mandated for insurers across the country. MPI, as a provincial Crown, is not subject to OSFI regulation, but we try to follow those rules where we can, where it makes sense, and the process that they have indicated is called a Dynamic Capital Adequacy Test, which is really a process that we go

through to really identify the potential financial risks that we see to the program and to determine what we believe is a required capital amount for that purpose.

The corporation using the Dynamic Capital Adequacy Test for the basic compulsory program has determined that it needs about \$185 million. That's what we believe is appropriate. At this moment, we have more than that. That's in large part why we have applied to the Public Utilities Board for a \$92-million rebate next year. But the other piece of that, too, is that the PUB, after many hours of discussions through the Public Utilities Board process, decided that they thought \$154 million was more appropriate than \$185 million, so we've based our rebate application on their target, their approved maximum retained earnings for the basic compulsory program of \$154 million. So, when we applied to the PUB—just doing the math—we had about \$240 million in our rate stabilization reserve and needed to give back \$92 million to Manitobans to bring us to the PUB maximum of 154.

**Mr. Faurschou:** Yes, I understand what you're looking at there and the process to which you arrive at it. I'm somewhat concerned, if it's not etched in stone, you know, as to what level of—you, obviously, in the four reports that we have before us this evening, are now writing insurance for more than 100,000 more vehicles, and, obviously, to have a rate—a reserve that is reflective of the increased number of vehicles that you're doing.

Also, too, you may look at the suggestion, perhaps if it's not a written specific policy to which you're having in reserve, it is then subject to—if we look back, in 2007, magically appeared a rebate during the election, and, so, I'm wondering, you know, whether this should be something that is defined and established and everyone knows going into it that it's not that 50-percent-to-100-percent type of latitude.

I want to move on to the Manitoba Automobile Injury Compensation Appeals Commission. There is significant concern as to the length of time to deal with persons that are appealing their settlement with MPI. Is there concern at the board level, Mr. Janzen, or at the CEO level, as to the—because I will say, all you have to do is sit in that commission and listen to the heartbreak stories of individuals that are having to do with such minimal amounts of money because of their injury and inability to work? It is just heartbreaking. So I wonder whether that's a concern of your position.

**Ms. McLaren:** Absolutely, the corporation is concerned about delays at the Automobile Injury Compensation Appeal Commission, as is the commission. I can tell you, though, that things have improved there. The commission has done a number of things to improve their administrative processes to get things moving more promptly. There are still waits longer than we would believe appropriate. The piece of that that we must take responsibility for is to make sure that we respond promptly every time. The commission will ask us for a copy of a claim file; we have to make sure we turn it around very promptly. So it is not in any way due to delays on the part of the corporation, and we're certainly open to talking and working with the commission to find ways to make it more effective, but they're really in the driver's seat on this.

**Mr. Faurichou:** I do understand the procedure and the process but we have to look at our—at Manitobans who are the clients of the corporation, and I think timely resolution of the situation is imperative and we must do more than we're doing today.

You spoke of the government vehicles under—you cover RCMP as well at the present time? Did that get converted with the provincial contract to MPI coverage, or are they still federally insured vehicles?

**Ms. McLaren:** Federally. Federally, yes.

**Mr. Faurichou:** But all municipal police forces are covered by MPI. We—have you looked into the procedure of the assessment of driver—of the drivers in high-risk situations which, obviously, ambulance operators, the fire and police officers, because we do have situations where effectively all personal vehicles are registered in the spouse's names, in the children's names, because they cannot register the vehicle because of they are a police officer and they've scraped up a vehicle now and again in the line of duty?

**Ms. McLaren:** I have to say that in my experience this has been raised a number of times by emergency responders or police officers and it really—I've never found any substantive evidence that it's a concern. I can tell you that for many, many years, probably close to a couple of decades, the corporation has had a very collaborative and structured process to deal with crashes caused by emergency responders.

We have a committee of claims, senior claims staff at MPI, that sits down with people from the

Winnipeg Police Service, or fire paramedic service across the province and if, in fact, the crash is considered to be, you know, a reasonable expectation outcome of an emergency response that that crash is not put on the individual's driving record at all.

There are times when police officers make a mistake and crash a vehicle just like any of us do and in those cases, if it's not seen as an outcome of an emergency response, it goes onto their driver record, just like it does for taxi drivers, bus drivers, me, you and everyone else. So the fact that these individuals are forced, through their work responsibilities, to drive in less controlled, higher risk situations does not affect their driving record.

**Mr. Faurichou:** Debate that till the cows come home and as you said you've been debating it for 20 years.

Have you addressed the situation between Alberta and ourselves insofar as our driver's licences? When persons are residing in Manitoba they go to Alberta for contract work. Alberta had previously considered the driver's licences on a 90-day cumulative, rather than a 90-day consecutive. Has that situation changed?

**Ms. McLaren:** No, I don't believe that that situation has changed in Alberta. It's a very unusual set of rules that they've come up with there, in terms of their administration of the driver licensing requirements.

But for Manitoba Public Insurance where it matters is if a Manitoba resident gets in a crash in Alberta, you know. And it's very clear to us and I believe with—I really believe—my expectation is that today, with no exceptions, we are looking at those cases on an individual basis, and it's very clear to us, in the vast majority, these are people who are still Manitoba residents.

So if there is a rule in Alberta that says, you know, you probably should've had an Alberta licence, as far as we're concerned, if their family is still here, their roots are still here, they're coming back every time they get a protracted period of time off, they're Manitoban and we're paying the claim.

**Mr. Faurichou:** Thank you very much for your response. I appreciate the opportunity to be here this evening. Let's hope that government calls the committee a little more often; we're into our 15th month since we last had this opportunity.

\* (20:10)



And I also want to congratulate the corporation for its support of the Citizens on Patrol throughout the province. That is a most worthwhile program and I hope the support continues. Thank you.

**Mr. Kevin Lamoureux (Inkster):** I just had a few quick questions. I'm wondering, Ms. McLaren, if you can indicate to the committee as to—does MPI have some sort of a criteria that's established that would determine which countries would be allowed to be able to—or immigrants from which countries would be allowed to come to Manitoba and not necessarily have to take a driver's licence exam?

**Ms. McLaren:** Yes, we do. I can't tell you exactly what it is and how it works right this minute but basically, what—there are a number of countries, or sometimes states within a country, where Manitoba has established a reciprocal relationship. It's always on a reciprocal basis. If we allow them to have a Manitoba driver's licence without a test, they would do the same for our citizens who might be moving there, and it's something that is fairly fluid. Often what happen—the way the process tends to work is someone from that other jurisdiction will often contact the Protocol Office here in Manitoba or maybe someone from Competitiveness, Training, Trade or, you know, whatever other branch of government that they make the connection with, and then we ask the Registrar of Motor Vehicles to look into it. And what it basically comes down to is an assessment of that jurisdiction's testing standards and driver licence monitoring and control standards, and if it's believed that there is some reasonable parallels with ours, then we would support the reciprocity.

Often what happens as well, another jurisdiction in Canada—I saw something across my desk just the other day where I honestly can't remember what country it was but British Columbia had recently provided reciprocity so we would look at that and it's highly likely that we would support that as well if another Canadian jurisdiction has done so, but it's a process. In the last four or five years, I think we've probably added about five or six countries maybe.

**Mr. Lamoureux:** I'm wondering, in countries where there is no reciprocal agreement, to what degree a driver would be penalized because of the lack of an agreement even though that they might have the skill sets that would be equivalent to countries where there is a reciprocal agreement. Would you acknowledge that there, at least on the surface, there seems to be kind of a natural injustice for the driver? Not necessarily talking about the two jurisdictions

but because there's not one reciprocal agreement, yet a driver might have the same skill set as where there is a reciprocal agreement. Would you not—do you see some sort of potential natural injustice, if I could put it that way?

**Mr. Swan:** Yeah, I know Ms. McLaren will go on to describe this in greater detail. I mean, I think we've got to be really careful referring to it as an injustice. I mean, MPI, in its driver and vehicle licensing role, has to balance the desire to have qualified new Manitobans get their licence with the need to provide safety to all Manitobans, so what I expect you're going to hear is the work that MPI does to examine the skill set that person has, what the form of the testing is, but I think we should just choose our language a little bit differently because MPI manages that balance, whether it's someone coming from another province or newcomers coming to Manitoba, which we know is happening in greater numbers than in decades, but I'll pass it over to Ms. McLaren for a more full response.

**Ms. McLaren:** The only real difference is that they have to be tested. They have to go through the test, and assuming that they pass the test, they will be—have full opportunity to have their driving record reflected in the rate that they pay. People will come from non-reciprocal jurisdictions and still be able to provide a letter from their previous insurer that says that they've been free of at-fault claims for the last 10 years. They can provide an abstract from the driver licensing authority from that jurisdiction that says they don't have any convictions, and we will incorporate that into our rating, and they'll have the ability to have that reflected in the rates. So someone can come from a non-reciprocal jurisdiction, be tested, pass the test, and have a merit discount just like someone who was born and raised here.

**Mr. Lamoureux:** But, ultimately, they would have to take the test because there is no reciprocal agreement between our jurisdiction and the other jurisdiction. At least that's my understanding of it.

Ms. McLaren, can you give us an indication as to two countries in particular, the Philippines and India, if the Province is giving any consideration or trying to encourage some form of reciprocal agreement between those two countries?

**Ms. McLaren:** I do know that those two countries—we do not have reciprocal agreements. I believe that there's no province in Canada that has reciprocal agreements with those two countries. There has been

some conversation about it. I think there likely will be more.

But I can tell you there are countries that still issue driver licences to citizens with absolutely no test at all. They pay a fee and they get a licence. And I'm not suggesting at all—I don't have any idea whether the Philippines and India are like that or are not like that. I have no idea.

But when it's a non-reciprocal jurisdiction, that means that we have no basis to believe that their testing standards are equivalent to us, so the only prudent thing we can do is to test them according to our standards.

**Mr. Lamoureux:** Just a final quick question is, has MPI initiated any sort of discussions, in particular with those two countries, in regards to reciprocal agreement?

**Ms. McLaren:** I believe there may have been some conversations with the local representative of one of those governments. It may, in fact, have been another country, I'm not sure. But that's the best I can tell you at this point.

**Mrs. Taillieu:** I wanted to explore some of the reasons why Manitoba Public Insurance is not willing to fully disclose to the Public Utilities Board.

I think the Public Utilities Board has a mandate to serve the public interest, and for them to achieve their mandate they have wanted to have better access to understanding of Manitoba Public Insurance full financial picture, whether, you know—it doesn't have to be public, but it's been offered, I think, in confidence as well.

And the Public Utilities Board has made some statements that are, you know, quite strong. In their 2008 order, they said a paucity of information available to the board with respect to the non-basic operations of MPI, things like this. They say that it's—the board's experiencing increased difficulty at assuring itself of the corporation's overall financial situation and prospects. They further say: in the absence of full transparency.

So they're looking for more of a transparency in terms of finances. In fact, their language has become even stronger, I think, to date, just when I was reading through transcripts of the GRA, when they say, why the secrecy re: non-basic operations.

The counterpoint to a monopoly is regulation and regulatory oversight. Generally, one would expect that the regulator would determine the

information it requires to do the job, not the regulated. And, as we all know, the Public Utilities Board has gone to the Court of Appeal asking for an opinion on this.

And, you know, I think transparency is particularly important because MPI has been asked to assume additional duties such as managing the driver licensing system and implementing a new driver's licence, the enhanced driver's licence program.

And we know that there has been overruns of about \$83 million. There's much in the way of cost start-up with the new service centres, with computers, with consultants that have been hired through a number of organizations.

There's just a lot of questions here and Manitoba Public Insurance has continued to not be willing to share the information with the Public Utilities Board.

\* (20:20)

I'm wondering why MPI would refuse to allow the Public Utilities Board to review its financial situation in respect to its competitive lines. Even in confidence, why would you be unwilling to allow the Public Utilities Board the full transparency and full access to the operation at MPI so that they could assure themselves that the rates are set appropriately and they could fulfil their mandate to the public of Manitoba?

**Mr. Swan:** Both Ms. McLaren and I are anxious to speak to this.

I think it's important to, again, to remember that MPI has some different functions. MPI is the sole basic insurance provider in Manitoba. It has a monopoly over those services. The Public Utilities Board is mandated to review the rate applications and to approve or modify those applications. I don't think there's any doubt that when it comes to the mandated role of the Public Utilities Board, there's actually a very good relationship between the board and MPI and if you read over the various decisions, MPI complies to the Nth degree in terms of providing the information with respect to basic insurance.

We had some discussion earlier tonight talking about the other lines of insurance: the competitive lines of insurance that MPI provides in Manitoba in competition with other companies. That's not within the Public Utilities Board's mandate. It's not within the mandate of the equivalent board in British

Columbia where there's private and public insurance. It's not within the mandate of the comparative board in Saskatchewan, which has public insurance, because this is private insurance, which is competitive, and, certainly, MPI doesn't believe, nor does the government believe, that the Public Utilities Board has the mandate to regulate and to receive information which a competitive private insurer in the province of Manitoba would not have to provide.

So I know the position that the opposition has on this. I'm not sure why they would like to tie the hands of the Manitoba company which is providing jobs in Manitoba, providing benefits, as you've discovered tonight, and substantial profits. They're used within Manitoba. You would not put a company based in Montreal or Toronto or Boston or New York or Dubai, for that matter, and not have them under the same standard.

So that's the political take on it. I will let Ms. McLaren add what she wants to. I can say that there's been numerous efforts by MPI to provide some additional information even where it's not required to. Obviously, there's a difference of opinion between the Public Utilities Board and MPI. The Court of Appeal will be determining that issue but, frankly, I think the mandate in the legislation is quite clear.

**Ms. McLaren:** I would like to start where the minister left off, that the mandate in the legislation is very clear in our view. The—we would take the position that neither the regulator or the regulated gets to decide these things. It is in statute. It's in the laws of the Province of Manitoba. As one of the leaders of Manitoba Public Insurance, I really want to impress on those of you here tonight how closely we pay attention and how hard we work to make sure that we live and conduct our affairs within the letter and intent of the law. We have programs that we administer on behalf of the government of Manitoba. We follow the law. We try very hard to never miss anything that we're obligated to do under the law, and we make very sure we don't do anything that we are not mandated to do under the law.

That's the view that we take with this issue with the Public Utilities Board. We are not unhappy at all that, you know, the PUB's own legislation gives it the opportunity to go to the Court of Appeal on a question of interpretation. That's what they've done. We think that that's a reasonable approach. We agree that the differences in view between the corporation and the Public Utilities Board is not in the public

interest. We would like to find a way for this to be resolved, but the legislation, in our view, is very clear that the PUB's mandate is to review and approve basic compulsory Autopac rates. And they say in their own public notices that they have no jurisdiction over rates to be charged on the competitive insurance lines of business, nor do they have any jurisdiction over anything related to The Drivers and Vehicles Act, which, to my way of thinking, then begs the question: What are they trying to understand, and what are they trying to look for?

You've referenced some of the orders. The orders include comments like maybe the government will decide to reduce extension rates. This is not a debate, in my mind, between the Public Utilities Board and the corporation. The Public Utilities Board has a mandate as established under the law of the Province of Manitoba, and things that are not within the Public Utilities' purview are within the government's purview. We are accountable here at standing committee. We receive oversight from the Crown corporation's counsel. There are any number of other bodies to whom we are accountable other than the Public Utilities Board under the law.

We think the law is very, very clear. I believe that it would cause difficulty if we were to put more information about the competitive lines on the public record. The PUB has offered to accept it on a confidential basis. I'm not sure what they would do with it on a confidential basis. They can't then cross-examine during the hearing process; they can't write about it in their order. I think that's problematic. If there's a different governance structure for different lines of business, the corporation will immediately do its very best to comply, but we believe we are complying with the law as it stands today.

As the minister mentioned, any other organizations that we're familiar with, where the basic compulsory program has a regulatory review and approval process for its rates, does not extend to their extension competitive lines of business. It never did back when MTS was a Crown corporation and they had basic phone service and they offered answering phone service and long-distance service.

There was a difference between the regulated and the non-regulated and, as we've pointed out on page 39 of this annual report that we've been reviewing, what we have an obligation and has always, always been scrupulous in adhering to our obligation with the Public Utilities Board is we have

to be very transparent in terms of our overall corporate costs and the costs that are allocated to the basic program. The PUB gets to review and approve the share of operating expenses that the corporation has that are attributable to running the basic compulsory program. That's how—there are so many organizations—every insurer in this country that sells auto insurance is also subject to some form of rate review and approval process. This isn't particular to public insurers, Crown corporations.

Auto insurance is so important to every government in this country that they all have some sort of a rate review and approval process. All of those insurers have homeowners insurance and commercial and maybe reinsurance and all other kind of lines of business, none of which are subject to the same regulation as their auto insurance part of their business. They all deal with this with their regulator through allocation policies.

So in our view, the PUB has a responsibility to review and approve our allocation policies. They have a responsibility to ensure that we adhere to the policies and that they understand the underlying costs that the policies allocate between different lines of business. We believe there's a model with every other regulator.

*Mr. Vice-Chairperson in the Chair*

These are some of the arguments that we have made with the PUB which, quite frankly, have fallen on deaf ears. We will be talking about this from this perspective in the Court of Appeal. We are very careful about adhering to the law as we understand it and we believe we are.

**Mrs. Taillieu:** Well, obviously, you know, there's a difference of opinion between Manitoba Public Insurance and the Public Utilities Board, and we all know that if government wanted to amend the legislation to allow themselves to be more fully transparent, then they could do that. They have a choice, and Manitoba Public Insurance would then, I assume, follow the letter of the law, if the government decided to be open and transparent and accountable to the public and amend the legislation.

\* (20:30)

You said that this seemed to be a reasonable approach to, you know, for Public Utilities Board to want to have to take this to the Court of Appeal, but, you know, this isn't really a reasonable approach when it's confrontational and it's costly. What the Public Utilities Board is looking for is full disclosure

of the financial situation in confidence so they can assure themselves that they are doing what is best for the public in the public interest in their recommendations and acceptance of rate setting. So they're trying to act in the best interests of Manitobans.

But I can see, I mean, there's a difference of opinion and it's all in regard to the legislation, and that's something that this government has refused to do is amend the legislation and to be open and accountable to the public.

I'm just wondering, then, do you find it a little ironic that Manitoba Public Insurance has a member sitting on the Manitoba Right to Know Committee?

**Mr. Swan:** Yeah, you know, we do have a difference of opinion, and I guess the member has staked her position. When it comes to competitive lines of insurance, we're very pleased that Manitoba Public Insurance, a Manitoba corporation, employing Manitobans, keeping profits in Manitoba, is able to compete, and we know that they do compete very effectively. If the member wants to be on the side of multinational insurance companies and wants to tie MPI's hand behind its back and have millions of dollars flow out of Manitoba, she can—I think she's already put that on the record, we'll—we can have some more discussions about that, Mr. Vice-Chairperson.

#### Point of Order

**Mrs. Taillieu:** On a point of order. I do not believe that I said anything to—in any way, which the minister is putting words in my mouth and trying to say something I didn't say. So I'd ask him to refrain from making up statements and putting false words on the record that he claims that I said and I did not say.

**Mr. Swan:** The member doesn't have a point of order; it's a dispute on the facts. I've stated my comments on the strengths of Manitoba Public Insurance. The member has obvious—does obviously not agree with that and takes a different approach, and it's a dispute on the facts.

**Mrs. Taillieu:** But, you know, I don't think it's up to the minister to rule; I think that's up to the Chair. So he thinks—seems to think that he can make the ruling here, and I think that's up to the Chair. The point that I am making is he cannot put words in my mouth and say things on the public record that I said and that I did not say.

**Mr. Vice-Chairperson:** Anyways, I also think it was not a point of order, so I would say that let's continue discussions and this is dispute over the facts. So I would request, Mrs. Taillieu, to carry on your questions.

\* \* \*

**Mrs. Taillieu:** Thank you, Mr. Vice-Chairperson.

And my question to Ms. McLaren was: In light of the fact that MPI is not willing to co-operate with the Public Utilities Board and disclose and be fully transparent as to the full financial operations of Manitoba Public Insurance, does she not think that it is ironic that Manitoba Public Insurance has a member on the Manitoba Right to Know Committee?

**Mr. Swan:** Well, again, I mean, I just heard the member's point of order. She should be quite aware that MPI does comply with the Public Utilities Board within the letter of the legislation here in Manitoba. MPI is a positive, progressive corporation, which, as we hear, has a strong emphasis on customer service, strong work on its governing structure on its own and working with other Crown corporations and frankly other corporations here in Manitoba, and MPI participates in all kinds of initiatives like that, and, frankly, as a minister and as a Manitoban I'm quite proud of that. But if Ms. McLaren has anything to add, I think it'd be helpful for a discussion.

**Ms. McLaren:** I have to admit I'm not familiar with the Right to Know Committee, and if you're talking about one of our employees and what they choose to do with their time, I would certainly have no concerns whatsoever.

**Mrs. Taillieu:** Well, then, is—are you saying then, that you're not aware that Manitoba Public Insurance is participating in a group of people in Manitoba that is lobbying for full transparency of government and the right to know to the public of Manitoba?

**Ms. McLaren:** I believe, and I certainly am willing to be corrected if I'm wrong, but my understanding is that there is an organization, a right-to-know organization, that is really about corporate and government transparency and openness. And, again, you know, I can tell you that we believe in that principle. But that doesn't mean we believe it's appropriate to share whatever we want with whoever we want outside of a legislative framework.

We work very hard to and do. I am completely assured that we comply with FIPPA and with FIA. I can tell you that tonight I have talked to you about

the revenue and the profit of the extension lines of business in a very open and transparent way. I can tell you that last year at the Public Utilities Board they asked questions that had absolutely no relationship to basic Autopac rates. Questions about how many EICs had been sold at that point and what we gave them to respond to that question was transcripts from these proceedings because it's on the public record. We work very hard to be transparent. But that doesn't mean to go beyond what the law tells us we are supposed to do.

We work very hard with the Ombudsman. The Ombudsman has had good things to say to us and about us in her reports about the consultations that we've gone through when we've made changes and sought her opinion on them, and that is part of what we're talking about in terms of a responsibility to support principles of the public's right to know.

Now, the public's right to know is not the same as what we do in relation to complying with the law with respect to the Public Utilities Board. The Public Utilities Board process itself costs over a million dollars a year. So we can expand it as much as anybody wants us to expand it. But when it comes to MPI making decisions about what to expand and how much to give, the—anybody wants us to comes down to, in this case, what does the law say, and it has worked effectively. I believe strongly that Manitoba Public Insurance is—the rate-setting process is better. Our financial forecasting is better. The strength of those rigorous processes that we have has improved since 1988 when we began going to the Public Utilities Board for approval of basic compulsory Autopac rates, but we've been doing this with very little contention since 1989.

**Mrs. Taillieu:** I just want to go back to service centres for a sec. With the new service centres and the new buildings, I guess, there are some buildings that would be vacated which would belong to the government. Did you dispose of any of these buildings?

**Ms. McLaren:** We haven't disposed of anything that belongs to the government, I promise. I can tell you, though, that as part of the merger with DVL back in 2004, the corporation took ownership of 1075 Portage and have since—are in the process now of vacating that building and selling it. The building has been for sale and we've accepted—you know, we published tenders and accepted bids on the building. We're in the process of selling that. But we owned it and now we're selling it.

*Madam Chairperson in the Chair*

\* (20:40)

We also took over a long-term lease of a building that DVL was using on 1st Street in Brandon. We have now changed the work that's done out of that building, but we continue to have both our own Manitoba Public Insurance building on 1st Street and also have staff in the building that we took over the lease from the government in 2004.

We were renting space in the provincial government buildings in Thompson and Dauphin, I think just those two, so we stopped paying that rent. And we had a number of leased premises that we took over the leases from the government here in Winnipeg on Corydon and Nairn and McPhillips and we have finished out those leases. So we're saving money on those leases as well.

**Mrs. Taillieu:** Just for a point of clarification then, a building—you said you didn't dispose of anything that belonged to the government. So then are you considering buildings that belong to MPI as not belonging to the government—belonging to MPI as a Crown corporation would not still belong in broader sense to government? Just to clarify that.

**Ms. McLaren:** Sure. In the broader sense it's all part of the big Manitoba government family for sure. But we tend not to think about it and talk about it like that at Manitoba Public Insurance because according to the letter of the law, according to the governance structure in The Manitoba Public Insurance Corporation Act, it is a corporation with its own assets, with its own accountabilities, and so we consider buildings to be ours.

So when I say have we disposed of buildings, I mean the other building that we have not yet but have committed to dispose of is our very first claim centre on King Street here in Winnipeg, and we gave that as a donation to a community group here in Winnipeg. So in the broadest sense you could talk about them as part of the provincial family of assets but according to our law, The Manitoba Public Insurance Corporation Act, they are corporate assets.

**Mrs. Taillieu:** Yes I'm aware that the old claim centre on King Street was gifted to Ma Mawi Wi Chi Itata Centre and I'm just wondering the process around that. How was that determined that—which group would get a gift of a—I know that the estimated market value of the building was 980,000. That was in 2006, I believe, if I can—I believe. So I'm just wondering if this is—if there was a process where

people applied for this building or was it put out as a here's a building that anybody can have for free, how many people want it? Or how was it arrived upon? Was there a process of elimination? Were there a number of people considered? How was that decided?

**Ms. McLaren:** I can tell you that the board of directors made a decision a number of years ago when we made the commitment to build the replacement building on Main Street to see if there was a suitable recipient to receive the building. And the rationale for even looking at doing that is really that as a corporation, we believe we have really deep roots in that community. That was our very first claim centre. We believe that it is a part of the city where we would be able to make a difference by providing that to an organization working in that community to better the community.

It was a building that, for all intents and purposes, was fully amortized. We had received every dollar of benefit of owning the building that we had expected to back in 1972 when we built it and 1985 when we renovated and expanded it a little bit. So the decision was to see if there was a good viable candidate to receive the building. And I can tell you that I took a fair bit of personal responsibility for working on this initiative and I consulted broadly in that community.

It's not something I know well and it was not at all something the corporation would've felt comfortable making a decision. So we consulted broadly over a long period of time with the community and asked for advice, asked for ideas, heard from a number of organizations, ended up working more closely with an organization known as CLOUT. But that organization is really kind of a coalition of very, very strong, competent, credible, United Way-funded agencies all doing amazing work in that neighbourhood, and we asked them for advice because that is their community. They are the people providing service.

I learned through that process that it's very problematic for a community when someone decides they know more than they do, and we certainly—the corporation didn't want to risk that at all. And we also understood—we came to learn that it's very important for them to work collaboratively and not be seen to be competing with each other.

The advice we got from the broad consultations, that largely I did myself, is that it would be difficult and problematic for the community to be put in a

position where different agencies would have to respond to something like an RFP because they would be competing with each other and they believe that that's damaging. And they much prefer to not only consult with an organization like ours, asking for their advice, but them, themselves consult further and more broadly and reach out to everyone doing this kind of work in the community. And through that process, the recommendation was for Ma Mawi. And I made that recommendation to the board and the board accepted it and we made the announcement when we had the official opening of the Main Street centre.

**Mr. Swan:** Just to add to that clout that Ms. McLaren spoke about, the community-led organizations united together, it's an umbrella group of a number of various service providers that work in the province of Manitoba. I've had the chance to deal with them on a number of occasions and as Ms. McLaren said, Ma Mawi was identified as a group that would be a great benefactor of that building. Ma Mawi has a lot of services. They're a non-profit, Aboriginal-based group that works with the community. It develops and maintains preventive services for Aboriginal children and families. Of course those preventative services are intended to reduce reliance on the Family Services system, intended to reduce involvement with the Justice system, which is all positive.

The location of 445 King Street is very close to Lord Selkirk Park and the Turtle Island community centre. So when you look at some other good things that are happening in that area, it's really going to result in some synergies from various groups doing good things.

I'm very pleased that MPI had a very full process and I think a very good process working with the community to come to that decision.

**Mrs. Taillieu:** You know, I'm not trying to dispute the choice of who you chose but I'm trying to understand the process and the mandate of gifting property, worth almost a million dollars, to anybody and how you would reach the conclusion that that would be in the best interest of all Manitobans; to take a building that essentially belonged to all Manitobans, if I can use that in the broad sense, and make a decision, largely your own decision it sounds like, to—with consultation—to then gift that building to any group.

As you know, several years ago, MPI was criticized for wanting to make a gift to the University

of Winnipeg and, you know, that's my alma mater so I wouldn't dispute that. But, you know, it's the idea and the mandate to the public who MPI serves.

And then, of course, there was more recently, I think it was a million dollar donation to the Human Rights Museum. Again, I wouldn't dispute the recipient, but I'm simply trying to understand why it is that Manitoba Public Insurance, a public company, would take it upon themselves to gift millions of dollars to whoever, without, first of all, considering that their first responsibility is to the ratepayers of the province who pay the rates of MPI, who may want to have a say in whether or not they would like to have that money returned to them. Such as what happened in the case, as you know, when—at the University of Winnipeg.

\*(20:50)

So was this a broader consultation with Manitobans? Were Manitobans made aware of this gift?

**Ms. McLaren:** After the decision was made, Manitobans were certainly made aware. There was certainly every intention to publicly announce and acknowledge the gift that the corporation decided to make. In terms of the corporation's mandate, I can tell you that it's certainly within the corporation's legislative authority under the act to dispose of assets in this manner or other manners. I can tell you that Manitobans—again it comes back—Manitobans, you know, we have not seen one substantive pushback on this particular donation. Not one letter has crossed my desk to say that, you know, I think you should have made that rebate \$93 million instead of \$92 million. We have not had that kind of feedback. Manitobans expect us to act responsibly and to expect—they expect us to act in the broader interest of Manitobans, not just squeezing every penny.

I think I can say it best by paraphrasing someone who spoke out in support of the corporation's contribution to the Human Rights Museum when they said they would have every expectation that if not for Manitoba Public Insurance, if this was a private-sector auto insurance company, they would have every expectation that such a company would be making such donations and why should MPI be any different. We know Wawanesa gave money; we know Great-West Life gave money—credible, responsible businesses doing business here in Manitoba. And that's—we got a fair bit of feedback at that point when the donation to the museum was announced from people saying we would expect any

other business to do that, why should MPI be any different.

**Mrs. Taillieu:** I'd like to ask the minister if he was in any way connected with this. Did he attend the press release and did he direct MPI to make this donation?

**Mr. Swan:** Well, I can tell you I was quite pleased to be at the official opening of the new Main Street service centre, and it was at that point that we announced the donation of the building to Ma Mawi. But, you know, the board is independent. They make their decisions. I think they did the right thing. There was a lot of due diligence. They met with, I think, a very important partner in CLOUT, being the umbrella of the various service providers in the city of Winnipeg and, certainly, I support the decision that MPI made.

**Mrs. Taillieu:** I'm just—the minister has said that he was at the announcement. Was he making the announcement himself?

**Mr. Swan:** Let's see. I was there with Ms. McLaren. I was there with people from Ma Mawi and other members from CLOUT, and Jake was there. Now, I don't have my speaking notes with me. I can't remember which one of us actually announced the donation. I simply can't recall. I think we may have all done it.

**Ms. McLaren:** I don't recall either. The press conference—the open house was related to the opening of the Main Street centre. That was the main reason for the event, and the donation was announced at that same event and there were a number of speakers. I don't remember which one spoke first about the donation.

**Mrs. Taillieu:** But the minister did speak about the gift to the community organization on behalf of government, which—would that—would the minister be able to—no, I guess you wouldn't. I'm curious as to why you would be there. If MPI was making the gift, why would the minister be there?

**Mr. Swan:** Last time I checked my title, I am the Minister responsible for the Manitoba Public Insurance Corporation.

**Mrs. Taillieu:** I'm not disputing that. I'm just saying that, you know, Manitoba Public Insurance first stated, you know, this—they felt this was not a government building, it was an MPI building, and so MPI should have got the accolades, I guess, if you will, for presenting the building. I'm just wondering

why the minister would be there to assume the accolades for this and wanting the limelight there.

**Mr. Swan:** I'm quite pleased to work with MPI and to be there for events when MPI invites me to come along. Certainly, as Lotteries Minister I was happy to come along when Lotteries invited me to events. As Liquor Minister I was quite happy to come along to Manitoba Liquor Control Commission events.

You know, I mean, we have the reality in this province that MPI is our public insurance company. It's owned by all Manitobans for the benefit of all Manitobans. As the minister I'm certainly responsible, and as Ms. McLaren has said, there's a number of forums that people can question what MPI does. We're here tonight at committee, coming to the end of three hours of questions. We've got proceedings in the House. We've got a number of other forums.

The person who sits in this chair is responsible for, ultimately, for MPI's decisions, and I'm very pleased that in Manitoba we have a tradition that Crown corporations do involve their ministers no matter who's in power, although we know when some different people are in power there tend to be fewer and fewer Crown corporations working for the benefit of all Manitobans.

So I was proud to be part of this, and I think Ma Mawi is a terrific organization and will really, really use this donation to create, really, a legacy and improve people's lives in the inner city of Winnipeg.

**Mrs. Taillieu:** Can you, Ms. McLaren, can you tell me why Manitoba Public Insurance donated \$415,000 to the Winnipeg Regional Health Authority and what that was for?

**Ms. McLaren:** Yes, that was a one-year payment towards a four-year, basically a \$2-million, commitment that we made to Health Sciences' the Siemens Institute for brain surgery. I can tell you that that is directly related to our core insurance business. The most frequent kind of catastrophic injury that Manitobans experience in automobile accidents are head injuries, and we thought it was a really well thought out strategy that they had adopted. It was a good plan that they had put together. They came seeking funding from us, and that's—that is what that donation is associated with. That would be basic Autopac's share of a half a million dollar donation per year for four years.

**Madam Chairperson:** Thank you, Ms. McLaren.



It is now 9 o'clock, and as previously agreed—we decided we would review at 9 p.m. What is the will of the committee?

**Mrs. Taillieu:** I do have a number of questions still to go, so I'd like to ask that we sit till 10 or sooner once we conclude.

**Madam Chairperson:** Is it the will of the committee that we would sit till 10 o'clock or sooner if questions wrap up sooner? *[Agreed]*

Okay. Questions, Mrs. Taillieu?

**Mrs. Taillieu:** So, just to clarify, then, I think that you said a half a million dollars, you're going to be doing this for four years and you started in '08-09. That's the information that I have, but.

**Ms. McLaren:** We will double check on exactly which year it started. It may have started in '07.

**Mrs. Taillieu:** Where would I find that in the 2009 annual report?

\* (21:00)

**Ms. McLaren:** That would be included in the corporation's total operating expenses. It would be part of that number of operating expenses.

**Mrs. Taillieu:** So it won't be a line item; it's just included in a broader number. But there—I don't believe—I may be wrong, but I don't believe there's any mention made of that in this book specifically. I think that you did mention the King centre, but I don't think you mentioned the \$2 million being gifted to the regional health authority.

**Ms. McLaren:** No, we didn't reference either of those. The—we did not talk about the donation of the King Street Claims Centre and we did not talk about the donation to the Health Sciences Centre.

Clearly, the King Street was announced subsequent to the publishing of that annual report, about a month or so later. I think it was early July we had the opening of the Main Street facility. This was released in the middle of June. But I'm not sure we have publicly announced the funding to the Siemens Institute at all yet.

**Mrs. Taillieu:** It's a significant gift, I think, for—I mean, it's not—in the overall scheme of MPI, it's not that much money, but \$2 million is a significant amount. I think if you polled Manitobans, they'd think that was a significant amount of money. Why would you not be announcing this?

**Ms. McLaren:** In all honestly, I don't have a complete answer to that. But first of all, I can confirm that '08-09 was the first year. When we initially made the commitment, because it was over four years and because we made the commitment in the very early stages of the development of that facility, there was nothing really substantive to announce at that time. And I think, again, you know, this has been discussed at the Public Utilities Board. We've been transparent about it; we have not hid it. But we have just not made the decision about when to make a public announcement about it. So we haven't done that yet.

I think likely, I mean, if it was started in '08-09, '09-10, we have one more year to go, and certainly you can expect that that will happen. It's not—we feel very good about it. We believe it's a really appropriate decision. There's certainly no attempt to hide anything. As I say, it was talked about over a year ago through the Public Utilities Board process, and before the four-year commitment is done you can expect that it would be announced.

**Mrs. Taillieu:** Thank you. Can you explain to me what the 45,000—wait a minute—\$45,000 sponsorship for the Winnipeg Free Press Players Cup was in 2008-09 and then it was 45,000 in '09-10 and then not anything further. But is there a projection for years to come, and what is this actually?

**Ms. McLaren:** I may not get the terminology right, but it is a professional golf tournament that's held here in Manitoba. For a number of years, the *Winnipeg Free Press* was the title sponsor, and what we did is we provided—just like we have for when the Grey Cup has come to town or the Pan Am Games or any number of major sporting events—we have an opportunity to provide some sponsorship dollars in return for opportunities to provide anti-drinking and driving messages, sometimes a designated driver program, things like that. So this is part of a larger list of major sporting event donations that we've made which we, in return, we get opportunities to communicate road safety messages.

This is a larger amount because we were able—because the *Free Press* was the title sponsor, we were able to negotiate with them a broader advertising package. So by providing these dollars, we received more than—somewhere between two and four times the value in *Winnipeg Free Press* advertising space for our road safety messages. You may have noticed over the last few years, often on a Saturday, right up in the front part of the paper, the

most attractive advertising space, often on page 2 or 3, there would be a quarter-page ad about—very similar to the things that we do with CTV, in terms of driving tips, you know, how to properly make a left turn into oncoming traffic, things like that. So that's really what the bulk of that money did for us. We received very tangible financial value for providing the sponsorship to the Free Press sponsored golf tournament.

This year, I believe there may have been a smaller sponsorship directly to the sporting event, which is no longer associated with the Free Press, simply because we didn't want to leave them without our funding without notice and because it was not tied to the Free Press, it was for a reduced amount.

**Mrs. Taillieu:** In terms of the MPI's ownership of Cityplace, who are the current tenants and have they changed? Or is there any tenants that have changed?

**Ms. McLaren:** There's a little bit of new retail. Sometimes, you know, retail tenants come and go, but the office space has been fully used since before we bought it. There are some new kiosks, maybe a couple of new vendors in the food court but, for the most part, they're the same.

**Mrs. Taillieu:** Well, that's what I'm asking. I'd like to be specific, not just for the most part. That's why I'm asking the question as to have any tenants changed.

**Ms. McLaren:** You know, I would have to get some specific detail. I noticed a brand new tenant on the main floor the other day when I was just exiting the building myself. Looks like someone making and selling leather goods, brand new tenant there on the main floor that was not there before. Second floor, there's a new Robin's that was not there when we took it—Robin's Donuts coffee shop on the second floor that wasn't there when we bought the building. Those are the two that spring to mind. I know the broker's still there, Marlin Travel's still there; most of the food court is the same; Asia Gifts on the main floor there, with two locations on the main floor, still both there, the drugstore's there; liquor store is there; the medical clinic's still there. So those are the two that come to mind as being new.

**Mrs. Taillieu:** Thank you.

This will be a question in terms of staff—staffing. I'm curious if MPI allows employees to—the option in pay—option of pay in lieu of unused vacation time.

**Ms. McLaren:** Yes, on an exception basis with two levels of management approval. It's something that doesn't happen very often. We believe strongly at Manitoba Public Insurance that people should use their vacation. Vacation time is important to people. Sometimes, given operational constraints or sometimes personal circumstances, people will want to buy out a portion. It's always been a very small portion of their earned vacation credits, but it is an option for people on application on an exception basis.

**Mrs. Taillieu:** Can we get a breakdown then of how much MPI has paid out in unused vacation time each year?

**Ms. McLaren:** We would have to take that and get back to you, but we can, sure.

**Mrs. Taillieu:** And does MPI allow the staff to carry over sick time?

**Ms. McLaren:** Carry over sick time from year to year? Yes. People earn sick leave credits that build through time. Yes.

**Mrs. Taillieu:** Is there an option then for employees to get paid out for unused sick time?

**Ms. McLaren:** No.

**Mrs. Taillieu:** At the present time, how many consultants are supported—how many consultants are there working at MPI at the present time?

\* (21:10)

**Ms. McLaren:** Again, in terms of actual head count, I can't give you that number right now. As we've talked about earlier this evening, we've got one very major initiative that has just been implemented in the last couple of weeks; that's related to the system for helping case managers handle their PIPP claims. We've got some other initiatives that are under way. So we have quite a few; we have several dozen, I can tell you. But in terms of an actual head count, I can't give you that here tonight.

**Mrs. Taillieu:** I just note that in the PUB's last order of last December, they comment on—commented on the number of consultants at 109, which seems like a very large number of consultants in an organization. So, I'm wondering if you know that there's still that many or if there's more or less.

**Ms. McLaren:** I expect that there would be some less because at that time we were working very hard on this initiative, with respect to PIPP case management and, also, all the major initiatives that

were implemented back in January: the new driver safety rating, streamlined renewals, one-part licences.

We have had, for many, many years, a team approach to supporting our systems, maintaining our systems and making changes to our systems. We have about a hundred MPI employees working in our IT department, and it's not unusual for us to use consultants because we have a significant flexibility in terms of being able to obtain skill sets quickly and, particularly, skill sets that you may only need for a short period of time.

So, we've done this for many years. We have a good, strong, permanent staff of IT professionals, but we also supplement that, particularly when we have projects going on of various sorts of consultants to work with us, hand in hand. We learn from them; they transfer skills to our own employees; they bring skills for a period of time that we wouldn't necessarily be able to acquire here in the Manitoba market without taking more time and incorporating them into the corporation. So it works very, very well for us.

We have—I would put our service delivery computer systems up against anybody else's that I know. They work. They are—with two exceptions in ten years and two exceptions in the last six months, they're there when we need them. They work well. The brokers are—feel adequately supported by those systems, and working with consultants and our own strong IT department, we believe it works the best for Manitobans.

**Mrs. Taillieu:** When you hire on a contract basis, is that a tendered contract?

**Ms. McLaren:** Almost always, not every single time. We've had a very long-standing contract with what many—was Systemhouse and then EDS and, more recently, HP, for the overall support of our systems. That contract is coming to an end, and we are in the process of tendering for that work right now. Both the software provider for this PIPP case management system that I talked to you about, that was tendered. The consulting services, in terms of helping establish the business requirements, was tendered, as well, separately from that. We have processes to make sure that the companies that bid on and win the tender to establish the business requirements are not eligible to bid on the system itself, believing that would be an unfair advantage.

So, with few exceptions, with well-documented business reasons, the work is always tendered.

**Mrs. Taillieu:** I think that the work that was awarded to EDS was the untendered portion. I think that's gone on for many years, but was there any over the years that EDS provided the services—and I know that it was a former, a different name company before that—and I can understand some of the technical reasons why that contract was extended, but it seems that it would have been prudent to still tender somewhere along the line, even after five years or for an additional five years to just make sure you're getting the best bang for the buck, I guess. So, was that done?

**Ms. McLaren:** The very first contract certainly was tendered. It was not retendered at five or 10 years, no. Again, for good, solid business reasons, given the nature of the work that we were undertaking, the change initiatives that we were doing through that period of time, but that is the contract that is out for tender right now.

I can also tell you that we have some very effective means at our disposal to make sure that we are getting very advantageous rates here in Winnipeg. It's a very transparent environment. We know what the going rates are. We know what appropriate discounts are. We were able to negotiate what we believe are very advantageous rates for the work throughout the life of that contract. But, certainly, it is—we think it's appropriate right now to be tendering that work, and that's what we're doing.

**Mrs. Taillieu:** I suppose that what we've been talking about all evening comprises the business process review, but I'd just like to clarify exactly what this business process review is.

**Ms. McLaren:** It really does tie back to the merger, and I talked to you about the three objectives that the government established in terms of improve the service, make it more efficient, and do something to really improve the service delivery model. So the business process review was a process that the corporation undertook beginning in 2004 to really identify how can it change its business practices, now that the merger has happened, to the greatest advantage of Manitobans. What are the things that we should be doing? And the things that we did was the new driver licence system, moving to the service centres, driver safety rating, streamlined renewals, one-part licences, the eventual decommissioning of the mainframe. All those things that we've talked about were the outcome of that business process

review. We reviewed our operations. We reviewed our opportunity to improve services for Manitobans.

And when you look at it, you know, when we talk about what we talked about earlier in terms of the \$83 million and what we spent in terms of excess retained earnings, excess profits from the competitive lines, that was the funding that was provided to the parts of that initiative that were purely related to DVL, if you put that together with the things that we did for the basic competitive—the basic compulsory line of insurance, like driver safety rating, like streamlined renewals, we talked about saving \$20 million a year. The financial picture is as advantageous as is the service improvements. If not for the merger, we wouldn't be saving \$20 million a year on basic Autopac commissions. So at the end of the day, if we spend \$80 million, or so, on the entire business process review package of change initiatives, we're saving over \$30 million a year for an investment of around \$80 million a year. So, from the total corporate perspective, huge advantages financially and from a service perspective.

**Mrs. Taillieu:** You said that you're going to be saving on Autopac commissions. Is that impact on the brokers' commissions, then?

**Ms. McLaren:** Absolutely. That's exactly what we're talking about. Before the transition to streamlined renewals, brokers were paid 5 percent on the basic compulsory Autopac commission, 5 percent of the premium written, and once the streamlined renewals are fully implemented through the five-year process, that commission will be two and a half percent. We worked hard with brokers to negotiate that agreement. It's been in place now for almost two full years.

The brokers work very well with Manitoba Public Insurance. They believe that we share the same interest to do what is in the best interests of Manitobans. We believe it's incredibly important that there continues to be a very viable, profitable broker network in this province, and we are committed to working with brokers over the long term. They, in turn, understand that when we take significant traffic out of their offices through initiatives like streamlined renewals, they cannot keep earning the same amount of commissions.

So it was a very collaborative process. We had an agreement together. We made a joint recommendation to the government for the broker commission regulation to be changed. It was a very,

very positive process and a very positive outcome for Manitobans.

\* (21:20)

**Mrs. Taillieu:** With the advent of these new super centres, how is that going to impact on the smaller private brokers? Now, you know, they're making less commission, they have less traffic coming through their doors, could translate into less people employed there. I don't know that some of the people have said that they have some fears like that, and then with the opening of the super centres is there any—going to say plan, I guess, but thought that this might impact on the smaller private brokers and perhaps drive them out of business?

**Ms. McLaren:** No, we're very, very careful with that and we've worked very closely with brokers on the move to service centres.

The first service centre that we opened was in Winkler. We did it with the full participation of the provincial association—the Insurance Brokers Association of Manitoba, but also directly with the brokers within that catchment area—brokers from Winkler and Altona and other areas around that. We made a commitment to them actually, because we didn't—we don't want to compete with them. We don't want people to come to us when they could go to brokers. We want them to receive that independent insurance advice from brokers. We made a commitment to them that if somehow the historic traffic between their offices and our offices changed we'd compensate them through the pilot process and we would reimburse their commissions and it didn't happen. And brokers outside of the Winkler catchment area were concerned and the Winkler brokers helped ease their minds and explained to them that it had not been an issue and that we were all aware of it and paying a lot of attention to it.

The same thing happened in Brandon when we opened the service centre there in '08. The brokers were concerned. We worked closely with them. It didn't happen, and we will continue to track it as we have more—it's been a year now in Winnipeg since we've had service centres here in Winnipeg—but we will continue to track it.

We think that for the most part many brokers are open longer hours than we are. You know, here in Winnipeg we have two—three offices that are open on Saturdays now, the three new buildings. But our other offices are not for the most part, brokers are. So I think there are advantages that the public sees in

dealing with brokers. They like the service that brokers provide. We believe that they are important and we will work with them to make sure that Manitobans have access to this independent professional insurance people.

**Mrs. Taillieu:** I'm jumping around a bit here because I'm just going back to some questions that I missed out before.

Just in terms of MPI revenue and expense projections, MPI is forecasting its total claims costs, which have been steady from 2006-07 up until now at-'06-07 was 626,000 and a little; '07-08 was 622,000; '08-09, 622,000; this year, 623,000. But next year jumps up to 726,000 forecast total claims—yes, total claims costs—and then the next year after that jumps up again to 760,000 total claims costs.

So why this sharp increase projected for the next couple of years, especially in light of the projected savings that were to come from the immobilizer program?

**Ms. McLaren:** For the most part, there's two components of our claims costs each year, and the first is the actual new claims coming in the door: what are they going to cost us and how we account for those. And then, like, particularly because of the no-fault benefit scheme, because of the PIPP program we have a lot of money already set—we have a billion dollars set aside to pay for claims that have already happened, and every year we go through a process—an actuarial process—of deciding is the billion still the right number. And, over the last few years, we've made some changes to our actuarial assumptions and our processes that have all been vetted through our external actuary and vetted through the PUB process, and it was decided that for the last few years it's been determined that we have more money in those reserves than we actually need to pay what we believe will now be the long—the lifetime cost of those claims.

So the 600—those are all millions, by the way, not thousands—they're all millions, but it looks like thousands, I notice, because we put the zeros up at the top. But the 600 and some-odd million dollars that you referred to had already been offset by these reductions in the existing reserves that I talked about, and the reduction was about \$150 million a couple of years ago. It was, you know, about half that this year. We think it might be half that again next year. So we're predicting that the—reducing our current in-year claims by reducing those reserves is likely coming to an end for the most part, so that's why instead of a

regular increase that you would have seen in our claims costs through time, it looks like it's kind of jumping up more quickly. But if not for those reductions, it would have stepped up in a more consistent manner over the last short time, the last few years.

It's one of the challenging parts of our business, you know, because if you think about the total revenue of the corporation being, you know, if we talk about—I mean, those numbers are related to the basic compulsory program, so let's talk about that. It's about \$800 million of revenue every year. If, you know, the vast—more than half of that is related to physical damage claims. So most of the money we spend in a year is usually the crash has happened, the cars are fixed in a very short period of time.

So every year, we might have \$300 million of injury claims that happen in any given year. We pay out a small portion of that every year because injury claims happen over a longer period of time, and we pay the claims as the people incur the costs. So we have a small portion of claims pay-out on the injury side every year, but since 1994, since we started the no-fault, we've accumulated a billion dollars of reserves, so if we have to change those reserves by \$150 million, that's half of what our in-year claims costs are because we have this very large reserve set aside for claims that have already happened.

So it can skew the numbers in a way that makes it look unusual, but as long as we're able to explain it and we have external advisors like our external actuary and external oversight through the Public Utilities Board, we think the process works well for Manitobans, particularly when you understand that we're setting rates so far into the future. Insurance is one of those things where you sell the product with no real tangible proof of what it will cost you to deliver that product through time.

**Mr. Martindale:** First of all, I'd like to congratulate MPI on donating their surplus building on King Street to the Ma Mawi Chi Itata Centre. I can't think of a better organization to donate it to. They're doing excellent work with families in the North End and the inner city. They're also my neighbours on Selkirk Avenue. They occupy a building right beside my constituency office.

A question that would be of great interest to my constituents—although I'm happy to say a declining interest—would be auto thefts, both attempted and actual, and I really don't like to be a poster child for this, but my car was stolen four times, although I

must say not recently and not since we got a newer car with a factory-installed immobilizer. But I know that the trend is significantly downward and I'd be interested if you have some statistics you'd like to put on the record, particularly how much it's down since the peak or any statistics that you may have on hand that show a positive downward trend because of steps that MPI is taking such as immobilizers.

\* (21:30)

**Ms. McLaren:** On a sheer numbers basis, I think we went from a high of somewhere over 10,000 theft claims a year, and that would be total theft and include attempted theft. We're down to less than 3,000 now. In terms of dollars, I can tell you that this year we are spending \$30 million a year less on auto theft this year than what we thought we would spend this year back in '04 before we put the strategies together and had them up and running.

Auto theft continued to grow every year and the \$30 million a year that we're saving will be a little bit more than that next year. It was maybe 27 and a half million last year. So the program has delivered huge savings not to mention the lives of the safer neighbourhoods.

**Mr. Martindale:** And what would you attribute most of that decline in auto thefts and attributed-attempted thefts to? Would it be, you know, concerted actions by the police or immobilizers, or a combination, or other things that I haven't thought of?

**Ms. McLaren:** In terms of graphical depiction the reduction in auto theft—it's on page 37 of this annual report that we've been talking about. An auto-attempted thefts are a shadow of their former selves as well. They have decreased as much and I think it really has been a multipronged approach. You know, I think the police really were not in a position to chase and arrest attempted theft perpetrators back in those days because there was simply so many actual thefts that were going on. But, you know, for the most part in Winnipeg when we talk about auto theft we're talking about kids, very young people, and they learn. They learn that they simply can't steal those vehicles with the immobilizers in them and they stop trying.

**Mrs. Taillieu:** Yes, I just wanted to know how many of these thefts and attempted thefts were because of the fraud ring that was operating between 2005 and 2009?

**Ms. McLaren:** To my knowledge, none of them. None of them. The fraud ring was really related to misrepresenting the history of vehicles that were coming into Manitoba and trying to get more out of a write-off than the vehicles were really worth. That was really the basis of that fraud for the most part. Theft was really related to kids stealing vehicles throughout the city of Winnipeg, very different.

**Mrs. Taillieu:** And the—I know that the police service said this was a very sophisticated operation going on. So I'm curious as to—and I've written to the minister on this—if MPI and the government has assured itself that there was no internal operation within MPI assisting with this fraud?

**Ms. McLaren:** Yes, I believe the police and our own investigators are very comfortable that there is no internal MPI angle to this one. The nature of the fraud that was perpetrated was really associated with the, you know, the acquiring these vehicles, bringing them in and then misrepresenting them.

They were all registered and insured through the normal processes. I think there's some things we may be able to do as an organization to tighten up the controls at the front end to make some of that more difficult for people attempting to defraud, but there's—they used the processes that we have and they misrepresented. There's no indication anywhere that it—that they needed any inside help nor did they have it.

**Mrs. Taillieu:** So there was a formal police investigation then?

**Ms. McLaren:** Absolutely. It was the police—I mean we have our special investigation staff that can contribute and work with the police but this was a police initiative, absolutely.

**Mr. Cliff Cullen (Turtle Mountain):** Just a few questions for Ms. McLaren tonight.

You mentioned there earlier, obviously, the expensive cost we have with physical injuries when those do exist and, I guess, in worse case death payments. They can be fairly substantial. Do you buy reinsurance for those particular situations?

**Ms. McLaren:** Yes, we do. We buy reinsurance for both catastrophic injury claims that might happen and also for catastrophic events like hails or floods as well.

We have what is known sort of in the reinsurance world as fairly high retention, like, we self-insure most of our injury claims risk. The

coverage would really come into play if there was a catastrophic event with multiple injuries, if there was, you know, something like a van with many people who were catastrophically injured, a bus incident, something like that. So, for the most part, the vast, vast majority of private passenger vehicle claims would never get near the reinsurance level that we purchase.

**Mr. Cullen:** I want to talk a little bit about motorcycle rates. We have a lot of complaints, I guess, would probably be the right word, about the rates here in Manitoba.

Are we doing something different here in Manitoba, in terms of how we associate claims on motorcycles? Like, people keep telling us that we have the highest rates anywhere around for motorcycles. Is there something else we're—is there something we're doing that other companies or other jurisdictions aren't doing that would make our rates on motorcycles seem higher?

**Ms. McLaren:** We've done some rate comparisons, and I can tell you that our rates are not higher than they would be somewhere like Ontario, and not just in the big city like Toronto but other places. And the Ontario system—until very recently, the Ontario government has just changed the mandatory accident benefits there to significantly reduce the benefits available for people injured. But until they did that, their accident benefits were fairly comparable to what we have in Manitoba, and their rates were comparable, as well.

I can tell you that both public auto insurers in Québec and Saskatchewan have gone on record to say that their motorcycle rates are deficient and they need to be increased. They have a strategy to increase them. As they do that, ours will be more similar to theirs, as well.

I guess what we do differently than many other jurisdictions is we have a very comprehensive basic Autopac rate review and approval process with the Public Utilities Board. We know we have a very, very direct relationship between the rates we charge and the cost of the claims. Many motorcycle policies—actually, in terms of Winnipeg, territory one, that the price is coming down a little bit. So they are sufficient. We are charging what we need to charge and sometimes charging a little bit more than we need, and reducing rates here in Winnipeg.

The issue we still have with motorcycles is, for the most part, rural, southern Manitoba. And while

they—it may be somewhat counterintuitive to think about rural southern Manitoba having more—higher claims costs than Winnipeg, the issue with motorcycles is the severity. The issue in Winnipeg and with most crashes, is there's lots more crashes here because there's more traffic density and, you know, just more opportunity to run into somebody else. In the rural part of the province, most motorcyclists are putting on many, many highway miles. Most of the crashes are at high speed, on the highway, and when they're hurt, they're hurt really, really badly and that's driving up their costs.

So we have a very direct relationship between the claims costs and the rate that we're charging. It's vetted through the Public Utilities Board. The basis is, in terms of how the claims costs are allocated, that changed a few years ago at the PUB, through a whole special hearing of should we revisit and reconsider how we allocate claims costs, and we ended up doing something very similar to what's done in Québec. It took some costs out of the motorcycle pool that helped their rate sufficiency.

So we're doing things that are actuarially sound, that are not dissimilar to most parts of the country and it's regularly vetted through the PUB.

**Mr. Cullen:** You talked about having done comparisons. Would you be able to share that information with the committee?

**Ms. McLaren:** Sure, we can provide that off-line. Sure. We did that a few years ago. We can either share—quickly share what we did a couple—or three years back, or we can take a little bit more time and update it. Whatever you prefer.

**Mr. Cullen:** Yes, that would be great. Both options might be worth something we can look at. Because we do get, you know, several inquiries about that every year and if we have that, that ammunition in front of us, then we can pass on to the individual and then they can decide where they want to go with it from there. And I would appreciate that.

The other question I had is in regard to the Snopass. They'll be coming up for sale again here right away. Those passes will be mandatory so everyone that comes to register a snowmobile will have to purchase the Snopass?

\* (21:40)

**Ms. McLaren:** No. It's not going to be a mandatory program. It will be sold through the registration process, but just like anything, other than the very

limited mandatory snowmobile coverage, it is like an optional product; you can buy it or not buy it.

**Mrs. Taillieu:** I'm looking at page 32-33 of the annual report, and I just had a question. Because you do talk about 91.7 million being appropriated from extension's retained earnings and special risk extension retained earnings to the EDF project, which is the Extensions Development Fund, I believe, but both extensions and the SRE lost money last year. So if you are losing money in your competitive lines, then—you know, this is where you're saying you're going to be funding the new service centres and everything that's evolved because of the driver vehicle and licensing being transferred from the government to MPI—so is there a risk that in future that this money will not be there to fund this project?

**Ms. McLaren:** First of all, we did not transfer any money into the Extension Development Fund this year. We believe the 91 is as much as we will need, and the Extension Development Fund is really to fund the initiatives that were made possible through the merger that we've been talking about through most of the night. So that's what that's for. And we were talking about \$83 million before, but that—sort of the all-in number is 91 and we don't expect to put any more in there than 91.

We didn't put any more in there this year, and I can tell you that while the extension line lost a tiny bit of money this year, that was because of the consolidated effect of the improvement initiatives on the DVL line. We're reporting those DVL costs through that line as we talked about earlier. The extension business itself made \$27 million.

And with respect to SRE, if you look at page 34, you can see that it's been a very profitable business for the last—four out of the last five years. You can also see that the revenue is—has been down a little bit the last two years, and that's really just a reflection of changes in the trucking industry more than anything else. But you can see a very, very different claims cost number. The claims incurred number of \$40.5 million that we had last year was just something that occasionally happens when you have a relatively small book of business at \$48 million of potentially high-value claims. You know, these are trucks that run into the U.S. and others, so every once in a while you can just have a bad claims year and lose a little bit of money, and that's what happened with SRE.

We fully expect both of those lines to be making money in the future, and we actually reference that on page 39 of this report in the net income section, and that we say that SRE is expected to return a profit and extension is going to be profitable and contribute to the DVA costs. So we have no concern that these lines will continue to be anything but healthy and profitable over the long term. They're both in very good shape.

**Mrs. Taillieu:** Is there any intent by MPI to recover the full cost of the DVL merger? According to the Public Utilities Board, it's about \$83 million. I know that the government is committed to going from 21 to 28 million dollars annually, but that isn't going to cover the shortfalls that have been happening every year since 2005 and into the future. So is there any intent to recover the full cost?

**Ms. McLaren:** No, there's not, and for the reasons that we've talked about, in terms of the board made a decision, the corporation made a decision, to really, truly put some serious dollars towards improving these services for the benefit of Manitobans. It's not something the government asked us to do. We were not asked to accept these DVL responsibilities and run it on a shoestring. We were not asked to just continue to do exactly what we've done for many years before. The corporation decided it had an opportunity to make things better. We had the funds to do it. We believe that's a legitimate use of the funds since the same people who bought the policies that drove the profit on extension are the same people who have to get in line and renew their driver licence and send their kids for tests and all the other things that we do. And we believe it was money that was very, very well spent, and the evidence we have is that Manitobans agree.

**Mrs. Taillieu:** Well, not all Manitobans agree because there have been questions, obviously, and, through the Public Utilities Board, through the members of the public, what people are wondering about—there are questions. And when you talk about the possibilities that are—and the opportunities for these service centres, but really you had no choice because you couldn't operate this operation that was given to you to do in the centres that you had. You didn't have a choice. You had to expand somehow and you had to spend more money, and you made the decision to do that, but you had to do something. You couldn't operate—you have to—you could not operate in the claims centres that you had and provide the services that were now required of you to provide.



So it cost you more money. You were looking to recover that money through your extensions line, which you say you've done. In my view, this is something that should have been recovered through the government because it's something that they would have to have paid for through people's taxes. They're still collecting those taxes, not providing that service. Now you're providing that service and people are still paying. So, ultimately, if you had taken the profits that were available and put them back to the public for them to decide what to do with their own money, it might have been a better—it might have been something that the people of Manitoba would have liked to have seen, rather than make the decision to fully fund something that really should be—belong to a government-funded operation.

So it's difficult to say that all Manitobans support it because I don't think that all Manitobans are really quite knowledgeable of exactly what is going on here, and I think that though full disclosure to the Public Utilities Board that might assure people that things are fully disclosed and transparent. As it is right now, it's not really fully disclosed and transparent.

I just have a couple more questions and I know we're getting close to 10 o'clock. I'm just wondering about the fleet vehicles. There's a number of fleet vehicles owned by the corporation and a number of them are assigned as take-home cars and most of them aren't. So what happens? Do people drive their own cars to work and then drive another car at work if they have to go somewhere, and then park that car at MPI and drive their own vehicle home? Is that what happens?

**Ms. McLaren:** Sometimes, sure. For—let's talk about injury case managers. They get to work however they choose to get to work. Some will bike or bus or walk or drive or, you know, however they choose, but an important part of their job is to visit injured Manitobans in their home, if that's what works for the injured Manitobans, sometimes in hospitals. They are sometimes meeting with, you know, with rehab workers and people who are putting together a rehab plan for people so they tend to be out of the office a fair bit. It is much more cost effective for the corporation to have a properly scaled fleet of vehicles that staff like that can sign in and out when they need to and, at the end of the day, they go home however they choose to go home. It makes way more sense for us to do that from a cost perspective than if we were paying them a per kilometre usage to use their own car for business.

\* (21:50)

**Mrs. Taillieu:** Could you then provide, not at this time, I realize, but could you provide the total cost for the cost of your vehicles, the insurance, the maintenance, the operation, which means gas and maintenance? What is that total that you expend yearly for that and aside from that, I'm just wondering if all of these vehicles are not driven too and from work, what do you with, where are they stored?

**Ms. McLaren:** At our service centres is where they'd be stored and there are some people, a small number of people, at MPI who do have take-home privileges and for those people, that's a taxable benefit that's calculated, you know, according to the, you know, the tax laws of the country. But you know, at most service centres you'll see they often will park them in the garage overnight or they'll park them in the parking lots of the service centres. In Cityplace we have spots in the parkade in Cityplace where we park vehicles. I think that pretty much covers it.

**Mr. Cullen:** You mentioned the driver testing and there was some considerable changes in rural Manitoba in terms of driver testing and the availability of driver testing, and I'm just wondering if you could explain to me how those decisions were made and really the rationalization for those changes.

**Ms. McLaren:** Sure, and there's really kind of two categories where we've made some changes and one is with the regular class 5 private passenger vehicle testing and the other is with the commercial testing, you know, the school buses, public transport buses, and transport trucks. So in terms of the private passenger vehicle testing, what we've done is just done a better job of managing, allocating our resources, managing our resources to make sure that we can really increase the access to those tests.

I can tell you, in the West-Man region, we have over 400 more driver testing road test slots available this year as we did last year. I can tell you that the service levels available in communities are better than they were at this time last year. They're not great everywhere but the purpose for making those changes was to better use the staff that we have, to not have to significantly increase the staff, and we were really working towards providing, you know, within a catchment area where one person, if they didn't—if they were not satisfied with the time that they would have to wait, to wait for the tester to come to their community, we have mobile testers coming to 70 communities in this province outside of

our own service centre communities. So, and if somebody wasn't happy with the timeliness of that service within 30 or 50 kilometres, they could go to another local town and have service in a much faster period of time.

We believe it's working. We believe there is more access. We believe that in some small number of communities there are large wait times right now. This time of year there always is. What we find is people tend to make a decision they're going to get their licence before the snow flies and then they procrastinate and then September comes and they all start phoning and it takes—we end up with a bit of a backlog but the rationale was really to improve the service and use our resources better and we believe it's worked.

On the commercial side of things, in some fashion, in some part, it was related to the same issue in terms of trying to make effective use of our resources, but for the most part, the decision we made on the commercial side of things is to only allow commercial tests in the larger centres where we do have service centres where they actually have traffic lights and yield lanes and merging and a testing environment that is more likely to replicate the environments that they are fully authorized to drive in from the minute they get those licences. So we believe it was an important safety improvement that we had to make.

Personally, I was incredibly uncomfortable when I learned that we were providing, you know, class 1, long-haul trucker licences to people who were tested in tiny, little communities with barely a stop sign, never mind traffic lights, and I think that has served us well and that was the rationale for that change too.

**Mr. Cullen:** On your SRE, and I'm thinking of this from the broker's perspective, the brokers are selling your products through their, through brokerages, but the brokers have to bill your product out of their office to the client. So the clients then will have to pay their broker, so the—you know, it's a direct bill from the broker to the client and, obviously, people like to pay with credit cards and those sort of things and that comes at a cost to the broker as well.

Is there any thought about changing how the billing is done with SRE? Will you be looking at providing the same sort of options as you do with, you know, the basic coverage?

**Ms. McLaren:** We've had conversations about that with the brokers association, and I can tell you that

for the most—but this is just really one outcome of the fact that brokers have a very different relationship with their SRE customers than with Autopac customers. They believe that they really truly own that business and it's not possible for someone to really just decide to go renew their SRE at another broker next year without actually moving that business.

So how the premiums are paid is really just an outcome of the fact that it's a real different model of obtaining that business and who really believe they own that business. As you know, on the Autopac side you can go to a different broker all the time. We pay the broker commissions immediately. It's a straight pass through to us. From the broker they have no financial risk. If somebody renews tomorrow and cancels next week, we don't clawback the commission from brokers. It's a completely different system because it is a universally available mandatory system.

If we had a consensus from brokers that they wanted to change that model on SRE we'd absolutely work with them. We'd have no concern about doing that at all. But there are different perspectives on that within the broker community and they do feel a lot of ownership of that SRE business.

**Mr. Cullen:** One point I want to make, and it has to do with the financial statements and it's in regard to the vehicle registration fees. And from 2009 to 2010 the vehicle registration fees collected by MPI increased by over \$9 million; so it went from 118 to 127 million dollars. Could you explain the difference in that?

**Ms. McLaren:** Only at a very rudimentary level. Because that is a straight pass through to government we have no responsibility or control over the actual registration fees themselves. I think there may have been some increases to registration fees in '09, but I'm really just speaking from memory as best I can. But that is a simple pass through from us to government. So I think that's as much as I can say that would be, you know, part of that would be related to the fact that every year there are more vehicles, more commercial units as well as private passenger vehicles, but there may have been a registration fee increase in there as well. I'm just not sure.

**Mr. Cullen:** I would expect it has to do more with an increase in the registration fees than a major percentage increase in vehicles. That's my take, and to me that is strictly—as she's pointed out, it's a rate

that's set by the provincial government, and the PUB has no say in terms of what that particular rate is.

**Ms. McLaren:** That's true.

**Mr. Martindale:** I know that at the beginning the committee agreed that those who had questions would ask them on a global basis and so that's what we've done. Notwithstanding that, I'm wondering if there's a willingness in the committee to pass the annual report 2006.

\* (22:00)

**Mr. Faurchou:** Just to add to the discussion at this point in time, as I mentioned earlier, it's almost 18 months since we last had opportunity to discuss MPI annual reports. I think it would be prudent that we agree at committee that we are not going to wait that length of time again, and I think that would bear upon consideration of passage of some of the reports tonight.

I think it would be most prudent of the committee to have a commitment by the minister to reconvene this committee within the confines of the next session so that we can further deal to—we'll—although it is up to the House Leader. We all recognize that, but on the basis of recommendation by the minister to the House Leader that we have another committee.

**Madam Chairperson:** Are there any further questions based on the report—on the reports in front of the committee?

Seeing no questions, shall the annual report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2007, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No. Just—a question.

**Madam Chairperson:** Mrs. Taillieu.

**Mrs. Taillieu:** Before we pass any reports, I think what the member from Portage has said is quite clear in that we'd like to have some assurances that we would not be waiting another 18 months to have another committee called. I mean we've been sitting for four hours because there's been a lot of questions, and I even have more questions. We could sit longer because I really do have a lot of questions because it's a long time since committee's been called. And I think he made a valid point, that we should be able to be assured that we'll have another committee of MPI called before the end of June of next year and I'm

wondering if the minister would be willing to commit to that?

**Madam Chairperson:** That is a decision that is determined by the House leaders and is outside of the purviews here.

Such a decision is, again, based on decisions with the—of the House leaders, discussions between the House leaders.

**Mrs. Taillieu:** I think what we're looking for is some willingness on the part of the minister to discuss this with the House leaders and recommend that House leaders do have committee called. Would he be willing to do that?

**Mr. Swan:** You know, for as long as I've been here, and I think as long as even our 20-year anniversary MLAs have been here, and beyond that, the House leaders have dealt with those matters. So we're not going to change that tonight. I'm looking forward to getting onto passing a couple of the reports which have been outstanding for—some of them for four years. And I would also note that the last meeting of this committee was in June of last year.

**Mr. Cliff Graydon (Emerson):** Madam Chair, I beg to differ with the minister. We did do this. We did it at committee here with Mr. Chomiak when he was in—he was the minister in your position. We made a gentlemen's agreement here and he honoured it. I don't think that's unreasonable to expect the current minister to be a gentleman and make an agreement as well.

**Madam Chairperson:** For the record, Mr. Chomiak was also a House leader at that time.

**An Honourable Member:** Oh, so he makes it by himself.

**Madam Chairperson:** No, but I'm just putting that on the record for—

**An Honourable Member:** And for the record I wasn't.

**Madam Chairperson:** Annual report of the Manitoba Public Insurance Corporation for the fiscal year ending February 2000–February 28th, 2007—pass.

Shall the annual report of the Manitoba Public Insurance Corporation for the fiscal year ending February 29th, 2008, pass?

**Some Honourable Members:** Pass.

**An Honourable Member:** No.

**Madam Chairperson:** The report is not passed.

Shall the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2009, pass?

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Madam Chairperson:** The report is not passed.

Shall the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending February 28th, 2010, pass?

**Some Honourable Members:** Pass.

**Some Honourable Members:** No.

**Madam Chairperson:** The report is not passed.

The hour being 10:06, what is the will of the committee?

**Some Honourable Members:** Committee rise.

**Madam Chairperson:** Committee rise.

**COMMITTEE ROSE AT: 10:06 p.m.**

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